

# The SUBARU Group's Unique Business Model

SUBARU is building a unique business model to achieve its vision of being a company "Delivering happiness to all". Instead of simply expanding our priorities in our business, products, markets, and development, we aim to achieve sustainable growth by selecting and concentrating our business resources in areas where we can best utilize the technologies and know-how that we have built up over the years as part of the human-oriented approach to Mono-zukuri which SUBARU has maintained throughout its history.

In our automotive business, for example, we select and focus on specific areas to provide enhanced functional value in the form of vehicle safety, durability, and superior handling. This allows us to offer value to our customers in the form of Enjoyment and Peace of Mind. As a result of these efforts, our customers see SUBARU vehicles as more than just a means of transport—they are an essential part of our customers' lifestyles.

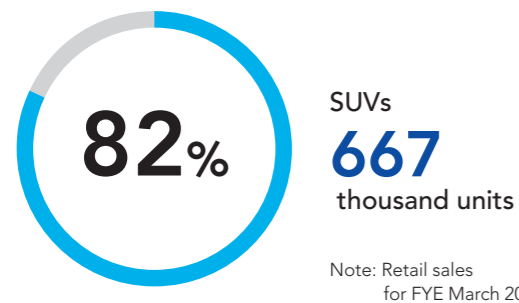
We will continue to meet our customers' expectations and make efforts to enrich people's lives. This will allow us to deepen our relationships with our customers and enhance the value of the SUBARU brand.

## SUBARU's Selected Focus Areas

### Business Focus Areas

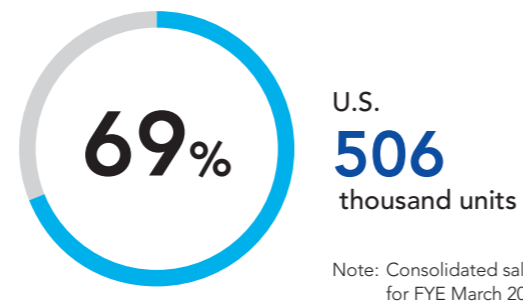


### Product Focus



Development and production of minicars ended in 2012. Within our passenger car segment, we have focused on vehicles in the SUV category due to their versatility for both daily use and more active lifestyles.


### Market Focus



Growth by focusing on the U.S. market, which matches SUBARU's car-making and the lifestyles of our customers, and by gaining further affinity toward SUBARU's initiatives.


### Development Focus

**Competitiveness**



We focus on Enjoyment and Peace of Mind.

**Collaboration**



We effectively utilize partnerships to jointly develop vehicles instead of developing everything in-house.

## Enhancing the Most Basic Functions of Our Vehicles to Provide "Enjoyment and Peace of Mind"

SUBARU, which has roots as an aircraft manufacturer, has constantly maintained a human-oriented approach to Mono-zukuri. Even in the midst of changing times, this approach has always been the core of our manufacturing philosophy, allowing us to create various unique and advanced technologies by continually taking on challenges that enrich the lives of our customers and society. Based on this human-oriented approach to Mono-zukuri, SUBARU will continue to enhance the basic functions of our vehicles—expanding our customers' freedom of movement—to provide customers with Enjoyment and Peace of Mind.

### Ensuring driving safety from every perspective, from putting on your seat belt to unexpected situations

Ever since the SUBARU 360 popularized personal car ownership in Japan, the philosophy at SUBARU has been to give top priority to safety because people entrust their cars with their lives. The safety technologies that we continue to refine based on this philosophy are integrated into the concept of delivering All-Around Safety to customers whenever they ride in our vehicles, from when they put on their seat belts to unexpected situations. SUBARU's enhanced safety performance constantly receives the highest safety performance ratings from various third parties in and outside of Japan.



### Development based on our customers' car use in the real world

At SUBARU, we place importance on being practical for our customers, which is why we build cars that match their lifestyles and changing needs. Examples include a touring wagon that combines a spacious luggage compartment with sporty driving performance, and a crossover SUV that combines off-road capability with everyday usability. Meticulous attention to materials, structure, and layout are factors that enhance the safety of the vehicle. This attention to detail enables us to make the frame thin and strong, which results in a high level of both driving visibility and passive safety performance.

Our vehicles are tested on our company's test track by taking into account various patterns of use by our customers. We also conduct numerous other tests in harsh environments around the world, including uphill driving, rough road handling, and towing. This allows us to collect a diverse array of performance data which we use to boost the reliability of our vehicles in the real world.



### We aim for our cars to be easy to freely control for anyone in any environment

Unless the driver can control the car freely, they will not be able to drive with Enjoyment and Peace of Mind. The car must respond to the driver's control of the steering wheel without delay, move smoothly without any awkwardness, and never require steering adjustments when driving straight. This is the kind of car that SUBARU strives for when refining basic performance—a car that anyone can operate freely with peace of mind.

SUBARU does not have dedicated test drivers—that job is carried out by our engineers. Our engineers strive to achieve better basic performance by understanding the level of skills possessed by professional test drivers. This sharpens their ability to feel the difference between the ideal and reality, and theorize the mechanism behind that difference, which they can then reflect in the best possible design drawings.

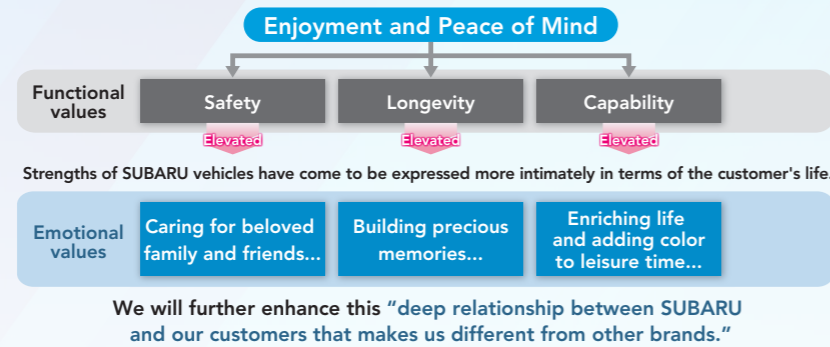
If our engineers cannot acquire the equipment they need to identify the source of any differences felt between the ideal and reality, they will create their own equipment to solve the problem.

By constantly making cars informed not just by hard data, but also by sensory aspects, we are able to exceed the expectations of our customers while accumulating unique theoretical knowledge and know-how.



## Enhancing Relationships with Customers ~Creating the SUBARU difference for our customers~

We at SUBARU have worked to enhance the functionality of our vehicles, including safety and longevity, as part of our efforts to provide value in the form of "Enjoyment and Peace of Mind". Our customers tell us about their lifestyles, experiences, and affinity using words that describe their SUBARU vehicle as a part of their lives. Safety is one area where SUBARU has worked to elevate functional value into emotional value in our customers' minds, and our customers express this value as caring for beloved family and friends.



In the priority market of the U.S., we see many social media posts featuring images and videos of SUBARU vehicles with family members, friends, and pets in front of gorgeous backdrops. This shows us that our customers recognize our vehicles as more than just a means of transportation - they are an integral part of our customers' lifestyles and aspirations. Many of our customers tell us that they feel attached to our vehicles, and they feel that SUBARU is appealing because it is different to its competitors. This "difference" is truly an asset to the SUBARU brand. The deep relationship between SUBARU and our customers creates emotional value that makes us different from other brands, and we feel strongly that we must continue to enhance it.

We hope the "Enjoyment and Peace of Mind" that the SUBARU Group provides allows our customers to experience greater joy, fulfillment and attachment to our vehicles. This includes driving experiences that offer "Enjoyment and Peace of Mind", active lifestyles, memorable experiences with loved ones, and a deeper relationship between retailer staff and customers. We will also respond to new expectations from our customers to build a virtuous cycle that further develops our relationships and enhances the SUBARU brand.



Subaru of America, Inc. (hereinafter, "SOA"), which is the local sales management company for the U.S., and its participating retailers work together to make the world a better place all year round with our motto "Do the right things." Customers who share our values and actively support these activities will not be content with ensuring their own happiness. Instead, they are deeply concerned about society and global resources, and they are making the effort to act in an altruistic way, including helping those in need and want to improve society and the environment. In many cases, our customers become our teachers through the various activities we implement to improve society. These ongoing initiatives allow us to build stronger and deeper relationships with them.

We at SUBARU will continue to work with our retailers to be a trusted part of our customers' lives. Together with our customers, we will work to achieve an enjoyable and sustainable society.



## Our goal of being More Than a Car Company®: SOA's Love Promise® Initiatives

### SOA Launches Programs with Love as the Keyword

In the United States, a key SUBARU Group market, SOA has been conducting its Love Campaign since 2008. Every day, SOA receives messages from customers saying things like, "I love my SUBARU." What really stands out is that so many people use the word 'love' to express their feelings about their SUBARU. Launched with love as the keyword, the Love Campaign involves a variety of initiatives that are closely attuned to customer feelings and values. That approach is especially represented during the year-end holiday season by the Share the Love® campaign. Large discounts are the norm during the season, but the Share the Love® campaign gives customers who buy a SUBARU vehicle during this period the chance to have SUBARU donate on their behalf to a charity of their choice. This program is closely attuned to the sensibilities of customers who are committed to social contribution, and has been running for the 14 years since 2008.



SUBARU and its participating retailers donated more than \$227 million to over 1,700 hometown charities.

### Evolution from Love Campaign to Love Promise – An Initiative That Makes Us More Than a Car Company

The Love Campaign began as a sales promotion initiative, and over the past 14 years has grown into a more significant activity that makes use of community networks built through collaboration with more than 630 retailers across the U.S.

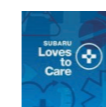
SOA and retailers are participating in the Love Promise Community Commitment based on a core belief in helping those in need through charitable efforts, and the concept that everyone connected with SUBARU should feel loved and respected. Focusing on initiatives in five areas of interest, we are making the world a better place through activities for the communities and regions that each retailer calls home. Specifically, in addition to the four organizations\*1 that SOA partners with, retailers independently support community and regional organizations.

Love will guide SOA's aspirations to transcend what it means to be an automaker with programs to link customers, SUBARU vehicles, and life and lifestyles.

\*1 SOA has partnerships with these four national charity partner beneficiaries: the ASPCA, Make-A-Wish, Meals on Wheels, and the National Park Foundation

### Love Promise® Initiatives in Five Areas

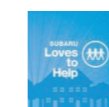
#### SUBARU Loves to Care



#### Support for people battling illness

- Donated more than 230,000 blankets
- Gifted 31,000 arts and crafts kits
- Thousands of messages of hope written by SUBARU retailers and customers

#### SUBARU Loves to Help



#### Support for those in need of housing and food

- Donated approximately 150 million meals to those affected by COVID-19

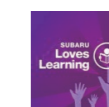
#### SUBARU Loves the Earth



#### Activities to protect the Earth

- More than 7,000,000 pieces of hard-to-recycle trash like coffee cups and snack wrappers were given a new life as useful items such as benches at local schools

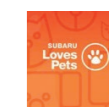
#### SUBARU Loves Learning



#### Support for education

- SUBARU and its retailers have supported the educations of more than 300,000 students nationwide

#### SUBARU Loves Pets



#### Animal welfare

- Support for 230,000 animals, including matching with foster families, rescue, and health care

### U.S. Accolades for the SUBARU Brand

SOA programs, including Love Promise® initiatives with retailers and customers, rank highly in U.S. consumer brand evaluations for all industries and in U.S. customer satisfaction surveys. This has helped to enhance the SUBARU brand.



**Forbes Halo 100**  
Forbes ranks SUBARU among the top 10 brands consumers love.



**ACSI®**  
SUBARU has received top rating in numerous categories in the American Customer Satisfaction Index (ACSI) survey for the automobile industry.

- Safety: Ranked 1st (3 years in a row)<sup>2</sup>
- Driving performance: Ranked 1st<sup>2</sup>
- Service quality: Ranked 1st<sup>2</sup>
- Endurance: Ranked 1st (2 years in a row)<sup>3</sup>
- Production quality: Ranked 1st (2 years in a row)<sup>3</sup>
- Satisfaction 1st<sup>2</sup>

\*2 Compared to all other measured mass-market automotive companies in the 2022 ACSI surveys of customers rating their own automobile. ACSI® is a registered trademark of ACSI, LLC.  
\*3 Compared to all other measured mass-market automotive companies in the 2022 ACSI surveys of customers rating their own automobile. The 1st rating is shared with one other automotive company.



- SUBARU Loves to Care  
<https://www.subaru.com/our-commitment/love-promise/subaru-loves-to-care.html>
- SUBARU Loves to Help  
<https://www.subaru.com/our-commitment/love-promise/subaru-loves-to-help.html>
- SUBARU Loves the Earth  
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- SUBARU Loves Learning  
<https://www.subaru.com/our-commitment/love-promise/subaru-loves-learning.html>
- SUBARU Loves Pets  
<https://www.subaru.com/our-commitment/love-promise/subaru-loves-pets.html>
- U.S. Accolades for the SUBARU Brand  
<https://www.subaru.com/vehicles/accolades.html>

## 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."

**2007–2010**  
Customer Satisfaction:  
Our Customers Are Everything

At the time of announcement: Representative Director of the Board, President and CEO Ikuo Mori

**2011–2013**  
Motion-V

At the time of announcement: Representative Director of the Board, President and CEO Yasuyuki Yoshinaga

**2014–2017**  
Prominence 2020

At the time of announcement: Representative Director of the Board, President and CEO Yasuyuki Yoshinaga

**2018–2025**  
STEP

Representative Director of the Board, President and CEO Tomomi Nakamura

**Essential features**

With the philosophy of "customers come first" at its core, focusing on improving profitability and investing in growth areas with management resources

**Major challenges**

- To provide a distinctive SUBARU experience for drivers and passengers
- To increase sales globally (Most important market: U.S.)
- To strengthen competitiveness in quality and cost
- To also grow through the business alliance with Toyota
- To grow the level of employee competence and so enhance the organization

**Achievements**

- Sharing the mindset of "customers come first" within the Group
- Globalization of products
- World's leading safety performance
- Expanding sales in U.S. (the most important market)
- Reform of profit structure by reducing costs

**Issues**

- Lowering sensitivity to foreign currency fluctuations
- Increasing sale in emerging countries including China
- Developing environmental technology and products
- Autonomy of three internal companies\*
- Flexibility to adapt to changes in business environment

**Management philosophy**

Aiming to be a compelling company with a strong market presence built upon its customer-first principle

**Five themes**

- Guiding principle for all activities "Confidence in Motion"  
<Promote the brand strategy>  
"Provide value to customers and Enjoyment and Peace of Mind"
- With the basic philosophy of "customers come first,"  
"Provide distinctive SUBARU experience"
- Strengthen sales force and the availability of automotive supply,  
"Accelerate sales expansion"
- Overhaul of cost structure and promote alliance with Toyota,  
"Solidify operational foundation"
- Back up concrete approaches for business,  
"Improvement in Management"

**Achievements**

- XUV/SUV strategy succeeded
- Boosted sales through U.S.-oriented product development
- Highly rated collision safety and EyeSight
- Cost reduction activities paid off
- Achieved low-incentive sales
- Achieved highly efficient production

**Issues**

- Compliance with future environmental regulations
- Production capacity shortages
- Responding to the needs of new customers
- Sensitivity to currency fluctuations

**Management philosophy**

Aiming to be a compelling company with a strong market presence built upon its customer-first principle

**Reason for formulation**

Pursue the goal of sustainable growth and development by boosting competitiveness and building a solid business platform at a new stage

**Vision for 2020**

Corporate vision  
Not big in size, but a high-quality company with distinctive strengths

Specific goals

- No.1 for customer trust
- Strong brand
- Among the most profitable companies in the industry
- Vehicle sales of 1.1 million-plus units

**Direction for mid-term management vision**

Pursue added-value business  
→ Enhancing the SUBARU brand

Increase tolerance to changes in the business environment  
→ Building a strong business structure

**Achievement**

- Among the most profitable companies in the industry

**Issues**

- Strong brand
- Vehicle sales of 1.2 million-plus units
- No. 1 for customer trust

**Corporate statement**

We aim to be a compelling company with a strong market presence built upon our customer-first principle

**Value statement**

Enjoyment and Peace of Mind

**Vision**

Delivering happiness to all

**Vision for 2025**

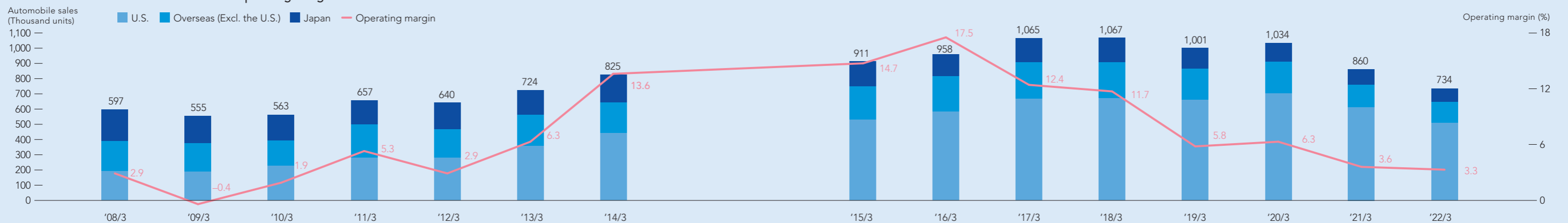
- Become a brand that is "different" from others by enhancing distinctiveness.
- Engage in business activities that resonate with customers by putting them center-stage
- Fulfill corporate social responsibilities by contributing to diversifying social needs.

**Major challenges**

- Corporate culture reforms
- Quality enhancement
- Evolution of the SUBARU difference

Note: A progress report on "STEP" was made in May 2021, and content was partially updated.

### 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

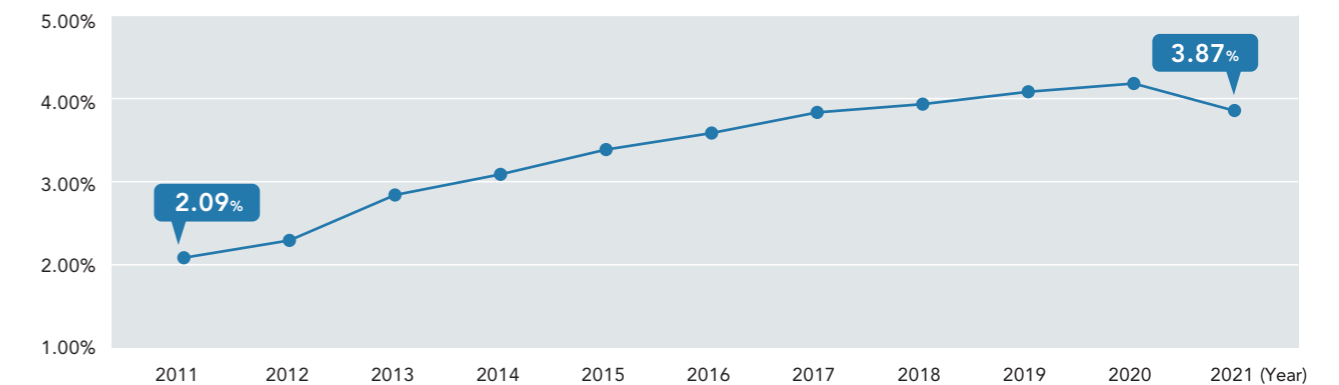
- 1 Become a brand that is "different" from others by enhancing distinctiveness.
- 2 Engage in business activities that resonate with customers by putting them center-stage.
- 3 Fulfill corporate social responsibilities by contributing to diversifying social needs.

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

We aim to maintain and expand our market share in each market by increasing the value we provide to our customers and enhancing the strength of our brand. In our priority market of the U.S., we are making progress toward a 5% market share.

Market share for SUBARU vehicles in the U.S.



### Profit Direction and Capital Policy

- 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.
  - Capital expenditures: In addition to recurring investment (3.5% to 4.0% of revenue), full-scale investment in reorganizing the domestic production system will begin in FYE March 2024 (250 billion yen over five years)
  - R&D expenditures: 120 billion yen level/year
- We aim for a ROE of at least 10% while ensuring 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)
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

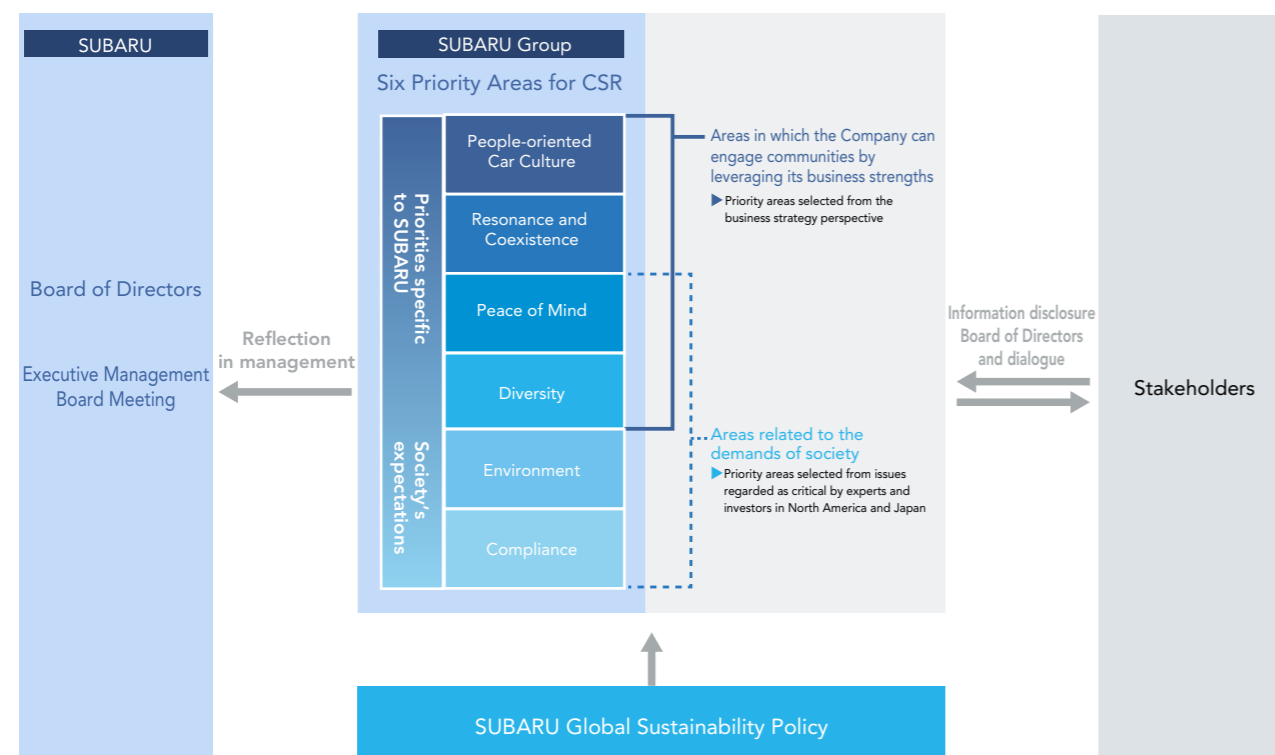
In accordance with SUBARU's mid-term management vision "STEP," the SUBARU Group established the Six Priority Areas for CSR: People-oriented Car Culture; Resonance and Coexistence; Peace of Mind; Diversity; Environment; and Compliance.

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.

### Six Priority Areas for CSR: Visions for 2025 and Relevant 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 is 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	Visions for 2025	Relevant SDGs
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.	9 (Industry, Innovation and Infrastructure), 11 (Sustainable Cities and Communities)
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.	11 (Sustainable Cities and Communities), 17 (Partnerships for Development)
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.	3 (Good Health and Well-being)
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.	5 (Gender Equality), 8 (Decent Work and Economic Growth)
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.	13 (Climate Action), 12 (Responsible Consumption and Production)
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.	8 (Decent Work and Economic Growth), 16 (Peace, Justice and Strong Institutions)

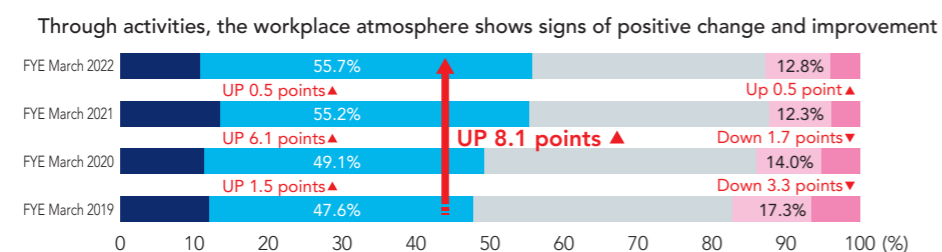
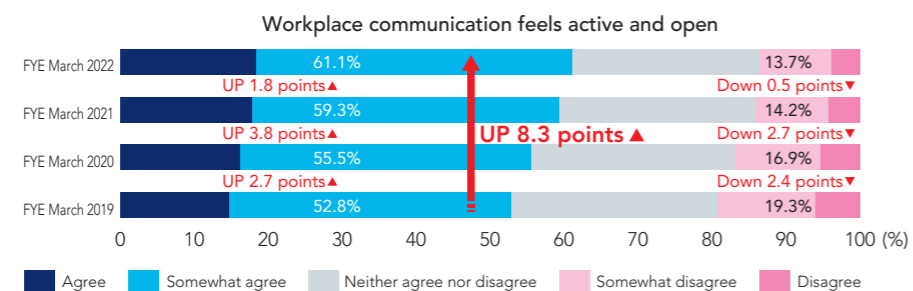
- Human Rights Policy
- Human Rights Policy Appendix
- Quality Policy
- Fundamental Procurement Policy
- SUBARU Supplier CSR Guidelines
- Responsible Mineral Procurement
- Green Procurement Guidelines
- SUBARU Environmental Policies
- SUBARU Guidelines on Biodiversity
- Social Contribution Policy

## Mid-term Management Vision "STEP": Progress of Key Initiatives

### Corporate Culture Reforms

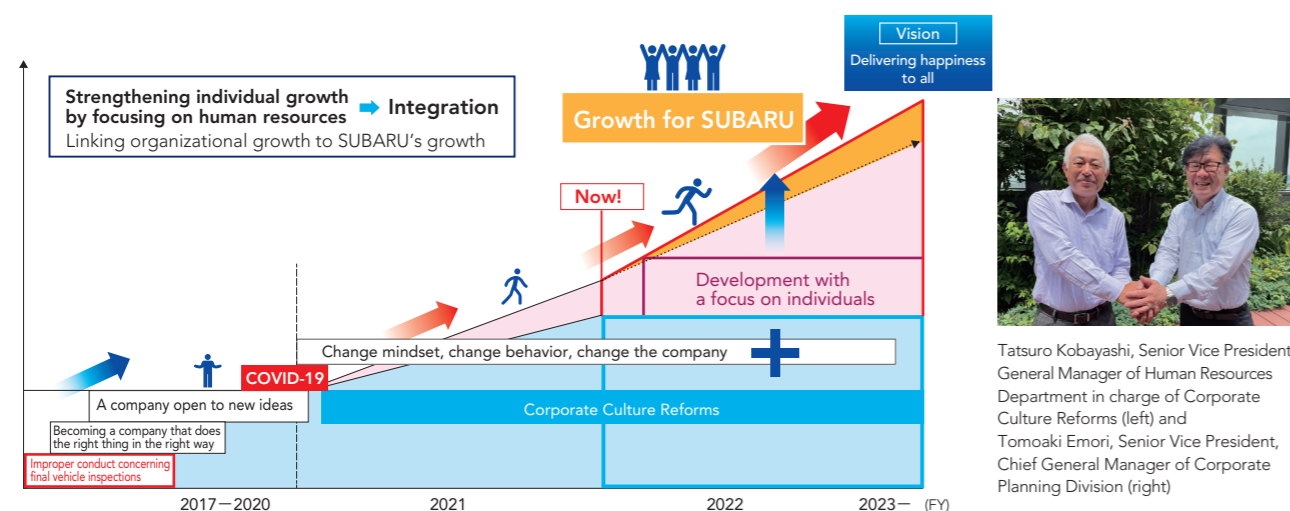
Based on our slogan for Corporate Culture Reforms, "Change mindset, change behavior, change the company," we have continuously held company-wide activities, including various dialogues to share information about business challenges and learn about businesses outside the Company. Specifically, from FYE March 2022 we launched our Dialogue with the President and External Dialogue, which management leaders from other companies are invited to. These are held in addition to the existing Officer Speech Relay and Dialogue with General Managers Relay that began in FYE March 2020. We are steadily increasing these activities to change the mindset of individual employees and their behavior. The enhancement and utilization of IT tools was accelerated by the COVID-19 pandemic, providing the momentum that is helping to revitalize the organization by generating spontaneous company-wide communication spanning a range of departments and job positions. As a result, employees are feeling the effects of these changes, with Employee Attitudes Survey scores for "openness in the workplace" showing continuous improvement for the fourth straight year.

FYE March 2022 Results of Employee Attitudes Survey on Corporate Culture Reforms (Response rate: 94.7%)



### From Individual Growth to Organizational Growth: the Human Resources Department and Corporate Planning Department will work together to accelerate reforms

Now that employees have become accustomed to thinking and acting on their own volition, from FYE March 2022 onward, we are implementing Corporate Culture Reform activities focused on the growth and development of individual employees, and we will boost engagement so that each employee can feel their growth and job satisfaction. In FYE March 2023, we have integrated Corporate Culture Reforms, formerly led by the Corporate Planning Department, with Workstyle Reforms and our Personnel Strategy led by the Human Resources Department, and those 2 departments will work together to accelerate efforts to boost the reforms.



### Quality Enhancement

SUBARU is pursuing Quality Enhancement initiatives as a key theme of its mid-term management vision, "STEP".

We are promoting activities in three areas to achieve Quality Enhancement: 1) Thorough implementation of a "Quality-First" mindset and reinforcement of organizational efforts and structure, 2) Execution Quality enhancement, and 3) Innate Quality enhancement. While we have made steady progress in these areas, we have not been able to fully present our achievements to customers and dealerships. High quality is the bedrock of the brand and the source of the added-value strategy. We will continue to proactively promote Quality Enhancement and aim to produce results in a consistent manner.

#### 1. Thorough Implementation of a "Quality-First" Mindset and Reinforcement of Organizational Efforts and Structure

To establish the foundation for quality enhancement, we are reviewing our quality policy and renewing quality manuals to redefine SUBARU's vision. We are also carrying out ongoing company-wide educational and reflection activities, such as Quality Caravan events and activities to prevent lessons learned in the past from fading away, to encourage renewed quality awareness among individual employees.

#### 2. Execution Quality Enhancement

This initiative aims to prevent the flow of defects downstream after the production preparation stage. We are promoting initiatives to rapidly implement measures to resolve defects that have occurred in the market, and improve the response speed of quality improvement. Specifically, we set up FAST\*, a quality improvement team, to strengthen the quality assurance system and promote rapid issue resolution in North America. At the same time, we are working to establish the QA Lab at our Gunma Plant to enhance our ability to investigate the causes of defects, investigate defect trends using artificial intelligence (AI), and strengthen parts traceability.

\* FAST: Fast Action & Solution Team

#### 3. Innate Quality Enhancement

Innate Quality Enhancement involves reforming all processes from the initial planning stages to development and design. This allows us to ensure quality throughout the entire manufacturing process, from the earliest stages of development to production and distribution. Employees responsible for development will be given more authority and there will be a stronger focus on the use of stage gate project management for quality targets from the initial development stages. We are also changing development processes so that a project cannot proceed to the next stage until it has cleared the previous stage.

### Accelerating Quality Enhancement in Three Areas, as a Top Priority

## 3

#### Innate Quality Enhancement

- Ensure quality from the very start of development down through component logistics and production
  - Fully check past issues in development, production, and suppliers
  - Identify 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

- Construction of a new final vehicle inspection facility (partially operational as of August 2022)
- Swift response to quality issues
  - North American quality team FAST
  - 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 QA Lab facility for enhancing our 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
  - Full revision of the quality manual
- Quality awareness, reflection activities
  - Quality Caravan events
  - Company-wide efforts to prevent lessons learned in the past from fading away
- Increase in personnel
  - Increase in Quality Assurance Division personnel by 50% over 3 years

#### TOPICS

#### New Final Vehicle Inspection Building

At the Gunma Plant, we are reviewing processes and building and updating our Final Vehicle Inspection Buildings to implement more stringent final vehicle inspections. In August 2022, one of the three new final inspection buildings has launched its operations in Japan. Use of the facility will be expanded to other lines in the future. SUBARU will continue to strive to become the brand that is the preferred choice for our customers through quality that allows them to use our vehicles with peace of mind for many years to come.



For more information on Quality, visit:

[https://www.subaru.co.jp/en/csr/social/quality\\_automobile.html](https://www.subaru.co.jp/en/csr/social/quality_automobile.html)

## Evolution of the SUBARU Difference

### SUBARU's Future Direction

Aim for zero fatal road accidents by 2030.

Contribute toward achieving a carbon-free society with SUBARU strengths and technological innovation.

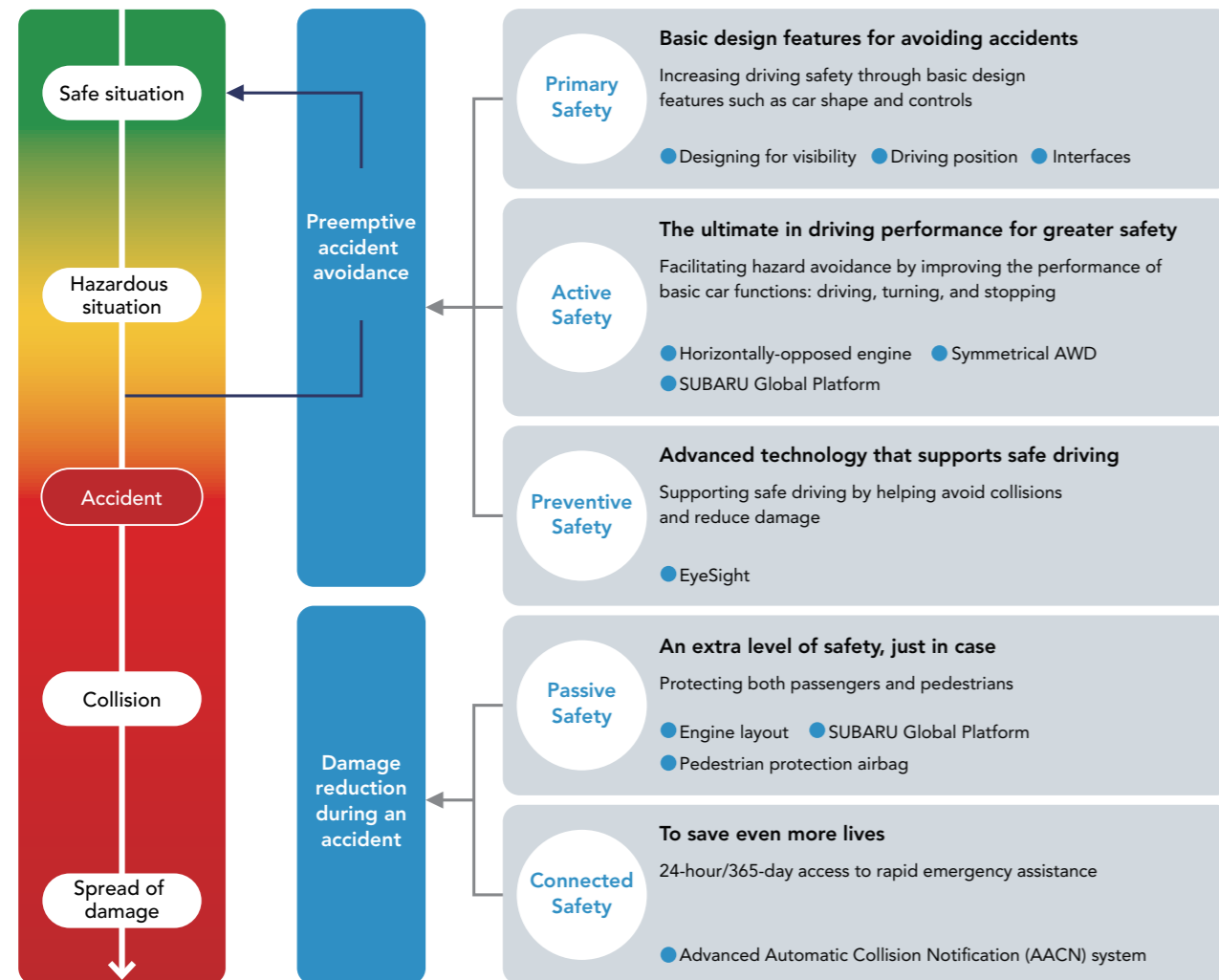
Further advance our technologies to deliver "Enjoyment and Peace of Mind." Maintain the SUBARU difference even in the age of vehicle electrification.

### SUBARU's All-Around Safety

In our mid-term management vision "STEP" announced in 2018, we declared our goal of working toward zero-fatality road safety<sup>\*1</sup> by 2030, attaching particular importance to protecting lives.

SUBARU will enhance the safety performance of its cars from every perspective as we aim to achieve zero-fatality road safety by 2030. We will do this by making the four existing areas of Primary Safety, Active Safety, Preventive Safety, and Passive Safety even better, while also adding Connected Safety.

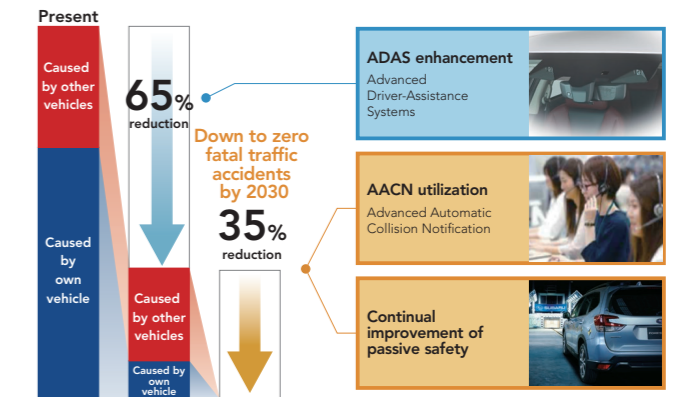
<sup>\*1</sup> Zero fatal road accidents occurring while a driver or passenger in a SUBARU vehicle and the number of fatalities among pedestrians, cyclists, and the like arising from collisions with a SUBARU vehicle.



Following the domestic market launch of EyeSight X, which offers enhanced features that provide greater safety and comfort when traveling on roads specifically designated for automobiles, in 2022 we added a new wide-angle single-lens camera capable of recognizing objects in a wider area to our Outback model for North America. We will improve Advanced Driver Assistance Systems (ADAS) to further avoid and mitigate accidents, and reduce at-fault traffic accidents.

For no-fault accidents, we will aim to achieve zero-fatality road safety by 2030 by strengthening our existing four safety performance areas and adding Connected Safety in the form of our Advanced Automatic Collision Notification (AACN) system.

### Plan to Achieve Zero-Fatality Road Safety



### Car Assessments

SUBARU vehicles undergo safety performance testing and assessment by public organizations inside and outside of Japan, including JNCAP<sup>\*2</sup> in Japan, IIHS<sup>\*3</sup> in the U.S., Euro NCAP<sup>\*4</sup> in Europe, and ANCAP<sup>\*5</sup> in Australia, and have gained the highest rank of assessment in most of them.

In FYE March 2022, the new Legacy Outback won the JNCAP Five Star Vehicle Safety Performance 2021 Award, the highest rating in the JNCAP. This is the second consecutive year that we have earned this highest rating, following last year's win by the Levorg. At the IIHS, as of May 2022, six of SUBARU's 2022MY (model year) vehicles had won the organization's 2022 TOP SAFETY PICK+ (TSP+) Award, and two vehicles had won its 2022 TSP Award. In addition, SUBARU's Ascent and Forester were selected for the IIHS Seat Belt Reminder evaluation test, a program launched in March 2022. Both vehicles received the highest rating of "Good." Euro NCAP and ANCAP both gave the Outback a five-star rating in their 2021 assessments.

<sup>\*2</sup> JNCAP (Japan New Car Assessment Program): A car assessment program conducted by the Ministry of Land, Infrastructure, Transport and Tourism and the National Agency for Automotive Safety and Victim's Aid (NASVA)

<sup>\*3</sup> IIHS: Insurance Institute for Highway Safety

<sup>\*4</sup> Euro NCAP: European New Car Assessment Programme, a safety information disclosure program for automobiles in Europe

<sup>\*5</sup> ANCAP: Australasian New Car Assessment Program, a safety performance assessment program conducted since 1993 by an independent organization created by Australian and New Zealand transit authorities

### Recent Awards

Model	Organization	Assessment
Legacy Outback	JNCAP, Japan	Vehicle Safety Performance JNCAP Best Award 2021 JNCAP Five Star Award 2021
2022 model year editions of the Crosstrek Hybrid, Legacy, Outback, Forester, Ascent, and BRZ (equipped with EyeSight) (as of May 2022) (U.S. models only)	IIHS, U.S.	2022 TSP+ Award <sup>*6</sup>
2022 model year editions of the Impreza (5-door) and Crosstrek (all equipped with EyeSight and specific headlights) (U.S. models only)	IIHS, U.S.	2022 TSP Award <sup>*6</sup>
Outback	Euro NCAP, Europe	2021 Five-star rating
Outback	ANCAP, Australia	2021 Five-star rating

<sup>\*6</sup> In the IIHS's publication of vehicle safety information, the TOP SAFETY PICK (TSP) Award is given to vehicles that earn the rating of "Good" for all test results including the Offset Frontal Test, the Driver-side Small Overlap Front Test, the Passenger-side Small Overlap Front Test, the Side Crash Test, the Rear Impact Test, and the Rollover Test and the rating of "Acceptable" or higher in the Headlight Evaluation, as well as the rating of "Advanced" or higher in the vehicle-to-vehicle and vehicle-to-pedestrian tests. In addition to these ratings, vehicles which have standard equipped headlights that are rated "Acceptable" or higher are awarded the TOP SAFETY PICK+ (TSP+) Award.

## Contributing to the Achievement of a Carbon-Free Society by Further Enhancing the SUBARU Difference

SUBARU will contribute to a zero-carbon society by demonstrating the SUBARU difference through distinctiveness and technological innovation. Specifically, our plan is to ensure that at least 40% of SUBARU global sales are battery electric vehicles (BEVs)<sup>\*7</sup> and hybrid electric vehicles (HEVs) by 2030. We also aim to apply electric powertrain technology to all new SUBARU vehicles sold worldwide by the early 2030s. By 2050, we aim to reduce well-to-wheel<sup>\*8</sup> CO<sub>2</sub> emissions by 90% or more<sup>\*9</sup> compared to 2010 levels.

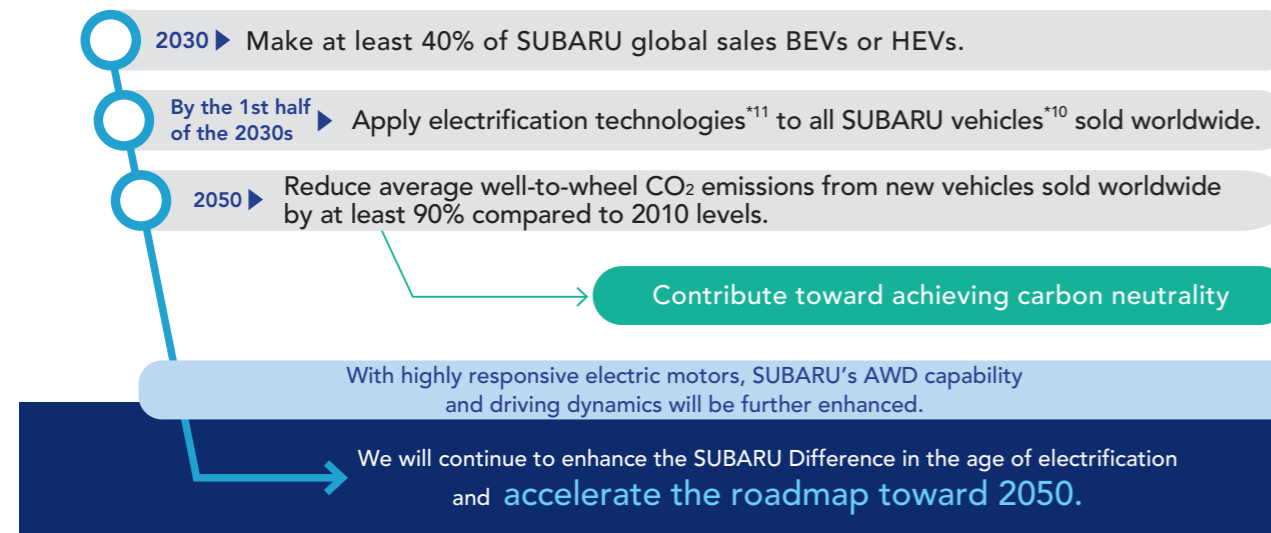
\*7 BEV: Battery electric vehicle

\*8 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

\*9 Reducing total CO<sub>2</sub> emissions calculated based on the fuel efficiency (notified value) of all SUBARU automobiles sold across the world in 2050 by 90% or more relative to 2010 levels. Changes in the sales quantity due to changes in the market environment will be taken into consideration, while minor changes such as driving distance will not.

### Environmental efforts with commitment to enhancing the SUBARU difference

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



\*10 Excluding models supplied by OEMs

\*11 Refers to technology that boosts the use of electrical power, such as EVs and HEVs

### New Model BEV—SOLTERRA

The SOLTERRA is SUBARU's first global BEV that is packed with "Enjoyment and Peace of Mind", carefully cultivated by our company over many years. Customers can choose this environmentally friendly and practical model with the same peace of mind as previous SUBARU vehicles.

This development project was carried out jointly with Toyota Motor Corporation (hereinafter, "Toyota"). During the process of creating a truly outstanding vehicle, both companies knew the SOLTERRA would serve as the foundation for future SUBARU BEV models, and made a firm commitment to create a BEV that would feel like any other SUBARU model to customers.

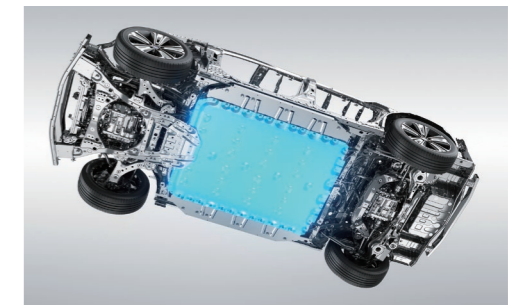
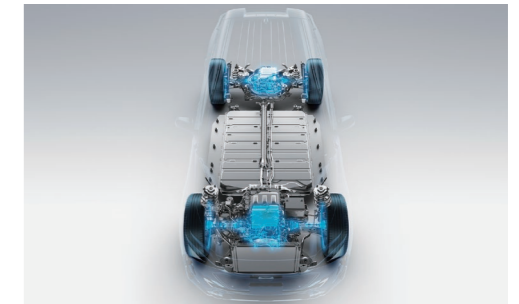
Under the motto, "Let's fight nice and friendly," both companies engaged on an equal footing. Rather than compromise, we held repeated discussions with Toyota's team, which, as a result, enabled us to fully realize SUBARU's unique approach to car manufacturing.



The AWD system, unique to BEVs, uses separate motors to drive the front and rear wheels. This system leverages technology built up by SUBARU over the years for exerting precise control of all four tires, and superior responsiveness and flexible front-rear power distribution afforded only by a motor. This achieves excellent driving stability that uses the gripping force of all four wheels to their maximum potential.

A notable feature of the newly developed e-SUBARU Global Platform is the partial integration of the battery in the frame, which achieves more strength and rigidity than ever before. This contributes to better handling stability and allows drivers to enjoy the driving quality of a SUBARU. The structural architecture efficiently absorbs collision energy to thoroughly protect not just the passengers, but also various electronic components.

At test driving events for automotive journalists held in Japan, the U.S., and Europe, many drivers said they were able to actually feel the SUBARU difference. Going forward, we will pay close attention to feedback from our customers and link it to our future BEV strategy.



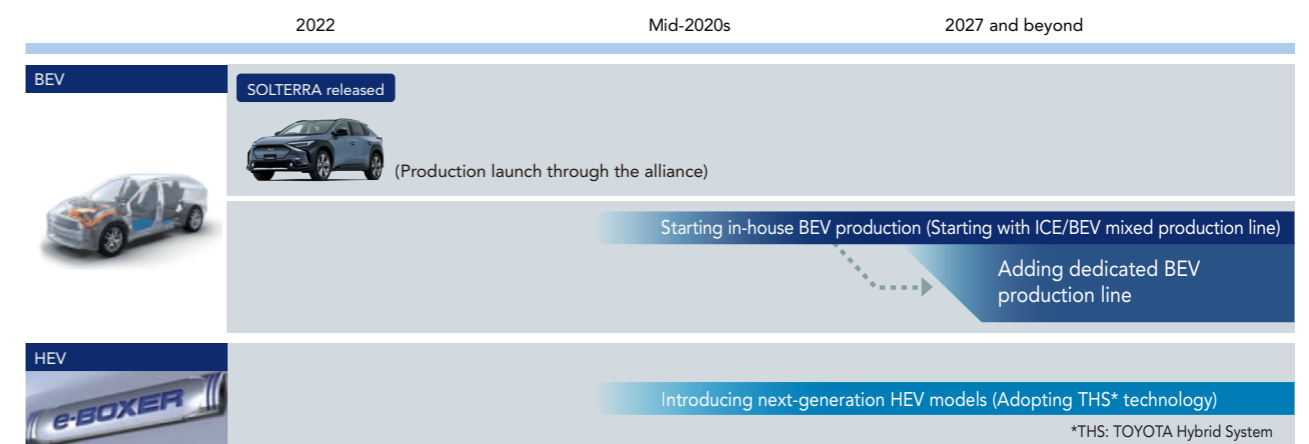
### Reorganization Plan for Our Domestic Production System

Although it is difficult to precisely predict the timing of the large-scale transition to BEVs that is expected to arrive in the future, we are planning a strategic reorganization of our domestic production system to ensure that we can respond to this change. We are considering starting in-house production of BEVs (around 2025 is our target) and adding a specialized BEV production line after 2027 to increase the number of models and units. Additionally, we are steadily working to use the next-generation e-BOXER system, which uses the TOYOTA Hybrid System (THS), on our horizontally-opposed engine, in several models.

During the transition period to BEVs, we will establish a flexible system that can also produce gasoline and hybrid vehicles to achieve even more highly efficient BEV production, with the aim of improving our business performance.

We will continue to provide products which satisfy our customers while carefully monitoring trends related to the market and environmental regulations, as well as the convenience of BEVs, including infrastructure.

### Strategic reorganization of domestic production for the expansion and acceleration of electrified vehicle development

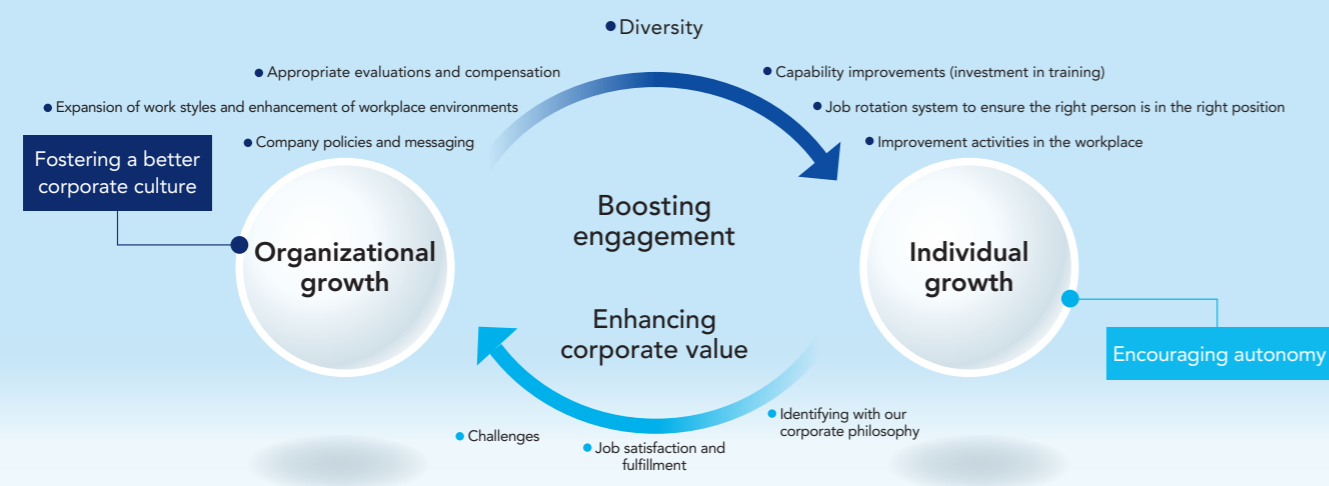




## Human Resource Development—from Individual Growth to Organizational Growth

We intend to achieve continued sustainable growth for the SUBARU Group amid a rapidly changing business environment. In order to do so, it is important to cultivate human resources who think and act individually in response to various changes.

We will boost employee engagement by promoting the training of human resources who will lead SUBARU in the future to fulfill our vision of “Delivering happiness to all”, and link individual growth to organizational growth.



SUBARU aims to train human resources who can act autonomously and play a leading role in creating change. We are also developing a corporate culture that encourages individual employees to develop their own careers and take on new challenges in an environment that allows diverse human resources to play an active role. Specific examples include the introduction of a new personnel system, training program, and open-call job rotation in FYE March 2022. These initiatives will raise each employee’s motivation and satisfaction, which will lead to greater employee engagement. We are also working to boost corporate value by achieving a deeper level of empathy with SUBARU’s philosophy of becoming a source of fulfillment and pride.

## New Personnel System

In April 2021, we launched a new personnel system that encourages employees to take on new challenges.

The three points below outline our organizational ideals under the new personnel system. We will achieve the organizational cultural reforms promoted by our mid-term management vision “STEP”, and strive to change the mindsets and behaviors of our employees.

1. Employees who take on new 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

### <Main initiatives of the new personnel system>

We are promoting the following five actions as the main measures of the new personnel system:

- 1) Introduce a personnel system that enables faster promotions and personnel selection than before by focusing on results achieved by taking on challenges, rather than age or experience
- 2) Revise the pay system into a more dynamic scheme by discouraging seniority-based pay, encouraging pay rises by rising through ranks, and paying bonuses based on results
- 3) Introduce a specialist system aimed at boosting the technical capabilities and motivation of engineers
- 4) Introduce a new re-employment system that promotes the active participation of diverse human resources, including seniors, in active roles
- 5) Abolish the executive age limit for management-level personnel, and introduce a system that appoints them based on performance and ability

## Human Resource Development that Encourages Employees to be Autonomous and take on New Challenges to Achieve their Goals

SUBARU promotes various initiatives where the ideal employee is defined as someone who continues to take on new challenges independently based on their affinity with SUBARU’s philosophy.

### Career training and career support

We provide career training as an opportunity for each employee to take a look back at their career progression. They analyze their current strengths and weaknesses so they can develop their careers autonomously. Employees visualize and share where they want to be and what they want to achieve in the next three to 10 years using a career design sheet. We also offer career management training and career consultations for managers so that they can receive support for their career development from their workplaces and supervisors.

### Autonomous skill development programs

SUBARU offers a range of programs to assist with business skill development for all employees, including regular employees and management-level personnel. Programs can be chosen according to the employee’s skill level and their reason for acquiring additional skills. We provide support to employees so that they can think independently and choose the skill development they need based on their personal career plan and their individual strengths and weaknesses. We are also proactively utilizing external seminars to increase opportunities to learn and connect with people outside the Company to gain new insights.

As a result of these efforts, the score for “Opportunities for improving abilities” in the Employee Attitudes Survey in FYE March 2022 improved significantly by more than six points compared to the previous fiscal year.

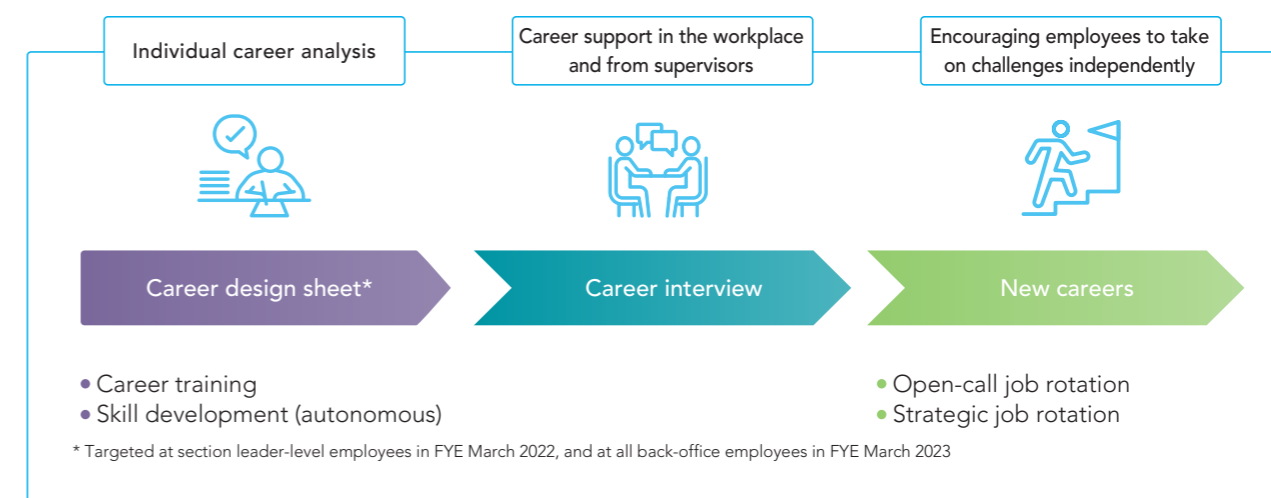
SUBARU offers training for selected managers and mid-level employees with the aim of continually fostering the next generation of managerial talent.

### Open-call job rotation

SUBARU introduced an open-call job rotation system in FYE March 2022 as a scheme to support employees in developing their ideal careers. Many departments are already making use of this system. Employees can choose to apply for positions available in each department (open calls include job description, conditions, etc.) If both parties agree to the conditions of employment, the employee is transferred to their new position. This system leads to improved motivation as employees utilize their skills and acquire knowledge in new areas.

Each of these initiatives are promoted throughout the SUBARU Group, and are being carried out at affiliated companies around the world in accordance with regional characteristics.

### Scheme for Autonomous Career Development and Career Support in the Workplace



## Diversity Management

The SUBARU Group aims to continue creating the unique value provided by the SUBARU brand. To achieve this goal, SUBARU employees with a diverse range of individual characteristics and values need to be able to fully utilize their own unique talents. This is why SUBARU respects diversity in the form of gender, nationality, culture, and lifestyle, and strives to create a positive workplace environment for everyone. In addition, SUBARU's affiliated companies in Japan and overseas promote initiatives in accordance with the business domain of each company and regional characteristics. In January 2015, we established the Diversity Promotion Office to facilitate active participation by all human resources including female employees, mid-career hires, and foreign national employees. This office strives to create employee-friendly workplace environments, place the right human resources in the right positions, develop human resources, and facilitate promotions to managerial positions. The office recognizes that promoting active roles for female employees is a top priority. Efforts are being made to create work environments where all human resources can work in an enthusiastic manner. In 2020, we began holding regular online seminars by outside speakers on topics such as LGBT issues and the employment of people with disabilities. In 2021, we set up an external hotline for consultation about LGBT-related issues.

### Empowerment of female employees

SUBARU is working to promote active roles for female employees by establishing Support for Balancing Work and Childcare and Support for Career Development as the two pillars of its action plan that will continue until March 2026. We are also supporting the health of female employees so that they can continue working throughout various life events. We aim to more than double the number of female employees in managerial positions by 2025 compared with the level in 2021. As of the end of March 2022, 24 of the 1,113 employees in managerial positions were women.

We also established the Women's Leadership Program (WLP) to develop our human resources. Female employees seeking managerial positions share their career plans, goals, and challenges, and the program then provides guidance and training tailored to each individual. We are working to empower women to develop their own unique careers, including providing training for female leaders by establishing a career training system for all women at our company, from young employees to managers. We are also holding health seminars for employees and their managers to promote better awareness about physical changes that women experience at particular ages and phases in their lives.

Through these efforts and unconscious bias training, we are working to develop a corporate culture and workplace environment that facilitates active participation by everyone, allowing each person to make the most of their individual abilities.

### Foreign national employees

The SUBARU Group hires human resources best suited to the policies and business activities of each location, regardless of their nationality. SUBARU employs 87 foreign nationals as of the end of March 2022. There are two foreign national employees in managerial posts at manufacturing and engineering departments. We will continue to hire foreign nationals based on their individual capabilities and qualities, and promote them to managerial positions without discrimination.

### Mid-career hires

SUBARU has been actively promoting mid-career recruitment in recent years to respond to changes in the business environment and achieve sustainable growth. There were 4,059 mid-career hires working as regular employees as of the end of March 2022, and 164 of them were in management positions. A total of 996 people were hired as mid-career recruits during the five-year period starting in 2017. In addition to active recruitment, we conduct regular surveys after the 1st, 3rd, 6th, and 12th month of employment, and provide follow-up support to mid-career hires after they join the Company. Follow-up support includes support and on-demand education provided by the HR department with cooperation from the workplace.

In addition, we established SUBARU Lab, an AI development base in Shibuya, Tokyo, where a cluster of IT companies are located, in December 2020 as part of an initiative to enable smooth and targeted hiring of human resources required for AI development. As of May 2022, nine people had been recruited as mid-career hires. We will continue to hire new graduates and mid-career human resources based on individual capabilities and qualities, and promote them to managerial positions without discrimination.

Please visit the Subaru website for details on human resources and diversity.  
<https://www.subaru.co.jp/en/csr/social/resources/diversity.html>

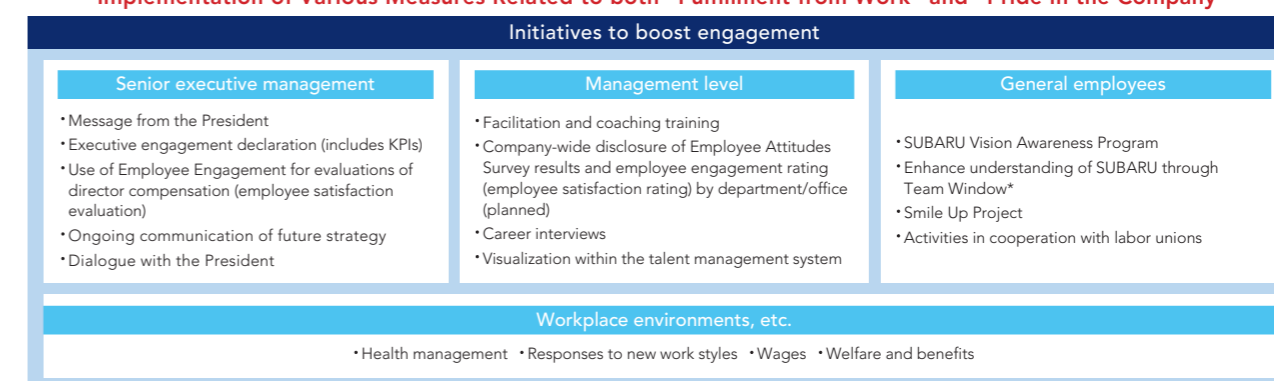
## Efforts to Boost Employee Engagement

Employee engagement (employee satisfaction rating) is a rating in the Employee Attitudes Survey that reflects fulfillment from work and pride in the company. We are implementing various initiatives aimed at boosting this rating to 70% by 2025. From FYE March 2023, compensation for directors will be subject to an employee engagement rating (employee satisfaction rating) as a qualitative (non-financial) evaluation criterion.

### Various Initiatives Aimed at an Employee Engagement Rating (Employee Satisfaction Rating) of 70% by 2025



### Implementation of Various Measures Related to both "Fulfillment from Work" and "Pride in the Company"



\*Team Window: An initiative for building a more robust organization by conveying information and facilitating discussion among members representing all departments

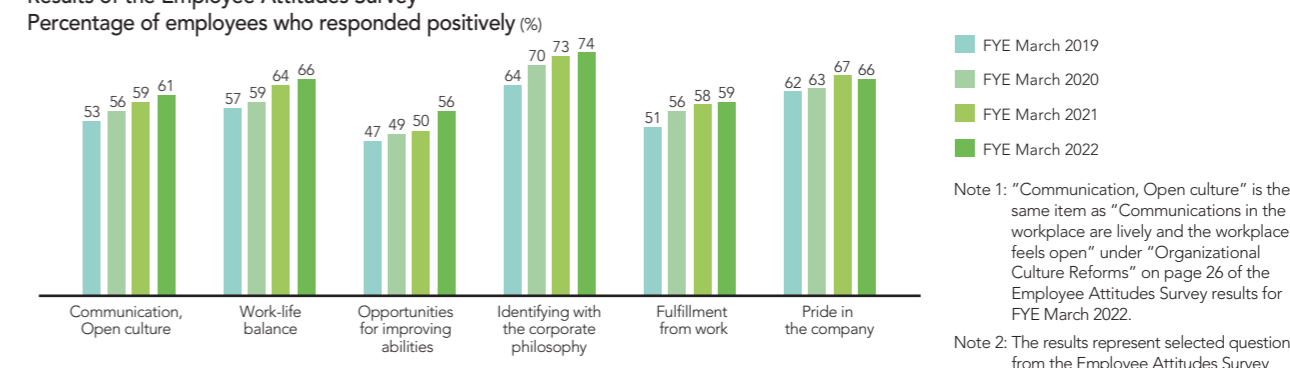
### Employee Attitudes Survey

This survey has been conducted every year since FYE March 2018 with the purpose of creating a company where employees are happy and everyone can work in a vibrant and energetic atmosphere. It uses data to objectively understand changes in employee attitudes and changes in the workplace environment, while also gathering opinions from our employees.

After the improper conduct related to the final vehicle inspection issues in 2017, scores for items such as "Fulfillment from work" and "Pride in the company" dropped sharply. This is why we use the Employee Attitudes Survey to verify the effectiveness of our initiatives to change the corporate culture, enhance quality, and create workplace environments that are open to new ideas. The survey results are reported to senior executive management, and are also utilized to identify problems and formulate countermeasures at each of our workplaces.

In FYE March 2022, 16,536 people, 94.7% of all regular employees, responded to the survey. The scores showed an overall upward trend compared to FYE March 2021, and the score related to "Opportunities for improving abilities" rose dramatically as an effect of introducing the new personnel system and educational programs.

### Results of the Employee Attitudes Survey



## Promoting Health Management

To achieve its vision of a company that delivers happiness to all, SUBARU is promoting health management initiatives along with occupational health and safety activities so that all employees can maintain their health, well-being, and enthusiasm as they work, while also taking on challenges and achieving growth. SUBARU is implementing these actions based on the belief that the health of employees and their families is the foundation of all our business operations. SUBARU is also working on activities to provide a more comfortable working environment, such as supporting the physical and mental health of its employees as well as building a healthy organization and promoting flexible working styles.

### SUBARU Health Declaration

#### Purpose

In pursuit of becoming a company “Delivering happiness to all” and based on our Global Sustainability Policy of “striving to maintain and advance the workplace environment so that employees can work safely in peace, and with a sense of satisfaction,” SUBARU CORPORATION, the Subaru Labor Union, and the Subaru Health Insurance Association jointly released the Health Declaration in October 2020 with the intent that the three parties work in unison toward health.

#### Health Declaration

To build happiness for our employees and their families, we need a foundation of mental and physical health. SUBARU works with its employees to promote health and preventive care, taking on the challenge of building workplaces full of smiles and enabling growth.

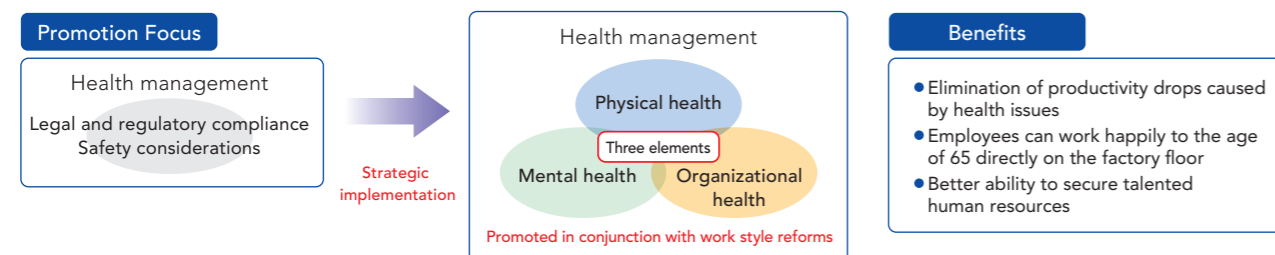
Representative Director, President and CEO, SUBARU CORPORATION Tomomi Nakamura  
 Executive Chairman, Subaru Labor Union Minoru Yamagish  
 President, Subaru Health Insurance Association Tatsuro Kobayashi

Established October 2020

### Overview of SUBARU health management

SUBARU considers health improvement activities to be a management issue, and has reported on progress, issues, and measures related to health management at Board meetings since FYE March 2021. Throughout the year, we communicate this information to all employees using internal newsletters, and notices on measures to promote health. SUBARU, labor unions, and the health insurance labor union cooperate in perpetuating a plan-do-check-act (PDCA) cycle with employees by visualizing issues related to the three elements of health management: physical health, mental health, and organizational health.

Maintaining health boosts productivity, which leads to benefits such as employees' ability to continue working actively in the workplace, and the ability to secure talented human resources in the future. It also boosts employee engagement on both counts of work fulfillment and achieving a comfortable workplace, thereby fostering a healthy work culture.



### Main initiatives for health management

Elements	Health policies and targets	Health issues	Key initiatives for FYE March 2023	Outcome index	Health management goals
Physical health	Regular health checkup rate: 100%	Priority prevention for those at high risk Physical training to enable work on the factory floor until age 65	<ul style="list-style-type: none"> <li>Boosting rate of follow-up medical examinations and follow ups on medical examinations by providing medical records</li> <li>Implementing measures to reduce BMI (obesity index) (raising awareness through various seminars and the use of body composition scans)</li> <li>Measuring physical strength, and implementing exercise programs and taking measures to prevent musculoskeletal disorders</li> <li>Adding female-specific cancers to regular health check items, and providing support for the top five cancers</li> <li>Expanding online specific health guidance</li> <li>Promoting quit smoking seminars and subsidies for online smoking cessation clinics to achieve no smoking on premises by FYE March 2026</li> <li>Offering well-balanced nutritional lunch meals low in calories and salt in all company cafeterias</li> </ul>	Reducing absenteeism	Attracts people through enthusiasm, and becomes the driving power of a healthy company (work fulfillment)
	Follow-up examination rate: 100%				
	Boosting the cancer screening rate				
	Specific health guidance rate: 20%				
Mental health	Strengthening of health guidance	Visualization of the employee's mental state Early detection, preventive action	<ul style="list-style-type: none"> <li>Utilizing stress checks (Workplace Improvement Promotion Section), mental health surveys* (identifying personal characteristics and diagnosing employee mental health status) for management purposes</li> <li>*Currently being gradually introduced to back-office departments throughout the company</li> <li>Strengthening cooperation between supervisors, the employee experiencing health issues, and industrial health staff through various training and health activities</li> </ul>	Reducing presenteeism	Boosts work-life balance, and allows employees to concentrate on work (comfortable working environment)
	Reducing the percentage of smokers to 28%				
Organizational health	Rate of employees receiving stress checks: 95% or more	Optimization of working hours Productivity enhancement Work-life balance/ securing time away from work	<ul style="list-style-type: none"> <li>Implementation of hybrid work styles (working in conjunction with office reforms and creating opportunities for employees to gather and communicate)</li> <li>Re-emphasizing labor management</li> </ul>	Boosting engagement	Improving mental safety in the workplace
	Mental health survey				
Organizational health	Consultations with industrial health staff and training promotion	Ensuring psychological safety Strengthening communication	<ul style="list-style-type: none"> <li>Creating comfortable workplaces through activities that praise, recognize, and show appreciation to employees</li> <li>Activities to revitalize informal communication</li> <li>Harassment prevention activities</li> </ul>	Improving mental safety in the workplace	Fosters a healthy culture Corporate culture open to new ideas
	A corporate culture that encourages new challenges and new ideas				

### Initiatives to prevent harassment

SUBARU is strengthening initiatives to prevent harassment and to promote workplace culture reforms as the foundation of a company that is open to new ideas. We conduct intensive awareness-raising activities to boost momentum for creating harassment-free workplaces, in conjunction with the No Workplace Harassment Month held every December by the Ministry of Health, Labour and Welfare. Specifically, we hold study sessions as part of our workplace management where opinions are exchanged and action statements are made about measures to prevent and mitigate power harassment.

	Purpose	FYE March 2023 plan
Awareness-raising activities	<ul style="list-style-type: none"> <li>Building awareness</li> <li>Sharing know-how</li> <li>Creating an environment where employees can identify issues and make corrections on a mutual basis</li> </ul>	<ul style="list-style-type: none"> <li>Initiatives for the company-wide No Workplace Harassment Month (December)</li> <li>Study groups for each department and personal declarations</li> <li>Organizational declarations and employee behavior surveys</li> <li>Anger management training</li> </ul>
Prevention and mitigation	<ul style="list-style-type: none"> <li>Prevention by utilizing peer input</li> <li>Restoring order within the business</li> </ul>	<ul style="list-style-type: none"> <li>Individual responses through the harassment consultation desk and compliance hotline</li> </ul>

## Handing Down and Enhancing the SUBARU Difference —Working with the Engineers of Tomorrow

### SUBARU Driving Academy: Training engineers who can drive, feel, consider, and quantify

SUBARU does not employ dedicated test drivers because our engineers assess all of our cars in the development stage. Our engineers want to deliver products that make our customers satisfied, so they drive our cars while assessing sensory qualities that are difficult to express numerically, such as Enjoyment and Peace of Mind. They then reflect their observations in the design drawings after studying their observations theoretically.

SUBARU's strength comes from having the same engineer handle the entire process of driving, feeling, considering, and quantifying instead of dividing it among multiple staff. This is the purpose of the SUBARU Driving Academy (SDA). It exists to further refine these skills to allow the creation of even better cars.



Often, clear sensory differences felt by the driver do not show up in figures acquired using conventional measurement methods. At the SDA, we do not limit ourselves to conventional measurement methods. Instead, we focus on probing deeper into the mechanism behind the issue and what we can measure to identify the cause.

Drivers train to sharpen their senses so they can feel differences when driving. They then probe deeper into the mechanisms behind the differences they feel. This increases the number of elements that can be quantified numerically, and these elements are then incorporated into development.

By perpetuating this cycle, we can quantify elements that cause people to feel Enjoyment and Peace of Mind numerically. This expands the development of those elements beyond the realm of hardware and into the realm of control software development. The final result is a car that allows customers to feel the SUBARU difference, regardless of the model or type of power unit.

The SDA focuses on training engineers with these qualities in order to continue implementing SUBARU's unique approach to car-making. The SDA is comprised of members from various departments involved in development. Drivers at the SDA hone their assessment and management skills as they acquire the highest level of driving skills possible. They also work to establish car manufacturing that transcends organizational barriers.

SUBARU provides value to its customers in the form of Enjoyment and Peace of Mind. We believe we can achieve sustainable growth and further enhance our corporate value by building even stronger relationships with customers who feel an affinity with our pursuit of SUBARU's unique approach to car-making.



For more information on the SUBARU Driving Academy, please see the 91st Shareholders Report.  
[https://www.subaru.co.jp/ir/library/pdf/br/br\\_c91.pdf](https://www.subaru.co.jp/ir/library/pdf/br/br_c91.pdf) (Japanese version only)

### Super Taikyu: Racing with Carbon-Neutral Fuels

SUBARU started participating in an endurance race, Super Taikyu<sup>\*1</sup> (S-Taikyu, *Super Endurance*) with a production vehicle modified for racing. The Team SDA Engineering BRZ CNF Concept aims to achieve carbon-neutral driving and expand carbon-neutral options. The project is intended to assist in developing the next generation of engineers. SUBARU races with the SUBARU BRZ using carbon-neutral fuels<sup>\*2</sup> (CN fuels).

SUBARU races in the ST-Q class, a special class open to automakers whose purpose is to develop technologies and vehicles that can provide feedback for production vehicles. As electrification advances, SUBARU is not limiting itself to a single option to contribute to the achievement of a zero-carbon society. We believe that our Company needs to manufacture cars that address changes in society and the environment, as well as the needs of our customers. The use of CN fuels increases the probability of being able to maintain the use of SUBARU's proprietary horizontally-opposed engine.



The development of racing vehicles focuses on training engineers who can oversee development of the entire vehicle, as well as the development of future technologies. The SDA draws members from various departments within the Engineering Headquarters. Many participants are younger employees in their third or fourth year at SUBARU. The development of racing vehicles proceeds at an incredibly fast pace, much faster than the development of regular mass produced vehicles. We hope that allowing our engineers to experience the speed of the verification process for racing vehicles will further enhance our human resource development.

SUBARU's automotive development is competing with both Japanese manufacturers and overseas manufacturers. Training engineers is essential to outperform the competition. It is also important for engineers to experience the disappointment of losing a race and understand how difficult it is to win. This helps to instill the fighting spirit they need to overcome challenges.

Toyota Motor Corporation (hereinafter, "Toyota") also races in the ST-Q class with the GR86, which was jointly developed with the BRZ. Racing includes elements of both collaboration and competition. We worked together with Toyota to develop body reinforcements for racing vehicles and a new fuel tank, and the GR86 has the same basic specifications as the BRZ. SUBARU equips its racing vehicles with EyeSight to aim for "zero fatal road accidents by 2030". EyeSight image data collected under harsh racing conditions will allow us to further enhance the recognition performance of EyeSight for production vehicles. On race day, both companies put everything they can into the race as they compete to claim victory. SUBARU uses motorsports to make even better cars, to attract new fans, and to develop human resources.



\*1 An endurance race where race cars are built to specific regulations and divided into classes for competition. Vehicles include production vehicles modified for racing.  
 \*2 The fuel that SUBARU will use for this race is manufactured by synthesizing carbon dioxide and hydrogen with other components partially derived from non-edible biomass to comply with JIS standards for gasoline.

## SUBARU's Idea for a Digital Transformation Strategy



**Takuji Dai**

Executive Vice President  
Chief Information Officer  
Chief General Manager of  
IT Strategy Division,  
Senior General Manager of  
Corporate Planning Division

### SUBARU's unique digital transformation (DX) strategy has a firm foundation to respond to environmental changes.

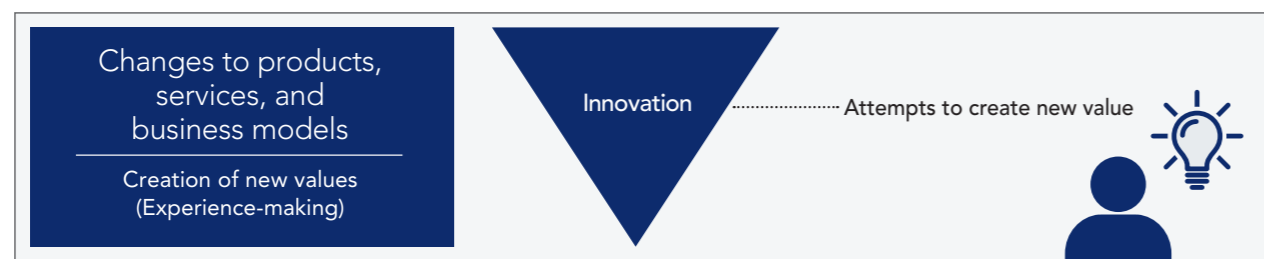
The automotive industry is undergoing a once-in-a-century upheaval that adds further complexity to car-making. Until now, automakers were tasked with the product planning, development, and manufacture of cars which were then distributed to dealerships. More recently, however, it has become possible to secure touchpoints with customers through the use of data and digital technologies.

It is generally said that consumer needs are shifting from goods to experiences. SUBARU provides products that have functional value backed by sound car-making and considers it important to strengthen relationships with customers through their experiences driving our cars. SUBARU's DX strategy utilizes data and digital technology to strengthen Mono-zukuri (car-making) while simultaneously facilitating the creation of experiences.

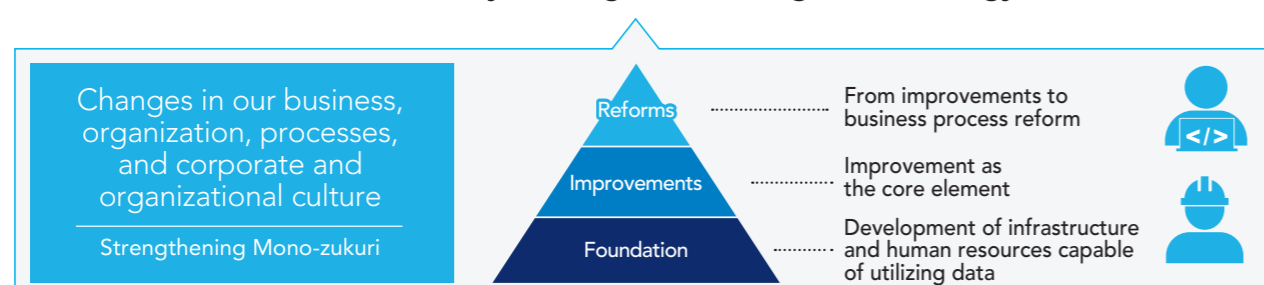
### Our Common Goal is Strengthening Ties between SUBARU and our Customers

For a smaller car manufacturer like SUBARU to respond to the current upheaval in the automotive industry, we need to select and establish focuses in regard to the use of data and digital technology. As a result of these major changes, the vertical division of units by function (such as development, procurement, manufacturing, sales, and after-sales service) that worked well for car-making in the past is becoming obsolete. In response, we are changing the way business is conducted across the entire Company by establishing data systems and enabling everyone to share that data to facilitate changes to organizational culture in the future.

#### Setting common goals and implementing parallel initiatives



#### Strengthening ties between the SUBARU brand and customers by utilizing data and digital technology



SUBARU has many customers around the world wishing to enrich their lives by leading a lifestyle that includes a car. In response to these customers, we are working to establish data and digital-based "experience-making" for our customers as our new challenge. We are also working to enhance the value SUBARU provides to customers in the form of Enjoyment and Peace of Mind by strengthening our Mono-zukuri as described previously. Our common goal is to increase the number of customers who feel an affinity with our value statement, and deepen our relationships with these customers. In other words, the ultimate goal of all our initiatives is to deliver happiness to our customers.

### Strengthening Mono-zukuri Using Data and Digital Technology

We have identified three major issues related to the development and production of cars.

The first is "process". Until now, we repeated a cycle where we designed parts, made prototypes, assembled those parts into a prototype for a single vehicle, and then evaluated it. However, this cycle is no longer sufficient to keep up with current development processes as they become more advanced and complex. We aim to streamline this process by using a digital twin that combines partial model-based development using data and digital technology in conjunction with real-world development.

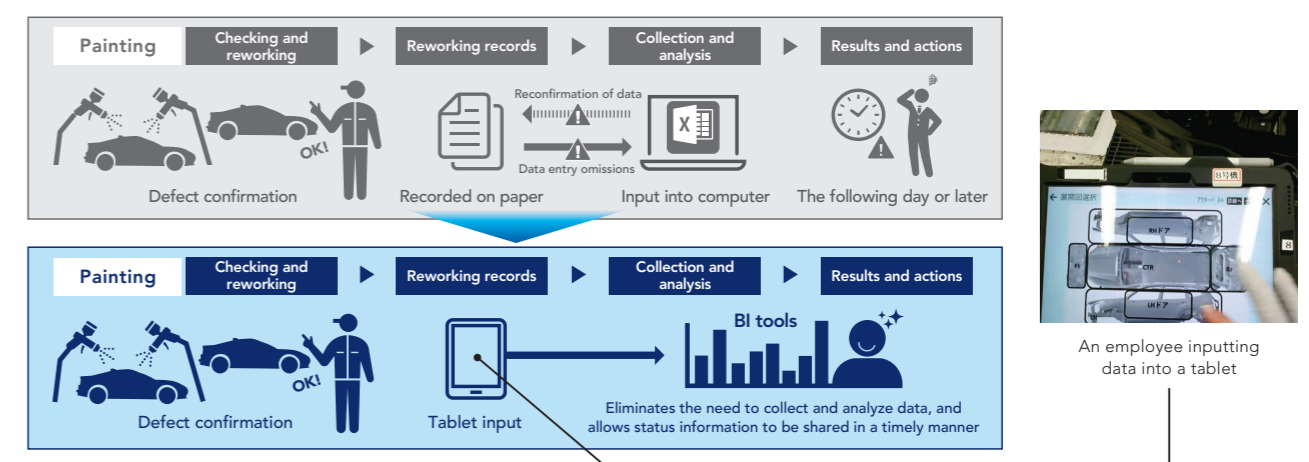
The second is "operations". The number of variations in models and power units, such as hybrids and BEVs<sup>\*1</sup>, is increasing. This, in turn, has increased the number of items that need to be managed by each department involved in Mono-zukuri. It is easy for these departments to focus on management as their goal, even though the original purpose of management was to make improvements. We need to promote a renewed focus on improvement activities that need to be done. To do so, it is important to establish data handling tools and skills to process a large number of control items and expand their use on-site.

For example, some manufacturing sites are implementing initiatives to use BI<sup>\*2</sup> tools. Until now, manufacturing processes included the creation of paper records on-site. These records were then entered into a computer manually.

We have changed this system to enable direct input into a tablet. Vehicle numbers, images, and records are input into a tablet on-site, and that data is managed in an integrated way. This has increased the speed at which supervisors can monitor and respond to trends, and the information linked to a single car can now be shared by the manufacturing site with various departments, such as production engineering, quality control, and development, in a timely manner.

\*1 BEV: Battery electric vehicle

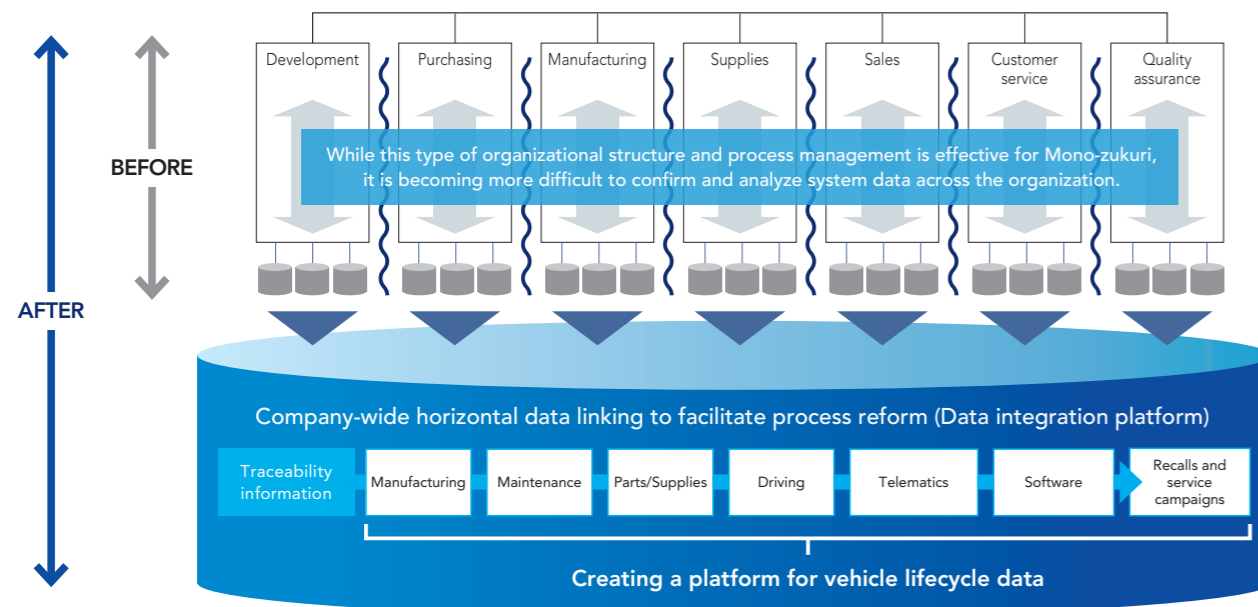
\*2 Business Intelligence (BI): Software that can assist with management and work tasks by analyzing and visualizing a range of data maintained by the company



The third is "organization". The conventional structure for car manufacturing uses an organization with vertical, function-based divisions, such as for development, procurement, manufacturing, sales, and after-sales service, with development being handled as projects involving all divisions. Dividing the organization by function is very effective in terms of allowing own-process completion for individual processes. However, it is no longer suitable for new trends involving concurrent activities with external organizations and new business models such as connected services. In addition, each department and operation exists as an individual silo, making it difficult to share data across departments.

We believe that building a conventional integrated system under current conditions would not only require tremendous resources, it would also mean that we end up facing the same issues again when new business models appear. Rather than integrate the system, we opted to integrate data by building a company-wide data integration platform that shares data across departments and further advances Mono-zukuri.

One such initiative is Global Product Lifecycle Management (PLM). This system manages all information about each car, from development and production to after-sales maintenance. This makes it possible to understand the health condition of the car and allows us to promptly notify existing owners in the unlikely event of a problem with a model in the same series during the production stage. By facilitating access to data tracking the lifetime of each vehicle, we are working to provide more convenience and create new experience value for the customer.



## Fostering DX Human Resources that Focus on Transforming Work On-Site

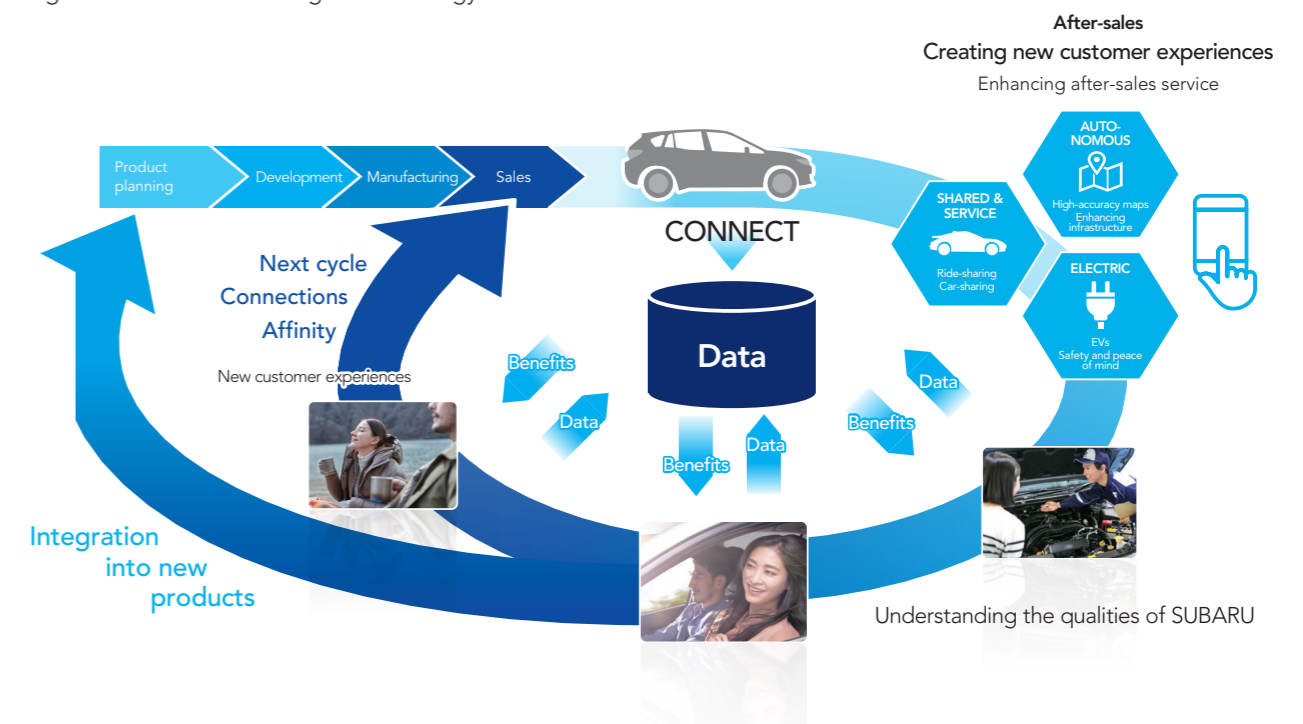
Human resources are essential to implement these initiatives. Currently, SUBARU is proactively hiring mid-career personnel, but as a basic principle, we need to develop human resources internally as a company engaged in Mono-zukuri. In the future, it will be essential to have a specialized IT department in addition to developing human resources on site at each department to implement company-wide reforms to our business and corporate culture. There are six types of DX human resources defined by the IPA<sup>\*3</sup>. In regards to developing human resources in-house, we will focus on data scientists and AI engineers to change our car-making. These personnel are talented resources who have an in-depth knowledge of digital technology and data analysis, and are capable of changing the way business is carried out on site.

The manufacturing department at the Gunma Plant is an excellent example of our efforts to develop human resources. The IT and manufacturing departments are working in partnership to create a system to raise awareness and skill levels on the manufacturing floor. They have taken a standard training program on data science and adapted it to suit the SUBARU ideals. This course is used to train experts who can use data as a tool for improving work on the manufacturing floor. To ensure the establishment of individual skill development as part of our corporate culture, we are conducting a continuing chain of grassroots activities in which the first generation of students mentors the second generation, and the second generation then mentors the third generation.

\*3 Information-technology Promotion Agency (IPA), Japan

## Creation of New Value by Enhancing Experience-Making

Nowadays, customers connect to the outside world through their smartphones, and their cars are equally as connected. We hope that by creating these connections, people will enjoy new experiences that come from the enjoyment of driving, made possible by the enduring safety that SUBARU provides as a functional value. We want to create a cycle where these new experiences make customers appreciate their SUBARU, and also make them want to buy a SUBARU as their next car as well. We are striving to create new value through facilitating experiences that strengthen our ties with the customer through the use of data and digital technology.



Our connected service has already started in the U.S. and has been well received by customers who can use their smartphones to start their engine remotely and operate the air conditioner. There are also vehicle-linked services such as a locator that shows where the driver has parked their car in large parking lots at shopping malls, etc. In addition to this, related features for reserving a visit to the dealership and displaying vehicle information are already being used by many customers. Connected services in Japan started with the Levorg, which went on sale in 2020, and we are currently thinking about enhancing functionality and expanding the market in the future.

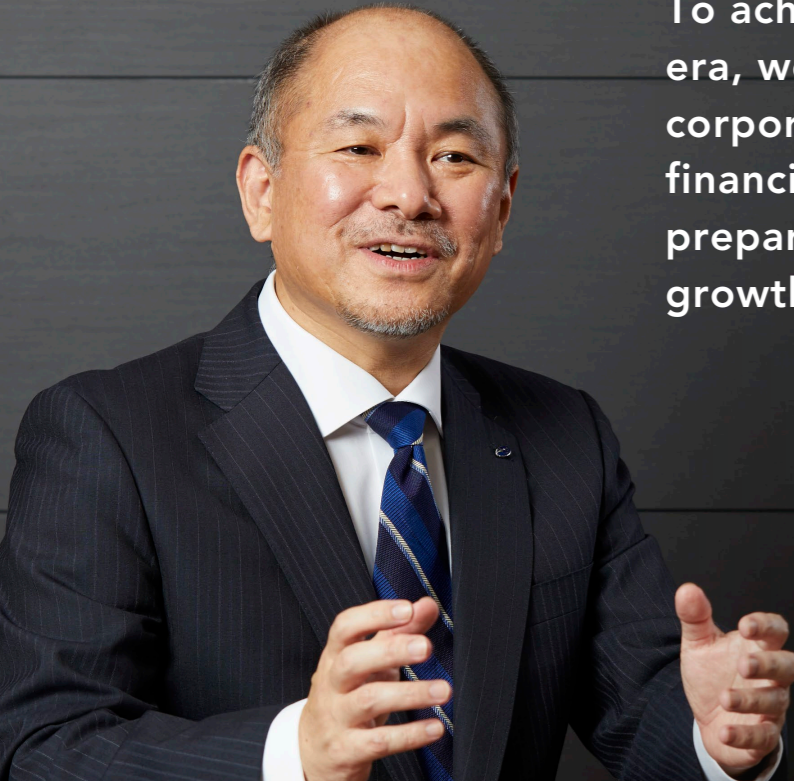
We also started the SUBARU Digital Innovation Lab to make use of digital technology and data in areas such as digital marketing, sales and more. Studies and analysis conducted at this lab revealed these characteristics about SUBARU's customers: they consider their car to be more than just a means of transportation; they demand value that goes beyond mobility; and they seek an emotional element that cannot be expressed in terms of efficiency. Our customers tell us that they sometimes intentionally take a longer route to their destination, or that they do not always follow the route given by their navigation system. We see this feedback as an example of our customers experiencing the features of SUBARU vehicles that appeal to their senses, and this leads to feelings of excitement and affinity. We created the SUBAROAD driving app to offer this kind of experience to as many customers as possible. The concept of the app is to present the route that provides the most driving pleasure in their SUBARU vehicle, rather than the most efficient route, and it is already being used by many of our customers.

We are using data and digital technology to enhance SUBARU's approach to car making, and we are also creating new experiences, using a range of customer contact points, to allow our customers to have enjoyable experiences in their SUBARU vehicle. We consider both of these initiatives to be the same goal, which is to strengthen the ties between the SUBARU brand and our customers.

We hope that all of our customers will be looking forward to SUBARU's unique DX initiatives in the near future.



## Message from the CFO



To achieve success in the electrification era, we will strive to enhance our corporate value by maintaining a sound financial base and making steady preparations for growth investments.

### Katsuyuki Mizuma

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

#### Profile

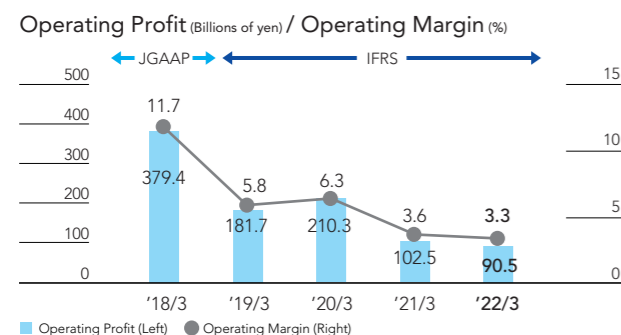
1984 Joined The Industrial Bank of Japan Ltd  
2014 Became Managing Executive Officer of Mizuho Bank, Ltd.  
2016 Joined SUBARU as Senior Vice President and Senior General Manager of Subaru Overseas Sales & Marketing Division 2  
2018 Executive Vice President, Chief General Manager of Overseas Sales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

## Review of FYE March 2022 and Outlook for FYE March 2023

It has been one year since I was appointed as Chief Financial Officer (CFO) in April 2021. FYE March 2022 was an extremely challenging year. In addition to tight supply and demand of semiconductors throughout the year, impact from parts supply chain stagnation due to the resurgence of COVID-19 in Southeast Asia and other regions resulted in a series of automotive production volume adjustments, temporary production suspensions, and other actions. We were unable to achieve a sufficient level of production, causing a great deal of inconvenience to our customers and dealerships. With the cooperation of our suppliers and dealerships, we adjusted our production and sales plans in accordance with the ever-changing situation in order to minimize any impact. However, our final production volume for the fiscal year was 727 thousand units, down 83 thousand units from FYE March 2021, and vehicle sales were 734 thousand units, down 126 thousand units year on year. As a result, we posted consolidated financial results for FYE March 2022 as follows. Revenue was 2,744.5 billion yen, down 3.0% year on year. Profits were also down year-on-year despite the curbing of sales incentives, reduction of warranty expenses, and positive impact from exchange rate fluctuations. Operating profit was 90.5 billion yen, down 11.7%. Profit before tax was 107.0 billion yen, down 6.1%. Profit for the period attributable to owners of parent was 70.0 billion yen, down 8.5%. This was a year that keenly reminded us of the importance of maintaining a solid and sound financial base.

Meanwhile, demand has been extremely high for SUBARU vehicles, with back orders<sup>\*1</sup> exceeding 100 thousand units globally, mainly in the United States. In FYE March 2023, we intend to produce and sell as many units as possible through unified Group-wide efforts and innovations to meet these customers' expectations. Specifically, we will take on the challenge of producing one million units and selling 940 thousand units, aiming for revenue of 3,500 billion yen and operating profit of 200 billion yen.

\*1 Orders received but awaiting stock. This indicates demand for a product exceeding its supply.



Capital Policy		
ROE	Targeting 10% or more	
Equity ratio	50% at minimum	
Shareholder returns	Dividend payout ratio	30-50%
	Share repurchases	Conduct flexibly

These results for FYE March 2022 are not the sort we take great pride in, and we are determined to achieve success in the future via a two-pronged approach, restoring previous levels of profitability with sustainable growth for the entire Group, especially in the U.S. market, and leveraging our strong brand.

Currently there are inflationary pressures caused by the worldwide rise in raw material prices. In order to counteract concerns about the impact on revenues, we are implementing price policy reviews and model mix improvements while closely watching market and customer trends. In addition, our quality enhancement efforts, part of our mid-term management vision "STEP," are beginning to show results. This includes a decrease in the number of defects and recalls globally and a downward trend in warranty expenses. Looking ahead, we will continue to march forward with these efforts.

## Financial and Capital Strategy for Sustainable Growth in the Electrification Era

As SUBARU does not possess a large scale among automakers, we aim to improve our corporate value over the medium to long term by developing a highly profitable business model and achieving a sound financial position and high capital efficiency by promoting selection and concentration, in which we allocate limited management resources to markets and categories where we can demonstrate our strengths.

In our financial and capital strategy to achieve this, we have identified return on capital, financial soundness, and shareholder returns as three key indicators. Our basic policy is to provide appropriate shareholder returns while maintaining a balance between return on equity (ROE) and the shareholders' equity ratio over the medium to long term. Specifically, we will aim for an industry-leading operating margin of 8%, and ROE of 10% or more as KPIs, and will demonstrate high financial soundness by maintaining a shareholders' equity ratio of 50% as the foundation to support these.

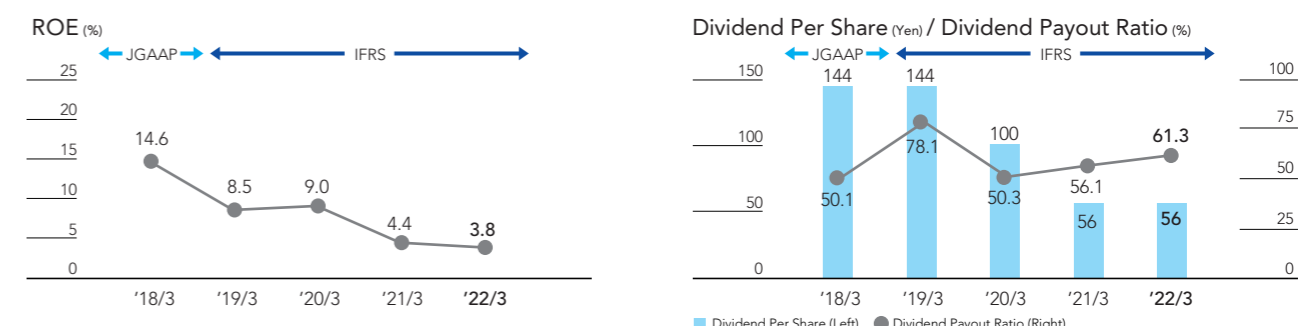
In order to achieve success in the coming era of full-scale electrification, we believe it is of the utmost importance to monitor changes in the market and regulations and the growing convenience of BEVs<sup>\*2</sup>, including social infrastructure, and above all, to respond to changes in the needs, preferences, and values of customers. Our financial and capital strategy will follow this principle.

In May 2022, we announced the first phase of our investment strategy toward electrification, a restructuring of our domestic production system. Though the specific investment plan is currently under consideration, we plan to invest 250 billion yen over the next five years, beginning in earnest from FYE March 2024. Even after this point, we will continue discussions to develop business strategies with a view to full-scale electrification. Although our investment and cash flow amounts may fluctuate from year to year, our basic policy for shareholder return remains unchanged. Specifically, this is to pay performance-linked dividends in a stable and consistent manner (30-50% consolidated payout ratio) and to flexibly purchase treasury stock in accordance with cash flow. In order to strike a balance between aggressive investment for future growth and shareholder returns, we have revised our traditional financial policy, which had been to retain net cash worth two months of revenue. In addition, we will create a structure that can generate solid profits even with BEVs in both production and sales, and reattain the industry's highest operating margin, thereby increasing shareholder value.

\*2 BEV: Battery electric vehicle

## To Our Stakeholders

In the era of electrification, where we will have no map to navigate by, we see flexibility and mobility as important in order to achieve success. In order to realize this, it is essential to boost employee motivation. Therefore, we have launched initiatives under the slogan of each individual acting on their own, and will actively invest in human capital with a focus on the growth of the individual. There is great competition ahead here for us. We will pursue the SUBARU difference more than ever through growth investment, while at the same time striving to achieve return on capital, financial soundness, and shareholder returns. We look forward to your continued support.



### Financial Information

Please visit the SUBARU website for details about our financial information.  
<https://www.subaru.co.jp/en/ir/library/>

# 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 century. 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.

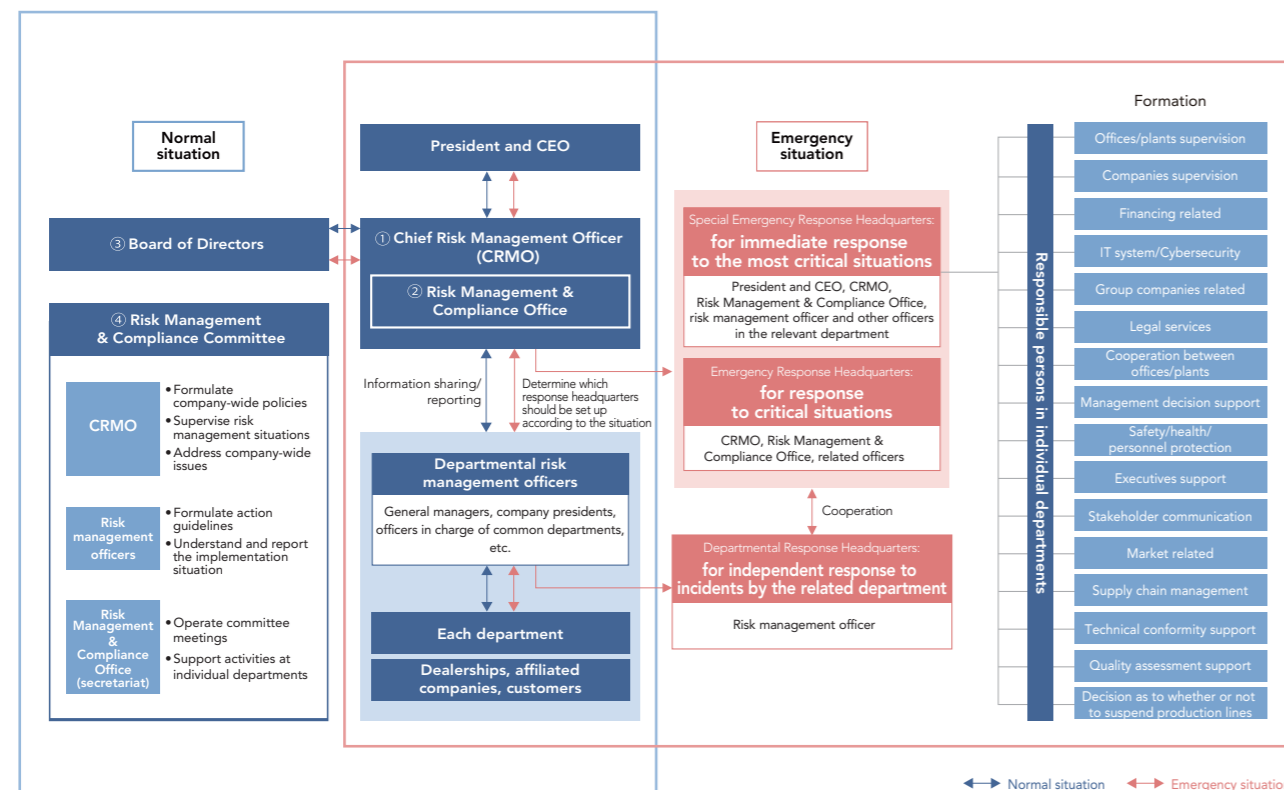
## Management System

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 CRMO, and its vice-chairperson 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 corporate 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. The Audit Department audits execution of tasks by each division and subsidiary in a planned manner.

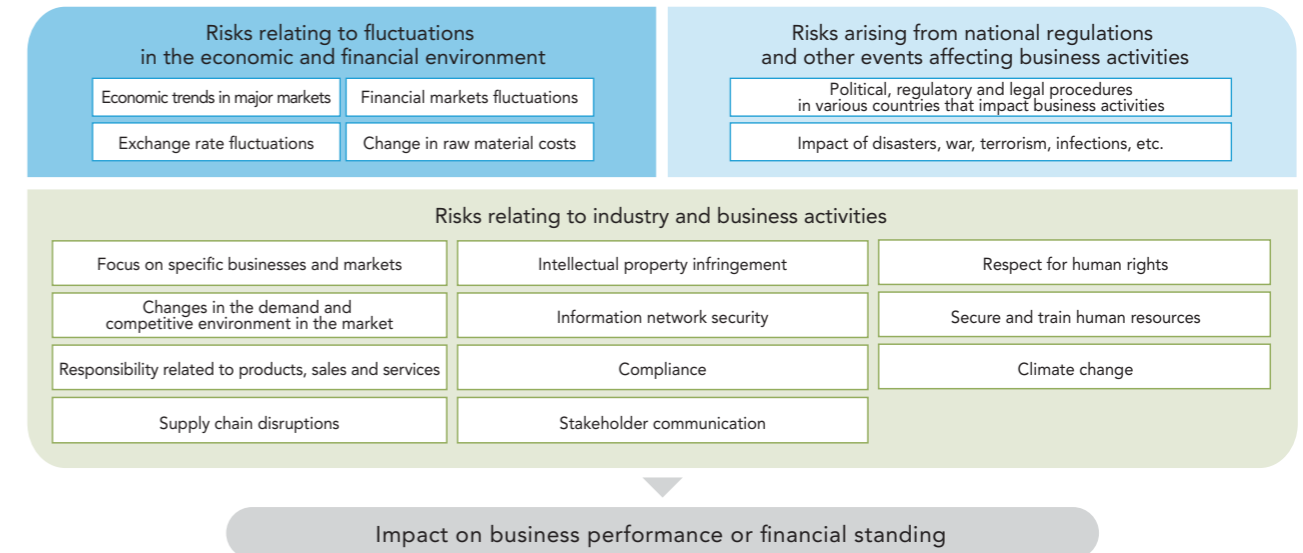
### Risk Management System



## 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

**In order to achieve our vision of becoming a company “Delivering happiness to all,” we are working to permeate ownership in conceptualizing risk management and compliance.**

Over the past three years, SUBARU has advocated to think actively about the conceptualization of risk management and compliance, and has steadily promoted initiatives in this area. Although we still have some way to go, discussions at meetings of the Risk Management & Compliance Committee, which are regularly held several times a year, have become more active and diverse with each passing year. As our activities take root, I feel that mindsets are strengthening for the entire Group, including not only managers but those at the staff level as well.

With regard to risk management, we are strengthening risk management activities and systems based on our Group-wide Risk Map that prioritizes issues according to likelihood of occurrence and magnitude of impact. Following the global outbreak of COVID-19 in 2020, 2021 was once again a year of never-before-seen severity in the environment. In addition to the global shortage of semiconductors, this came in the form of supply chain disruptions due to a resurgence in COVID-19 in Southeast Asia and elsewhere, natural disasters, the impact of the situation between Russia and Ukraine, greater risks pertaining to cybersecurity, and more. Under these circumstances, we have been steadily acquiring practical risk management capabilities in a posture of battle readiness. We are doing this not only on our own, but particularly in the procurement department, as we are also strengthening cooperation with our suppliers. We will continue to strengthen our efforts by focusing on events with high risk factors, based on a firm understanding of the current situation.

Our aim is to ensure that compliance is permeated throughout all of the Group’s approximately 36,900 employees, and we are promoting compliance activities in a creative way so that they can be carried out in the field, rather than simply through verbal messaging. Specifically, we conduct video training to raise awareness of compliance, as well as awareness-raising activities including ongoing study groups on important laws and regulations to operations at each department and Group company. We also recognize that the Compliance Hotline is functioning effectively within the Group. Going forward, we will work toward the realization of our vision of being a company “Delivering happiness to all” through grassroots activities tied to our daily operations.



**Katsuyuki Mizuma**  
CFO, CRMO