

Directors, Auditors, and Executive Officers (As of June 22, 2022)

Directors of the Board

(Number of years in office as a director/number of shares owned)



Tomomi Nakamura
Representative Director,
President and CEO
4 years / 35,419 shares



Kazuo Hosoya
Director, Chairman
3 years / 21,729 shares



Katsuyuki Mizuma
Director, Executive Vice President,
CFO and CRMO
1 year / 12,215 shares



Tetsuo Onuki
Director, Executive Vice President
4 years / 20,353 shares



Atsushi Osaki
Director, Executive Vice President
1 year / 19,743 shares



Fumiaki Hayata
Director, Executive Vice President
1 year / 10,256 shares



Yasuyuki Abe
Independent Outside Director
3 years / 4,800 shares



Natsunosuke Yago
Independent Outside Director
3 years / 4,200 shares



Miwako Doi
Independent Outside Director
2 years / 400 shares

Corporate Auditors

(Number of years in office as an auditor/number of shares owned)



Yoichi Kato
Standing Corporate
Auditor
1 year / 11,129 shares



Hiromi Tsutsumi
Standing Corporate
Auditor
2 years / 19,056 shares



Shigeru Nosaka
Independent Outside
Corporate Auditor
3 years / 1,600 shares



Kyoko Okada
Independent Outside
Corporate Auditor
3 years / 1,400 shares



Yuri Furusawa
Independent Outside
Corporate Auditor
Newly appointed / 0 shares



Please visit the Subaru website for details on profiles.
<https://www.subaru.co.jp/en/outline/profile.html>

Executive Officers

* Concurrently serve as a Director

Chairman	Kazuo Hosoya*	Secretarial Office, Human Resources Department
President	Tomomi Nakamura*	CEO (Chief Executive Officer) Aerospace Company, Quality
Executive Vice President	Katsuyuki Mizuma*	CFO (Chief Financial Officer), CRMO (Chief Risk Management Officer) Finance & Accounting Department
Executive Vice President	Tetsuo Onuki*	Chief General Manager of Purchasing Division, Product & Portfolio Planning Division
Executive Vice President	Atsushi Osaki*	Chief General Manager of Manufacturing Division
Executive Vice President	Fumiaki Hayata*	Chief General Manager of Overseas Sales & Marketing Division 1, Chairman and CEO of SIA ^{*1}
Executive Vice President	Takuji Dai	CIO (Chief Information Officer), Chief General Manager of IT Strategy Division, Senior General Manager of Corporate Planning Division
Senior Vice President	Shoichiro Tozuka	Company President of Aerospace Company
Senior Vice President	Tatsuro Kobayashi	General Manager of Human Resources Department
Senior Vice President	Jinya Shoji	Chief General Manager of Overseas Sales & Marketing Division 2
Senior Vice President	Osamu Eriguchi	COO (Chief Quality Officer) Chief General Manager of Quality Assurance Division, General Manager of Quality Assurance Management Office
Senior Vice President	Tomoaki Emori	Chief General Manager of Corporate Planning Division
Senior Vice President	Tetsuo Fujinuki	CTO (Chief Technology Officer) Chief General Manager of Engineering Management Division and Technical Research Center
Senior Vice President	Tamotsu Inui	Senior General Manager of Purchasing Division, Cost Innovation Promotion Department
Senior Vice President	Kazuhiro Abe	Chief General Manager of Product & Portfolio Planning Division
Vice President	Yasushi Nagae	General Manager of Investor Relations Department and General Administration Department, Corporate Communications Department and Sustainability Promotion Department
Vice President	Tatsuya Okuno	Chief General Manager of Customer Service Division
Vice President	Hiroshi Wakai	Company Vice President of Aerospace Company, Senior General Manager of Engineering & Development Center
Vice President	Hiroshi Watahiki	Senior General Manager of Engineering Division and Purchasing Division
Vice President	Tadashi Yoshida	Senior General Manager of Overseas Sales & Marketing Division 1, Executive Vice President of SOA ^{*2} , SCI ^{*3} , NASI ^{*4}
Vice President	Ryota Fukumizu	President and COO of SIA ^{*1}
Vice President	Shinichi Murata	General Manager of Risk Management & Compliance Office Risk Management Group, External Relations Department, Intellectual Property Department
Vice President	Kazuki Uejima	Senior General Manager of Engineering Division and General Manager of CTO's Office
Vice President	Ikuo Watanabe	Senior General Manager of Manufacturing Division, Chief General Manager of Gunma Plant
Vice President	Akihiro Kato	Chief General Manager of Japan Sales & Marketing Division

*1 Subaru of Indiana Automotive, Inc.

*2 Subaru of America, Inc.

*3 Subaru Canada, Inc.

*4 North American Subaru, Inc.

Outside Directors Roundtable



Natsunosuke Yago
Outside Director

Miwako Doi
Outside Director

Kazuo Hosoya
Director and Chairman

Yasuyuki Abe
Outside Director

We will steadily improve the effectiveness of corporate governance and achieve the sustainable growth of the SUBARU Group.

The priority initiatives of the mid-term management vision "STEP," as well as the SUBARU difference, have been steadily evolving, and this is gradually showing results. In May 2022, we announced a plan to reorganize our domestic production system, taking the first step toward electrification. Three outside directors with extensive knowledge and experience in corporate management, alongside director and chairman Kazuo Hosoya, discussed matters such as their understanding of issues in light of electrification and other milestone industry changes, substantive initiatives to strengthen corporate governance, and expectations of the human resources who will be responsible for our future growth.

Theme 1

Progress on the Direction of our Electrification Strategy

Hosoya: At this management discussions and social gathering events^{*1} for FYE March 2022, we have discussed the theme of the direction of our electrification strategy. This was recognized as an ongoing issue to be addressed in the previous year's evaluation of the effectiveness of the Board of Directors. Amid global trends toward decarbonization and automotive electrification, I would like to hear from our outside directors, from their objective perspective, about how the evolution of the SUBARU difference has been perceived over the past year or two.

Abe: When I was appointed as an outside corporate auditor in 2016, SUBARU was generating high earnings, but from 2017 onwards, quality issues such as the improper conduct related to the final vehicle inspection issues and large-scale recalls had eroded trust in the brand, and the stock price was falling. I became an outside director in 2019 while closely observing this dramatic change and have always worked to provide timely advice. Most recently, the spread of COVID-19 and the subsequent stagnation in the supply chain has created a very frustrating and difficult situation, with strong demand but insufficient production.

On the other hand, I can say that steady progress is being made in the evolution of the SUBARU difference. While other companies had begun to steer toward electrification strategies, SUBARU had until now been unable to paint a clear picture in this direction. However, over the past year or so, measures aimed at developing the market for electrification have steadily accelerated, and SUBARU became the first Japanese automaker to announce that it would build a dedicated BEV² plant in Japan. My firsthand experience in talking with various people internally is that they are confident that SUBARU can maintain its market competitiveness in the era of CASE³, and I feel that the atmosphere within the company.

Yago: I agree. At the time of my appointment as an outside director in 2019, the atmosphere within the company was characterized by differences between how people thought about and perceived electrification. Some thought the era of electrification wouldn't really come. But, from around 2021, the strategy and approach in this area became clear for SUBARU as a unit. The declaration that SUBARU will build a mixed production line for BEVs at the Yajima Plant in 2025 is indicative of this clarity. I feel that a number of key actions have been taken all at once.

Automaker management will clearly shift toward electrification going forward. This will depend on whether or not they can procure various parts, including semiconductors, at a stable and reasonable cost. It is necessary that related departments share their awareness of this issue, and that SUBARU refines its information system infrastructure harnessing IoT and AI internally.

If we consider the future of SUBARU, I see the current difficult procurement environment as an excellent opportunity to strengthen its organizational capabilities and DX.



Doi: Employees of the SUBARU Group often say they love the horizontally-opposed engine, and that the sound is very SUBARU. They truly love and respect their own products. When I was appointed in 2020, I was concerned that this corporate culture would not be able to keep up with environmental regulations aimed toward carbon neutrality and other trends. However, BEVs began to appear on the agenda at management discussions and social gathering events, and in May 2022, SUBARU began to take orders for its first global BEV, the SOLTERRA. Then, plans for the restructuring of its domestic plants quickly took shape. Though I had guessed it would take quite a long time to address electrification, I was proven wrong—in a good way. The fact that SUBARU was able to instill the SUBARU difference in its BEV should give confidence not only to its development teams, but to all employees of the SUBARU Group. SUBARU's response to CASE and its thought processes and approach with regard to BEVs have become very clear, energizing younger employees in particular and giving the organization momentum for the future growth of SUBARU.

Hosoya: Certainly, SUBARU's concept and brand image were too well-established, and I think our outside directors were concerned about whether we could really enter the realm of vehicle electrification. Until recently, there was a sense among employees that electrification would not be as easy as some thought and that the transition period would be long, as well as that SUBARU could compete just with engine vehicles for some time. Meanwhile, we were closely monitoring market trends, steadily conducting research and product development studies for electrification, and looking for the right moment to make a decision as an overall strategy. It turns out that interest in electrification among U.S. dealerships and customers had been growing more rapidly than we had anticipated. That is why I believe that, with regard to the restructuring plan for plants in Japan, all parties involved were able to come together and focus on the issue. We will continue to meet the expectations of our stakeholders while contributing to decarbonization with our distinctive the SUBARU difference.

*1 Meetings for exchange of opinions on the Company's important management topics, conducted by directors and corporate auditors and which do not require a resolution

*2 BEV: Battery electric vehicle

*3 CASE: Connected, Autonomous, Shared, Electric

Abe: We have without question seen improvements over the last three years when it comes to areas like the selection of agenda items for addressing at the Board of Directors and management discussions and social gathering events, as well as the quality of information used in decision-making processes. First and foremost, as independent outside directors, we represent stakeholders. This puts us in a position to make useful recommendations without being

bound by internal interests or the sensibilities of management. We must also serve as an important element of corporate governance by supervising and monitoring business execution. Despite this position, I believe that the key to success is how we can build trust relationships with internal directors and employees. At SUBARU, there is an environment where we can talk freely with people in various positions. Though there is sometimes harsh advice exchanged in these discussions, we continue to encourage them to do their best in order to advance the three priority items of the mid-term management vision "STEP"—corporate culture reforms, quality enhancement, and evolution of the SUBARU difference. Team members are also transferred between departments within each business division. Even when moving to a new department and fresh workplace, previous experience is by no means wasted. In fact, many are more successful in their new positions. There is also a higher level of demand from the market, and I would like SUBARU to continue to cultivate human resources who can think flexibly and not be bound by stereotypes.

From the improper conduct related to the final vehicle inspection issues in 2017 until now, I believe that the employees of the SUBARU Group have had a difficult time. I want everyone to let out all of their past thoughts and feelings now, because now is their chance. SUBARU is taking a very positive turn. I am sure that you will see the results of your efforts in the organization's performance, and I wish you the best of luck.



Theme 2

Expectations for Growth and Message to SUBARU Group Employees



Hosoya: I believe it is very important to enhance effectiveness in strengthening the SUBARU Group's corporate governance. I would like to hear from the outside directors about what they keep in mind and what their expectations are for the future growth of the SUBARU Group.

Yago: When I was initially appointed, I had the impression that SUBARU was a company that was difficult to understand. Although it was difficult to understand the process by which important matters were decided, I gradually deepened my own understanding of how to perceive SUBARU as a company and how to be involved in its management. I finally understood it wasn't that decision-making processes were closed off to me, but that this was a company where Board members do not mince words in discussion. In other words, SUBARU was where policy directions and important conclusions are reached after careful deliberation. Although this culture may be perceived by the rest of the world as not fast enough, it is an advantage in a business environment where companies are forced to face a variety of business risks. In addition, SUBARU is continuing its efforts to strengthen its organizational structure with regard to compliance and risk management. In 2019, it adopted a system where the Chief Risk Management Officer (CRMO) leads risk management and compliance activities.

In May 2021, it reorganized its principles and philosophy system as a company, including the Vision for 2025. I believe these are convincing to employees. By gaining the empathy of employees, I expect that SUBARU's vision and philosophy will be elevated to the level of corporate culture, leading to greater corporate value.

President Nakamura and managers began holding dialogues in 2021 on the subject of employee

engagement, resulting in a rich exchange of opinions. Through these activities, my intent is to provide appropriate advice to ensure the continuity of each policy by increasing employee empathy and motivation. My hope is that all employees will be eager to learn new things without fear of failure.

Doi: I believe that corporate governance is a balance between the defensive—compliance founded in awareness of risk to management, as mentioned by Mr. Yago—and the offensive, which is innovation. Innovation is essential for automaker management in this era of addressing decarbonization and CASE. Here, I would like to make contributions by utilizing the knowledge I have cultivated in the field of information and communications in order to further enhance the value SUBARU provides to its customers, which is “Enjoyment and Peace of Mind.” Furthermore, on the defensive side, I would like to talk about the problem of procuring parts, which was exacerbated by the COVID-19 pandemic. There is stagnation in the supply chain and SUBARU faces never-before-seen difficulty. However, communication between the manufacturing and procurement departments has improved tremendously to cope with this challenge. It is not easy to create cross-functional partnership within an organization, but the fact that SUBARU has been able to use the disruptions and chaos in the supply chain as an opportunity to do this kind of bridging is a real success. Now that these two sides are working closely together, laying the groundwork for data-driven discussions, I expect that this will help speed up manufacturing innovation from now on.

Hosoya: Both President Nakamura and I place great importance on management discussions and social gathering events and the evaluation of the effectiveness of the Board of Directors as matters of governance. The free response section of the annual evaluation of the effectiveness of the Board of Directors elicits many dispassionate and unfiltered opinions from our outside directors, which are very helpful and valuable to us. We intend to continue receiving expert and objective knowledge from our outside directors, engaging in frank exchanges of opinion in order to steadily achieve growth, one step at a time.



Message from the Chairman of the Board of Directors

Since June 2021, I have served as the chair of the Board of Directors, the Executive Nomination Meetings, and the Executive Compensation Meetings. I believe that the role of the chair is to enhance corporate governance by utilizing the specific and frank opinions, and the new perspectives, provided by outside directors in management.

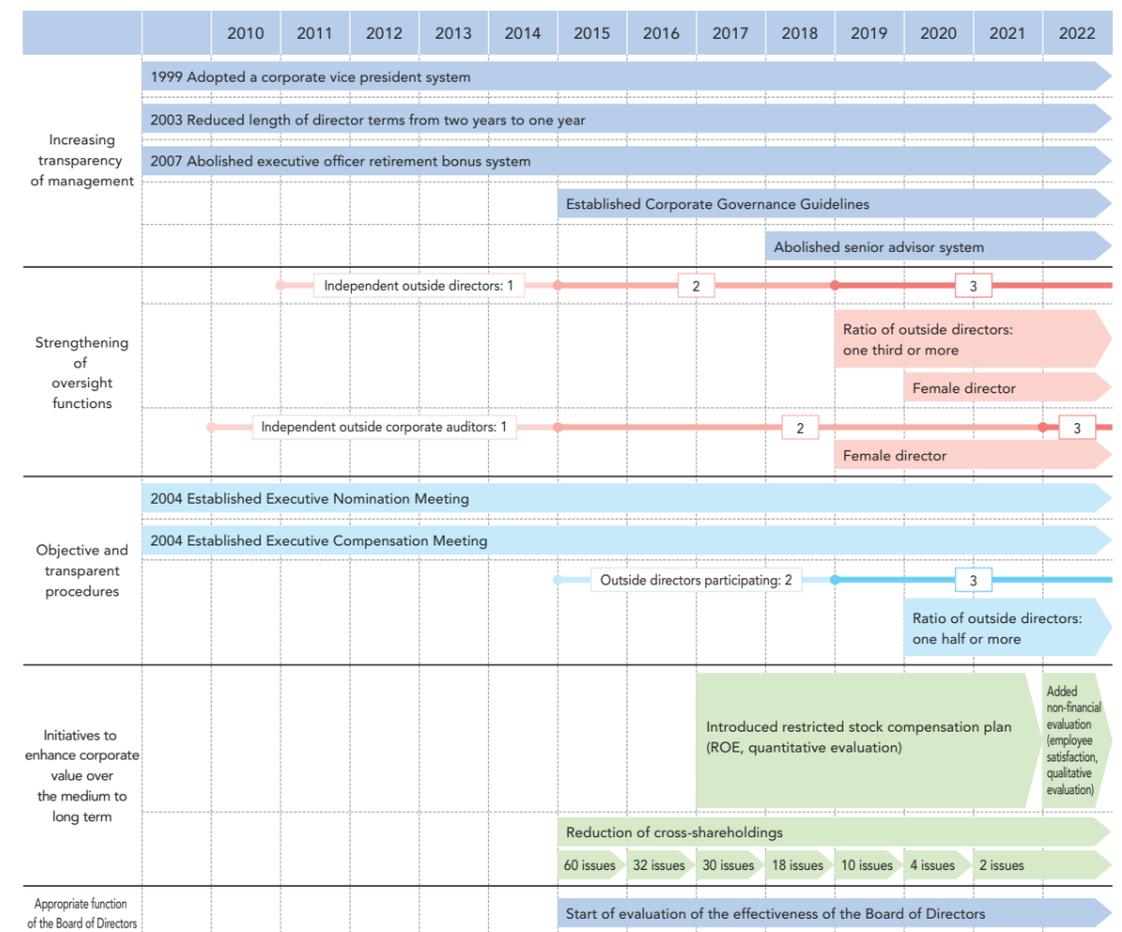
While it is important to build structures, corporate governance is meaningless without effectiveness. In the annual evaluation of the effectiveness of the Board of Directors, we receive many specific and constructive opinions from our outside directors. In FYE March 2022, we had a number of discussions at the Executive Compensation Meeting regarding the design of the executive compensation system, which had been raised as an issue in the previous year’s evaluation. This fiscal year, we decided to incorporate the degree of employee engagement (Employee Satisfaction Rating) as a new non-financial evaluation in the executive compensation system, linked to the mid-term management vision. We have also been receiving a number of requests via the open-ended opinions and questions section of the effectiveness evaluation as topics for the Board of Directors and the management discussions and social gathering events, and we are taking these up as strategic themes that management should address. Inevitably, there will be gaps in how much information internal and external directors have. Therefore, we try to ensure that they have a common understanding of the topics to be discussed by providing detailed briefings in advance so that they can engage in lively discussions. The topics of the most recent management discussions and social gathering events have ranged from pressing issues to long-term directions, including procurement strategy, connected car strategy, electrification strategy, and aerospace business strategy. From time to time, we receive harsh opinions from the outside directors, but I believe that all of their comments come from a place of wanting to find ways to make SUBARU a better company.

In this way, we are gradually enhancing our system for strengthening governance that can sustainably increase SUBARU’s corporate value.

Going forward, we will continue to carefully assess the direction of governance reform in the world, treasure the values of the SUBARU Group, and steadily improve the effectiveness of our corporate governance step-by-step with the knowledge of our outside directors, leading to sustainable growth.

Kazuo Hosoya
Director and Chairman

Activities for Strengthening Corporate Governance



Corporate Governance

Basic Policy

SUBARU has articulated the vision “Delivering happiness to all” and works on the enhancement of corporate governance as one of the top priorities of management, in order to gain the satisfaction and trust of all its stakeholders by achieving sustainable growth and improving its corporate value in the medium and long term based on the Corporate Statement outlined below.

- <Vision> Delivering happiness to all
- <Value statement> “Enjoyment and Peace of Mind”
- <Corporate statement> We aim to be a compelling company with a strong market presence built upon our customer-first principle.

SUBARU clearly separates the function of decision making and the oversight of corporate management from that of the execution of business operations, and aims to realize effective corporate management by expediting decision making. In addition, SUBARU seeks to ensure proper decision making and the oversight of corporate management and the execution of business operations, as well as enhance its risk management system and compliance system through the monitoring of its management and operations and advice provided by outside officers. We also implement proper and timely disclosure of information in order to improve the transparency of management.

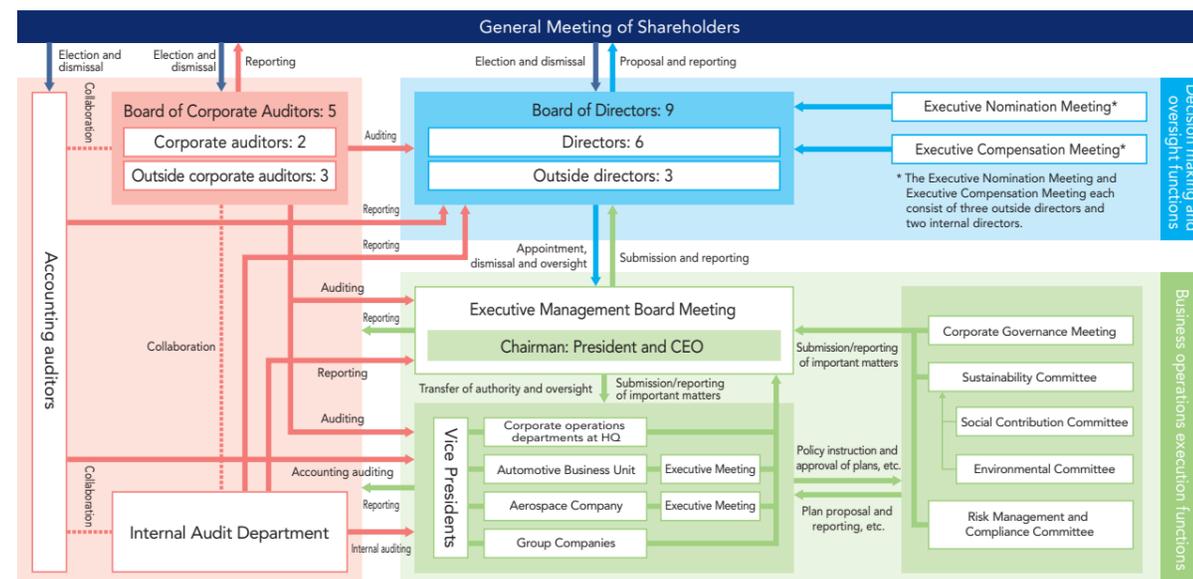
For other corporate governance information, please visit:
<https://www.subaru.co.jp/en/csr/governance/corporate/>

Corporate Governance Structure

SUBARU has chosen a structure with a board of corporate auditors. The Board of Directors (nine members, of which three are outside directors) and the Board of Corporate Auditors (five members, of which three are outside corporate auditors) decide, supervise, and audit the execution of important business.

This structure also enables us to achieve more sound and efficient business operations through increased effectiveness of management monitoring, by involving highly independent outside directors and outside corporate auditors. At SUBARU, in order to enhance the practical governance structure based on our present organizational design, we have established two voluntary meetings: the Executive Nomination Meeting (consisting of five directors, of which three are outside directors) and the Executive Compensation Meeting (also consisting of five directors, of which three are outside directors).

In regard to the business operation system, SUBARU has established the Executive Management Board Meeting as a preliminary consultation body to conduct deliberations on company-wide management strategies and the execution of important business before their presentation at the Board of Directors Meeting. In addition, SUBARU has adopted a vice president system and established the Executive Board Meeting as the decision-making body of each business department, and converted the Aerospace division into an internal company in order to clarify responsibilities and accelerate the execution of business operations.



Board of Directors and Board of Corporate Auditors

Organization	Board of Directors	Board of Corporate Auditors
Chairman	Chairman of Board of Directors	Standing Corporate Auditor
Composition	Directors: 6, Outside directors: 3	Standing Corporate Auditors: 2, Outside Corporate Auditors: 3 ^{*1}
Role/responsibility	The Board of Directors ensures fairness and transparency by performing the oversight function for overall management and makes the best decisions possible for the Company through appointment, evaluation and resolution regarding the compensation of its CEO and other management team members, the assessment of material risks faced by the Company and the development of measures to deal with such risks, and decisions on the execution of important business of the Company. The Board takes these actions in the interest of effective corporate governance, as well as sustainable growth and improvement of corporate value over the medium to long term.	The Board of Corporate Auditors, as an independent organization entrusted by shareholders, is responsible for ensuring the sound and sustainable growth of SUBARU and establishing a high-quality corporate governance system that can be trusted by society by performing audits of the execution of duties by directors, passing resolutions on the contents of proposal items regarding the appointment and dismissal, or non-reappointment, of accounting auditors that are to be submitted to the General Meeting of Shareholders, and performing business audits, accounting audits and other matters prescribed by laws and regulations.
Meetings held in FYE March 2022	13 times ^{*2}	12 times

*1 In FYE March 2022, there were four corporate auditors, including two outside corporate auditors.

*2 In addition to the number of times Board of Directors' meetings were held as stated in the table above, there was one written resolution that was deemed equivalent to a Board of Directors' meeting in accordance with Article 370 of the Companies Act and the Articles of Incorporation of the Company.

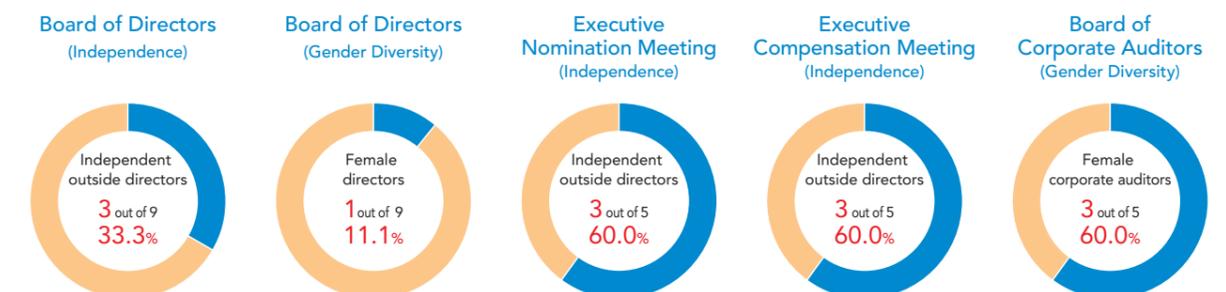
Number of Board of Directors' Meetings Held and Attendance Rate

Category	2017	2018	2019	2020	2021
Number of meetings held	17	16	13	12	13
Attendance rate	99.0%	98.4%	100.0%	100.0%	100.0%

Note: In addition to the number of Board of Directors' meetings shown in the above table, there was one written resolution passed in FYE March 2019, two in FYE March 2020, one in FYE March 2021, and one in FYE March 2022 that were deemed equivalent to a Board of Directors' meeting, pursuant to Article 370 of the Companies Act and the Articles of Incorporation. Attendance rates for newly appointed directors are calculated based on the number of Board of Directors' meetings held after their appointment.

Executive Nomination and Executive Compensation Meetings

Organization	Executive Nomination Meeting	Executive Compensation Meeting
Chairman	Chairman of Board of Directors	Chairman of Board of Directors
Composition	Independent Outside Directors: 3, Directors: 2	Independent Outside Directors: 3, Directors: 2
Role/responsibility	To ensure the fairness and transparency of decisions on executive appointment, and based on ample deliberation by its membership, a majority of which is independent outside directors, this committee submits proposals to the Board of Directors regarding policies for the composition of the Board of Directors, the appointment or dismissal of the CEO and other top management members, and the nomination of candidates for directors and corporate auditors. It also determines and makes proposals for appointment, dismissal, and nomination for the same.	To ensure objectivity and transparency in decisions on compensation for directors, the Executive Compensation Meeting, as a voluntary committee and on the basis of delegation by the Board of Directors, determines individual compensation amounts per director and other issues after ample deliberation. Where matters concern the executive compensation system in general, such as its revision, the Board of Directors deliberates on proposals approved by the Executive Compensation Meeting and decides on them by resolution.
Meetings held in FYE March 2022	2 times	7 times
Items deliberated in FYE March 2022	The Executive Nomination Meeting discussed matters concerning the submission of reports on the executive structure and appointments, the division of duties of executives, and the appointment of representatives of major subsidiaries.	The Executive Compensation Meeting submitted revised policy drafts for determining director compensation systems and details of compensation for individual directors, while deciding on performance-linked compensation for directors (except for outside directors) and corporate vice presidents based on evaluations and the amount of compensation claims in respect of restricted stock compensation for each individual recipient.



Directors/Auditors

(As of June 22, 2022)

	Name	Position	Female	Term	Total Years of Service	Board of Directors*	Board of Corporate Auditors*	Main Areas of Expertise										
								Executive Nomination Meeting*	Executive Compensation Meeting*	Management (executive experience)	Technology / Development	Manufacturing / Procurement	Sales / marketing	Global	Financial affairs and accounting	Legal affairs, compliance and risk management	Human Resource Development	IT / DX
	Tomomi Nakamura	Representative Director, President and CEO			4 years	○		○	○	●			●	●				●
	Kazuo Hosoya	Director, Chairman			3 years	◎		◎	◎			●	●					●
	Katsuyuki Mizuma	Director, Executive Vice President, CFO and CRMO			1 year	○							●	●	●	●		
	Tetsuo Onuki	Director, Executive Vice President			4 years	○					●	●		●				
Directors	Atsushi Osaki	Director, Executive Vice President		1 year	1 year	○					●	●						●
	Fumiaki Hayata	Director, Executive Vice President			1 year	○						●	●	●				
	Yasuyuki Abe	Independent Outside Director			3 years	○		○	○	●				●				●
	Natsunosuke Yago	Independent Outside Director			3 years	○		○	○	●	●	●		●			●	
	Miwako Doi	Independent Outside Director	☆		2 years	○		○	○		●							●
	Yoichi Kato	Standing Corporate Auditor			1 year	○	◎							●			●	●
	Hiroshi Tsutsumi	Standing Corporate Auditor	☆		2 years	○	○							●				●
Corporate Auditors	Shigeru Nosaka	Independent Outside Corporate Auditor		4 years	3 years	○	○							●	●			
	Kyoko Okada	Independent Outside Corporate Auditor	☆		3 years	○	○							●			●	
	Yuri Furusawa	Independent Outside Corporate Auditor	☆		Newly appointed	○	○							●			●	●

*◎ and ○ indicate attendance of the chairman and other members, respectively

Note: The list above does not cover the entire scope of knowledge held by the Directors and Corporate Auditors.

Approach to the CEO Succession Plan

SUBARU recognizes that decision making regarding top management changes (e.g., the CEO) and successor selection may have a critical influence on corporate value. Therefore, in order to ensure a successful succession at the right timing, we invest substantial time and resources to carefully develop and implement succession plans.

In order to hand over the business to the right person, the Board of Directors, as part of its essential duties, develops succession plans that can convince all stakeholder groups. To ensure objectivity and transparency in the process for deciding on the replacement and selection of the CEO, the Board of Directors appropriately supervises the preparation of proposals by the current CEO through discussions at the Executive Nomination Meeting.

To be able to implement succession plans appropriately, the CEO begins to prepare for selection and development of their successor candidates independently upon assuming office. Key processes for this purpose include providing information on candidates to outside directors on an ongoing basis, particularly by enabling the directors to monitor the candidates in person continuously in day-to-day business settings, as a measure to ensure appropriate and timely evaluation and selection down the road.

The Board of Directors and Executive Nomination Meeting meet on a regular basis to review the list of essential qualities and skills required of the CEO, which may include removing and adding items, in consideration of perception of current trends, changes in the business environment surrounding the company, and the future direction of the Group's business strategies.

To ensure the objectivity of the successor selection process and increase the effectiveness of its supervision by the Board of Directors and Executive Nomination Meeting, it is important to have effective selection criteria in place, particularly for use by

outside directors. To this end, SUBARU discloses two sets of criteria: "Abilities required of the SUBARU Group's CEO" and "Five key qualities required of the SUBARU Group's CEO." These criteria serve as a guide for evaluating candidates in light of quality, competency, experience, track record, specialized expertise, personality, and other factors, which have been discussed and decided on by the Board of Directors and Executive Nomination Meeting.

Abilities required of the SUBARU Group's CEO

The SUBARU Group's CEO must be able to: properly understand the business environment surrounding SUBARU, its corporate culture and philosophy, business growth stages, and medium- to long-term management strategies and challenges; facilitate collaboration appropriately with various stakeholders; and lead all executives and employees to work together to maximize corporate value.

Five key qualities required of the SUBARU Group's CEO

1. Integrity
2. Broad perspective
3. Character
4. Tireless spirit or revolutionary leadership skills
5. Person of action

Outside Directors/Outside Corporate Auditors

- Nomination Criteria**
- The outside directors are expected to perform a monitoring function independent from the management team and provide appropriate advice on management on the basis of a wide range of sophisticated knowledge.
 - The outside corporate auditors are expected to perform a management oversight function independent from the management team and undertake their role of auditing from the viewpoint of legality and appropriateness on the basis of broad and advanced knowledge.
 - SUBARU has established criteria for independence of outside officers in addition to the criteria for independence established by the Tokyo Stock Exchange, and appoints outside directors and outside corporate auditors who meet those criteria.

Reasons for Appointing the Outside Officers and Major Activities

	Name	Independent Officer Status*	Reasons for Appointing	Meeting Attendance (FYE March 2022)		Significant Concurrent Positions (As of June 30, 2022)
				Board of Directors	Board of Corporate Auditors	
Outside Directors	Yasuyuki Abe	○	As representative director and senior managing executive officer of Sumitomo Corporation, Mr. Yasuyuki Abe has been involved in management in both a supervisory and executional capacity, possesses extensive experience and knowledge in business management, and has an advanced understanding of the IT field. Mr. Abe has served three years as an independent outside corporate auditor for the Company since June 2016. During his tenure, he has supervised the execution of duties conducted by directors, as well as understood the true nature of the problems facing the Company and offered his frank opinions to senior management in a timely and appropriate manner. In June 2019, Mr. Abe was appointed to the position of independent outside director and has been providing beneficial advice to the Company's management. In light of this, the Company appointed Mr. Abe with the expectation that he will provide sufficient advice and oversight of all aspects of the Company's management from an independent perspective as an outside director of the Company.	Attended 13 of 13 meetings	—	Outside Director, HOYA Corporation Director, Chairman, WASEDA University Ventures, Inc. Advisor, ORANGE AND PARTNERS CO., LTD.
	Natsunosuke Yago	○	Mr. Natsunosuke Yago served successively as president and representative executive officer and chairman at Ebara Corporation, and has extensive experience and knowledge in business management. Mr. Yago is especially knowledgeable in the areas of internal control and governance. In June 2019, the Company appointed him to the position of independent outside director. Given that he has been providing beneficial advice to the Company's management based on his rich experience and wide range of knowledge, and high level of insight into the Company's social responsibilities, we appointed Mr. Yago with the expectation that he will provide sufficient advice and oversight of all aspects of the Company's management from an independent perspective as an outside director of the Company.	Attended 13 of 13 meetings	—	President, Ebara Hatakeyama Memorial Foundation Outside Director, J. FRONT RETAILING Co., Ltd.
	Miwako Doi	○	As a researcher and supervisor in the field of information technology at Toshiba Corporation, Ms. Miwako Doi has accumulated vast experience and made many achievements in this field over many years. In addition, she has held successive positions, mainly in government committees, owing to her high level of expertise and extensive experience and knowledge. In June 2020, the Company appointed her to the position of independent outside director. Given that she has been providing beneficial advice to the Company's management for the generation of new innovation, we appointed Ms. Doi with the expectation that she will provide sufficient advice and oversight of all aspects of the Company's management from an independent perspective as an outside director of the Company.	Attended 13 of 13 meetings	—	Auditor, National Institute of Information and Communications Technology (NICT) (part-time) Executive Vice President, Tohoku University (part-time) Executive Director, Nara Institute of Science and Technology (part-time) Outside Director, Isetan Mitsukoshi Holdings Ltd. Outside Director, NGK Spark Plug Co., Ltd.
Outside Corporate Auditors	Shigeru Nosaka	○	Mr. Shigeru Nosaka has been involved in management in both a supervisory and executional capacity as a director, executive deputy president and deputy chairman and CFO at Oracle Corporation Japan and possesses extensive experience and knowledge in business management. In June 2019, Mr. Nosaka was appointed to the position of independent outside corporate auditor and has been providing beneficial advice to the Company's management based on his wide range of insights into finance and accounting in corporate activities. In light of this, the Company appointed Mr. Nosaka with the expectation that he will appropriately perform the duties as an outside corporate auditor of the Company.	Attended 13 of 13 meetings	Attended 12 of 12 meetings	Corporate Auditor, dotD, Inc. Advisor, AI Dynamics Inc. Japan
	Kyoko Okada	○	Ms. Kyoko Okada has accumulated extensive experience and knowledge in areas such as CSR and corporate culture at Shiseido Co., Ltd. and has a career in management auditing as a corporate auditor at Shiseido. In June 2019, Ms. Okada was appointed to the position of independent outside corporate auditor and has been providing beneficial advice to the Company's management based on her wide range of insights into CSR and corporate culture in corporate activities. In light of this, the Company has once again appointed Ms. Okada with the expectation that she will appropriately perform the duties as an outside corporate auditor of the Company.	Attended 13 of 13 meetings	Attended 12 of 12 meetings	Outside Audit & Supervisory Board Member, Daio Paper Corporation Outside Director, JACCS Co., Ltd. Outside Audit & Supervisory Board Member, NEC Corporation
	Yuri Furusawa	○	Ms. Yuri Furusawa has held key positions in the Ministry of Land, Infrastructure, Transport and Tourism, and has been involved in the promotion of workstyle reform, active participation by women and diversity in the Cabinet Secretariat, as well as in overseas business development in the private sector, giving her a broad perspective and a high level of insight. Based on this background, we expect that she will appropriately perform her duties as an outside corporate auditor of the Company from an independent standpoint. Therefore, we believe her to be qualified for the position and nominated her as an outside corporate auditor.	Newly appointed		Outside Audit & Supervisory Board Member, Kubota Corporation

* Independent officers: Outside directors and outside corporate auditors with no risk of a conflict of interest with general shareholders as stipulated by the stock exchange.

Executive Officer Training

Category	Training Policy/ Major Ongoing Programs
Directors	<p>Policy SUBARU provides its directors and corporate auditors with information and knowledge regarding its business activities that is necessary for them to fulfill their responsibilities to oversee and audit management directors and corporate auditors on an ongoing basis with information</p>
Corporate auditors	<ul style="list-style-type: none"> Refresher courses focusing on information regarding the Companies Act and other laws and regulations related to corporate governance Participation in seminars and programs hosted by government agencies, Japan Federation of Economic Organizations, Japan Association of Corporate Directors, Japan Audit & Supervisory Board Members Association, etc.
Outside directors	<p>Policy SUBARU provides its outside officers on an ongoing basis with information relating to the Company's corporate statement, corporate culture, business environment, and other matters, mainly through arranging appropriate opportunities, such as operations briefings from business divisions and factory tours, as well as creating an environment for officers to share information and exchange opinions more easily.</p> <ul style="list-style-type: none"> The following programs are provided to outside Board members at the time of appointment and subsequently to keep them updated: <ul style="list-style-type: none"> Opportunities for discussions with and briefings from responsible vice presidents about the corporate statement, corporate culture, business environment, and the performance, situation and issues of each business division/department Inspection tours at manufacturing/R&D/distribution sites Discussions with directors and corporate auditors on management issues Social gatherings with directors and corporate auditors Participation in company-wide business events, such as improvement activity debriefing sessions
Outside corporate auditors	<p>Policy SUBARU gives vice presidents similar opportunities as those given to directors and corporate auditors, for the purpose of developing human resources to lead its management in the future.</p> <ul style="list-style-type: none"> Participation in external programs aimed at fostering the mindset required for executive management and motivating self-improvement actions Lectures by invited experts in specific topics to share and increase literacy in the related field (legal affairs, compliance, IT, the SDGs, media response, etc.) Strategy-building camps for all vice presidents
Vice Presidents	<ul style="list-style-type: none"> Recommendation and support for participation in appropriate external seminars and programs

* Expenses to be incurred for offering the above training to directors and corporate auditors, including outside officers and vice presidents are borne by the company.

Category	Programs Provided in FYE March 2022
All executives (including outside officers)	<ul style="list-style-type: none"> Newly appointed directors and vice presidents participated in three-day external seminar programs. One director participated in a total of five programs on corporate governance. University-held public courses were offered on a voluntary and selective basis. Classroom lectures by invited experts were held for all executives to discuss management issues (Total of seven sessions held) Seminars by invited experts in specified topics, including about the Companies Act, were offered via on-demand streaming (Total of two sessions held)
Outside directors	<ul style="list-style-type: none"> Business-related briefings from, and discussions with, vice presidents and others
Outside corporate auditors	<ul style="list-style-type: none"> Management roundtable discussions attended by all 13 directors and corporate auditors (two meetings, one held every six months) Outside directors and outside corporate auditors participated in in-house presentations and exhibits about future technologies and quality solutions

Effectiveness Evaluation of the Board of Directors

SUBARU's Board of Directors (BoD) analyzes and evaluates the Board's effectiveness in accordance with the Corporate Governance Guidelines and considers and implements improvements to address any issues identified.

In FYE March 2022, the BoD confirmed efforts to address issues recognized in the previous year, based on monitoring of points raised in the previous year's evaluation. It also gathered, analyzed, and evaluated views on issues for speedy Board discussion and investigation, based on the impact of the COVID-19 pandemic and dramatic changes in the business environment surrounding the automobile industry.

◆ Methods of evaluation and analysis

- | | |
|--|---|
| (1) Timing: January 2022 | (2) Respondents: Directors and auditors (13 in total) |
| (3) Process: Self-evaluation using a questionnaire prepared by a third-party body | (4) Questions: (a) BoD management structure |
| (a) Third-party body conducts anonymous self-evaluation survey of directors and auditors | (b) BoD oversight function |
| (b) Third-party body aggregates and analyzes responses | (c) Shareholder dialogue |
| (c) BoD verifies and discusses report received from third-party body | (d) Views on key efforts undertaken this year |
| | (e) Issues for next year onward |
| | (f) Views on other matters |

Respondents evaluated themselves on a four-point scale. They were also free to add their own thoughts on points of excellence relating to the BoD and points requiring enhanced BoD effectiveness, before submitting the questionnaire directly to the third-party body.

◆ Evaluation Results

Based on the report received from the third-party body aggregating and analyzing results, the SUBARU BoD discussed and confirmed the following points:

- As in previous fiscal years, the results confirmed that BoD management entails the conduct of free, open, and sound discussion.
- Points confirmed as strengths in previous evaluations (chairman's leadership, responses to cross-shareholding, and size of the BoD) continued to be evaluated highly, confirming that Board strengths are being passed down systematically and sustained.
- Evaluation scores greatly improved for last financial year's issue of executive compensation system design, including incentive-based compensation, as a result of active discussions on the review of the executive compensation system.
- Evaluations improved on discussions of strengthening governance and responding to social and environmental problems as a result of active discussions on responding to revisions to Japan's Corporate Governance Code.
- Regarding the ongoing issue of discussion of medium- to long-term management strategy, evaluation scores improved, if only slightly, as a result of careful discussion on the disclosure of our progress report for the mid-term management vision "STEP."
- Although evaluation scores fell regarding the risk management system, we recognize that this is due to supply chain disruptions caused by semiconductor shortages, and we have confirmed that the risk management system and its operation are properly established.
- Since four (three directors and one corporate auditor) of the 13 executives are newly appointed, and the evaluation criteria may differ for each executive, we believe that caution is required when making simple comparisons with the previous evaluation.

◆ Areas previously recognized as problematic where significant progress was acknowledged this year:

(1) Enhancing discussion of medium- to long-term management strategy

We recognize that we have deepened the understanding of SUBARU's business environment, especially among outside executives, through careful discussions upon the disclosure of the mid-term management vision "STEP" and ample discussions on our environmental portfolio at management discussions and social gathering events*. Based on these results, we have decided to continue to address this issue, recognizing that the discussion of medium- to long-term management strategy requires further enhancement in both quality and quantity, given the lack of clarity and certainty in trends in the automobile industry.

* Events for the exchange of opinions on important topics for SUBARU, held by directors and corporate auditors but not requiring resolution

(2) Discussions on the executive compensation system design, including incentive compensation

After active discussion, in which outside executives offered constructive opinions on the compensation structure and incentive design, a decision was made to revise the compensation system to be linked to the mid-term management vision. In response to the demands of the times regarding corporate governance and to SUBARU's business environment, the Executive Compensation Meeting will continue to examine issues so that the executive compensation system will function as an appropriate incentive for the management team.

(3) Discussions on improvement of group governance

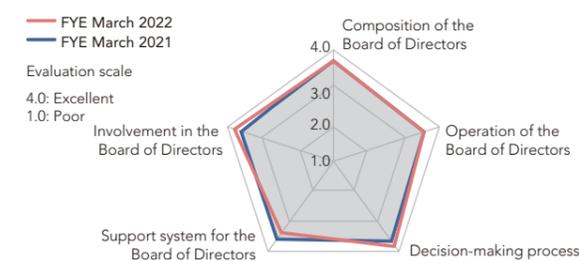
The group governance management system has been making steady progress every year, including timely and appropriate reporting of important issues to the BoD. The BoD's supervisory responsibility over group governance has been increasing, and it will continue with regular monitoring so as to further strengthen the management system.

◆ Future Initiatives

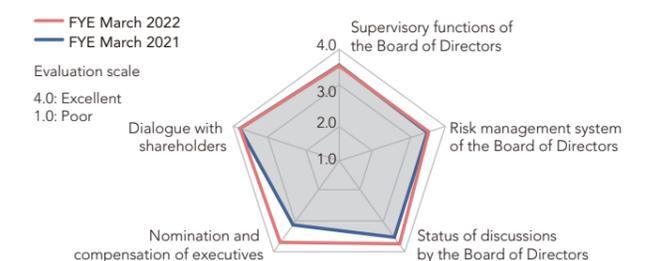
The BoD will continue its efforts to deepen discussions of and improve the quality of, the medium- to long-term management strategy. With regard to risk management systems and operations, the BoD will also expand discussions on the establishment of a system to appropriately address newly identified risks, in light of the increased sensitivity to risk management due to supply chain disruptions caused by semiconductor shortages. In taking these and other actions, it will strive to maintain and improve BoD effectiveness with the aim of continuing to enhance medium- to long-term corporate value and achieving sustainable growth.

Results of the Questionnaire

Operational Structure of the Board of Directors



Supervisory Function of the Board of Directors and Dialogue with Shareholders



Evaluation Items

	Category	Diagnostic Item		
1. Operational structure of the Board of Directors	(1) Composition of the Board of Directors	Size of the Board of Directors	Composition of the Board of Directors (ratio of inside to outside directors)	Composition of the Board of Directors (diversity and expertise)
		Frequency, length, and time allocation of meetings	Relevance of agenda items	Quality and quantity of documents
	(2) Operation of the Board of Directors	Timing of document distribution	Prior explanation	Content of explanations and reports
		(3) Decision-making process	Leadership by the Chair	Adequate discussion
	(4) Support system for the Board of Directors	Environment and systems for the provision of information	Provision of information to outside directors	Training of outside directors
Training of inside directors		—	—	
(5) Involvement in the Board of Directors	Attitudes to initiatives	Company-wide perspective	Mutual respect	
	Diverse values	Stakeholder perspectives	—	
2. Supervisory functions of the Board of Directors	(1) Supervisory functions of the Board of Directors	Reporting system	Supervision of corporate management	—
		Risk management system	Subsidiary management system	Provision of information and measures to combat risk
	(2) Risk management system of the Board of Directors	System for managing progress of response measures	Penetration of compliance awareness	—
		(3) Status of discussions by the Board of Directors	Discussion of management strategy	Discussion of capital policy
Discussion of strengthening governance	Response to social and environmental problems		—	
(4) Nomination and compensation of executives	Composition of the Executive Appointment Committee and Executive Compensation Committee	Cultivating successors	Incentive compensation	
	Dialogue with shareholders	Sharing the views of shareholders and investors	Enhancing dialogue with shareholders and investors	—

Compensation for Directors

Matters Concerning the Policy for Determining Details of Compensation for Individual Directors

As of FYE March 2023, SUBARU has revised its restricted stock compensation plan introduced in FYE March 2018 for the purpose of providing directors with an incentive for sustained improvement of the Company's corporate value over the medium to long term and having directors further share value with the shareholders. With this revision, the Company has added a variable compensation type linking the number of shares granted to the achievement levels for target performance. In revising the stock compensation plan, the Board of Directors, at its meeting held on March 3, 2022, decided that the policy for determining details of compensation for individual directors, which had been deliberated by the Executive Compensation Meeting, would be subject to approval at the 91st Ordinary General Meeting of Shareholders held on June 22, 2022. The proposed policy proposal was approved as proposed at the meeting.

Summary of Revisions to Director Compensation in FYE March 2023

• Revised compensation structure

The ratio of compensation for the Representative Director, President and CEO has been set as 45% for basic compensation, 30% for annual performance-linked bonus, and 25% for restricted stock compensation (15% for variable compensation type (PSU^{*1}) + 10% for fixed compensation type (RS^{*2})) upon achievement of the key performance indicators (KPIs) set forth in the mid-term management vision "STEP."

As before, basic compensation is the sole compensation paid to outside directors in view of their roles of fulfilling monitoring and oversight functions of corporate management from an independent position.

*1 PSU: Performance share unit

*2 RS: Restricted stock

• Annual performance-linked bonuses (Short-term incentive)

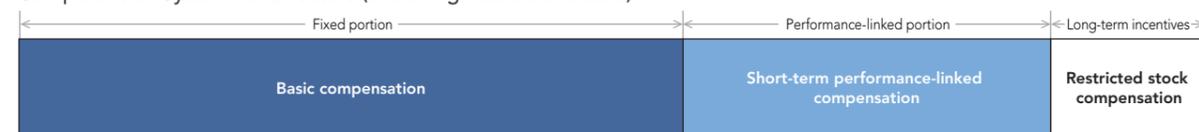
We have set up a compensation table more closely linking compensation to annual performance the higher the rank, based on the KPI of consolidated profit before tax for the fiscal year under review. Based on this table, cash compensation is paid at a certain time of each year. For executive vice presidents, senior vice presidents, and vice presidents, specific amounts will be determined after taking into consideration annual performance and level of contribution to human resource development. Such compensation will not be paid to outside directors.

• Restricted stock compensation (Medium- and long-term incentive)

The Company introduced a fixed compensation type (RS) restricted stock compensation in FYE March 2018.

With this revision, in order to encourage the achievement of the goals in the SUBARU Group's mid-term management vision, we have added variable compensation type (PSU) restricted stock to the compensation structure to increase the weight of stock compensation. In addition, the KPIs for the variable compensation type (PSU) will be reviewed in conjunction with updates to the mid-term management vision and management indicators. For this revision, consolidated ROE will be used for quantitative (financial) evaluation and employee engagement (employee satisfaction rating) will be used for qualitative (non-financial) evaluation. Such compensation will not be paid to outside directors.

Compensation System for Directors (excluding outside directors)



Compensation System for Directors (Representative Director, President & CEO) after revisions



Composition of compensation	Applicable performance indicator (KPI) to compensation composition	
Annual performance-linked bonuses	Consolidated profit before tax	
Variable compensation type (PSU) restricted stock compensation	Financial	Consolidated ROE
	Non-Financial	Employee engagement (employee satisfaction rating)

* In determining the specific amount of annual performance-linked bonus for executive vice presidents, senior vice presidents, and vice presidents, the Company shall take into consideration consolidated profit before tax and level of contribution to human resource development.

Matters concerning the resolutions of the General Meetings of Shareholders on compensation, etc. for directors and corporate auditors

By a resolution passed at the 85th Ordinary General Meeting of Shareholders, held in June 2016, the maximum total amount of annual compensation, etc., for directors is 1.2 billion yen (including a maximum 200 million yen for outside directors). The maximum total amount of monetary compensation is 200 million yen per year, within the abovementioned limitation, by a resolution passed at the 86th Ordinary General Meeting of Shareholders, held in June 2017. By a resolution passed at the 75th Ordinary General Meeting of Shareholders, held in June 2006, the maximum total amount of annual compensation, etc., for corporate auditors is 100 million yen.

Matters concerning delegation of authority over the details of compensation, etc. for individual directors

SUBARU has voluntarily set up an Executive Compensation Meeting in order to enhance the effective governance structure based on the existing organizational design. By resolution delegated from the Board of Directors, the Executive Compensation Meeting, of which independent outside directors are a majority of its members, determines specific compensation amounts, etc. of individual directors following sufficient deliberation. Its authorities include the determination of specific amounts of basic compensation, annual performance-linked bonuses, and restricted stock compensation, as well as their payment schedule. For restricted stock compensation, the number of shares allotted to individual directors is determined by the resolution of the Board of Directors based on decisions of the Executive Compensation Meeting. In regard to revisions of the compensation system and other matters pertaining to compensation overall, proposals approved by the Executive Compensation Meeting are deliberated and decided on by the Board of Directors.

The Policy for Determining Details of Compensation for Individual Directors

1. Basic policy

As a basic policy, compensation for directors of the Company is determined in view of the following items:

(1) Compensation is at a level commensurate with the roles and responsibilities of directors and is appropriate, fair, and balanced.

(2) The compensation structure is determined by giving consideration to providing motivation for sustained improvement in corporate performance and corporate value and securing excellent human resources.

Specifically, for directors (excluding outside directors), compensation is composed of basic compensation, annual performance-linked bonuses, and restricted stock compensation (for non-residents, phantom stock instead of restricted stock). For outside directors, the Company pays only basic compensation in view of their roles of fulfilling monitoring and oversight functions of corporate management from an independent position. The total compensation for individual directors and the levels of each compensation item are set for every position, depending on differences in responsibility, by utilizing the research data compiled by outside specialized agencies.

2. Policy for determining the amount of monetary compensation excluding performance-linked compensation (hereinafter, the "Fixed Monetary Compensation"), performance-linked compensation, and non-monetary compensation (including the policy for determining the timing or conditions for granting such compensation)

(1) Policy for the Fixed Monetary Compensation

Directors receive the Fixed Monetary Compensation monthly as basic compensation. The amount for individual directors is determined based on their positions, taking into consideration elements such as the business environment.

(2) Policy for performance-linked compensation

For annual performance-linked bonuses for directors (excluding outside directors), we have set up a compensation table based on rank and the KPI of consolidated profit before tax for the fiscal year under review. Based on this table, cash compensation is paid at a certain time of each year.

In addition, in order to encourage the achievement of goals in the Group's medium- to long-term strategy, a portion of restricted stock compensation (described in (3) below) to be granted as non-monetary compensation will be PSUs, where the number of shares granted is linked to the degree to which performance targets are achieved. In addition to consolidated ROE, which is the financial indicator emphasized in our medium-term strategy, we will adopt employee engagement as a non-financial KPI for these PSUs.

The Company will review the KPIs for annual performance-linked bonuses and PSUs as needed, based on changes in the environment and reports from the Executive Compensation Meeting.

(3) Policy for non-monetary compensation

The Company grants restricted stock compensation to directors (excluding outside directors) for the purpose of providing them an incentive for sustained improvement of the Company's corporate value and further value sharing with shareholders. For restricted stock compensation, a portion shall be provided as the fixed compensation type, with the rest as the variable compensation type. Both of these shall be prohibited from being transferred during the recipient's term of office, and this restriction on transfer shall be lifted upon their retirement.

For fixed compensation-type restricted stock compensation (RS), shares of the Company's common stock are granted at a certain time each year at an amount equivalent to a base amount determined in consideration of the Company's business performance, responsibilities of each director, and other factors.

For variable compensation-type restricted stock compensation (PSUs), units (one unit = one share) are granted at a certain time each year at an amount equivalent to a base amount determined in consideration of the Company's business performance, responsibilities of each director, and other factors. After an evaluation period, shares of the Company's common stock

are granted at an amount equivalent to the number of units multiplied by a payout ratio (50% to 100%) determined in accordance with achievement levels for performance indicator targets.

The maximum number of shares of the Company's common stock to be granted as restricted stock compensation to directors, for RS and PSUs combined, is 150,000 per year. In addition, the Company and its directors shall enter into a restricted stock allotment agreement that includes an overview and provisions that state (1) Company executives shall not, while they serve in their positions as executives and for a set period of time, transfer, create a security interest on, or otherwise dispose of the shares of the Company's common stock that have been allotted to them, and (2) the Company may acquire the said shares of its common stock without compensation if certain events occur. If a director is a non-resident of Japan at the time shares are granted, the Company shall grant phantom stock in place of and equivalent to the restricted stock compensation that would have been granted, and the stock shall also be treated in accordance with the restricted stock allotment agreement.

3. Policy for determining the proportion of the Fixed Monetary Compensation, performance-linked compensation, and non-monetary compensation to the total amount of compensation, etc. for individual directors

The Company has set the following as a general guideline for proportions of compensation by type for directors (excluding outside directors), in reference to the compensation levels and compensation mix of companies of a similar scale to the Company or industry peers obtained through an external research company, and in consideration of factors such as the Company's overall salary level and social situations (performance-based compensation is a proportion of the base amount).

	Breakdown		Rate	
	Basic compensation	Annual performance-linked compensation	Restricted stock compensation RS PSU	President Directors other than the President
Fixed monetary compensation	●			45% 50%
Performance-linked compensation		●	●	45% 40%
Non-monetary compensation			● ●	25% 20%

The Company shall appropriately review the compensation level and compensation mix in consideration of the Company's business environment, as well as the situation of companies of a similar scale to the Company or industry peers, and other circumstances based on reports from the Executive Compensation Meeting.

4. Matters concerning the determination of details of compensation, etc. for individual directors

The Executive Compensation Meeting, by a resolution of and upon delegation by the Board of Directors, determines specific amounts of compensation, etc. for individual directors, following sufficient deliberation by its members including outside directors. Its authorities include the determination of specific amounts of basic compensation, annual performance-linked bonuses, and restricted stock compensation, as well as their payment schedule. For restricted stock compensation, the number of shares allotted to individual directors is determined by the resolution of the Board of Directors based on decisions of the Executive Compensation Meeting. In regard to revisions of the compensation system and other matters pertaining to compensation overall, proposals approved by the Executive Compensation Meeting are deliberated and decided on by the Board of Directors.

To ensure transparency and effectiveness of the executive compensation determination process, the Executive Compensation Meeting shall, by a resolution of the Board of Directors, be structured so that the majority of its members are outside directors, and its chairman shall be appointed by a resolution of the Board of Directors.

Total Compensation for Directors and Corporate Auditors for FYE March 2022

Classification	Number	Total Compensation (Millions of yen)		
		Basic Compensation (Paid in fixed monthly installments)	Short-term Performance-linked Compensation	Restricted Stock Compensation
Directors (excluding outside directors)	9	294	51	52
Corporate auditors (excluding outside corporate auditors)	3	56	—	—
Outside directors and outside corporate auditors	5	59	—	—
Total	17	409	51	52

* The above table shows actual compensation payments under the former compensation system.

* Figures in the above table include three internal directors and an internal corporate auditor who resigned before the last day of the fiscal year under review. At the end of the year, there were nine directors, including three outside directors, and four corporate auditors, including two outside corporate auditors.

* The restricted stock compensation in the above table includes the amount of phantom stock expense recorded for grants to non-residents.

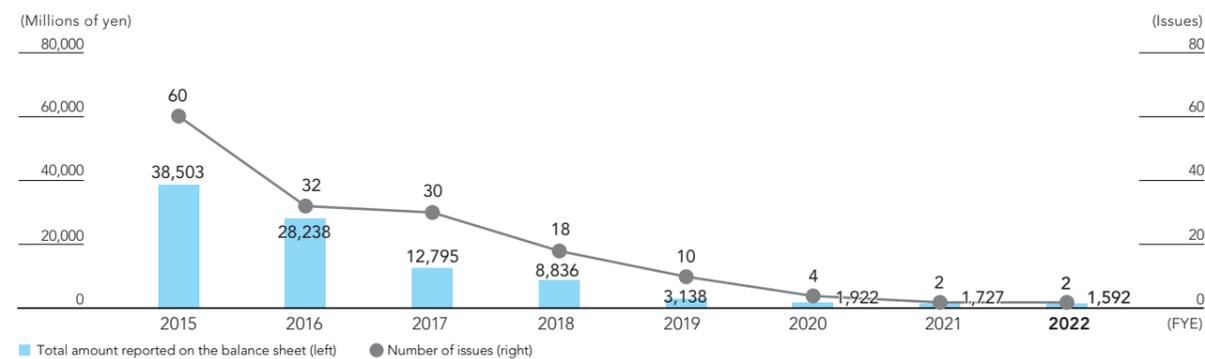
Cross-Shareholding

Policy for cross-shareholding

SUBARU holds listed stocks as cross-shareholdings and engages in dialogues with the companies in question. Each year, SUBARU's Board of Directors quantitatively measures and compares benefits from holdings, using dividend yield, and the capital cost involved, using weighted average cost of capital (WACC), in order to verify each. The Company will maintain these holdings only if it deems, based on the results of this verification, that the shares will contribute to its medium- to long-term management and business strategies in a qualitative manner.

Verification details for cross-shareholding

Based on the above policy, SUBARU has steadily reduced the number of listed stocks held as cross-shareholdings. As a result, 60 issues held at the end of March 2015 decreased to two issues at the end of March 2021. We consider these two issues to be essential to hold at this time for the following reasons, but we will continue to hold dialogues with these companies at least once a year, and the Board of Directors will evaluate and scrutinize these issues annually to determine whether they should be held or not.



As of March 31, 2022

Issues	Number of shares	Amount reported on the balance sheet (Millions of yen)	Purpose of holding, impact of holding and reason for increase in number of shares
The Gunma Bank, Ltd.	2,850,468	1,009	The Gunma Bank, a local bank in the area where the Company's main factory is based, supports not only SUBARU but also local supplier sites in Japan and abroad through its financial services. As the bank is an important partner, the Company will continue to hold the bank's shares to promote fair and smooth financial transactions.
Mizuho Financial Group, Inc.	372,097	583	The Mizuho Financial Group firms have been supporting SUBARU with financial transactions and other services. In particular, Mizuho Bank has long been the Company's most important financial partner, providing support in a broad area of management. The Company will continue to hold the group's shares to promote fair and smooth transactions.

Criteria for exercising voting rights for cross-shareholding

With regard to the exercise of voting rights for listed stocks held as cross-shareholdings, the Board of Directors deliberates on and determines the criteria for exercise with evaluation items such as whether the company is consistently exhibiting poor performance, whether a sufficient number of independent outside directors are in place and if management is supervised appropriately, and whether there are any corporate governance issues present. Although these are our general principles, we hold dialogues at least once a year with companies whose stock we hold to avoid making blanket decisions. Accordingly, we exercise our voting rights appropriately in light of the performance, management policies, and medium- to long-term management plans of the companies in question, as well as from the perspectives of corporate value enhancement, corporate governance, and social responsibility.

Internal Control

Management System

With the aim of increasing the effectiveness of internal controls and risk management, the Internal Audit Department was made independent of the Risk Management Group, overseen by the Chief Risk Management Officer (CRMO), to ensure a higher level of independence of internal audit departments in the organization and to enhance the effectiveness of internal controls.

Internal Control System

In accordance with the Companies Act and the Ordinance for Enforcement of the Companies Act, SUBARU's Board of Directors has adopted a basic policy on putting in place systems that ensure that the performance of duties by directors is in conformity with laws and regulations and with the Articles of Incorporation, and other systems prescribed in the ordinance of the Ministry of Justice as being necessary to ensure the appropriate operations of the company and the corporate group consisting of the company and its subsidiaries. The Board of Directors maintains and operates this basic policy, reviewing it as needed.

Auditing

Auditing by Corporate Auditors

SUBARU has formulated internal rules to ensure the effectiveness of corporate auditors' audits (e.g., Standards for Corporate Auditor's Audit) and developed a whistleblowing system. In this way, the Company has established a framework where the corporate auditors can gather information from directors and employees as needed in case of matters that may cause significant damages to the Company, significant violation of laws/Articles of Incorporation, or other significant compliance matters. In addition, the framework ensures smooth performance of corporate auditors' duties by assigning employees independent from directors to support duties of corporate auditors and making them known to all employees.

In FYE March 2022, audits focused on (1) the status of risk management promotion, (2) the Group governance system, and (3) the progress of the mid-term management vision "STEP." These confirmed the soundness of efforts to resolve overall management issues, including governance, at each department and Group company.

Main Initiatives

(1) Confirming management monitoring and execution

In accordance with audit plans by corporate auditors, each corporate auditor attends important meetings, including those of the Board of Directors, Executive Management Board Meeting, and Risk Management and Compliance Committee. When in attendance, they monitor management decision-making processes, seek explanations as necessary, and actively express their opinions. Through exchanges of opinions with directors, vice presidents, and others, as well as site visits to major business establishments and Group companies, corporate auditors also confirm the status of business execution including the maintenance and operation of internal controls, with a focus on priority audit items.

We also ensure the effectiveness of audits by utilizing remote methods, such as online meetings, as necessary and when appropriate.

(2) Meetings with departments related to internal controls

The Legal Department and the Risk Management and Compliance Office report monthly on compliance concerns including the operation of the whistleblowing system, and human resource departments report regularly on the status of issues such as disciplinary cases and industrial accidents.

In addition, the Company receives reports from the departments in charge of managing subsidiaries on the status of governance and internal controls for subsidiaries as appropriate.

(3) Cooperation in the three-party audit system

The Company holds monthly audit report meetings with the Internal Audit Department, receives reports on all internal audit results, and exchanges information and opinions on internal control issues.

Furthermore, we receive quarterly reports from the accounting auditors on the status of accounting audits and exchange opinions with them as necessary on major matters for consideration in audits and other subjects, thereby ensuring close mutual cooperation in the three-party audit system.

In addition, we hold meetings to exchange opinions and share information with corporate auditors of Group companies as appropriate, and we also seek to collaborate with these corporate auditors by requesting their attendance at site visits to their respective Group companies.

Based on the findings confirmed through the above audit activities, we capture a range of opportunities to engage with the business execution side, including exchanges of opinions with all corporate auditors, the chair of the Board of Directors, and the representative directors, and at Group company presidents' meetings. Through these activities, we share information and provide necessary advice and recommendations for the resolution of important management issues, including the strengthening of Group governance.

Internal Auditing

SUBARU has established the Audit Department (15 members) that reports directly to the President as an internal auditing organization. This organization evaluates the state of the development and operation of internal controls with regard to business execution at SUBARU and its Group companies in Japan and overseas from an independent and objective standpoint, providing advice and proposals for improvement. The Audit Department systematically conducts audits of business execution in accordance with an annual business audit plan prepared at the beginning of each fiscal year, taking into consideration the risks and internal control status of the entire Group. Audit reports are distributed to all directors, corporate auditors, and relevant departments at the same time as reports are directly made to the President. In parallel with this, reports are also made at semi-annual meetings of the Board of Directors and quarterly at joint meetings consisting of all vice presidents.

SUBARU's Audit Department and corporate auditors work together to strengthen audit functions, as described in "Cooperation in the three-party audit system" above. In addition, we strive to strengthen audit functions by sharing information with the accounting auditors on audit plans and audit results on a quarterly basis. In addition, the internal Audit Department periodically undergoes an evaluation by external experts to confirm that audit operations are being performed appropriately.

Internal Control System Related to Financial Reporting

Regarding internal control reporting systems pursuant to the Financial Instruments and Exchange Act, the evaluation of the internal control system related to financial reporting is carried out on the final day of the consolidated accounting period and is conducted in accordance with generally accepted assessment standards for internal control over financial reporting.

The President & Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) evaluated the status of the development of the internal control system related to financial reporting as of March 31, 2022, and affirmed that it has been established properly and functions effectively, and issued an internal control report audited by the accounting auditors to that effect.



Securities Report and Financial Report are published in the Investor Relations section of the SUBARU website.
<https://www.subaru.co.jp/ir/library/securities-reports.html> (Japanese version only)
<https://www.subaru.co.jp/en/ir/library/financial-reports.html>

Compliance

Our Approach

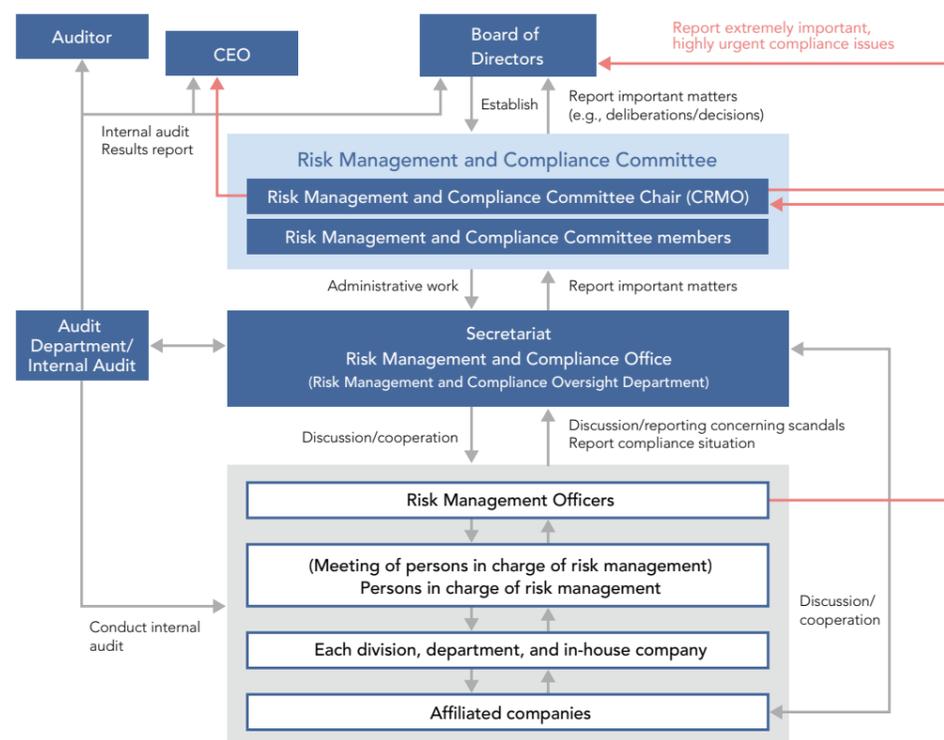
At SUBARU, compliance is positioned as one of our most important management issues in our Corporate Governance Guidelines. We instill in each employee a strong awareness that thorough group-wide compliance forms the foundation of SUBARU's management, that we must observe all laws and internal regulations relevant to our business activities, that our corporate activities must be executed in a manner that is fair and just and in conformance with general social ethics, common sense and standards, and that these principles should be reflected in their actions. We have also created and operate a compliance system/organization, and carry out activities such as providing all kinds of training for these purposes.

Management System

SUBARU has established the Risk Management and Compliance Committee, a company-wide organization designed to promote compliance. This committee deliberates, discusses, decides, and exchanges information on important matters related to risk management.

Also, each department formulates their own implementation plan (compliance program) to promote compliance every fiscal year, and moves forward with continuous, systematic independent activities.

Compliance System



Compliance Hotline

When regular and temporary employees of SUBARU and its Group companies in Japan detect a problem related to compliance in the group, they can consult with the Hotline Desk by using the Compliance Hotline.

There were 241 consultations in FYE March 2022, the details of which are outlined in the table on the next page. Through initiatives to raise awareness of this system, SUBARU has improved awareness of compliance and fostered an atmosphere where employees can consult even about trivial matters. This has resulted in an increasing trend in the number of consultations over the previous five years.

Breakdown of Compliance Hotline Consultations and Trends Over Time

(FYE March)

	2018	2019	2020	2021	2022
Workplace environment	10	13	14	7	5
Labor related	49	78	68	65	72
Interpersonal relationships, harassment	58	75	84	107	78
Other compliance-related issues (Work violations, suspicion of wrongdoing, etc.)	46	33	50	57	59
Total	163	199	216	236	214

Training

In enforcing thorough compliance, we believe that initiatives in which the entire SUBARU Group acts in concert are necessary. We conduct compliance training, training for legal affairs in practical business, and other programs for all Group employees in Japan organized by our Legal Department, Risk Management and Compliance Office, and human resource and education departments.

In particular, more than 15,000 employees have participated in video-based training programs introduced in light of work environment changes due to COVID-19, as we work to improve compliance awareness for all employees at SUBARU and its Group companies in Japan. In addition, to complement compliance enlightenment training, study groups are held at each department and affiliated company based on their compliance program, covering important laws and regulations related to their work. These include export controls, the Act on the Protection of Personal Information, the Antimonopoly Act, and the Political Funds Control Act.

Bribery Prevention

At SUBARU and its Group companies in Japan, we consider the prevention of bribery in connection to our businesses as an important issue, and work to ensure the following approach is rigorously permeated.

- Prohibition of providing, offering, or promising improper entertainment, gifts, favors, or other economic benefits to public officials or persons in similar positions, whether in Japan or abroad
- Prohibition of providing or receiving an amount in excess of socially accepted norms in dealings with business partners and customers who are not public officials or similar persons
- Prohibition of receipt of personal gain as a result of using information obtained in the course of business, establishing boundaries between public and private life

Under the monitoring system for bribery prevention, SUBARU collects information to ascertain the presence of cases that may constitute compliance violations through company-wide compliance activities, its whistleblowing system, and other channels. It also strives to use actions such as internal audit departments' business audits to detect cases early. Furthermore, SUBARU has established a system to report high-risk cases to the Risk Management and Compliance Committee and the Board of Directors, in an effort to strengthen oversight.

Tax Policy

The SUBARU Group is able to conduct its business operations thanks to support from society, and it strongly recognizes the importance of returning profits to society. The SUBARU Group considers fulfilling its tax obligations to be an essential element of this.

The SUBARU Group strives to ensure compliance with the tax laws and regulations of each country and jurisdiction, pursuant to the international rules and standards set out by international organizations, thereby fulfilling its societal obligations through appropriate tax payments, while aiming for sustainable growth through sound business activities.



For Other Compliance Information

Please refer to our website for details about Corporate Governance Guidelines and Tax Policy
<https://www.subaru.co.jp/en/csr/governance/compliance.html>