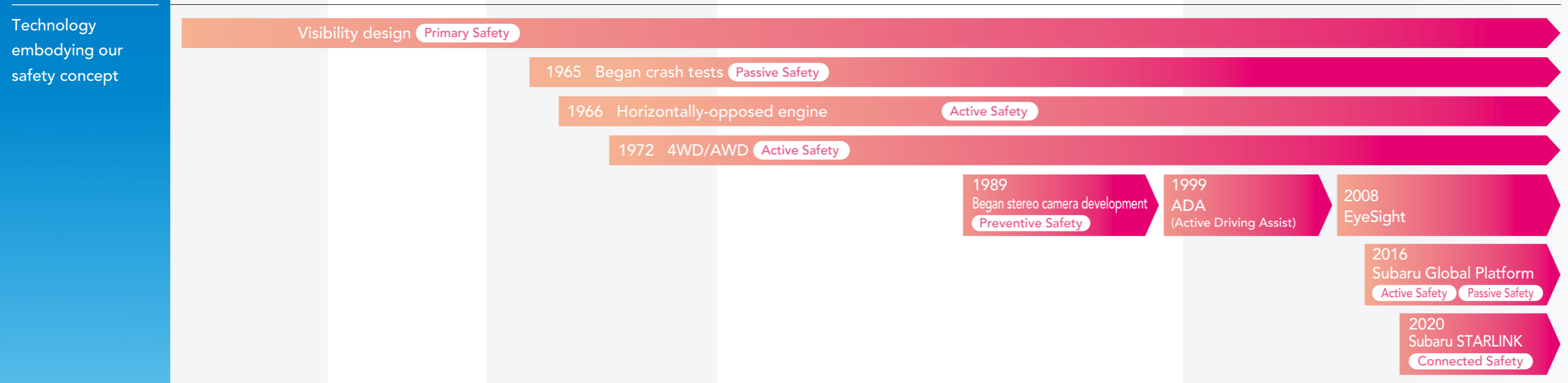
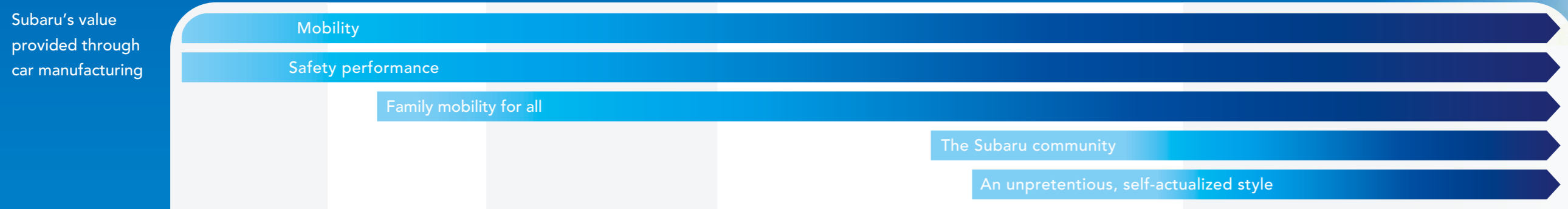
















# Subaru's History of Value Creation

We have always been ahead of the curve in using products exemplifying the Subaru Difference to respond to customer needs based in the context of the times. This has created strong ties with our customers. In particular, we believe that the driver's universal value of safety is an unshakable strength felt by our customers in our continuous refinement of all kinds of technologies.

Period	To 1950	1950s	1960s and 1970s	1980s	and 1990s	Since 2000
Customer needs based in historical context		<ul style="list-style-type: none"> <li>• Postwar reconstruction</li> <li>• National Car Concept</li> </ul>	<ul style="list-style-type: none"> <li>• Rapid economic growth</li> <li>• Motorization</li> </ul>	<ul style="list-style-type: none"> <li>• Leisure (skiing) boom</li> </ul>	<ul style="list-style-type: none"> <li>• Motorsports boom</li> </ul>	<ul style="list-style-type: none"> <li>• The 2008 'Lehman shock' economic downturn</li> <li>• Increasing safety awareness</li> <li>• Increasing environmental awareness</li> </ul>
Subaru's value provided through car manufacturing		<ul style="list-style-type: none"> <li>• Desiring mobility</li> <li>• Desiring an affordable car</li> </ul>	<ul style="list-style-type: none"> <li>• Desiring a car ride without worrying about the weather</li> <li>• Desiring family fun with a personal vehicle</li> </ul>	<ul style="list-style-type: none"> <li>• Desiring leisure time with friends</li> </ul>	<ul style="list-style-type: none"> <li>• Desiring to bond with cars</li> <li>• Desiring to manifest unique personality</li> </ul>	<ul style="list-style-type: none"> <li>• Desiring car safety at all times</li> <li>• Desiring to do more for society and the environment</li> </ul>



**Products**

<p>Pre-Subaru Aircraft</p> 	<p>1958 Subaru 360</p> 	<p>1966 Subaru 1000</p>  <p>1972 Leone 4WD Estate Van</p> 	<p>1989 Legacy</p>  <p>1988 Established Subaru Tecnica International Inc.</p> 	<p>1992 Impreza</p>  <p>1995 Grand Wagon</p>  <p>1997 Forester</p>  <p>1997 Three-time World Rally Championship (WRC) winner</p> 	<p>2012 SUBARU XV</p>  <p>2012 SUBARU BRZ</p>  <p>2014 Levorg</p>  <p>From 2008 Participated in the Nürburgring 24-hour race</p> 
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Note: The information above is mainly about the Japanese market.



## At a Glance

## Basic Corporate Data

<b>Founded</b> Chikuhei Nakajima establishes Aircraft Research Laboratory <b>1917</b>	<b>Business Segments</b> <b>2 Segments</b> (Automotive and Aerospace)	<b>Consolidated Performance**</b> Unit sales <b>860 thousand units</b> <hr/> Revenue <b>2,830.2 billion yen</b> <hr/> Operating Profit <b>102.5 billion yen</b>
<b>Established</b> Establishment of Fuji Heavy Industries Ltd. <b>1953</b>	<b>Production Sites</b> <b>Automotive 2 operating locations</b> (Gunma (Japan), Indiana (U.S.)) <b>Aerospace 2 operating locations</b> (Tochigi, Aichi (Japan))	<b>Number of Employees (consolidated)**</b> <b>36,070</b>
<b>Company Name Change</b> Birth of Subaru Corporation <b>2017</b>	<b>Affiliated Companies**</b> <b>95</b>	<b>Industry Share**</b> Automotive Industry Share <b>Approx. 1%</b>
<b>Capital Stock**</b> <b>153.8 billion yen</b>	<b>Automobile Sales Network**</b> <b>442 locations in Japan</b> Plus locations in more than <b>90 countries and regions</b>	

\*1 Figures for FYE March 2021

\*2 As of April 1, 2021

\*3 For 2020 (calendar year)

\*4 Based on sales data from 2018 to 2020 (calendar years). Excludes OEM vehicles from other companies.

## Our Target Direction

<b>Solid Financial Base</b> Ratio of equity attributable to owners of parent <b>52.1%</b>	<b>Issuer Rating</b> <b>A-</b> (Rating and Investment Information, Inc.) As of October 8, 2020	<b>Industry-leading Profit Margin</b> Operating margin** <b>3.6%</b>
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## The Subaru Group's Unique Business Model

Automotive Segment		
Selection and Concentration		
<b>Important Market**</b> U.S. Market Share <b>4.2%</b>	<b>Models on Market</b> <b>10 Models</b> (Excluding OEM vehicles)	<b>Automobile Category**</b> SUV sales ratio Approx. <b>80%</b> Retail sales
Differentiation		
<b>Production and development of up to</b> <b>9 models from</b> <b>1 platform</b>	<b>98% AWD vehicles**</b> Cumulative production: <b>20 million units</b>	
Added Value		
<b>All-Around Safety</b> Primary Safety Active Safety Preventive Safety Passive Safety Connected Safety	<b>Core Technologies</b> Subaru Global Platform Symmetrical AWD Horizontally-Opposed Engine EyeSight Driver Assist System	

\* See Subaru's All-Around Safety on P. 42 for details.

\* See Subaru's Core Technologies on P. 43 for details.

## Market Evaluation of Subaru

<b>2020-2021 Car of the Year Japan Recipient</b> <b>Levorg</b>	<b>JNCAP Maximum Five Star Vehicle Safety Performance 2020 Award Recipient</b> <b>Levorg</b>
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## Toward Realizing a Sustainable Society

Achieve a goal of zero fatal traffic accidents\*<sup>5</sup> by 2030

Make at least 40% of Subaru global sales electric vehicles (EVs) or hybrid electric vehicles (HEVs) by 2030

Apply electrification technologies to all Subaru vehicles\*<sup>6</sup> produced and sold worldwide by the first half of the 2030s

On a well-to-wheel\*<sup>7</sup> basis, we will pursue our goal of reducing the average CO<sub>2</sub> emissions from new passenger cars by at least 90%\*<sup>8</sup> by 2050, compared with 2010

Reduce direct emissions of CO<sub>2</sub> by 30% from FYE March 2017 levels by FYE March 2031 (aggregate amount basis)

Target carbon neutrality by FYE March 2051\*<sup>9</sup>

\*5 Zero fatal road accidents among occupants of Subaru vehicles and people who collided with Subaru vehicles including pedestrians and cyclists.

\*6 Excluding models supplied by OEMs.

\*7 Well-to-Wheel: Approach to calculating CO<sub>2</sub> emissions including the emissions produced by the generation of electricity to be used by EVs and other vehicles.\*8 Reduce total CO<sub>2</sub> emissions calculated based on the fuel efficiency (notified value) of all Subaru automobiles sold across the world by 90% or more relative to the 2010 levels in 2050. Changes in the sales quantity due to changes in the market environment shall be taken into consideration, while minor changes in running distance shall not.\*9 Direct CO<sub>2</sub> emissions from Subaru Group plants and offices (Scopes 1 and 2).

## Message from the CEO



### Profile

Joined Subaru in 1982. After working in Japan Sales & Marketing Division, Global Marketing Division, and other units, he served as Vice President, Senior General Manager of Strategy Development Division, and Chief General Manager of Corporate Planning Division from 2011; Senior Vice President, Chief General Manager of Overseas Sales & Marketing Division 1, and Chairman and CEO of Subaru of America, Inc (SOA) from 2014; as well as Executive Vice President, Chief General Manager of Overseas Sales & Marketing Division 1, and Chairman and CEO of SOA from 2016. He has served as Representative Director of the Board, President and CEO since June 2018.

We will further evolve the Subaru Difference toward the achievement of an enjoyable and sustainable society and the sustainable growth of the Subaru Group.

Tomomi Nakamura

Representative Director of the Board, President and CEO

### A Three-Year Review

We have made steady progress in the priority initiatives of corporate culture reforms, quality enhancement, and the launch of the “Make-a-Subaru” initiative.

When I first assumed the position of President in 2018, my first tasks were to handle quality issues such as final vehicle inspections and major recalls. The mid-term management vision “STEP” (FYE March 2019 to FYE March 2026) we decided to formulate then came at a time when I was strongly aware of the issue that we lacked qualitative growth in our work practices, organization, and, including in our human resources despite the rapid quantitative growth over the preceding 10 years—in sales and in vehicles sold. Considering the rectification of this imbalance to be an urgent task, we then set corporate culture reforms, quality enhancement, and the launch of “Make-a-Subaru” as our priority reform initiatives, and have been putting firm efforts into these since.

After the announcement of “STEP,” I visited each plant and office and held dialogues with the employees there. What stayed with me from those dialogues is that everyone was listening to me with serious intent with eyes wide open and penetrating stares. After that, we launched steady efforts toward our various reforms under the slogan of “change mindset, change behavior, change the company.” For corporate culture reform, we broke free from top-down management and dogged adherence to precedent, and improved compliance mindsets. For quality enhancement, we pursued the thorough implementation of a “Quality-First” mindset and reinforcement of organizational efforts and structure, as well as “Execution Quality” enhancement and “Innate Quality” enhancement. In addition, we evolved the “Make-a-Subaru” initiative, reforming development processes for improving quality from upstream development stages, thereby evolving the Subaru Difference. Looking back over the past three years, I feel that employee mindsets have changed and that we have been making steady progress.

Then, in May 2021, three years after the announcement of the mid-term management vision “STEP” we presented a summary of our progress and reported on our future initiatives. While there are no major changes to our basic policy, we believe that it is necessary to further accelerate reforms in order for the Subaru Group to grow sustainably amid so-called “the greatest change of the century” in the external environment.

For corporate culture reforms, we don’t just want to have an open culture; we also actively invest in our future leadership talent so that each employee can experience growth and a sense of reward in their work, building an environment where people who reach a little higher will grow and succeed.

Our quality enhancement initiatives, which we’ve positioned as our top priority in “STEP,” are a critical foundation underpinning the Subaru brand. From hereon, we will continue our steady move forward motion so that we can show concrete results from our quality enhancement, including adapting to new technologies. This reformed quality serves as added value we can deliver to our customers.

For evolving the Subaru Difference, we will further evolve the technology that supports Enjoyment and Peace of Mind, contributing to zero fatal traffic accidents<sup>3</sup> and a carbon-free society, and we will strengthen the Subaru Difference even in the era of electrification.

In addition, under the mid-term management vision “STEP,” I believe that our CSR initiatives focused on the Six Priority Areas for CSR<sup>1</sup> have seen the most advancement in these past three years, in concert with our efforts to strengthen our organizational structure. In the U.S., where

I was assigned just before I became President, despite the cultural differences, the country enjoys deeply rooted diversity and volunteerism, and my ability to the fact that I was able to experience these has served me well here today.

Of the Six Priority Areas for CSR, we are particularly focusing on the areas of People-oriented Car Culture, Resonance and Coexistence, and Peace of Mind, each of which is an area where we can leverage Subaru's unique strengths and where society faces issues that we can help resolve through our business activities. In FYE March 2021, we have made steady progress in these areas such as by clarifying links with the SDGs that each of the Six Priority Areas for CSR contributes to. We will continue to improve the Subaru Difference as we continue to grow together with society.

\*1 The six areas of People-oriented Car Culture, Resonance and Coexistence, Peace of Mind, Diversity, Environment, Compliance.

### Subaru's Core Competencies

## We will enhance brand value with a distinctly different presence for our customers.

Our mid-term management vision "STEP" includes a vision for 2025; to "Become a brand that is 'different' from others by enhancing distinctiveness." This "difference," or "distinctiveness," means that Subaru has an appeal distinct from other companies, and that is what we in fact hear from our customers and dealerships.

If you consider the very root of Subaru's strengths, it comes down to one word: "safety." This is the DNA we have inherited from our history in aircraft manufacturing. Since aircraft carry the danger of crashes even from slight malfunctions, we have been rigorous in the pursuit of safety. We have been dogged in our vehicle crash tests even since before the days of passive safety standards, and today we live and breathe the concept of "further enhancing driving performance brings greater safety."

Unfortunately, there are as many as 3,000 fatal accidents each year in Japan. However, the number of those involving EyeSight-equipped Subarus has been declining every year. In Japan, the number of traffic fatalities which involved Subarus of the latest 5 model years (excluding mini vehicles) was three<sup>2</sup> in 2019.

In the future, we plan to accelerate the fusion of sensing technology and AI, improving safety in all situations. With this steady evolution, we have set an ambitious goal of zero fatal traffic accidents caused by Subaru vehicles in 2030<sup>3</sup>, and we are working sincerely toward this goal.

In this way, the safety, longevity, and capability that Subaru has pursued and evolved have firmly reached the hearts of our customers as "Enjoyment and Peace of Mind." I've often been told about our customer's experiences and lives: "my Subaru offers more peace of mind when driving around with friends and the people I love and care about" in terms of safety, and "I have built a lot of treasured memories with my Subaru because of how many years it has lasted and how close I've become to my Subaru." Even in social media posts, in the priority market of the U.S., we see a lot of posts featuring images and videos of Subaru vehicles with family members, friends, and pets in front of gorgeous backdrops.

There is also data showing that Subaru customers in the U.S. generally maintain high awareness toward society and the environment. Generally, eco-friendly cars are judged on aspects like fuel efficiency, exhaust gas, and vehicle size. But, beyond these attributes Subaru

customers are particular in that they judge vehicles on other aspects, saying our Subaru offers "utility," meaning they can do anything with just one car; "safety," meaning they have fewer accidents and don't create problems for society; and "reliability," meaning they are useful over long periods of time and do not lead to wasted resources.

In this way, through the value statement Enjoyment and Peace of Mind, we thoroughly pursue product values embodying the Subaru Difference, such as safety and longevity. Also, by enhancing the lifestyle, experience, and emotional connection that Subaru offers, we would like to further strengthen and constantly deepen our relationships with the customers feeling these sensations.



\*2 Calculated by Subaru based on ITARDA data. Among Subarus (excl. mini vehicles) newly registered as new cars in the preceding five years (incl. reference year).

\*3 Zero fatal road accidents among occupants of Subaru vehicles and people who collided with Subaru vehicles including pedestrians and cyclists.

### Toward Future Growth

## Even amid accelerating CASE<sup>4</sup> trends, we will bring the Subaru Difference to even greater prominence.

The automobile industry is said to be in a once-in-a-century period of revolutionary change. While we believe it is important to address CASE, such as through environmental consideration-driven evolution in automobile electrification technology, I feel that the direction we should aim for going forward is bringing the Subaru Difference to greater prominence in the hearts of our customers.

Here, on a re-examination of the Subaru Difference, I feel that difference is our ability to brainstorm what our customers think is important and to create new value distinct from others that has a deep relationship with our customer's lives. Even in changing eras, our aim to achieve human-oriented car-making remains unchanged. Subaru has an approximately 1% global market share in the automobile industry, and is developing a business strategy centered on "selection and concentration" rather than the omnidirectional strategies of other automobile manufacturers. Amid advances in CASE, we would like to promote joint development and open innovation to create cars that show off our strengths, rather than developing all new technologies on our own.

Regarding electrification and other actions to address the environment, in January 2020 we announced a roadmap for achieving carbon neutrality by 2050. In this roadmap, we plan to increase the share of electric and hybrid vehicles (EVs and HEVs) to at least 40% of total sales by 2030, and to apply electric powertrain technology to all Subaru vehicles sold worldwide by the first half of the 2030s. Though electrification will continue to progress, the importance of safety performance will be unchanged. In fact, we believe that our all-wheel drive (AWD) control technology can fully bring out performance in motors with higher responsiveness and demonstrate driving stability and enjoyment on a higher level. Our first step in this direction is the SOLTERRA C-segment SUV, jointly developed with Toyota Motor Corporation, which will be

launched by the middle of 2022 in countries and regions including Japan, the U.S., Europe, and China. The joint development of the SOLTERRA represents an even stronger shared passion and belief for creating better cars between ourselves and Toyota Motor Corporation following a series of strong achievements in our partnership.

In addition, in order to respond to drastic changes and maintain market competitiveness in the future, we are reviewing our development system and evolving into an organizational structure that can flexibly adapt to future technologies. Going forward, we will continue to bring out the Subaru Difference by pursuing safety performance including accident avoidance and driver assistance, as well as AWD performance and handling stability that meet customer driving expectations.

\*4 CASE: Connected, Autonomous, Shared & Services, Electric

### Corporate Governance Supporting Growth

## We have strengthened our corporate governance and other ESG initiatives for sustainable growth.

We recognize that ESG initiatives, such as enhancing corporate governance and strengthening risk management, are important as a foundation to support value creation with the goals of achieving sustainable growth and increasing corporate value over the medium- to long-term.

So far, we have promoted stronger enforcement of our Group governance system and taken steady steps forward in complying with the Corporate Governance Code. As a result of these efforts, we have welcomed our first female independent outside director as of FYE March 2021, and are making appropriate management decisions and conducting appropriate supervision with sound advice from three independent outside directors.

In addition, since changes in top management and successor selection may have a critical influence on corporate value, we formulated the CEO Succession Plan in FYE March 2021, creating a system enabling execution of top management change to the right successor at the optimal timing. Furthermore, we have established two sets of criteria: "Abilities required of the Subaru Group's CEO" and "Five key qualities required of the Subaru Group's CEO." These criteria serve as a guide for evaluating candidates for CEO in light of quality, competency, experience, track record, specialized expertise, personality and other factors, all of which have been discussed and decided on by the Board of Directors and the Executive Nomination Meeting. In the past, more than half of the members of the Executive Nomination Meeting and Executive Compensation Meeting have been outside directors. However, in order to further enhance fairness, transparency, and objectivity, we changed to a system whereby, as of FYE March 2022, these organizations are chaired by a director without representative rights. Going forward, we will continue to devote ample time and resources to strengthening governance, taking into account changes in the business environment and the future direction of our Group strategy.

In addition, in order for Subaru to continue to create unique value, it is also important to respect the human rights and individuality of each employee and promote diversity. We are steadily working to build a workplace environment where Subaru employees, diverse in individuality and values, can fully apply their unique talents. In particular, we were able to achieve our target ahead of schedule for increasing the number of female managers in 2019, the fruits of our efforts in the priority area of empowering female employees. With this success,

Subaru is further strengthening its efforts in this area by setting a new target to increase the number of female managers to at least double the 2021 level by 2025. Regarding respect for human rights, we formulated the Human Rights Policy in April 2020, and in FYE March 2021 we carried out human rights due diligence in the areas of procurement and personnel.

For risk management, the Chief Risk Management Officer (CRMO) appointed by the Board of Directors chairs the Risk Management and Compliance Committee, leading our risk management efforts.

In FYE March 2021, in order to carry out more sound risk management, we drafted a Risk Map summarizing priority issues for addressing issues from a Group-wide perspective, in consideration of the size of losses that could occur when such risks materialize. In addition, we had each department formulate its own Risk Management Code of Conduct, pressing them forward in Group-wide optimized risk management. Despite unexpected situations like the worldwide spread of COVID-19 and shortages of semiconductors, we believe that our daily risk management precautions, such as for business continuity plans (BCPs), have been functioning well. Going forward, we will continue to promote strategic risk management as an important management priority.

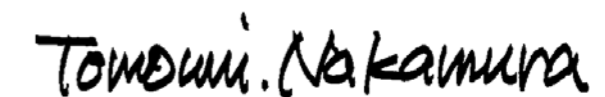
### Toward Our Vision

## Pursuing our Goal of "Delivering Happiness to All"

Through our "STEP" efforts, we've come to realize more clearly what we have to protect and keep developing further. While we have evolved the functional aspects of our vehicles, like safety and longevity, with "Enjoyment and Peace of Mind" as our value statement, we also believe that our customers are coming to recognize our emotional values in their hearts through the lifestyle, experience, and emotional connection that Subaru vehicles offer. This has led to the birth of a deep relationship between Subaru and our customers different from other brands, a relationship that has exceeded our expectations. This is something I recognize as truly our greatest asset, and something that we must strengthen further.

Our vision is "delivering happiness to all." Under our value statement "Enjoyment and Peace of Mind," we will continue our efforts to bring us closer to the lifestyles of our customers by having Subaru's functional value elevated to emotional value. Alongside our customers, we want to be a Subaru that delivers happiness to people, society, and even Earth by building an enjoyable, sustainable society.

We look forward to the continuing support of our stakeholders as we build the future of Subaru.



Tomomi Nakamura

Representative Director of the Board, President and CEO

# Value Creation Process

With its DNA as an aircraft manufacturer, SUBARU continues to practice human-oriented manufacturing, which places top priority on safety. By delivering Enjoyment and Peace of Mind, we seek to offer product value that embodies the Subaru difference, such as in safety and longevity. Our deep relationship with customers who appreciate that value is our greatest asset, as well as a competitive strength. To achieve our vision of becoming a company delivering happiness to all, every employee will be a growth driver as we further evolve Enjoyment and Peace of Mind to achieve both a sustainable society and our own sustainable growth.



Work style changes

Advancement of innovation in the auto industry

Climate change

Resource recycling

Social Issues

Traffic accidents

Respect for human rights