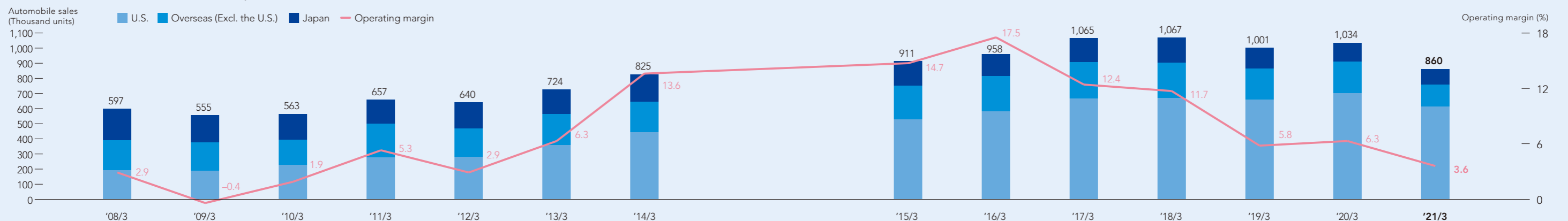


# Our Evolving Mid-term Management Vision

We aim to be a compelling company with a strong market presence built upon our customer-first principle. Under this corporate statement, we have worked to enhance the appeal of the Subaru brand by offering customers "Enjoyment and Peace of Mind." We will work to achieve our vision of "delivering happiness to all" by promoting our mid-term management vision "STEP."

<b>2007–2010</b> <b>Customer Satisfaction:</b> <b>Our Customers Are Everything</b> <small>At the time of announcement: Representative Director of the Board, President and CEO Ikuo Mori</small>	<b>2011–2013</b> <b>Motion-V</b> <small>At the time of announcement: Representative Director of the Board, President and CEO Yasuyuki Yoshinaga</small>	<b>2014–2017</b> <b>Prominence 2020</b> <small>At the time of announcement: Representative Director of the Board, President and CEO Yasuyuki Yoshinaga</small>	<b>2018–2025</b> <b>STEP</b> <small>Representative Director of the Board, President and CEO Tomomi Nakamura</small>
<p><b>Essential features</b></p> <p>With the philosophy of "customers come first" at its core, focusing on improving profitability and investing in growth areas with management resources</p> <p><b>Major challenges</b></p> <ol style="list-style-type: none"> <li>To provide a distinctive Subaru experience for drivers and passengers</li> <li>To increase sales globally (Most important market: U.S.)</li> <li>To strengthen competitiveness in quality and cost</li> <li>To also grow through the business alliance with Toyota</li> <li>To grow the level of employee competence and so enhance the organization</li> </ol> <p><b>Achievements</b></p> <ul style="list-style-type: none"> <li>Sharing the mindset of "customers come first" within the Group</li> <li>Globalization of products</li> <li>World's leading safety performance</li> <li>Expanding sales in U.S. (the most important market)</li> <li>Reform of profit structure by reducing costs</li> </ul> <p><b>Issues</b></p> <ul style="list-style-type: none"> <li>Lowering sensitivity to foreign currency fluctuations</li> <li>Increasing sale in emerging countries including China</li> <li>Developing environmental technology and products</li> <li>Autonomy of three internal companies*</li> <li>Flexibility to adapt to changes of business environment</li> </ul> <p><small>* Aerospace Company, Industrial Products Company, Eco Technologies Company</small></p>	<p><b>Management philosophy</b></p> <p>Aiming to be a compelling company with a strong market presence built upon its customer-first principle</p> <p><b>Five themes</b></p> <ol style="list-style-type: none"> <li>Guiding principle for all activities "Confidence in Motion" &lt;Promote the brand strategy&gt; "Provide value to customers and Enjoyment and Peace of Mind"</li> <li>With the basic philosophy of "customers come first," "Provide distinctive Subaru experience"</li> <li>Strengthen sales force and the availability of automotive supply, "Accelerate sales expansion"</li> <li>Overhaul of cost structure and promote alliance with Toyota, "Solidify operational foundation"</li> <li>Back up concrete approaches for business, "Improvement in Management"</li> </ol> <p><b>Achievements</b></p> <ul style="list-style-type: none"> <li>XUV/SUV strategy succeeded</li> <li>Boosted sales through U.S.-oriented product development</li> <li>Highly rated collision safety and EyeSight</li> <li>Cost reduction activities paid off</li> <li>Achieved low-incentive sales</li> <li>Achieved highly efficient production</li> </ul> <p><b>Issues</b></p> <ul style="list-style-type: none"> <li>Compliance with future environmental regulations</li> <li>Production capacity shortages</li> <li>Responding to the needs of new customers</li> <li>Sensitivity to currency fluctuations</li> </ul> <p><small>* The Motion-V mid-term management plan, originally intended to run from 2011 to 2015, was completed ahead of schedule in FYE March 2014. Prominence 2020, the new mid-term management vision, was launched in FYE March 2015.</small></p>	<p><b>Management philosophy</b></p> <p>Aiming to be a compelling company with a strong market presence built upon its customer-first principle</p> <p><b>Reason for formulation</b></p> <p>Pursue the goal of sustainable growth and development by boosting competitiveness and building a solid business platform at a new stage</p> <p><b>Vision for 2020</b></p> <p>Corporate vision Not big in size, but a high-quality company with distinctive strengths</p> <p>Specific goals</p> <ul style="list-style-type: none"> <li>No.1 for customer trust</li> <li>Strong brand</li> <li>Among the most profitable companies in the industry</li> <li>Vehicle sales of 1.1 million-plus units</li> </ul> <p><b>Direction for mid-term management vision</b></p> <p>Pursue added-value business → Enhancing the Subaru brand</p> <p>Increase tolerance to changes in the business environment → Building a strong business structure</p> <p><b>Achievement</b></p> <ul style="list-style-type: none"> <li>Among the most profitable companies in the industry</li> </ul> <p><b>Issues</b></p> <ul style="list-style-type: none"> <li>Strong brand</li> <li>Vehicle sales of 1.2 million-plus units</li> <li>No. 1 for customer trust</li> </ul>	<p><b>Corporate statement</b></p> <p>We aim to be a compelling company with a strong market presence built upon our customer-first principle</p> <p><b>STEP</b></p> <p>Speed Trust Engagement Peace of mind &amp; enjoyment</p> <p>Restoring trust by speedily advancing initiatives and by engaging and providing "Enjoyment and Peace of Mind" to customers</p> <p><b>Vision</b></p> <p>Delivering happiness to all</p> <p><b>Vision for 2025</b></p> <ol style="list-style-type: none"> <li>Become a brand that is "different" from others by enhancing distinctiveness.</li> <li>Engage in business activities that resonate with customers by putting them center-stage</li> <li>Fulfill corporate social responsibilities by contributing to diversifying social needs.</li> </ol> <p><b>Major challenges</b></p> <ul style="list-style-type: none"> <li>Corporate culture reforms</li> <li>Quality enhancement</li> <li>Evolution of the Subaru difference Revamp "Subaru-making" and respond to changes in the business environment</li> </ul> <p><small>* A progress report on "STEP" was made in May 2021, and content was partially updated.</small></p>

## Consolidated Automobile Unit Sales and Operating Margin



# Mid-term Management Vision "STEP": Overview

## Creating the Mid-Term Management Vision

In July of 2018, we formulated our mid-term management vision "STEP," with the goal of building trust and resonating with customers by providing "Enjoyment and Peace of Mind." Then, in May 2021, we reported on our progress so far.

<b>Background</b>	<ul style="list-style-type: none"> <li>Changes in the external environment</li> <li>Once-in-a-century changes in a mobility society</li> </ul>	<ul style="list-style-type: none"> <li>Strains from the company's rapid growth</li> <li>Lacking fundamental corporate strength</li> </ul>
<b>Intentions in developing the mid-term management vision</b>	<ul style="list-style-type: none"> <li>Restore trust by cultivating fundamental corporate strength as soon as possible.</li> <li>Stay true to the brand principle of providing "Enjoyment and Peace of Mind" to our customers.</li> <li>Make Subaru more than just a company that is trusted by, and resonates with, our customers.</li> </ul>	

## Concept and Timeline



"STEP" is an acronym formed from the initial letters of Speed, Trust, Engagement, and Peace of Mind and Enjoyment, which are four important elements of the vision. The letter "T" is emphasized in the logo as Subaru considers trust to be the most important element of all. The name also expresses the Company's determination to take "steady, strong steps" before a future jump over social changes.

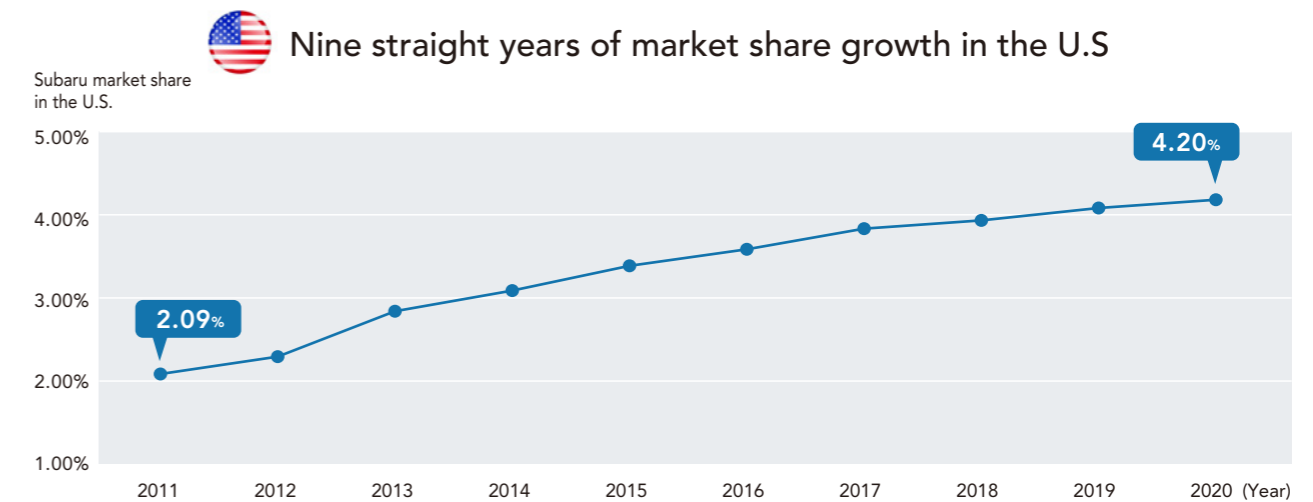
## Vision for 2025

- 1 Become a brand that is "different" from others by enhancing distinctiveness.
- 2 Engage in business activities that resonate with customers by putting them center-stage.
- 3 Fulfill corporate social responsibilities by contributing to diversifying social needs.

0	"Change the Culture" Corporate culture reforms	Accelerate efforts to become "a company that does the right thing in the right way." Continuous efforts aimed at corporate culture reforms.		
		Mono-zukuri (Car-making)	Sales and service	New mobility domain
1	Enhance corporate quality	Quality reforms	Enhance quality at customer contact points	Alliance enhancement
2	Build a strong brand	More enjoyment, more peace of mind	From "A car you can love" to "A car, a brand, and people you can love"	Generate new value through connected car technologies
3	Sustainable growth based on focus strategy	Launch "Make-a-Subaru" initiative	Target 5% share in the U.S. Steady growth in each region	Initiatives to create new technologies and businesses

## Market Strategy

In 2020, our sales in each market declined due to the impact of the spread of COVID-19, but in the U.S., our key market, Subaru's market share reached a new record of 4.2%. We are making steady progress toward the "STEP" target of 5% market share in the U.S.



## Profit Direction and Capital Policy

- We aim to maintain and expand our market share by advancing our added-value business model. We will pursue a 5% market share in our key U.S. market.
- We aim for an industry-leading operating margin (8%).
- Capital expenditures and R&D expenditures will be steadily executed for initiatives aimed at enhancing the Subaru difference:
  - Next 3 years** Capital expenditures: 3.5%–4% of sales revenue (3.5%)\*
  - R&D expenditures: 120 billion yen level/year (107.7 billion yen/year)\*
  - \* Figures in parentheses show the average of results for FYE March 2019–FYE March 2021
- We aim for a ROE of at least 10% while ensuring net cash of two months' worth of revenue levels and a capital equity ratio of 50%.
- Our stance on shareholder returns remains unchanged.
  - Positioning dividends as the main form of return to shareholders with emphasis on stable, continuous returns. Based on the performance-linked approach, dividend payments will be determined considering the business performance of each fiscal year, investment plans, and the business environment. (Consolidated payout ratio: 30%–50%)
  - Conducting share repurchases flexibly in line with our cash flow.

### Capital Policy

ROE	At least 10% (target)	
Capital equity ratio	50% (minimum)	
Net cash	Two months' worth of revenue levels (minimum)	
Shareholder returns	Consolidated payout ratio	30%–50%
	Share repurchases	Conduct flexibly

# Mid-term Management Vision "STEP": Six Priority Areas for CSR

In mid-term management vision "STEP," which was developed in 2018, we at Subaru envision becoming a company "delivering happiness to all" To achieve this vision, we have adopted the "Six Priority Areas for CSR" and will promote initiatives based on the Subaru Global Sustainability Policy and to fulfill our corporate social responsibilities, thereby providing "Enjoyment and Peace of Mind" to our customers and other stakeholders. The Subaru Group aspires to be a truly global company with sustainable growth driven by each and every one of its employees, and to contribute to the realization of an enjoyable, sustainable society.

## Subaru Group's Six Priority Areas for CSR

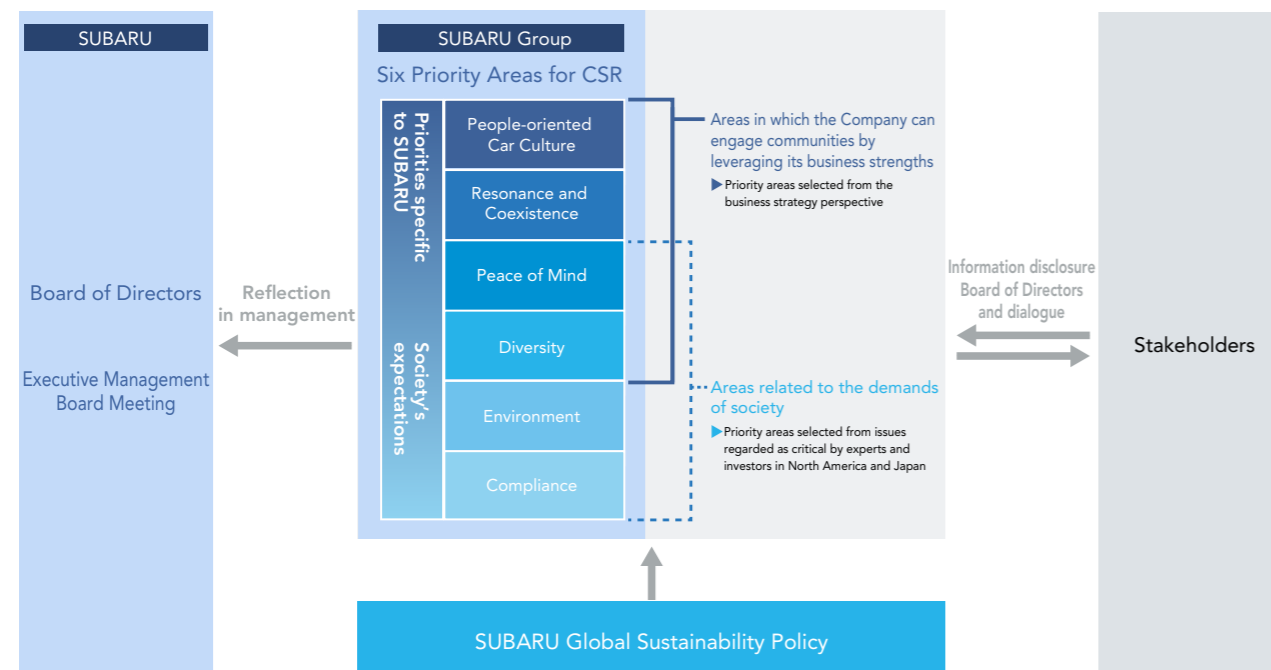
In accordance with Subaru's mid-term management vision "STEP," the Subaru Group established the Six Priority Areas for CSR: People-oriented Car Culture; Resonance and Coexistence; Peace of Mind; Diversity; Environment; and Compliance.

To select the priority areas, the Subaru Group first identified 41 CSR priority topics for which social needs were high and then conducted a questionnaire among experts and investors in North America and Japan. The responses and opinions we received were used in an assessment and exploration of these areas from two perspectives: areas in which we can engage the community by leveraging our business strengths, and areas related to the demands of society. As a result, the Subaru Group selected People-oriented Car Culture, Resonance and Coexistence, Peace of Mind, and Diversity as the four areas where Subaru could engage our communities by leveraging our business strengths, and Peace of Mind, Diversity, Environment, and Compliance as the four areas where the Subaru Group could work to meet the demands of society.

Peace of Mind and Diversity appear in both categories, because Peace of Mind is an area in which society's needs and the strengths of the Subaru Group's business coincide, while Diversity refers not only to diversity in the community, but also to diversity in a broad sense, including in the products that the SUBARU Group offers to customers.

In May 2021, Subaru announced its progress report for mid-term management vision "STEP." Its priority areas in this vision are fundamentally unchanged. Based on the SUBARU Global Sustainability Policy, Subaru will promote initiatives in the Six Priority Areas for CSR on a group-wide, global basis with the goal of becoming a company "delivering happiness to all."

### Reflecting Subaru Group's Six Priority Areas for CSR in Management



## SUBARU Global Sustainability Policy

Until recently, the Subaru Group promoted various initiatives in line with its CSR Policy, revised in June 2009. However, to cope with changes in the social environment and in relationships with our stakeholders, we established the "SUBARU Global Sustainability Policy" in April 2020 as a guideline to be shared by all Group employees on a global basis.

This Policy is applied to Subaru Corporation and all its subsidiaries.

### SUBARU Global Sustainability Policy

We, the Subaru Group, are committed to sustainable business practices designed to promote harmony between people, society and the environment in the following ways:

1. Through our business activities, we will contribute to the resolution of various social issues, including the protection of the global environment, and to the creation of a sustainable society.
2. Respecting the quality and originality of our products, we will continue to provide Subaru's unique value using advanced technologies, and enrich the lives of all those involved with the Subaru Group.
3. As a good corporate citizen in the international community, we respect human rights, diverse values and individuality, and treat all stakeholders with sincerity in every interaction.
4. We strive to maintain and advance the workplace environment so that employees can work safely in peace, and with a sense of satisfaction.
5. We respect international rules and the laws and regulations of each country and region, as well as local culture and customs, and pursue fair and transparent corporate governance.
6. We make use of dialogue with stakeholders to make management decisions, and disclose corporate information in a timely and proper manner.

## Activities in the Six Priority Areas for CSR in Relation to SDGs

The Sustainable Development Goals (SDGs) for 2030 are development goals for achieving a sustainable future, and the Subaru Group recognizes the importance of responding to these goals.

By clarifying visions for 2025 regarding the Group's Six Priority Areas for CSR, Subaru will reinforce its efforts in each priority area and make positive contributions toward achieving the SDGs. Specifically, we acknowledge that the Subaru Group's initiative to achieve a goal of zero fatal traffic accidents\* by 2030 contributes to Target 3.6 of the SDGs: "By 2020, halve the number of global deaths and injuries from road traffic accidents."

\* Reducing to zero the number of fatal accidents occurring while a driver or passenger in a Subaru vehicle and the number of fatalities among pedestrians, cyclists, and the like arising from collisions with a Subaru vehicle.

### Six Priority Areas for CSR Basic Concepts and Vision for 2025

Six Priority Areas for CSR	Basic Concepts	Visions for 2025
People-oriented Car Culture	Subaru believes that a car is more than just a means of transport. Subaru will foster a sustainable mobility culture by providing customers with added value in the form of products and services which make the car a partner that enriches people's lives and minds, while cherishing the human emotions of "Enjoyment and Peace of Mind."	Become a company that enriches people's lives and minds as a partner.
Resonance and Coexistence	Subaru will become a company that is trusted by, and resonates and coexists with both individual customers and society as a whole by engaging seriously with their voices through greater person-to-person communication.	Become a company that is widely trusted by, resonates and coexists with society.
Peace of Mind	Subaru will become a company that provides all stakeholders with the utmost peace of mind.	Become a company that provides the utmost peace of mind to all stakeholders.
Diversity	The Subaru Group's approach to promoting diversity has two key elements: offering products that respect diverse forms of market value, and respecting and reflecting the diverse values of all those who work for the Subaru Group.	Promote businesses that create diverse forms of market values while respecting the diverse values of all people.
Environment	In order to pass on "The earth, the sky and nature," Subaru's fields of business, to future generations, we provide utmost care to the environment with our company-wide activities.	Cherish and protect the global environment—The earth, the sky and nature—through Group-wide activities.
Compliance	Subaru will become a company that operates in accordance with laws, regulations, and societal norms, ensuring that our focus on compliance as a priority permeates throughout and is practiced by all those who work for the Subaru Group.	Act in good faith and become a company that is trusted by and resonates with society.

# Activities in the Six Priority Areas for CSR in Relation to SDGs

Six Priority Areas	Relevant stakeholders	Themes	Initiatives		Visions/KPIs (FYE March 2022-FYE March 2026)	Relevant SDGs	
			FYE March 2021	FYE March 2022-FYE March 2026			
People-oriented Car Culture	Customers	Enjoyment of driving a car	Evolution of Subaru Global Platform and Integration with Intelligent Technology (Achieving a safe and enjoyable driving with peace of mind like a skilled driver)		Become a company that enriches people's lives and minds as a partner.	 9.1	
		Providing enjoyment of customization	Development of high-quality accessories matched with new models				
		Enhancing the brand image	Expansion of the lineup of high-performance, value-added items				
			Promotion of the brand strategy (Subaru, the Beloved Brand: More than a Car Company)				
			Promotion of marketing activities that match the characteristics of each market				
			Promotion of motorsports and continuation of awareness-raising activities				
Resonance and Coexistence	Local communities	Proposing new forms of mobility	Proposing new forms of mobility and researching technology unique to Subaru	Technology development toward realization	Become a company that is widely trusted by, resonates and coexists with society.	 11.2	
		Disseminating car culture	Dissemination of Subaru's manufacturing practice and its endeavors for "Enjoyment and Peace of Mind"				
		Customers	Enhancement of new ways of connecting with customers through IoT				
			Strengthening relationship with customers	Enhancement of customer loyalty			
				Continuation of customer interaction programs			
				Providing products and services contributing to prosperous lifestyles			
Establishing a new maintenance system	Development of a maintenance system for marketing EVs						
Business partners	Coexistence and mutual prosperity with business partners	Building of relationships with business partners with CSR surveys, awareness-raising, and from CSR perspectives					
		Enhancing and strengthening the Group's telecommuting environment					
	Employees	Creating a safe working environment	Reinforcement of efforts for occupational health and safety, improvement of plant environments				
			Creation of a safe and rewarding workplace environment, building of a brand that is loved by employees				
Local communities	Revitalizing relationships with local communities	Continuation of production operations and maintenance of employment at each site					
		Utilization of athletic teams, boosting of employee morale					
		Reinforcement of community exchange and partnership activities					
		Contribution and relationship-building through sporting activities					
Peace of Mind	Customers	Improving safety functions	Advancement of Advanced Driver Assistance System (ADAS)		Become a company that provides the utmost peace of mind to all stakeholders.	 3.6	
			Adoption of Advanced Automatic Collision Notification (AACN) system and expansion of its functions				
			Continuous enhancement of crash safety				
			Expanding enhanced safety functions since FYE March 2021				
			Developing autonomous flight control systems (collision avoidance technology, fault-tolerant system improvements)				
			Implementation of safe driving seminars for senior citizens on a continuous basis				
	Employees	Contributing to safe driving	Establishment of a timely and efficient supply system of spare parts and accessories				
			Strengthening product supply capacity (parts center capacity increase plans/parts supply system improvements)				
			Promotion of accurate, high-quality inspection and maintenance				
			Promotion of initiatives to produce vehicles of choice in terms also of quality				
			Improvement of the quality of operations in all processes, from product planning to production, sales, and service				
			Placing of the highest priority on quality by implementing quality caravans and providing education for fostering quality awareness				
Local communities	Securing and improving quality	Optimization of the span of management in manufacturing departments					
		Continuation and reinforcement of activities of the health and safety committees					
		Maintenance and enhancement of workplace health and safety, and promote a more comfortable workplace environment					
		Formulation and implementation of plans for health promotion initiatives	Reinforcement of health promotion efforts				
		Secure and create employment					
		Promotion of plant environment improvement	Promotion of a sense of trust regarding stable operations				
Governments	Contributing to safety of local communities	Protecting vulnerable groups in local transportation (town watcher activities)					
	Contributing to safe lives of people	Reduction of environmental impact and prevention of pollution					

Six Priority Areas	Relevant stakeholders	Themes	Initiatives		Visions/KPIs (FYE March 2022-FYE March 2026)	Relevant SDGs
			FYE March 2021	FYE March 2022-FYE March 2026		
Diversity	Employees	Promoting active roles for female employees	Expanding the number of female managers (at least two times 2021 levels by 2025)		Promote businesses that create diverse forms of market values while respecting the diverse values of all people.	 5.5 5.5.2
			Childcare support for female employees in direct departments			
			Respecting human rights and diversity for all			
			Review of the human resources system for senior employees	Operation of the human resources system for senior employees		
			Promotion of active roles for non-Japanese human resources			
			Examination and promotion of a workplace environment that pays due consideration to minorities in society			
Environment	Business partners	Utilizing diverse human resources	Compliance with the legally prescribed employment rate for persons with disabilities: 2.3% in and after FYE2021		Cherish and protect the global environment—the earth, the sky and nature—through Group-wide activities.	 8.5
			Acquiring new knowledge through proactively recruiting external human resources			
			Promote diverse work styles	Diverse work styles: Support for labor management by introducing a new attendance management system and expansion of teleworking		
			Securing human resources at group companies	Maintenance and expansion of diverse forms of employment		
			Efforts in cooperation with business partners	Building of relationships with business partners with CSR surveys, awareness-raising, and from CSR perspectives		
			Providing a wide range of products	Enhancement of the understanding of employees, promotion of cooperation with the National Association of Minority Automobile Dealers (NAMAD)		
Compliance	Customers	Providing a wide range of products	Incorporation of feedback on diverse market needs		Act in good faith and become a company that is trusted by and resonates with society.	 16.5 16.5.2
			Design parts that can be used in multiple vehicle models			
			Expansion of the sale of electric vehicles (HEVs and PHEVs)			
			Popularizing vehicles that reduce environmental impact	Development and marketing of electric vehicles (BEVs and SHEVs)		
			EV development	EV global rollout and sale		
			Environmental protection in cooperation with customers	Implementation of activities to protect outdoor fields on a continuous basis		
Compliance	Business partners	Business to help reduce environmental impact	Introduction of solar power generation for self-consumption		Promote initiatives to respect human rights based on the Human Rights Policy; Communicate the policy throughout the entire supply chain.	 13.1 13.2
			Introduction of TEPCO's Aqua Premium			
			Energy conservation investment and effective utilization of facilities			
			Continuation of conservation efforts in cooperation with governments			
			Promotion of lighter, electric, and biofuel aircraft			
			Environment activities in cooperation with business partners	Establishment and maintenance of an environmental management system		
Compliance	Business partners	Environment activities in cooperation with business partners	Selection of business partner while considering transportation for overseas sites		Strengthen CSR procurement management.	 12.2 12.5
			Efficient parts storage and transportation, and reduction of transportation volume			
			Promotion of retailers' continuous efforts for energy saving, water quality conservation, and recycling			
			Optimization of logistics and CKD* costs			
			Ensuring comprehensive export control	Reinforcement of security and export control initiatives		
			In-house education and dissemination	Continuation of compliance training and executive lectures		
Compliance	Business partners	Protecting human rights of workers	Prevention of harassment		Provide compliance and legal trainings.	 8.7 8.8
			Maintenance and improvement of the workplace environment by promoting work style reform and complying with the Labor Standards Act			
			Establishment and dissemination of our Human Rights Policy, implementation of due diligence	Promoting initiatives to respect human rights		
			CSR surveys, awareness-raising, and stronger CSR initiatives in the supply chain with business partners			
			Promotion of fair trade on a continuous basis			
			Maintaining fair relationships	Appropriate management of software licenses		

\*CKD (complete knockdown) production is a production method in which individual parts are delivered for assembly at the destination.

Development of products (vehicles) is based on a premise that they are equipped with the latest technologies yet affordably priced at the same time.



## The Subaru Difference

All our work is for Enjoyment and Peace of Mind. Subaru continues to carry forward its DNA of making human-oriented cars, born of its history in aircraft manufacturing.

Since the birth of the Subaru 360, the first car to come out of the National Car Concept, Subaru has continued to pass on the philosophy of giving top priority to safety, because customers entrust their lives to their cars. With that concept in mind, we have conducted our own crash safety tests since the 1960s, taking action well ahead of national standards.

In addition, in order to respond to the customer desire to drive further and longer, we have taken rigorous action to pursue a pleasant driving experience, high visibility, and ease of use in a way that values people's senses. We believe that it is important for the driver to have easy, unhindered control in any environment, and for us to provide Enjoyment and Peace of Mind to passengers as well.

In addition, we are striving to create automobiles that can be a partner to the rich lives of our customers by pursuing essential vehicle functions that will extend people's freedoms, like a comfortable space making mobility fun, and a spacious luggage compartment.

### Customer attachment to and trust in our cars has built a Subaru brand that is 'different' from others.

At Subaru, we have identified one element of our 2025 Vision as "Become a brand that is 'different' from others by enhancing distinctiveness." in our mid-term management vision "STEP." We have evolved functionalities such as safety and longevity, with "Enjoyment and Peace of Mind" as the unchanging value we offer our customers. Many of our customers have expressed praise for this style of car manufacturing. In particular, customers in our major U.S. market are often more expressive about their affection for Subaru, saying they "love" it rather than simply "liking" it, and saying that it's a "different kind of brand."

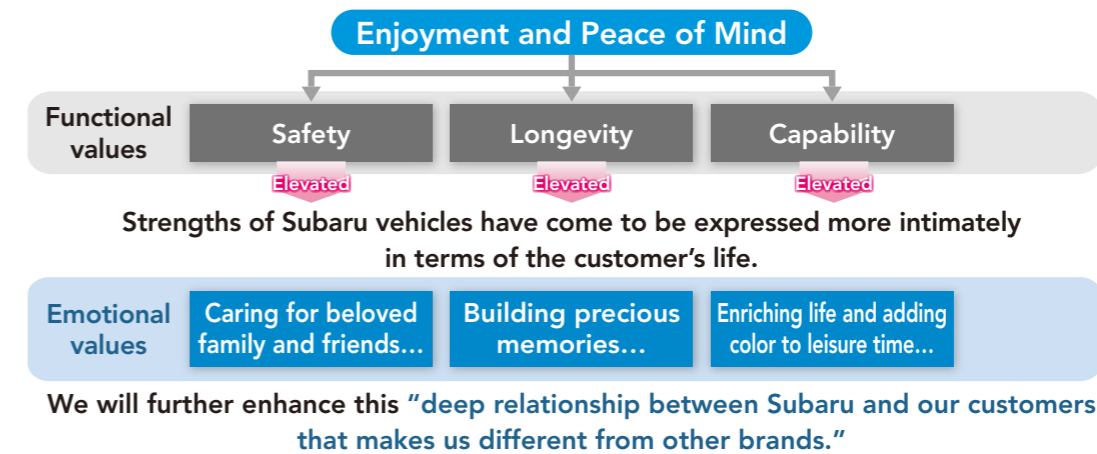
The value of the Subaru brand is rooted in the trust of our customers and their attachment to Subaru vehicles. We will continue to maintain that difference versus other automotive manufacturers, earning the love and the guidance of our customers.



### Subaru will further evolve its relationship with its customers through the pursuit of "Enjoyment and Peace of Mind."

In our value statement of "Enjoyment and Peace of Mind," which is the unchanging value we offer our customers, we have made unique refinements to functional value, like safety, longevity, and rough-road capability. However, thanks to Subaru's resonance with our customers and through the lifestyles and experiences they've gained with us, customers have come to express appreciation for their Subaru cars, showing that our cars are closely-bonded with their lives. For example, some have said that "Subaru cars offer more peace of mind when driving around the people I love and care about," while others have said things like "I've built a lot of treasured memories with my Subaru; their cars have good longevity, making them useful over long periods of time and avoiding resource waste."

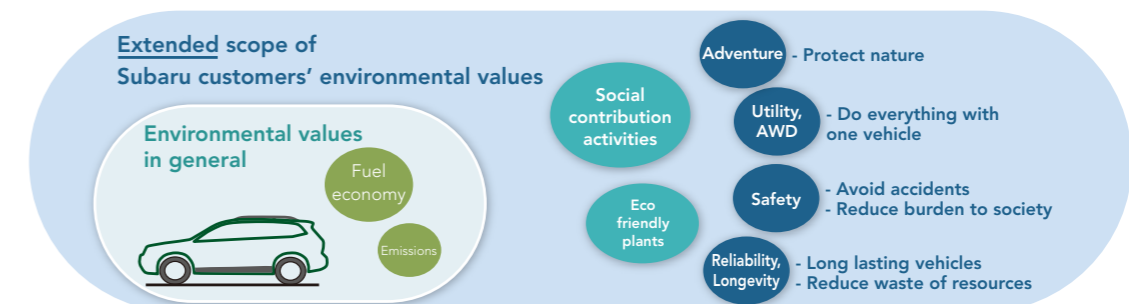
At Subaru, we believe that strong emotional praises like these that we have received from our customers show that our functional value has been sublimated into emotional value. Also, in order to further deepen the relationships we have with our customers, we believe it is important to thoroughly understand what they expect from and how they think of Subaru vehicles, while also taking into account their emotional value, and to reflect this in our vehicle manufacturing.



### We will work closely with our customers to become part of their lifestyles and to realize an enjoyable and sustainable society.

In the U.S., our key market for Subaru, we have found that along with interest in the safety and reliability of our vehicles there is a generally high level of environmental awareness and a large number of customers who actively participate in local engagement activities conducted by dealerships. This desire to go beyond just being good enough for the individual and be highly conscious of the global environment and society is another major characteristic of Subaru's customers.

We recognize that our customers' awareness of the environment and society creates another 'difference,' and we would like to work closely alongside them to realize an enjoyable and sustainable society.



Subaru customers do not believe in "looking out only for their own needs and interests." They are characterized by their high social and environmental awareness, which makes the Subaru brand "different" as well.



# Corporate Culture Reforms

We have been taking action toward corporate culture reforms as a priority initiative in our mid-term management vision "STEP." As a result of pressing forward with a range of activities under the slogan of "change mindset, change behavior, change the company," we have closed the gap between management and the front lines, and the gaps between levels of our organization, steadily evolving the environment into one that is more open.

Now that it is a widespread phenomenon that each employee think and act on their own, our next initiative will be to focus on the growth of the individual, moving into a phase of increasing engagement and jointly eradicating old authoritarian and top-down institutions.



As a result of our efforts in corporate culture reforms, our scores for workplace communication and workplace atmosphere have improved for two consecutive years in the Employee Survey.

Future efforts toward corporate culture reforms will focus on the growth of the individual, and we will actively promote investment in talent, in areas such as digital technology, upskilling, and relearning with the aim of developing the individual, as we flexibly respond to new work styles even under the pandemic-driven new normal.

## A Variety of Initiatives for Growth of the Organization, Workplace, and Individual

Subaru has been promoting various activities Group-wide under the slogan "Change mindset, change behavior, change the company." We have held the Officer Speech Relay since FYE March 2020 and the General Manager Dialogue Relay since FYE March 2022. As an initiative to broaden our horizons, we also hold monthly "Cake Time" sessions to provide information on the latest automotive market trends and social conditions from a management perspective.

In April 2021, we launched the Subaru Communication Park on our intranet, providing a forum for free participation by employees as part of our efforts to expand circles of communication throughout the company. The Park offers the President's Posts, Small Talk Plaza, and Idea Lab channels.



We will promote a number of specific measures in line with our personnel initiative policy for encouraging autonomy, enhancing individuality, and creating empathy, a policy formulated at the same time as our new personnel system and designed to achieve our desired outcomes in personnel, organization, and corporate culture.

For example, we will update our education systems to support on-demand content, implement open recruitment job rotation, use human resources data visualization for strategic talent development, and develop a program for corporate philosophy education. In addition, we will further accelerate our efforts by creating collaborative connections between each measure.



**Tatsuro Kobayashi**

Senior Vice President, General Manager of Human Resources Department

## We will accelerate our efforts toward revitalizing our human resources through introduction of a new personnel system aimed at growth for Subaru.

Amid a rapidly changing environment faced by the automobile industry, in order for Subaru, a relatively small-scale player in the industry, to survive and continue to demonstrate its individuality, we believe it is important to cultivate human resources who think and act of their own accord in response to various changes. Therefore, in April 2021, we launched a new personnel system supporting employees who reach a little higher and take on greater challenges. The organization we are trying to create under this new personnel system can be characterized broadly by the following three points. We will work to realize this organization and culture and to change the mindsets and behaviors of our employees.

1. Employees who take on greater challenges can grow and succeed
2. Evaluations and treatment are fair and commensurate with work
3. Human resources with a diverse set of abilities can succeed

In addition, along with the introduction of this new personnel system, we have set up a personnel initiative policy to achieve our desired outcomes in personnel, organization, and corporate culture. We have started new efforts to encourage autonomy, enhance individuality, and create empathy. In order to survive these turbulent times, it is important for each individual to carefully consider their situation and to act swiftly. We will harness this new personnel system as an opportunity to further promote the fostering of human resources who will lead Subaru in the future.

### Personnel Initiative Policy

- Encouraging autonomy
- Enhancing individuality
- Creating empathy

## Main Initiatives in the New Personnel System

We are promoting the following five main initiatives in our new personnel system.

- (1) Introduction of a personnel system that enables faster promotions and singles out talented personnel based on their performance in challenging situations, without regard to age or experience
- (2) Revision of wage system to one that limits purely seniority-based considerations, and strengthening pay grade jumps and performance-based bonuses
- (3) Introduction of a specialist system to strengthen technical capabilities and increase engineer motivation
- (4) Introduction of new re-employment programs to help diverse talent succeed, including senior citizens
- (5) Abolishment of the mandatory retirement age for managers and introduction of a system for performance and ability-based appointments

# Quality Enhancement

In our quality enhancement initiatives, we are striving toward 1) thorough implementation of a “Quality-First” mindset and reinforcement of organizational efforts and structure, 2) “Execution Quality” enhancement, and 3) “Innate Quality” enhancement.

(1) Within thorough implementation of a “Quality-First” mindset and reinforcement of organizational efforts and structure, we have revised our quality policy, completely revamped our quality manual, and are encouraging each and every one of our employees to alter their quality mindset through review activities such as the “Quality Caravan” and activities to maintain alertness. In addition, we have greatly increased the number of personnel involved in quality assurance over the past three years.

(2) Within “Execution Quality” enhancement, we will be launching operations at our new final vehicle inspection wing in a gradual rollout beginning in FYE March 2023. Here, our aim is to prevent defects reaching the public in domains after the production preparation stage. In addition, we are working to investigate defect trends and strengthen parts traceability using telematics and AI.

(3) Within “Innate Quality” enhancement, we have made changes to our development process itself, including comprehensive checks of past defects, strengthening the gate management of quality targets from initial development stages, and advancing development stages only when defects are cleared.

## Accelerating Quality Enhancement in Three Areas, with Quality Enhancement as the Top Priority

### 3 “Innate Quality” Enhancement

- **Ensure quality all the way from the very start of development down through component logistics and production.**
  - Fully check past issues in development, production, and suppliers
  - Grasp changes in new parts and systems and prevent issues before they occur.
- **Clarify the quality responsibilities of the Project General Managers in charge of product development and enhance their authority.**
- **Stricter development process where meeting criteria of each quality gate (checkpoint) is given top priority.**

### 2 “Execution Quality” Enhancement

- **New “final vehicle inspection” facility Start of operation scheduled for FYE March 2023**
- **Swift response to quality issues**
  - North American quality team “FAST” (Fast Action & Solution Team)
  - Early detection of defect trends based on analysis using AI.
  - Direct gathering of quality data via telematics systems.
  - Early determination of the scope of affected parts with traceability systems.
  - New “QALab” facility for enhancing capability to investigate defects.

### 1 Thorough Implementation of a “Quality-First” Mindset and Reinforcement of Organizational Efforts and Structure

- **Redefine goals.**
  - Quality Policy revised for the first time in 25 years.
  - The quality manual fully revised.
- **Quality awareness, look-back activities**
  - “Quality Caravan” events
  - Company-wide efforts aimed at “not letting past incidents fade away”
- **Increase in personnel**
  - Increase in Quality Assurance Div. personnel by 50% over 3 years



**Osamu Eriguchi**

Senior Vice President,  
Chief Quality Officer

## Our goal is to make Subaru preferred for its quality through implementation of a “Quality-First” mindset and steady quality improvement activities.

Over the last three years, we have taken great strides in our quality enhancement, one of the most important management issues in our mid-term management vision “STEP.” Although we are making steady progress, we recognize that there are still issues to be solved, and I feel that we have not been able to show concrete evidence of our quality enhancement to our customers and dealerships. Currently, we are striving toward quality enhancement under three activity pillars: (1) thorough implementation of a “Quality-First” mindset and reinforcement of organizational efforts and structure, (2) “Execution Quality” enhancement, and (3) “Innate Quality” enhancement. But, I am aware that we are only midway through these processes, and I would like for us to achieve more results in the coming year.

As control systems in today’s automobiles become larger and more complex, there is now a need for never-before-seen levels of advanced support even in the software domain. Here, it is important for the relevant divisions, including development, procurement, manufacturing, supplies, and after-sales, to cooperate closely with one another more than ever before to tackle issues taking the perspective of the customer. Going forward, we will be resolute in tackling these issues as an All Subaru team.

We also recognize the importance of speeding up our quality enhancement initiatives. In addition to launching FAST in January 2021 with the aim of strengthening our frameworks in the North American region, which is a core market for us, the Manufacturing Division is strengthening its practice of in-process quality assurance while upholding set rules. Above all, the foundation of our quality enhancement is fostering a thorough “Quality-First” mindset. We will continue to align the vectors of all employees and further deepen quality enhancement. Even during this revolutionary, once-in-a-century moment, we will seek to be a Subaru preferred for its quality.

### FAST: An “All Subaru” Team Improving Quality in the North American Market

In January 2021, Subaru launched a new quality improvement team, FAST, in the U.S. to strengthen its quality assurance system in its major market of North America. FAST is a team spanning countries and organizations, consisting of members from the U.S., Canada, and Subaru North America affiliates. In North America, an enormous market in terms of both sales volume and vehicle ownership, the most important task is to swiftly and correctly obtain accurate information and improve quality improvement response speed.



### Ongoing Activities to Maintain Alertness, Altering the Awareness of Each Employee

As a concrete measure to ensure awareness of the need to place the highest priority on quality and to strengthen the system, we are implementing activities to maintain alertness. These activities are for all employees to reflect on past improprieties relating to final vehicle inspections and for helping instill a sense that we will never betray our customers’ expectations again. Held once a year on October 26, the day the final vehicle inspections were finally resolved this program is designed to ensure that employees remain alert regarding the relevant issues by learning from past events and comparing them to present situations, and to help Subaru become a company “delivering happiness to all.”



## Evolution of the Subaru Difference

Direction announced at the Subaru Technology Briefing in January 2020

**Aim for  
zero fatal road accidents  
by 2030**

**Contribute to achieving  
a carbon-free society  
with Subaru strengths and  
technological innovation.**

Further advance our technologies to deliver "Enjoyment and Peace of Mind."

Maintain **the Subaru Difference** even in the age of vehicle electrification.

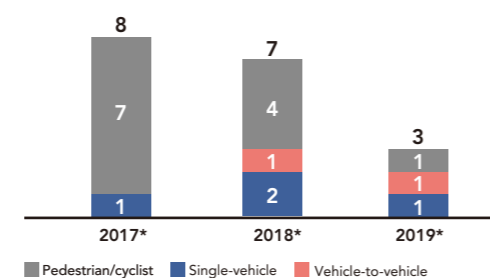
**We aim to achieve zero fatal traffic accidents by improving safety in all situations.**

In the mid-term management vision "STEP" announced in 2018, we declared our goal of working toward zero fatal traffic accidents\* by 2030, attaching particular importance to protecting lives. Up to now, Subaru has evolved its passive safety performance by adopting the Subaru Global Platform and the preventive safety performance of the EyeSight advanced driver assist system, strengths of the Subaru brand. However, we will make efforts to integrate intelligent technologies and pursue greater levels of Enjoyment and Peace of Mind.

The next-generation EyeSight X system is an advanced driver assist system for highways. We are also promoting the enhancement of connected safety, facilitating emergency rescue in the event of a serious accident through integration with Subaru STARLINK's connected services. Subaru will press forward with the combination of advanced sensing technologies and the judgment capability of AI, improving safety in all situations and thereby aiming for zero fatal accidents.

\* Reducing to zero the number of fatal accidents occurring while a driver or passenger in a Subaru vehicle and the number of fatalities among pedestrians, cyclists, and the like arising from collisions with a Subaru vehicle.

**Number of road accident fatalities involving Subaru passenger vehicles (excl. mini vehicles) newly registered as new cars in the preceding five years (incl. reference year) in Japan**



Calculated by Subaru based on ITARDA data  
Numbers are road accident fatalities (excl. those from secondary accidents) among occupants of Subaru vehicles and people who collided with Subaru vehicles including pedestrians and cyclists  
2017: Subaru vehicles newly registered between 2013 and 2017  
2018: Subaru vehicles newly registered between 2014 and 2018  
2019: Subaru vehicles newly registered between 2015 and 2019

### Established Subaru Lab, an AI Development Hub

Subaru is conducting research and development to combine the judgment capability of AI with its EyeSight advanced driver assist system, further improving safety with the goal of zero fatal traffic accidents by 2030.

We have opened Subaru Lab in Tokyo's Shibuya area, a place where many IT companies have congregated due to the recent redevelopment of the area. Here, we will work to develop AI more rapidly than ever before through seamless, well-targeted recruitment of human resources necessary for AI development, as well as collaboration with IT-related companies.



**We will continue to contribute to the realization of a carbon-free society by evolving the Subaru Difference.**

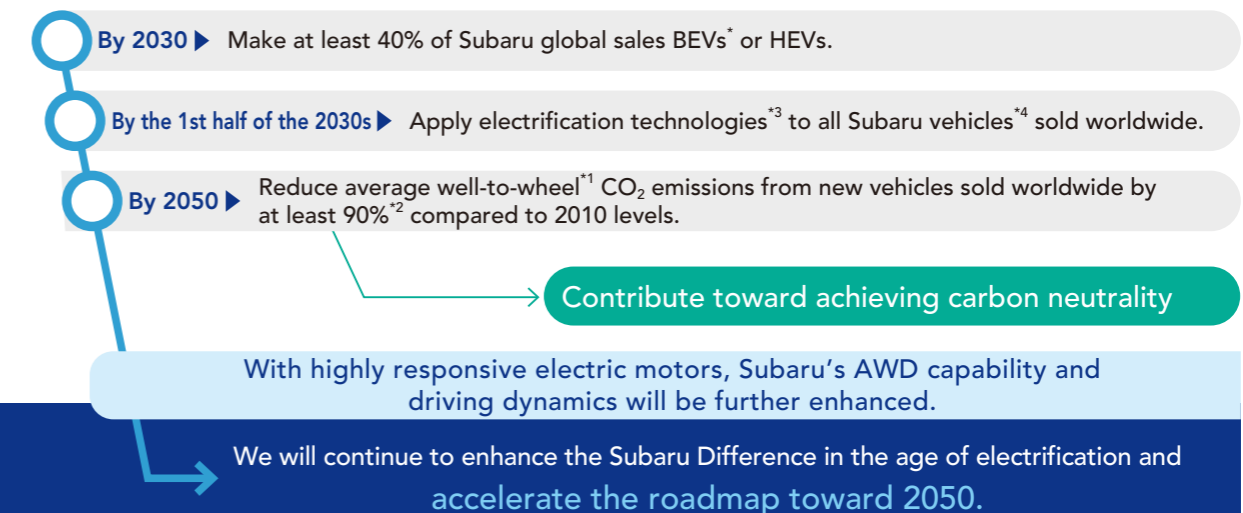
As the electrification of automobiles continues, Subaru will contribute to this carbon-free society by demonstrating the Subaru Difference through distinctiveness and technological innovation. Specifically, our plan is to make at least 40% of Subaru global sales be battery electric vehicles (BEVs) and hybrid electric vehicles (HEVs) by 2030. In addition, by the early 2030s, we aim to apply electric powertrain technology to all Subaru vehicles sold worldwide, and by 2050, we aim to reduce well-to-wheel<sup>1</sup> CO<sub>2</sub> emissions by 90% or more<sup>2</sup> compared to 2010 levels.

It is expected that traditional motors will be replaced by electric motors, but the importance of safety performance required for automobiles will not change even as electrification progresses. In addition to acceleration performance, we will utilize Subaru's AWD control knowledge more effectively in motors with higher precision and responsiveness, leading to an even stronger Subaru Difference of driving stability, dynamics, and enjoyment.

In light of the changing environment, Subaru will accelerate these efforts more than ever before.

Environmental efforts with commitment to enhancing the Subaru Difference

### CO<sub>2</sub> reduction roadmap



\* Battery electric vehicle

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Refers to the technology used to foster the use of electricity for HEVs, HVs, and others.

<sup>4</sup> Excluding models supplied by OEMs.

### Global rollout of the SOLTERRA EV by Mid-2022

At Subaru, we plan to launch the SOLTERRA, our first global EV, by mid-2022 in markets like Japan, the U.S., Europe, and China. This is a C-segment-class SUV model developed jointly with Toyota Motor Corporation, utilizing our new, jointly developed e-Subaru GLOBAL PLATFORM for EVs. With the aim of creating ever-better cars, this SUV model represents the culmination of the unique appeal of EVs, utilizing the respective strengths of both companies.





## Evolution of the Subaru Difference



**Tetsuo Fujinuki**  
Senior Vice President,  
Chief Technology Officer

### Our Unified, Fundamental Reforms in Development Systems Will Build Subaru's Future.

In this revolutionary era for the automotive industry, seen in areas such as CASE, evolution is accelerating toward new technologies like electrification and ADAS<sup>\*1</sup>.

Under these circumstances, it is important that we continue to maintain our market competitiveness and to cultivate, enhance, and accumulate technologies that will create the future of Subaru. Therefore, we have decided to shift our Engineering Division toward a future-oriented development model that can address changes in the development domain. This dramatic organizational system change will help us efficiently utilize shared advanced technologies, such as ADAS and electrification.

Specifically, in April 2021, we created a unified Engineering Headquarters, evolving our structure so that it can flexibly address both technology management and organization management, and enable total development optimization. Furthermore, since July we have been transitioned away from our conventional development system where organizations are separated by function, such as the vehicle body and power unit, creating collaborative relationships within each vehicle model for development. This new system applies a fusion of two axes: "value," such as the environment, enjoyment, and peace of mind; and "function," such as our drivetrain-related technologies, our EyeSight system, and connected car technologies. This fusion allows us to deploy technologies generated in this process into our various models.

Prior to this, the CTO's Office was set up in January 2021 to discuss and decide the future direction of technical development to ensure that our new development system functions properly. The office is striving to speed up decision-making and strengthen our technology management capabilities.

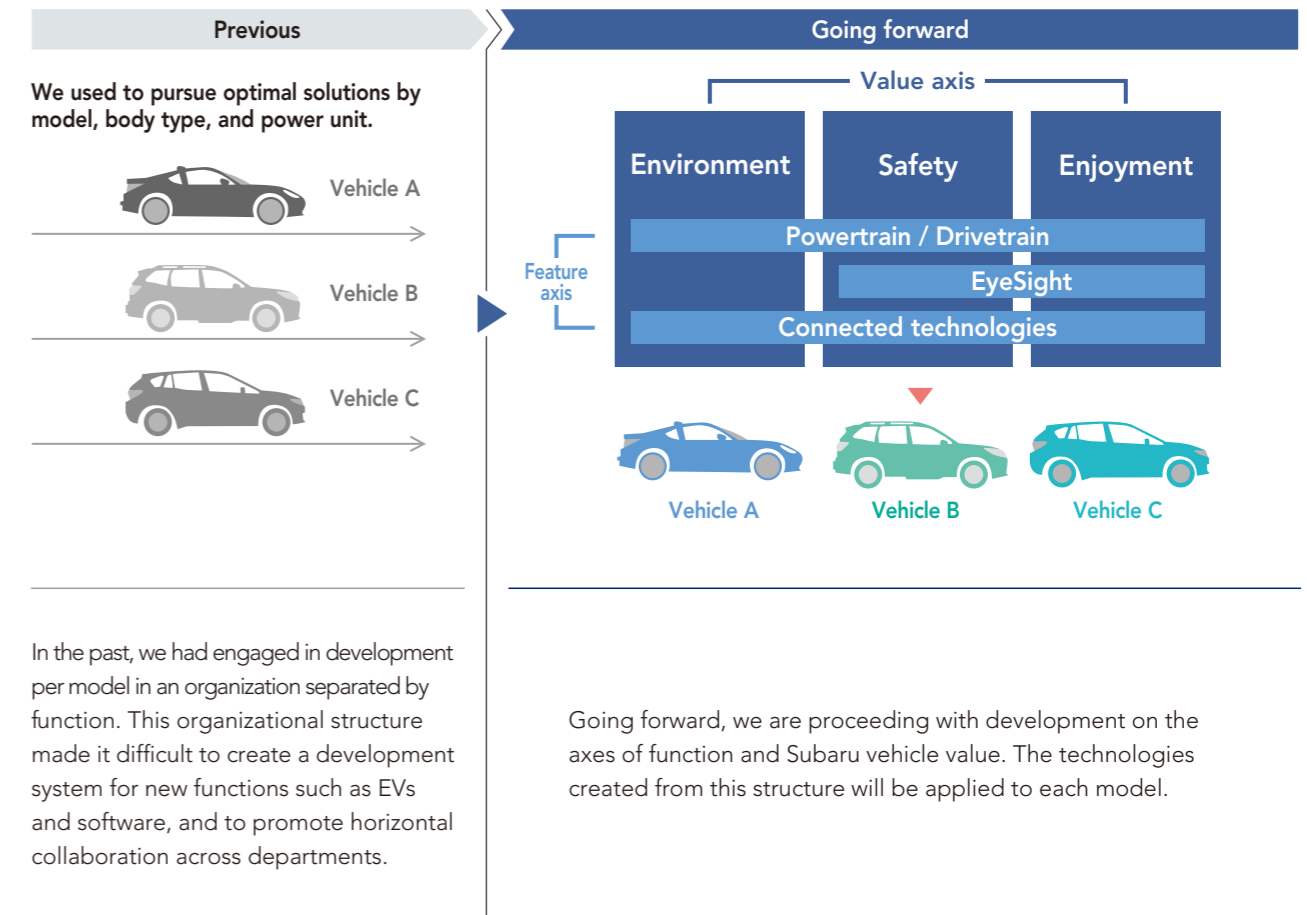
As the organization evolves, we will focus our efforts for information gathering for incorporating cutting-edge technologies, organization-building for commercialization, and review of our human resources management. I would like the engineers who are responsible for our future technologies to hone their skills beyond the scope of the work they have been doing so far, become more attuned to the world's technology trends, and as a result bring growth to Subaru through their own personal growth.

Going forward, we will deepen cooperation with not only our development teams, but also with procurement, manufacturing, and after-sales service, to promote a Company-wide unified manufacturing system, and build the future of Subaru.

\*1 Advanced Driver Assistance System

\*2 CTO: Chief Technology Officer

We cultivate, enhance, and accumulate future-generation core technologies that will underpin Subaru's future products and maintain our competitiveness.



### Established the CTO's Office

In January 2021, Subaru newly established the CTO's Office, an organization within the Engineering Management Division discussing and deciding the future direction of technical development. The automotive industry's environment is changing dramatically, with increasing diversification in the domains where automotive technology must be developed, such as electrification, software, and communications. The office will conduct technology strategy planning for product and service offerings embodying the Subaru Difference even amid these changes, set out the optimal allocation of management resources and the direction of technical development with a view to the medium- to long-term, and solve manufacturing challenges in a cross-divisional manner, in areas such as technical development and procurement.

### Subaru Driving Academy: Cultivating Talent Who Drive, Feel, Quantify, and Consider

Subaru puts great effort into developing human resources supporting "Enjoyment and Peace of Mind." There are no dedicated test drivers for evaluation on Subaru's payroll. Instead, engineers are tasked with work across the entire process, from data analysis, to mechanism analysis, to test driving and performance assessments. This system lends us greater strength in car manufacturing. In 2015, we established the Subaru Driving Academy to build even greater strengths and to lead to development of human resources capable of advancing systematic and consistent development. Team members come together from the various domains in our development-related departments to acquire top-class driving skills at the academy. This acquisition helps improve their assessment and management capabilities and creates a cohesive, single team transcending organizational barriers as we work to make cars offering customers a sense of "Enjoyment and Peace of Mind."





## Feature

## Carrying on Subaru's Unique Value and Total Innovation

### The new Levorg epitomizes the evolution of car manufacturing at Subaru.

The new Levorg is based on the Grand Touring Philosophy passed down at Subaru. Subaru embraced this philosophy in combining its latest technologies to develop a truly innovative performance wagon.

The new Levorg won the 2020-2021 Car of the Year Japan award in December 2020. The car uses 3D high-precision map data and is equipped with EyeSight X. This sophisticated driving support system features outstanding cost performance and uses information such as GPS and the Quasi-Zenith Satellite System known as Michibiki. The Levorg employs the Subaru Global Platform with full inner frame construction to achieve a high level of both maneuverability and comfort. Levorg's newly developed engine has received rave reviews for its performance in day-to-day driving. The Japan New Car Assessment Program (JNCAP),\* which compares and evaluates the safety performance of automobiles, also highly rated the car. Levorg earned the Automobile Safety Performance 2020 Five Star Award after receiving JNCAP's highest score in the comprehensive evaluation of collision safety and preventive safety performance in 2020.

\*Conducted by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and the National Agency for Automotive Safety and Victim's Aid (NASVA)



## Development Concept

We wanted to develop the new Levorg as a product that epitomizes the concept of a flagship vehicle in the Japanese market. The ideas of "carrying on Subaru's unique value" and "total innovation" formed the core concept. Levorg carries on the Subaru legacy of people-centered car manufacturing and the Grand Touring Philosophy of farther, faster, more comfortable, and safer. Its total innovation is on a much higher level, a level that far exceeds customer expectations. The three core values that we want to deliver to our customers are "advanced safety," "sporty," and "wagon value."

The first value is advanced safety. The next-generation EyeSight and the ultra-advanced driving support system EyeSight X put the focus on safety and security with innovation. Sporty is the second value. Levorg is an appealing choice because it satisfies customers who prefer the performance and superb steering stability unique to Subaru, as well as customers who want a high-quality ride. The third value is wagon value. Levorg features a luggage compartment with utility comparable to an SUV and a sophisticated, comfortable interior.



## Advanced Safety That Enables Total Comfort and Enjoyment

### ADVANCED SAFETY

Subaru's EyeSight driving support system uses two cameras (one each on the left and right sides), just like the two human eyes, to three-dimensionally recognize cars, pedestrians and other objects in front of the vehicle, and accurately determine the distance, shape, and movement speed of those objects. The result is preventive safety that encompasses accident avoidance, damage reduction and driving load reduction. Levorg's next-generation EyeSight enables 360-degree sensing that supports driving by constantly refreshing the wide-angle stereo cameras in combination with four front and rear radar devices, making it safer in a wider range of scenarios such as intersections. In addition, the advanced driving support system EyeSight X combines 3D high-precision map data with location information using GPS and the Quasi-Zenith Satellite System known as Michibiki to support lane changes, speed control going into curves, and hands-off driving in traffic jams. Subaru delivers leading-edge, cost-effective functions that enable safer, more comfortable driving. In addition, we are offering the Subaru STARLINK connected service for the first time for Subaru models in the Japanese market. Equipped with GPS, in-vehicle communication equipment, and connected to a call center 24 hours a day, 365 days a year, it provides access to support in the event of a traffic accident or other issue.



## The Inspiration to Drive Anywhere and Everywhere

### SPORTY



The newly developed 1.8L direct-injection turbo engine emphasizes performance in day-to-day driving and generates powerful torque from the low rpm range. It also features excellent environmental performance through the use of cutting-edge technology such as lean combustion.

The drive mode select function available in the STI SPORT trim level lets the driver transform the character of the car with a single button, providing an experience that ranges from the thrill of driving a sports car to the feel of riding in the comfort of a luxury car. This transformation is made possible by precision control of the power unit and various devices such as the AWD system, electronically controlled damper, power steering, EyeSight tracking acceleration and air conditioning.

In addition, the use of the Subaru Global Platform with full inner frame construction that enhances body rigidity and structural adhesives that suppress minute deformation delivers higher rigidity with less weight. The result is greater overall safety, handling faithful to the driver's intentions, and a comfortable ride that eliminates unpleasant vibration and noise.

Levorg is the first mass-produced Subaru to use the new BOLDER design concept. The front view has a distinctively Subaru appearance with a wide, three-dimensional hexagonal grille and sharply shaped headlamps. The design boldly gives Levorg a sporty emphasis, expressing the enjoyment of controlling the vehicle at will as well as the passion that inspires people to try something that has never been tried before.

## Wagon Value That Makes Time with Family and Friends Special

### WAGON VALUE

We have refined the wagon functions and interior for exceptionally comfortable touring and incorporated a practical cargo bay. The comfortable front sport seats make one feel a part of the vehicle. They help prevent fatigue even on long drives and keep passengers and the driver in place during sport-style driving. The cargo bay features a hands-free power rear gate. The rear gate opens automatically when a person with the key fob gets a part of the body, such as elbow, close to the rear six-star logo, which means outstanding convenience when hands are full of luggage or covered in mud in the great outdoors. Complementing the conventional large cargo bay, a large-capacity sub-trunk adds significant functionality to the luggage compartment.

Subaru has also enhanced the human-machine interface by installing a large central information display, and an advanced digital cockpit with full LCD instrumentation at the EyeSight X trim level. These features support drivers by providing them with access to the information they need, and the operability required to respond to the situation.





## Message from the CFO

We will build a financial base realizing “selection and concentration” and strive to increase corporate value.

### Katsuyuki Mizuma

Director of the Board, Executive Vice President,  
CFO (Chief Financial Officer) and CRMO (Chief Risk Management Officer)

#### Profile

Joined The Industrial Bank of Japan Ltd. in 1984. Became Managing Executive Officer of Mizuho Bank, Ltd. in 2014. Joined Subaru in 2016 as Senior Vice President and Senior General Manager of Subaru Overseas Sales & Marketing Division 2. In 2018, he became Executive Vice President and Chief General Manager of Overseas Sales & Marketing Division 1 and Chief General Manager of Overseas Sales & Marketing Division 2. He has served as Executive Vice President, CFO and CRMO since June 2021.

### As Subaru CFO

In April 2021, I was appointed to the positions of Subaru’s CFO (Chief Financial Officer) and CRMO (Chief Risk Management Officer).

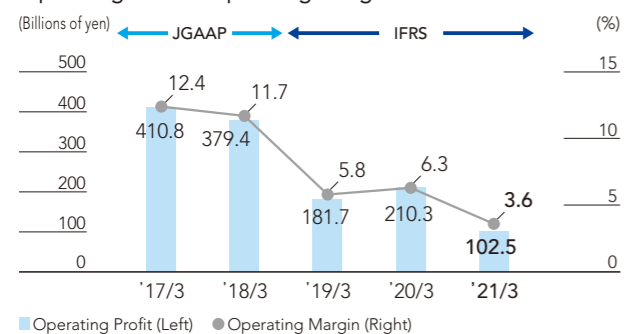
Originally, my career was at financial institutions, but since joining the Company in 2016, I have gained experience in all aspects of overseas sales in the automotive sector. Since we are not a particularly large company within the automobile industry, we have adopted thorough differentiation and added-value strategies so that we can achieve sustainable growth in a highly competitive environment. Instead of developing business across all markets with full product lineups, we are pushing a strategy of selection and concentration, focused on allocating limited management resources to markets and categories where we can demonstrate our strengths. Specifically, our product focus is in SUVs and primarily in the U.S. market and other developed countries where motorization has reached a mature state and where consumers see high safety and driving performance as added value. On the other hand, we face higher business risk, and therefore we have established a solid financial strategy that can withstand unforeseen circumstances. As CFO, I feel that it is important for me to communicate proactively so that stakeholders can have an accurate understanding of these issues. I wish to use the experience and insights I have gained in my career so far to contribute to enhancing corporate value at the Subaru Group.

### Subaru’s Financial and Capital Strategies

In order for the Group to continue to achieve sustainable growth as we press forward with selection and concentration, we must build and maintain a financial base that can withstand unforeseen events such as the COVID-19 pandemic.

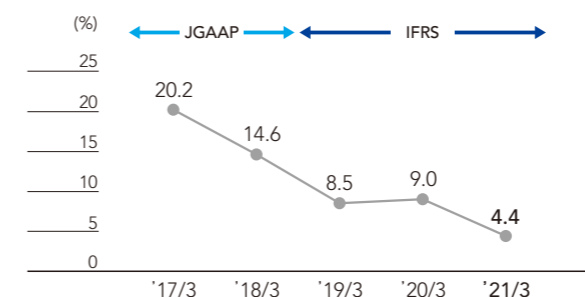
We have identified return on capital, financial soundness, and shareholder returns as the three key indicators for our financial and capital policy. Our basic policy is to provide appropriate shareholder returns while maintaining a balance between ROE and the shareholders’ equity ratio over the medium- to long-term. In the May 2021 progress report on our mid-term management vision “STEP,” we set KPIs of achieving an industry-leading operating margin of 8%, and ROE of 10% or higher. The prerequisites for achieving these targets are a net cash position equivalent to two months of sales revenue and a capital equity ratio of 50%.

#### Operating Profit / Operating Margin

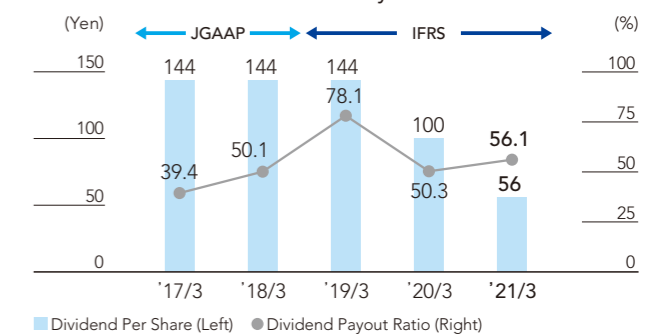


Capital Policy		
ROE	Targeting 10% or more	
Equity ratio	50% at minimum	
Net cash	Equivalent to two months of net sales (minimum)	
Shareholder returns	Dividend payout ratio	30-50%
	Share repurchases	Conduct flexibly

#### ROE



#### Dividend Per Share / Dividend Payout Ratio



In the five-year period through FYE March 2021, we secured the financial soundness needed to ensure our business continuity, including a capital equity ratio above 50%, a D/E ratio of 0.2 times or lower, and a credit rating of A- from Rating and Investment Information, Inc. (R&I).

We will steadily and effectively implement a program of capital and R&D expenditures aimed at further strengthening the Subaru brand. Specifically, we will commit capital expenditures of 3.5%–4% of sales revenue and R&D expenditures of around 120 billion yen/year, through which we will accelerate initiatives for achieving zero fatal traffic accidents, contributing to a carbon-free society and evolving the Subaru Difference.

Furthermore, the 150-billion-yen investment framework (over FYE March 2019–FYE March 2023) for quality enhancement under the mid-term management vision “STEP” has been fully earmarked for specific projects. We are steadily making capital expenditures to enhance quality at our plants in Japan and the U.S., establish R&D facilities, and allocate personnel and other resources. We have made quality enhancement initiatives our top priority, and we expect them to bear fruit in the near future.

### Review of FYE March 2021 and Outlook for FYE March 2022

In FYE March 2021, the first quarter forced production stoppages and adjustments at plants due to the significant impact from the global spread of COVID-19. Then, from the second quarter onward, sales in the key market of the U.S. began to recover, and although sales in the third quarter were higher year-on-year, production declined in the fourth quarter due to semiconductor shortages. Overseas vehicle sales were around 758,000 units, down 16.5% year-on-year, and vehicle sales in Japan were around 102,000 units, down 19.1% year-on-year, resulting in global vehicle sales of around 860,000 units, down 16.8% year-on-year. As a result, we posted consolidated financial results for FYE March 2021 as follows. Revenue was 2,830.2 billion yen, down 15.4% year on year. Operating profit was 102.5 billion yen, down 51.3%. Profit for the period attributable to owners of parent was 76.5 billion yen, down 49.9%. For FYE March 2022, although overall demand is trending toward recovery, mainly in the U.S., semiconductor supply is still very uncertain as of announcing the first quarter results, and market prices continue to soar, especially for precious metals, resulting in a harsh business environment. However, it is precisely under these circumstances that we need to increase the added value that we can offer to our customers and build up our core earning power. The operating profit of 200 billion yen in our plan takes into account our work to make improvements toward this end, and we will take on the challenge of achieving this goal by reviewing costs, mainly fixed costs, and making other efforts to improve profitability.

### On Shareholder Returns

Our basic policy on returns to Subaru shareholders is to provide consistent, stable returns, primarily through dividends, while taking into consideration each fiscal year’s performance, investment plan, and management environment under a performance-linked policy, with a target consolidated payout ratio range of 30%-50%. Note that we will conduct share repurchases flexibly in line with our cash flow.

In FYE March 2021, the global spread of COVID-19 and shortages of semiconductors had a major impact on our business activities, including production and sales. After a comprehensive assessment of the situation, including our funding requirements going forward, we set the yearly dividend at 56 yen (consolidated payout ratio: 56%). In FYE March 2022, we expect to pay a yearly dividend of 56 yen (consolidated payout ratio: 31%) based on a comprehensive assessment, including our future funding needs given a business environment that remains unpredictable.

We look forward to your continued understanding and support as we work to meet the expectations of our shareholders and other stakeholders.

# Risk Management

## Our Approach

Subaru is undertaking risk management as one of its key priority management issues, not only to address emergency situations when they arise but also to deal with various risks that have a serious impact on daily corporate activities, as well as to minimize damage when risks emerge.

The automotive industry is ushering in a major transformation, which only occurs once in a hundred years. The Subaru Group, which operates businesses globally, is aiming to enhance the resilience of its management infrastructure by ensuring the sustainability of its businesses by quickly tackling changes in world affairs. At the same time, the Group must boost its measures to minimize its human, social and economic losses. Amid this environment, it is essential to strategically conduct risk management throughout the group to conduct business activities. We therefore believe it is important to create a Subaru Group that has an infrastructure that is resilient to risk to enhance our corporate value.

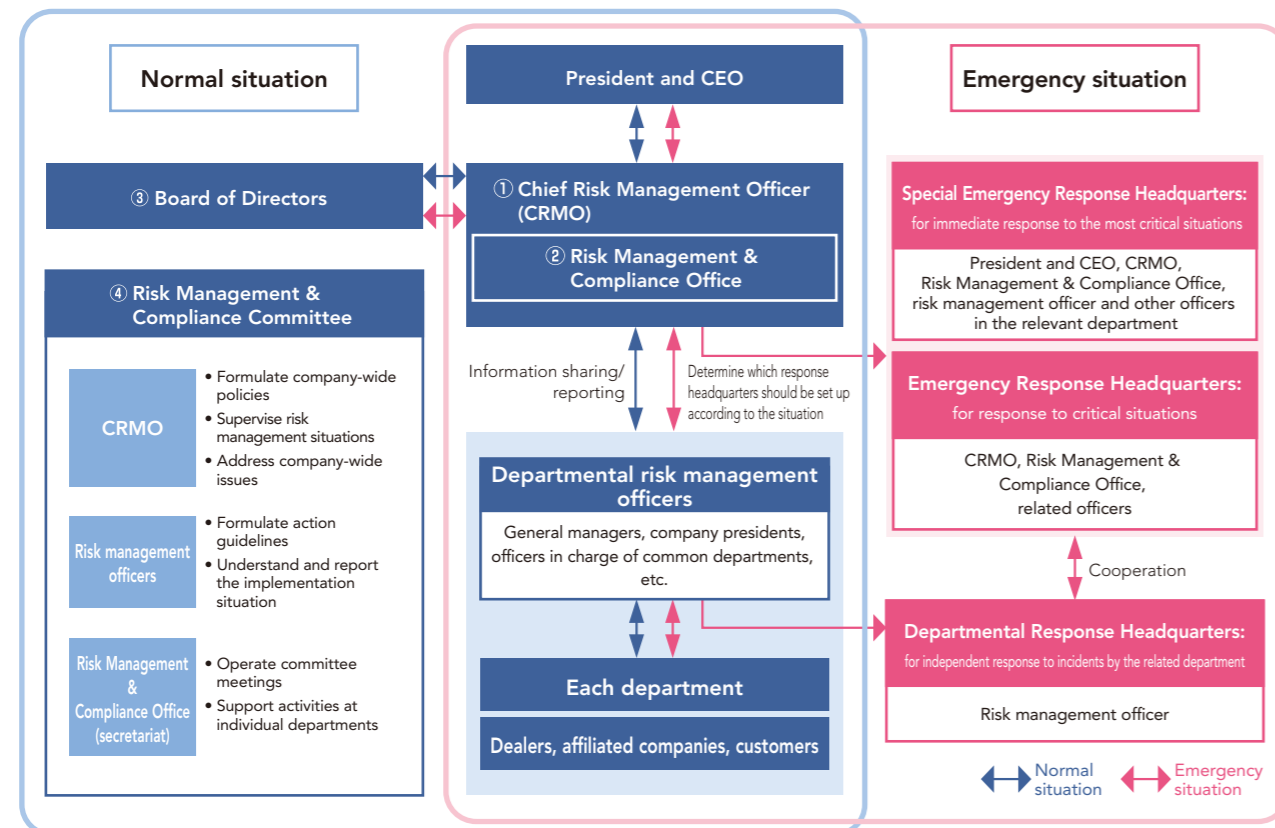
## Management System

To prevent the emergence and expansion of risks to the Subaru Group, the CRMO (Chief Risk Management Officer) appointed by the Board of Directors leads risk management and compliance activities, reporting their status to the Board of Directors.

As a system to promote risk management, Subaru has appointed risk management officers (job grade of Chief General Managers) for each department and established the Risk Management & Compliance Committee. This committee is chaired by the Chief Risk Management Officer (CRMO), and its vicechairperson is the Vice President in charge of the duties of the Risk Management Group, comprised of the Risk Management & Compliance Office and the Legal Department. At this committee, members deliberate, discuss, make decisions, and exchange/communicate information on important matters.

The CRMO leads corporate group-wide efforts to enhance risk management with professional support from experts in company-wide shared corporate operations departments, such as the Risk Management & Compliance Office and the Legal Department. In this leadership role, the CRMO works closely with the Corporate Planning Department, which performs division-encompassing functions, as well as different divisions and companies. Audit Department audits execution of tasks by each division and subsidiary in a planned manner.

### Risk Management System



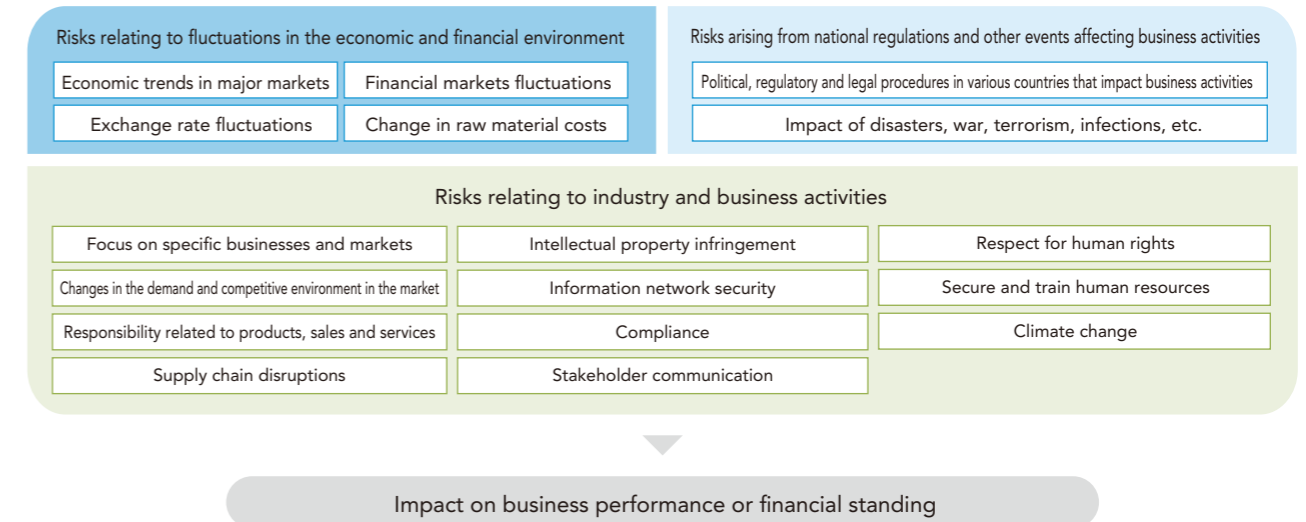
## Risks Associated with Business Activities

At the Subaru Group, we extract and identify key risks associated with our business activities and consider measures to combat them.

The major business risks are listed below.

Please note that this is not an exhaustive list of all risks relating to the Subaru Group.

### 17 Risks Affecting Business Activities



## Message from the CRMO

**We will accelerate our work to permeate ownership in conceptualizing risk management and compliance.**

For Subaru, an organization seeking sustainable growth and promoting “selection and concentration,” it is important that risk management and compliance activities are autonomous as we aim to increase corporate value. Therefore, starting two years ago, we have been working to build systems and mechanisms to instill autonomous thinking about risk management and compliance.

My evaluation is that, in the FYE March 2021, we have been successful in our activities here so far, and we were able to take swift and appropriate measures against the spread of COVID-19, minimizing its impact. In addition, our Compliance Hotline has enjoyed active use thanks to growing awareness, leading to improvements at an early stage.

In addition, we drafted a Risk Map in consideration of the size and impact of losses that could occur when risks materialize. This map summarizes priority issues to be addressed from a Group-wide perspective. We have identified disasters and pandemics as the most impactful risks, and have established and operate a business continuity plan (BCP) system accordingly. We would like to take steady action toward daily risk management so that we can proactively deal with the various risks related to reputation, including quality, compliance, and information network security. Climate change and the supply chain are also important challenges, and we are taking action in cooperation with the relevant business divisions, like the Engineering Division and the Purchasing Division.

Taking advantage of my dual role as CFO, I also focus on close coordination with corporate risk and finance. We believe that it is important to tackle risks that have a high priority in the risk map from a Group-wide perspective while maintaining alignment with financial treatment and management strategies. Going forward, we will further accelerate our work to permeate risk management and compliance where PDCA cycles can be run with autonomy.



Katsuyuki Mizuma CFO, CRMO



# Business Overview

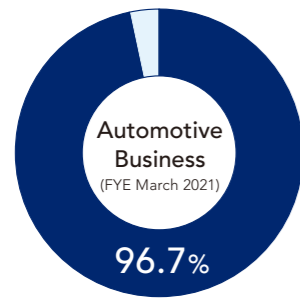
## Automotive Business Unit



Our history as an automaker began with the launch of the Subaru 360 in 1958. Since then we have worked continually to provide new value in automobiles by developing new categories based on our core technologies, such as the horizontally-opposed engine and symmetrical all-wheel drive (AWD), and by creating new technological value, including EyeSight\*, the world's first driver assist system. These actions have deepened our ties with customers. In recent years, we have positioned the U.S. as an important market, with a strategy of concentrating limited resources in fields in which we should extend our strengths and advantages, including product lineups focused on SUVs and sports models. We provide Enjoyment and Peace of Mind through high value-added products. In addition, we are working to create ever-better cars in our alliance with Toyota Motor Corporation, bringing together our mutual strengths.

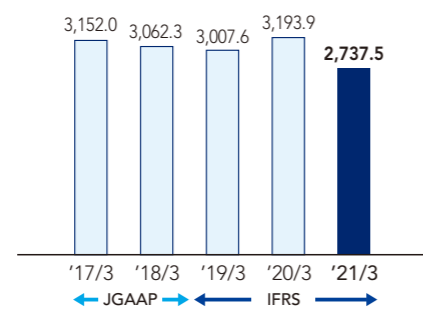
\* EyeSight is the first driver assist system to provide all functionality solely through the use of stereo cameras

### Consolidated Revenue Contribution Ratio



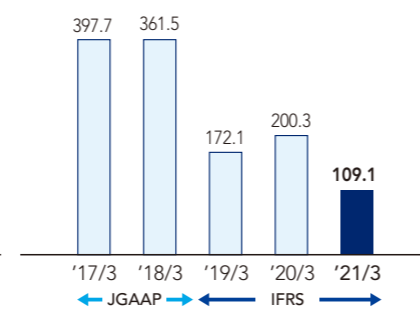
### Revenue

(Billions of yen)



### Operating Profit

(Billions of yen)



### Our Future Goals

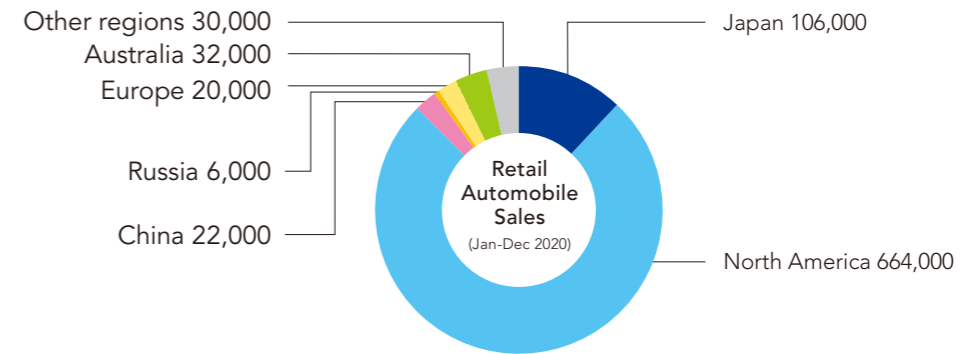
In pursuit of Subaru's goal of zero fatal traffic accidents by 2030\*, we will not only further evolve preventive, passive, and other safety performance areas, but also strengthen connected safety, building greater safety in all situations.

To contribute to a carbon-free society, we will promote the development of core technologies in areas such as electric and hybrid vehicles, while leveraging alliances to accelerate our roadmap toward achieving carbon neutrality by 2050.

Subaru will continue to evolve its unique existing core technologies, cultivate and enhance future technology, adapting to changes in the times, and continue to refine the Subaru Difference to provide Enjoyment and Peace of Mind to customers around the world.

\* Reducing to zero the number of fatal accidents occurring while a driver or passenger in a Subaru vehicle and the number of fatalities among pedestrians, cyclists, and the like arising from collisions with a Subaru vehicle.

### Automobile Sales by Region



### Product Lineup

#### ASCENT

(Exclusively for North America)  
SUV

Unit sales : 71,000

Sales region : North America



#### LEVORG

Sports / Wagon

Unit sales : 14,000

Sales regions : Japan, Europe, Australia, and other



#### OUTBACK

SUV

Unit sales : 180,000

Sales regions : Japan, North America, Russia, Europe, Australia, China, and other



Photo: North American model

#### WRX

Sports / Sedan

Unit sales : 32,000

Sales regions : Japan, North America, Russia, Australia, and other



#### FORESTER

SUV

Unit sales : 266,000

Sales regions : Japan, North America, Russia, Europe, Australia, China, and other



#### SUBARU BRZ

Sports / Coupe

Unit sales : 5,000

Sales regions : Japan, North America, Europe, Australia, China, and other



Photo: Prototype

#### SUBARU XV

(North America: CROSSTREK)  
SUV

Unit sales : 186,000

Sales regions : Japan, North America, Russia, Europe, Australia, China, and other



#### IMPREZA

Wagon / Sedan

Unit sales : 71,000

Sales regions : Japan, North America, Russia, Europe, Australia, and other



#### LEGACY

Sedan

Unit sales : 32,000

Sales regions : Japan, North America, Russia, Europe, Australia, China, and other



Photo: North American model



### OEM models

#### JUSTY



#### STELLA



#### SAMBAR VAN



#### CHIFFON



#### PLEO+



#### SAMBAR TRUCK



Unit sales : 23,000

Sales region : Japan (OEM supply from Daihatsu Motor Co., Ltd.)

\* Retail unit sales in each region in the period from January 1, 2020 to December 31, 2020.

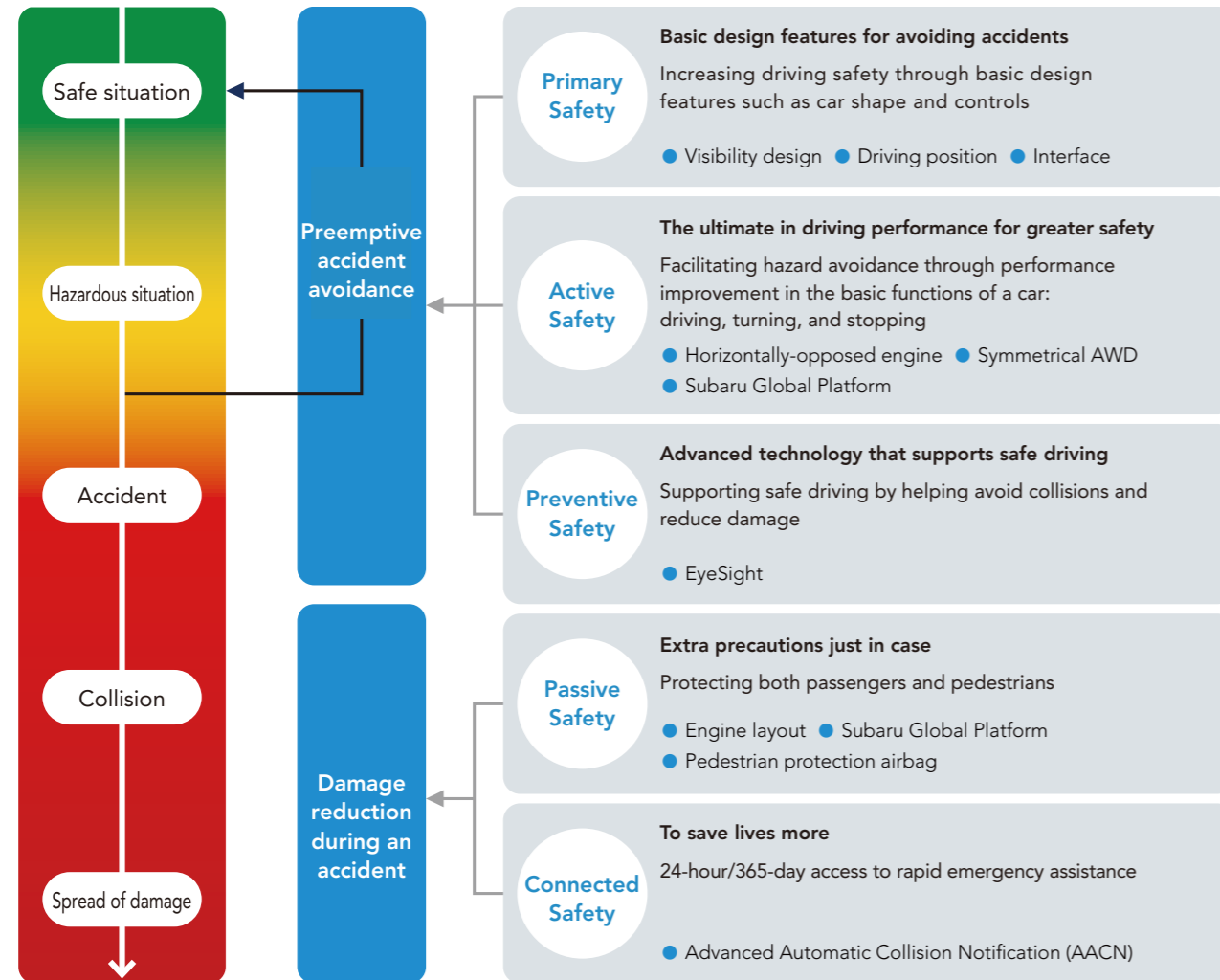


Subaru's All-Around Safety

We aim toward zero fatal accidents\*<sup>1</sup> in 2030

Subaru pursues automobile safety performance from every perspective. We aim to eliminate fatal accidents involving Subaru vehicles by 2030 by combining our existing four safety criteria of Primary Safety, Active Safety, Preventive Safety, and Passive Safety with the new concept of Connected Safety.

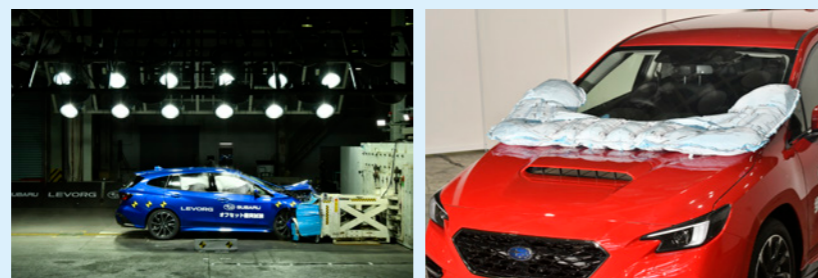
\*<sup>1</sup> Reducing to zero the number of fatal accidents occurring while a driver or passenger in a Subaru and the number of fatalities among pedestrians, cyclists, and the like arising from collisions with a Subaru vehicle.



Passive Safety

Safety Performance Recognized Worldwide

Starting from the development of the Subaru 360 more than 60 years ago, Subaru has continued to inherit and pass on the philosophy of giving top priority to safety, because customers entrust their lives to their cars. Even since the 1960s, when the world had not yet come to consider safety a major concern, we have been conducting our own collision safety tests, and today our cars are consistently rated among the best in safety evaluations in Japan and overseas.



\* See page 51 for more about the assessment program.

Subaru Core Technologies

Subaru Global Platform

Balancing a high degree of both drive quality and passive safety performance

Subaru is sequentially introducing the Subaru Global Platform, starting with the Impreza launched in October 2016. The vehicle platform substantially increases body and chassis rigidity and further lowers vehicle center of gravity, raising the level of Active Safety and Passive Safety and delivering responsive handling performance and a comfortable ride with reduced unpleasant vibration and noise.



Subaru Global Platform

Symmetrical All-Wheel Drive (AWD)

Superior overall weight distribution

The combination of the low center of gravity provided by the horizontally-opposed engine and superior longitudinal-transverse weight balance achieved by placing the transmission near the center of the vehicle maximizes all-wheel drive capability and delivers superb driving performance in various conditions. Subaru has been committed to Symmetrical AWD as a core technology that drivers can depend on in every situation from day-to-day town use to high-speed highway driving.

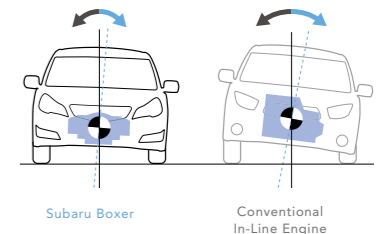


Symmetrical All-Wheel Drive

Horizontally-Opposed Engine (Boxer engine)

Compact, low center of gravity

The horizontally-opposed engine has pistons arranged symmetrically to the left and right of the crankshaft. The opposed pistons mutually cancel out engine vibrations, which reduces vibrations conveyed to the vehicle interior. The engine's low height and compact design contribute to a low vehicle center of gravity. The stable attitude provides a high sense of security during driving.



Subaru Boxer

Conventional In-Line Engine

EyeSight Driver Assist System

Stereo cameras for advanced object recognition capabilities

By using two cameras positioned on the left and right like human eyes, the EyeSight driver assist system is able to detect vehicles and pedestrians ahead of the vehicle in three dimensions and to accurately determine the distance, shape, and velocity of each object. This preventive safety technology helps avoid accidents, minimizes damage, and reduces the burden on the driver. The next-generation EyeSight system installed in the 2020 Subaru Levorg features redesigned stereo cameras that allow for expanded visibility, as well as 360-degree sensor capabilities from the four radar units located at the front and rear of the vehicle. This system contributes to safe driving in an even wider range of situations, including intersections. In addition, EyeSight X advanced driver assist system adopted in the new Levorg in Japan combines information from sources such as the GPS and QZSS "Michibiki" satellite systems with high-precision 3D map data, which extends driving support functions including lane change assist, slowing the vehicle before going into a curb, and hands-off driving assist in traffic congestion.



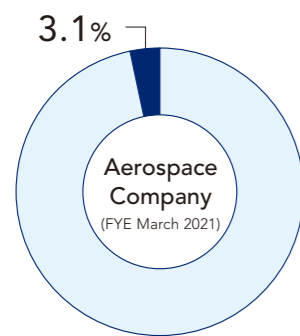
Stereo cameras



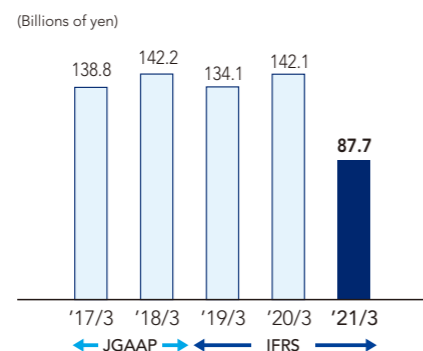
# Business Overview Aerospace Company

Subaru's roots trace to 1917 and Aircraft Research Laboratory, later to become Nakajima Aircraft. In the defense program, we develop, manufacture, maintain, repair, and provide technical support for products such as the UH-1J and UH-2 utility helicopters used by the Japan Ground Self-Defense Force (JGSDF) for disaster relief and other purposes, the T-5 and T-7 for supporting pilot training at the Japan Maritime Self-Defense Force and the Japan Air Self-Defense Force, more than 15 models of unmanned aerial vehicles, and flight simulators. In the commercial program, we participate in many international joint development projects for Boeing. For the 777X, Boeing's large passenger airliner, we are responsible for the Center Wing and its integration with the main landing gear (MLG) wheel well, as well as MLG doors, Wing-to-Body Fairings (forward), and side-of-body sections.

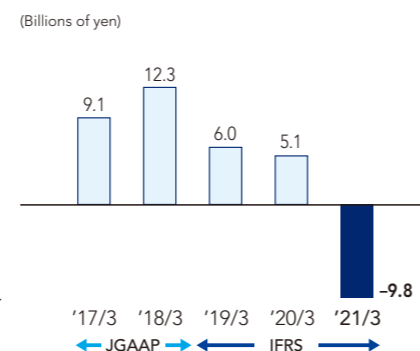
Consolidated Revenue Contribution Ratio



Revenue



Operating Profit



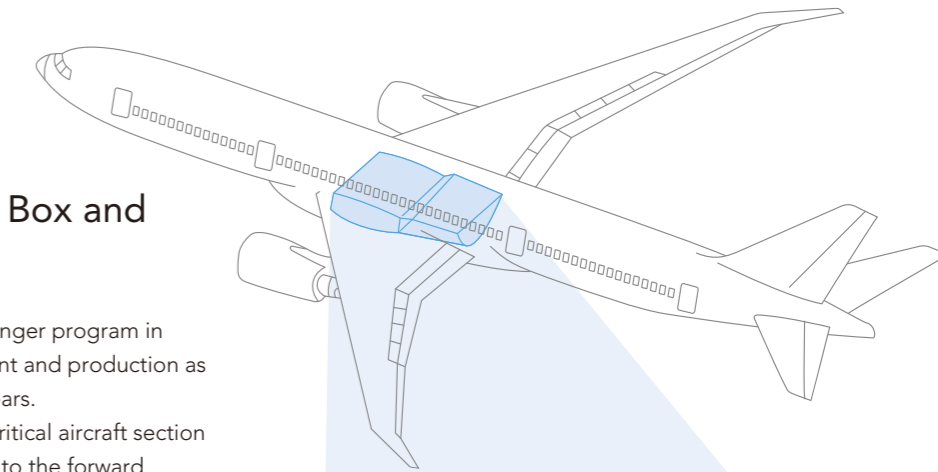
Primary Products and Services · SUBARU BELL 412EPX · UH-2 utility helicopter · AH-64D attack helicopter · T-5 and T-7 trainers · Flying Forward Reconnaissance System · The Center Wing Section of Boeing 787 · The Center Wing Section of Boeing 777 & 777X

## Our Future Goals

We will continue to refine our original, cutting-edge technologies cultivated over our corporate history by engaging in development and production of a wide variety of aircraft. Our latest helicopter, the SUBARU BELL 412EPX (the base model for the JGSDF UH-2), was jointly developed through our alliance with U.S.-based Bell Textron. Production and sales are already underway. In addition, toward the development of a mobility society, we will continue to take on greater challenges to develop into an aircraft manufacturer with a global presence, such as by participating in the New Energy and Industrial Technology Development Organization (NEDO)'s Drones and Robots for Ecologically Sustainable Societies project (DRESS project).

## Overview of Center Wing Box and Subaru's Technology

Since first participating in the Boeing passenger program in 1973, we have been involved in development and production as a key partner of Boeing for more than 40 years. We manufacture the center wing box, the critical aircraft section where the right and left wings are attached to the forward and aft fuselage sections. Since the center wing box contains the fuel, it must have high mechanical strength and high fluid tightness. For these reasons, great accuracy and advanced assembly technologies are required for its manufacture, and Subaru is one of the few companies capable of making it. The Handa Plant, where center wing boxes are manufactured, is a global-level production center that produces these parts for the new Boeing 777X as well as for the Boeing 777 large airliner, the Boeing 787 mid-size airliner, the Ministry of Defense's P-1 maritime patrol aircraft, and the C-2 transport aircraft.



A center wing box (Handa Plant)



**Shoichiro Tozuka**  
Senior Vice President, Company  
President of Aerospace Company

## The Aerospace Company will contribute to the enhancement of the Subaru brand.

We are integrating many aerospace systems for commercial transport components, military aircrafts, helicopter systems and UAV's, from R&D to manufacturing through operational support. Flight safety is critical factor for aircraft, and for many years we have fostered a culture in which quality and safety are recognized as inextricably linked and uncompromisingly pursued. This total safety concept is at the core of the Subaru Difference.

In the defense program, we have completed the development of the JGSDF UH-2 helicopter and are proceeding with mass production. Also, we have begun delivery of the SUBARU BELL 412EPX, the commercial version of the new utility helicopter.

The commercial transport programs have been facing difficulties for some time due to expanding impact from COVID-19, but we believe that the fundamental human desire to go faster and fly will lead the aircraft passenger demand to recovery. In preparation for this upcoming leap in growth, we are taking firm action to advance our defense and helicopter programs while working with our partner companies to strengthen our business resilience.