

[Translation for Reference and Convenience Purposes Only]



**Notice of Convocation of  
the 89th Ordinary General Meeting of Shareholders**

**SUBARU CORPORATION**

**Please note that the following is an unofficial English translation of Japanese original text of the Notice of Convocation of the 89th Ordinary General Meeting of Shareholders of Subaru Corporation. The Company provides this translation for reference and convenience purposes only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.**

## CEO's message

Firstly, I would like to express my sincere gratitude for your support.

The prolonged global pandemic of the COVID-19 since January 2020 has affected many aspects of our business. Prompted by concerns for disruption in component supply and a slowdown in sales of our vehicle and aircraft business, we adjusted production, including suspension of operation, at our plants in Japan and overseas. As protecting health and safety of customers, business partners and employees is our top priority, we have introduced counter-infection measures and expanded introduction of staggered working hours. We aim to face this adverse situation and work on all necessary reform measures in a coordinated effort across the Subaru Group.

While we were able to minimize the negative impact on the consolidated results of the year ended March 2020 under such uncertain circumstances, strong impact of the pandemic of COVID-19 is felt in our key business activities, including production and sales. After considering the situation from comprehensive angles, it is to our regret that we are submitting to this Ordinary General Meeting of Shareholders a proposal to change the year-end dividend payout for the fiscal year from what we had targeted earlier. We would like to ask our shareholders for understanding regarding our current situation and support.

We also decided not to release consolidated earnings and dividend forecast for the fiscal year ending March 2021 at the results announcement on May 18, 2020, as at this point it is difficult to predict what may happen in the future, as we normally do, due to situations changing significantly from one day to the next. We plan to disclose our consolidated earnings forecast as soon as calculation of figures becomes possible.

We are currently promoting activities aimed at achieving our "STEP" mid-term management vision. In the fiscal period under review, which falls in the second year of the period covered by STEP, we set: (1) corporate culture reforms to create a company that is more open to new ideas and where people can say what they want; (2) quality reforms to boost trust, which forms the basis of our brand strength, and (3) a "Make-a-Subaru" initiative, as the most important themes, and worked on these reforms. Furthermore, we are working to solidify the foundation on which to maintain our continued growth in a time when the automotive industry is undergoing a significant change. In our pursuit of alliance, we agreed in September 2019 with Toyota Motor Corp. on a new business and capital alliance, aiming to develop and strengthen a long-term collaborative relationship. In January 2020, we announced medium- to long-term goals regarding climate change. Through these efforts, we aim to steadily implement measures to contribute to realizing a carbon-free society, taking advantage of our uniqueness and technological innovation.

We aim to step up activities for STEP and work to establish foothold for a sustainable growth of the Subaru brand. I would like to ask for our shareholders' continued support.



Tomomi Nakamura  
Representative Director, President and CEO

## CORPORATE PHILOSOPHY

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1. We will strive to create advanced technology on an ongoing basis and provide consumers with distinctive products with the highest level of quality and customer satisfaction.
2. We will aim to continuously promote harmony between people, society and the environment while contributing to the prosperity of society.
3. We will look to the future with a global perspective and aim to foster a vibrant, progressive company.

### Corporate Code of Conduct

1. We develop and provide creative products and services while paying sufficient attention to the environment and safety.
2. We respect the rights and characteristics of individuals.
3. We promote harmony with society and contribute to the prosperity of society.
4. We meet social norms and act honestly and fairly.
5. We maintain global perspective and aim to be in harmony with international society.

## QUALITY POLICY

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At Subaru, quality is our highest priority as we earn the trust of our customers.

1. We will deliver long lasting products that our customers can use with peace of mind.
2. We will continually improve our products and services by always listening closely to our customer's voice.
3. We will be a good corporate citizen in all markets where we do business by ensuring compliance with all internal rules, local laws, regulations and social norms.

## Corporate Culture Reforms: Seeking to Become a Company That Is More Open to New Ideas and Where People Can Say What They Want

The “STEP” mid-term management vision announced in July 2018 calls for corporate culture reforms, positioning it as one of the priority areas of efforts. We are working on this theme in a company-wide effort, led by Representative Director, President and CEO Tomomi Nakamura and other members of the management.

### Compliance Committee Chair’s dialogue with staff

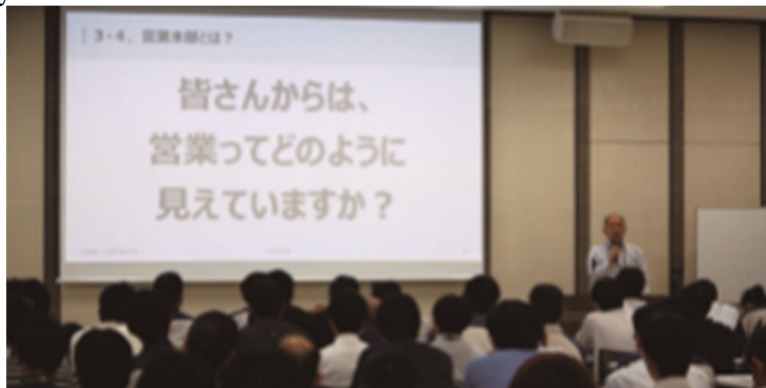
As part of compliance activity rooted in workplaces on the ground, our Compliance Committee Chair, served by the Chief Risk Management Officer, visits each department to have discussions with managers and associate managers on an ongoing basis (14 such sessions held with 5 departments by the end of March 2020). In these sessions, the Compliance Committee Chair talks about his view on compliance in his own words, and compliance-related issues at each department are discussed and views are exchanged. Discussion outcomes are reported to officers in charge of respective departments so that they can be used to improve compliance at each department.

### Officer speech relay

Seventeen of the executive officers communicated their thoughts on the theme of “what I think is a company that is more open to new ideas and where people can say what they want” to, and had discussions with, assistant managers and chiefs (job grades of associate manager and group chief) in back-office divisions that are outside the scope of their responsibility at all of our operational locations.

This program had the following three goals/features.

- Provides an opportunity for officers to directly convey their feelings, thoughts and seriousness to employees.
- Serves as one of the channels of communication between the management and employees
- Provides an opportunity for employees to be exposed to views of the management members in charge of department other than their own to be aware of situations “outside,” with a further aim of revitalizing the entire company



The Speech Relay, which was held 19 times at all operational locations, were attended by some 3,500 employees. We received positive feedback in questionnaires conducted after the sessions, with many expressing their appreciation of the opportunity to be exposed to views of executive officers in charge of other divisions, whom they rarely had opportunities to, and hear their frank views.

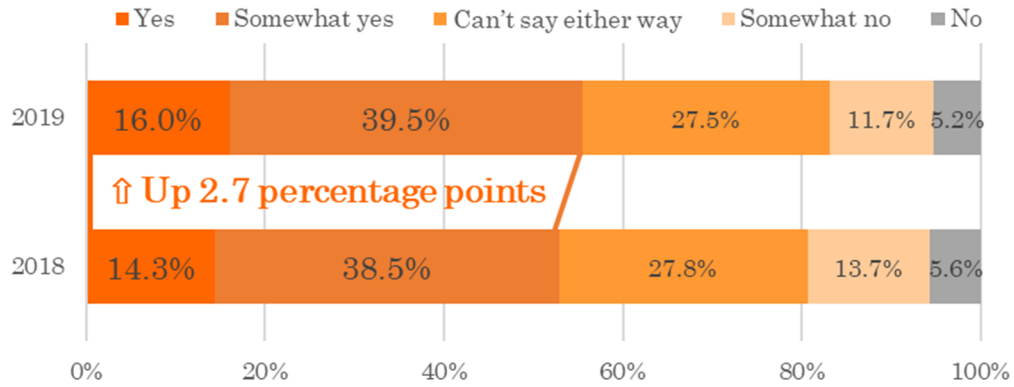
[Translation for Reference and Convenience Purposes Only]

**Employee attitudes survey**

We have conducted an annual survey of employee attitudes since fiscal 2017. An example of a finding from one conducted in the year under review is shown below:

How much has our corporate culture changed?

Q. 1: I feel that workplace communication is thriving and open to new ideas



POINT : The goal of being “open to new ideas” is still some distance away, but overall rating has improved.

In the period under review, we held for the first time a seminar on ways to utilize findings of the employee attitudes survey for all senior managers. In the seminar, participants used data to learn about trends and changes in employee attitudes seen across the company, and exchanged views on identifying issues and finding solutions.



We will continue to work on corporate culture reforms through activities like this.

\* Please see page 57 of this notice for other activities.

## Quality Reforms: Aiming to be No.1 for the Quality That Enables Customers to Enjoy Long-Term Ownership with Peace of Mind

Quality reforms are one of the most important themes along with corporate culture reforms and the “Subaru-zukuri” (Make-a-Subaru) project in the “STEP” mid-term management vision announced July 2018. Under this theme, we revised our Quality Policy on April 1, 2019 (see page 2 of this notice). We decided to revise the Quality Policy, which had been followed for over a quarter century since November 1994, to align it to changes that have since taken place in the environment within and outside the Company and as part of the quality reforms, after much discussion.

All employees were informed of the revised Quality Policy and everybody is steadily engaging in quality reforms in their day-to-day duties.

### Organizational reforms

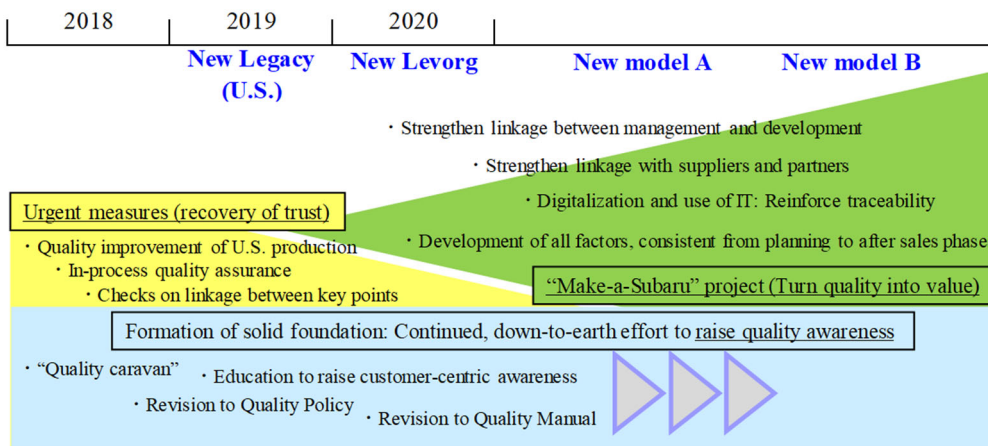
As a way to create an organizational structure that can powerfully drive quality reforms, we set up on April 1, 2020 a Quality Assurance Management Office tasked to ensure quality assurance of the entire Group, including the domestic and overseas operations, as an entity directly under the Chief Quality Officer (CQO).

On the same day, the CQO was appointed Director of Subaru of Indiana Automotive, Inc. (SIA), our U.S. production operation. We will accelerate quality reforms in an effort coordinated between our Japanese and U.S. operations.

### 3 pillars of quality reforms

After we launched the quality reform initiatives with the “STEP” mid-term management vision, employees’ mindset has been becoming quality centric. At the same time, efforts are steadily advancing at departments involved in the value chain from development and procurement to production.

In the current fiscal year, we will step up effort and aim for achievements that can make our stakeholders say, “Subaru has changed.” For that, we listen seriously to customer views. Regarding customers as the starting point of everything, we set the following three pillars for our effort.



#### 1. “Urgent measures” to recover trust

We strive to “perfect product quality” to ensure that our customers can use our products with peace of mind. If any quality issue is found, we take drastic measures under a policy of “Improve quickly and accurately.” We are working on such reform initiatives as review of the process of quality checks in the development phase, quality improvement through joint effort with suppliers, “in-process quality assurance,” in which defects are prevented from being sent on to the next production process, and “milestone management,” in which these are judged strictly.

Impact of the effort to “perfect product quality” has started to be felt unmistakably and quality of the new Legacy and Outback models that started to be manufactured in the U.S. in August 2019 has been consistently good. In Japan, we are paying utmost attention to quality in the preparation for the start of manufacturing the new Levorg model in fiscal 2020.

A key issue for the “Improve quickly and accurately” policy is to strengthen the quality assurance structure to support a rapid sales increase in our priority market of North America. In the current fiscal year, we aim to expand the local operations so that we can directly learn customer complaints and address them quickly. In the U.S. production operation, we plan to improve SIA’s quality assurance, using the superior manufacturing technology in Japan.



New Levorg Prototype

## 2. “Make-a-Subaru” project to turn quality into value

There are three activities underway for our next-generation products that are in a planning stage, aiming for the “Subaru that are chosen for quality.”

- Efficiently improve quality levels through a batch planning framework in which common specifications are used for multiple models.
- Reform development processes to raise degrees of perfection for blueprints and eliminate unnecessary trial and error due to lack of sufficient planning
- Incorporate investment to improve quality, allocation of costs and value offered to customers in business feasibility indicators

We thus aim to establish a solid structure for continuously creating high-quality products by adopting the quality-centric policy starting from the uppermost stream of development.

Facing a drastic change in the automobile business, where new functionalities such as environment measures, advanced driver assist systems, and the connected car technology are called for, we must adapt to quality, quantity and speed that goes beyond the existing boundary of quality assurance. We will promote the quality-centric “Make-a-Subaru” project in taking measures to introduce next-generation technologies.

We have already started a service of providing software updates through telematics and internet connection mainly in North America. Going forward, we will link a variety of quality-related information, including design information, manufacturing history (traceability), final inspection data and service history to help create new customer value.

## 3. “Formation of solid foundation” for raising quality awareness

In quality reforms, where we work on wide-ranging projects, the foundation for everything is the awareness of each and every employee. We will steadily continue trying to raise quality awareness to firmly establish the quality-centric attitude in each employee.

- Quality caravan: Lecturers discuss defects and recall cases in the past and what we learned from them, using actual objects involved and panels to all employees and people at suppliers. We will also create opportunities to listen to harsh criticisms from customers and frank opinions of staff at dealers.
- Education through internal newsletter: The content includes the president’s message on product quality that appear every two months.
- Activity to maintain alertness: All employees watched an educational video that reviews the final vehicle inspection scandal. We will conduct a similar program in October every year.

The program in this fiscal year will feature new content and be used in overseas operations, including SIA.



“Quality caravan”



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(Securities Code: 7270)

June 1, 2020

**SUBARU CORPORATION**

1-20-8, Ebisu, Shibuya-ku, Tokyo, Japan

## **Notice of Convocation of the 89th Ordinary General Meeting of Shareholders**

To our Shareholders:

You are cordially invited to attend the 89th Ordinary General Meeting of Shareholders of Subaru Corporation (the “Company”), to be held as set forth below.

The Japanese government and prefectural governors have issued stay-home pleas to prevent new coronavirus infection from spreading. After carefully considering this situation, we decided to go ahead and hold this General Meeting of Shareholders by taking appropriate counter-infection measures.

In view of the pleas for staying home and the need to prevent spread of the infection, we ask our shareholders to exercise their voting rights in advance using the specified form or online as much as possible and refrain from attending this General Meeting of Shareholders, regardless of their physical conditions.

Read the Reference Documents for the Exercise of Voting Rights hereunder and exercise your voting rights by 6 p.m., Monday, June 22, 2020.

Sincerely,  
*Tomomi Nakamura,*  
*Representative Director, President and CEO*

|                             |  |                       |   |                        |   |
|-----------------------------|--|-----------------------|---|------------------------|---|
| 1 Date                      | 10 a.m., Tuesday, June 23, 2020 (reception to open 9 a.m.)   |                       |   |                        |   |
| 2 Venue                     | The Westin Tokyo, B2F Galaxy Room<br>4-1 Mita 1-chome, Meguro-ku, Tokyo (at Yebisu Garden Place)   |                       |   |                        |   |
| 3 Purposes                  | <table><tr><td>Matters for Reporting</td><td><ol style="list-style-type: none"><li>1. Business report, consolidated financial statements and reporting of results of audits on consolidated financial statements by accounting auditors and the Board of Corporate Auditors for the 89th fiscal period (April 1, 2019 to March 31, 2020)</li><li>2. Report on non-consolidated financial statements for the 89th fiscal period (April 1, 2019 to March 31, 2020)</li></ol></td></tr><tr><td>Matters for Resolution</td><td>Proposal No. 1: Approval of the Proposed Appropriation of Retained Earnings<br/>Proposal No. 2: Election of Nine (9) Directors of the Board<br/>Proposal No. 3: Election of One (1) Corporate Auditor<br/>Proposal No. 4: Election of One (1) Substitute Corporate Auditor</td></tr></table>                              | Matters for Reporting | <ol style="list-style-type: none"><li>1. Business report, consolidated financial statements and reporting of results of audits on consolidated financial statements by accounting auditors and the Board of Corporate Auditors for the 89th fiscal period (April 1, 2019 to March 31, 2020)</li><li>2. Report on non-consolidated financial statements for the 89th fiscal period (April 1, 2019 to March 31, 2020)</li></ol> | Matters for Resolution | Proposal No. 1: Approval of the Proposed Appropriation of Retained Earnings<br>Proposal No. 2: Election of Nine (9) Directors of the Board<br>Proposal No. 3: Election of One (1) Corporate Auditor<br>Proposal No. 4: Election of One (1) Substitute Corporate Auditor |
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| 4 Exercise of Voting Rights | <p><b>[Exercise of Voting Rights by Mail]</b></p> <p>Please indicate your vote for or against each of the proposals on the enclosed voting form, and return the form to the Company so that it arrives no later than 6:00 p.m., Monday, June 22, 2020 (Japan time).</p> <p><b>[Exercise of Voting Rights via the Internet]</b></p> <p>Please access the “Website for the exercise of voting rights (<a href="https://soukai.mizuho-tb.co.jp/">https://soukai.mizuho-tb.co.jp/</a>)” designated by the Company. This site is provided in Japanese only. Once on the site, please enter the Voting Code and the Password provided on the right-hand side of the enclosed voting form and follow the instructions on screen to complete your vote for or against each of the proposals no later than 6:00 p.m., Monday, June 22, 2020 (Japan time).</p> |                       |   |                        |   |



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|  |   |
|--|---|
|  | <p><b>[Matters for Acknowledgment]</b><br/>In case the voting rights are exercised in duplicate via the form and on internet, exercise of voting rights on the internet will be deemed to be the effective vote.<br/>In case the voting right is exercised multiple times via the internet, the last exercise shall be deemed to be the effective vote.</p> <p><b>[To Institutional Investors]</b><br/>An electronic voting platform is available as a method for exercising a vote right.</p>  |
| 5 Other matters concerning General Meeting of Shareholders | <p>Of the documents that must be provided regarding this Notice of Convocation, the following items are posted on the Company website in accordance with legal requirements and provisions of Article 15 of the Articles of Incorporation.</p> <p>[1] “Accounting Auditors” of Business Report<br/>[2] “Consolidated Statement of Changes in Equity” and “Notes to Consolidated Financial Statements” of Consolidated Financial Statements<br/>[3] “Statement of Changes in Net Assets” and “Notes to Non-consolidated Financial Statements” of Financial Statements</p> <p>As with the attachments to this notice, Corporate Auditors audited the [1], [2] and [3] above, and the Accounting Auditors audited the [2] and [3] above.</p> <p><b>Company Website</b> <a href="https://www.subaru.co.jp/en/ir/stock/meeting.html">https://www.subaru.co.jp/en/ir/stock/meeting.html</a></p> <p>In case amendments are made to reference documents for the meeting of general shareholders, business report, consolidated financial statements and/or non-consolidated financial statements, such information will be posted in the Company website.</p> |

- This year, there are significantly fewer seats at the venue compared to normal years because we are arranging chairs at wider intervals in order to prevent spread of the pandemic of COVID-19. Because of this, we may not be able to grant admission to some shareholders arriving at the reception.
- Attending shareholders are asked to wear a face mask.
- We will check bodily temperature of visitors near the entrance to the venue. We may refuse to grant admission to people who are identified as having a fever, appear to be in poor health, or have returned from overseas less than 14 days ago. Shareholders who returned from overseas less than 14 days ago are requested to notify of the receptionist of it.
- The above measures may change, depending on the situation of coronavirus infection or announcements by the national government, etc. until the date of the General Meeting of Shareholders.  
Check our website for any information update.
- No gifts will be offered to shareholders participating in the meeting of general shareholders. The Company will not display its cars at the venue of the meeting.

**[To Institutional Investors]**

**[CJ, Inc.’s electronic voting platform is available as a method for exercising a voting right.]**

Deadline for exercising voting rights: 6 p.m., Monday, June 22, 2020

**Live Online Broadcast**

The meeting will be broadcast live over the internet for shareholders who cannot attend it in person. Access the following URL.

**Company Website** <https://www.subaru.co.jp/ir/stock/live/>

See the Notice of Convocation for the ID and password.

## REFERENCE DOCUMENTS FOR THE EXERCISE OF VOTING RIGHTS

### Proposal No. 1: Approval of the Proposed Appropriation of Retained Earnings

As for the appropriation of surplus for the year under review, it is proposed as follows.

The Company positions the return to shareholders as an important managerial issue and have adopted performance linked approach based on continuous and stable dividend payouts, taking into account the business performance, investment plans, and business environment for each fiscal period. In the mid-term management vision “STEP,” announced in July 2018, we indicated the following policies: (1) Position dividends as the main form of return to shareholders, with an emphasis on stable, continuous returns; and (2) Set annual dividend for the next three years (from year ended March 2019 to year through March 2021) at 144 yen per share, and conduct share repurchases flexibly depending on cash flow.

However, the ongoing global pandemic of COVID-19 is significantly impacting production, sales and other business activities of the Subaru Group. It is to our regret that we are announcing a change of the year-end dividend from the level projected most recently to the below amount, which is the level we came to after comprehensively assessing the situation, including our future needs of funds.

1. Type of Dividend:

Cash

2. Regarding Dividends to Shareholders and their Amount:

¥28 per share of the Company’s common stock

Total dividends: ¥21,482,034,140

The total annual dividend for the year under review would be ¥100 per share including the paid interim dividend of ¥72 per share.

3. Effective Date:

June 24, 2020

(Reference) Trends of Dividends

| Category                               | 86 <sup>th</sup><br>FYE2017 | 87 <sup>th</sup><br>FYE2018 | 88 <sup>th</sup><br>FYE2019 | 89 <sup>th</sup><br>(Current)<br>FYE2020 |
|--|-----------------------------|-----------------------------|-----------------------------|--|
| Annual dividend per share (Yen)        | 144                         | 144                         | 144                         | 100<br>(Planned)                         |
| Annual dividends (Millions of yen)     | 110,460                     | 110,466                     | 110,471                     | 76,722<br>(Planned)                      |
| Consolidated dividend payout ratio (%) | 39.4                        | 50.1                        | 78.1                        | 50.3<br>(Planned)                        |

Notes: The Company adopted the International Financial Reporting Standards (IFRS) and terminated the use of the Japanese standards in the 89th fiscal period under review. Accordingly, the consolidated dividend payout ratio of the 88th fiscal period is shown in accordance with the IFRS.

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**Proposal No. 2: Election of Nine (9) Directors of the Board**

The terms of office of all nine (9) Directors of the Board will expire at the conclusion of this Ordinary General Meeting of Shareholders. It is hereby proposed that nine (9) Directors of the Board be elected.

The Company nominates as the candidates for Directors individuals who have abundant experience, superior abilities and knowledge, and high expertise appropriate for a Director of the Company in order to realize our corporate philosophy, effective corporate governance, sustainable growth, and corporate value improvement for the medium and long term. To ensure fairness and transparency in decisions on executive appointments, the Executive Nomination Meeting, in accordance with inquiries from Board of Directors, submits to the Board of Directors proposals on the nomination of officers sufficiently deliberated on and approved by its members, who include the independent outside directors. These personnel matters are decided by resolution of the Board of Directors.


Candidates for the position of Director of the Board are as follows:

| No. |                                      | Name                  |        | Current title in the company                    | Attendance at the Board of Directors meetings for the year | Tenure as Director |
|-----|--------------------------------------|-----------------------|--------|---|--|--------------------|
| 1   | Reelection                           | Yasuyuki<br>Yoshinaga | Male   | Director, Chairman                              | 13 of 13 meetings<br>(100%)                                | 11 years           |
| 2   | Reelection                           | Tomomi<br>Nakamura    | Male   | Representative Director<br>President & CEO      | 13 of 13 meetings<br>(100%)                                | 2 years            |
| 3   | Reelection                           | Kazuo<br>Hosoya       | Male   | Representative<br>Director ,Deputy<br>President | 10 of 10 meetings<br>(100%)                                | 1 year             |
| 4   | Reelection                           | Toshiaki<br>Okada     | Male   | Director, Executive Vice<br>President & CFO     | 13 of 13 meetings<br>(100%)                                | 3 years            |
| 5   | Reelection                           | Yoichi<br>Kato        | Male   | Director, Executive Vice<br>President & CRMO    | 13 of 13 meetings<br>(100%)                                | 3 years            |
| 6   | Reelection                           | Tetsuo<br>Onuki       | Male   | Director, Executive Vice<br>President           | 13 of 13 meetings<br>(100%)                                | 2 years            |
| 7   | Reelection<br>Outside<br>Independent | Yasuyuki<br>Abe       | Male   | Outside Director                                | 10 of 10 meetings<br>(100%)                                | 1 year             |
| 8   | Reelection<br>Outside<br>Independent | Natsunosuke<br>Yago   | Male   | Outside Director                                | 10 of 10 meetings<br>(100%)                                | 1 year             |
| 9   | New<br>Outside<br>Independent        | Miwako<br>Doi         | Female | -   | -  | -                  |

Notes:


1. The candidates have no special interest relationships with the Company.
2. The attendance at the Board of Directors meetings of Kazuo Hosoya, Yasuyuki Abe and Natsunosuke Yago shows figures covering the meetings held after their assumption of office on June 21, 2019.
3. Yasuyuki Abe assumed the position of Outside Corporate Auditor of the Company on June 28, 2016, and retired from his position as of the conclusion of the Ordinary General Meeting of Shareholders on June 21, 2019. In his capacity as Outside Corporate Auditor, Mr. Abe attended two out of three Board of Directors meetings held before his appointment to Director on June 21, 2019.
4. In addition to the number of Board of Directors meetings held in the above table, two resolutions were adopted in writing that was deemed to be a resolution of the Board of Directors in accordance with Article 370 of the Companies Act and the Articles of Incorporation.

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| No. | Name<br>(Date of Birth)   | Biography, Posts and Main Fields of Responsibilities in the Company, Significant Positions Concurrently Held, Reasons for Nominating the Candidates for Directors of the Board, and Attendance at the Board of Directors Meetings during the Year under Review   | Number of the Company's Shares Held |
|-----|---|--|-------------------------------------|
| 1   | <br>Yasuyuki Yoshinaga<br>(March 5, 1954)<br><br>Candidate for reelection<br><br>Male | <p>Apr. 1977      Joined the Company</p> <p>Oct. 1999      General Manager, Sales Planning Department,<br/>Domestic Sales Division</p> <p>Apr. 2005      Vice President,<br/>Senior General Manager, Strategy Development<br/>Division</p> <p>Jun. 2006      General Manager, Corporate Planning Department<br/>Vice President,<br/>Chief General Manager, Strategy Development<br/>Division</p> <p>Apr. 2007      Vice President<br/>Chief General Manager, Strategy Development<br/>Division</p> <p>Jun. 2007      General Manager, Sales Promotion Department<br/>Senior Vice President<br/>Chief General Manager, Subaru Japan Sales &amp;<br/>Marketing Division</p> <p>Jun. 2009      Director, Executive Vice President<br/>Chief General Manager, Subaru Japan Sales &amp;<br/>Marketing Division</p> <p>Jun. 2011      Representative Director President &amp; COO</p> <p>Jun. 2012      Representative Director President &amp; CEO</p> <p>Jun. 2018      Director, Chairman<br/>(to the present)</p> <p><i>(Main fields of responsibilities in the Company)</i><br/>None applicable</p> <p><i>(Significant Positions Concurrently Held)</i><br/>None applicable</p> <p><i>(Reasons for nominating the candidate for Director of the Board)</i><br/>Yasuyuki Yoshinaga has led the management of the Company as Representative Director of the Board and President from 2011 to 2018. He has abundant experience and knowledge as a long-serving member of the management team of the Company and its Group companies. Starting 2019, he focused exclusively on working with outside directors to monitor and oversee the overall management of the Company in a capacity as a director who is not in charge of any specific business area and worked to enhance governance. Also, as Chairman of the Board of Directors, he has facilitated unrestricted discussion while drawing knowledge from Outside Directors. His way of leading the discussion is highly acclaimed by the members of the Board of Directors from inside and outside the company. We are thus nominating him as a director candidate.</p> <p><i>(Attendance at the Board of Directors meetings during the year under review)</i><br/>13 of 13 meetings (100%)</p> | 63,715 shares                       |

Notes: In addition to the number of Board of Directors meetings held in the above table, two resolutions were adopted in writing that was deemed to be a resolution of the Board of Directors in accordance with Article 370 of the Companies Act and the Articles of Incorporation.

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|-----|--|---|-------------------------------------|
| 2   | <br>Tomomi Nakamura<br>(May 17, 1959)<br><br>Candidate for reelection<br><br>Male | Apr. 1982    Joined the Company<br>Jun. 2004    General Manager,<br>Marketing Planning Department,<br>Subaru Japan Sales & Marketing Division<br>Apr. 2011    Vice President,<br>Senior General Manager, Strategy Development<br>Division<br>General Manager, Corporate Planning Department<br>Jun. 2011    Vice President,<br>Chief General Manager, Strategy Development<br>Division<br>General Manager, Corporate Planning Department<br>Apr. 2013    Vice President,<br>Senior General Manager, Subaru Global<br>Marketing Division<br>Senior General Manager,<br>Subaru Overseas Sales & Marketing Division 1<br>Senior General Manager,<br>Subaru Overseas Sales & Marketing Division 2<br>Apr. 2014    Senior Vice President<br>Chief General Manager,<br>Subaru Overseas Sales & Marketing Division 1<br>Chairman & CEO, Subaru of America, Inc.<br>Apr. 2016    Executive Vice President<br>Chief General Manager,<br>Subaru Overseas Sales & Marketing Division 1<br>Chairman & CEO, Subaru of America, Inc.<br>Apr. 2018    Executive Vice President<br>Jun. 2018    Representative Director President & CEO<br>(to the present) | 19,077<br>shares                    |


[Continued to the next page]

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| No. | Name<br>(Date of Birth)   | Biography, Posts and Main Fields of Responsibilities in the Company, Significant Positions Concurrently Held, Reasons for Nominating the Candidates for Directors of the Board, and Attendance at the Board of Directors Meetings during the Year under Review   | Number of the Company's Shares Held |
|-----|---|--|-------------------------------------|
|     | <p>Tomomi Nakamura<br/>(May 17, 1959)</p> <p>Candidate for reelection</p> <p>Male</p> | <p>[Continued from the previous page]<br/> <u>(Main fields of responsibilities in the Company)</u><br/>                     Aerospace Company, Quality<br/> <u>(Significant Positions Concurrently Held)</u><br/>                     Director, Subaru of Indiana Automotive, Inc. (SIA)<br/>                     Director, Subaru of America, Inc. (SOA)<br/> <u>(Reasons for nominating the candidate for Director of the Board)</u><br/>                     Tomomi Nakamura has abundant experience and knowledge acquired through extensive service at the Company and Group companies mainly in sales, marketing, corporate planning, and overseas operation areas. After assuming the post of Representative Director of the Board and President in June 2018, Mr. Nakamura worked out the "STEP" mid-term management vision in which the Group aims to gain the sympathy and confidence of customers through the provision of "Peace of mind and enjoyment," and has led the key initiatives of corporate culture reforms, quality reforms, and the "Make-a-Subaru" initiative. We are nominating him as a director candidate with the expectation that, under his leadership, steady execution of reforms will be ensured toward achieving the goals of "Become a brand that is "different" from others by enhancing distinctiveness," "Engage in business activities that resonate with customers by putting them center-stage," and "Fulfill corporate social responsibilities by contributing to diversifying social needs" in the Vision for 2025 and the Group's sustainable growth will be realized.<br/> <u>(Attendance at the Board of Directors meetings during the year under review)</u><br/>                     13 of 13 meetings (100%)</p> | <p>19,077 shares</p>                |

Notes: In addition to the number of Board of Directors meetings held in the above table, two resolutions were adopted in writing that was deemed to be a resolution of the Board of Directors in accordance with Article 370 of the Companies Act and the Articles of Incorporation.


[Translation for Reference and Convenience Purposes Only]

| No. | Name<br>(Date of Birth)  | Biography, Posts and Main Fields of Responsibilities in the Company, Significant Positions Concurrently Held, Reasons for Nominating the Candidates for Directors of the Board, and Attendance at the Board of Directors Meetings during the Year under Review   | Number of the Company's Shares Held |
|-----|--|--|-------------------------------------|
| 3   |  <p>Kazuo Hosoya<br/>(July 29, 1957)</p> <p>Candidate for reelection</p> <p>Male</p> | <p>Apr. 1982    Joined the Company<br/>May 2006    General Manager,<br/>Corporate Planning Department</p> <p>Jan. 2009    Senior General Manager,<br/>Subaru Japan Sales &amp; Marketing Division</p> <p>Jun. 2010    President, Tokyo Subaru Inc.<br/>Apr. 2012    Vice President<br/>General Manager, Human Resources Department</p> <p>Apr. 2014    Senior Vice President<br/>General Manager, Human Resources Department<br/>General Manager, Career Support Office<br/>President, Subaru Bloom Co.Ltd</p> <p>Apr. 2015    Senior Vice President<br/>Chief General Manager,<br/>Subaru Japan Sales &amp; Marketing Division</p> <p>Apr. 2016    Executive Vice President<br/>Chief General Manager,<br/>Subaru Japan Sales &amp; Marketing Division</p> <p>Mar. 2018    Retired from Executive Vice President<br/>Apr. 2018    President, Tokyo Subaru Inc.<br/>Dec. 2018    Retired from President of Tokyo Subaru Inc.<br/>Jan. 2019    Deputy President,<br/>Chief General Manager, Subaru Manufacturing<br/>Division<br/>Chief General Manager, Gunma Plant</p> <p>Jun. 2019    Representative Director ,Deputy President,<br/>Chief General Manager, Subaru Manufacturing<br/>Division<br/>Chief General Manager, Gunma Plant</p> <p>Apr. 2020    Representative Director ,Deputy President,<br/>Chief General Manager, Subaru Manufacturing<br/>Division<br/>(to the present)</p> <p><i>(Main fields of responsibilities in the Company)</i><br/>Manufacturing, China Project Office</p> <p><i>(Significant Positions Concurrently Held)</i><br/>Director, Subaru of Indiana Automotive, Inc. (SIA)</p> <p><i>(Reasons for nominating the candidate for Director of the Board)</i><br/>Mr. Kazuo Hosoya has long experience at the manufacturing sector as well as abundant experience and knowledge acquired through extensive service at the Company and Group companies mainly in human resources, corporate planning, and sales areas. We have once again selected him as a candidate for Director, expecting him to supervise management with consideration of interests of all stakeholders and properly conduct corporate culture reforms, to realize sustainable growth for the Group.</p> <p><i>(Attendance at the Board of Directors meetings during the year under review)</i><br/>10 of 10 meetings (100%)</p> | 13,840 shares                       |

Notes: In addition to the number of Board of Directors meetings held in the above table, two resolutions were adopted in writing that was deemed to be a resolution of the Board of Directors in accordance with Article 370 of the Companies Act and the Articles of Incorporation.




[Translation for Reference and Convenience Purposes Only]

| No. | Name<br>(Date of Birth)  | Biography, Posts and Main Fields of Responsibilities in the Company, Significant Positions Concurrently Held, Reasons for Nominating the Candidates for Directors of the Board, and Attendance at the Board of Directors Meetings during the Year under Review  | Number of the Company's Shares Held |
|-----|--|---|-------------------------------------|
| 4   |  <p>Toshiaki Okada<br/>(October 30, 1960)</p> <p>Candidate for reelection</p> <p>Male</p> | <p>Apr. 1984    Joined the Company<br/>Oct. 2004    General Manager, Sales Planning Department,<br/>                  Manager, 1st Sales Planning Section,<br/>                  Subaru Marketing Division</p> <p>Apr. 2013    Vice President,<br/>                  General Manager, Corporate Planning Department</p> <p>Apr. 2015    Senior Vice President,<br/>                  General Manager, Corporate Planning Department</p> <p>Apr. 2017    Executive Vice President &amp; CFO</p> <p>Jun. 2017    Director, Executive Vice President &amp; CFO<br/>(to the present)</p> <p><u>(Main fields of responsibilities in the Company)</u><br/>Secretarial Office, Finance &amp; Accounting Dept., Human Resources Dept.</p> <p><u>(Significant Positions Concurrently Held)</u><br/>Director, Subaru of Indiana Automotive, Inc. (SIA)<br/>Director, Subaru of America, Inc. (SOA)</p> <p><u>(Reasons for nominating the candidate for Director of the Board)</u><br/>Mr. Toshiaki Okada has abundant experience and knowledge acquired through extensive service at the Company and Group companies mainly in sales, corporate planning and finance areas. We are nominating him to serve once again as Director, expecting him to supervise management with consideration of interests of all stakeholders and properly enhance financial strength and corporate governance for the whole Group, to realize sustainable growth for the Group.</p> <p><u>(Attendance at the Board of Directors meetings during the year under review)</u><br/>13 of 13 meetings (100%)</p> | 13,472 shares                       |

Notes: In addition to the number of Board of Directors meetings held in the above table, two resolutions were adopted in writing that was deemed to be a resolution of the Board of Directors in accordance with Article 370 of the Companies Act and the Articles of Incorporation.

[Translation for Reference and Convenience Purposes Only]

| No. | Name<br>(Date of Birth)   | Biography, Posts and Main Fields of Responsibilities in the Company, Significant Positions Concurrently Held, Reasons for Nominating the Candidates for Directors of the Board, and Attendance at the Board of Directors Meetings during the Year under Review   | Number of the Company's Shares Held |
|-----|---|--|-------------------------------------|
| 5   |  <p>Yoichi Kato<br/>(September 14, 1959)</p> <p>Candidate for reelection</p> <p>Male</p> | <p>Apr. 1983    Joined the Ministry of International Trade and Industry (MITI), Japanese government (Present Ministry of Economy, Trade and Industry)</p> <p>Jul. 2010    Director-General, Chubu Bureau of Economy, Trade and Industry</p> <p>Aug. 2011    Director-General, Business Environment Department, Small and Medium Enterprise Agency</p> <p>Sep. 2012    Councillor, Cabinet Secretariat</p> <p>Dec. 2012    Deputy Director-General for Policy Evaluation, (METI)</p> <p>Jun. 2013    Director-General for Regional Economic and Industry Policy</p> <p>Oct. 2014    Joined the Company<br/>Vice President</p> <p>Apr. 2015    Vice President<br/>General Manager, External Relations Department</p> <p>Apr. 2016    Senior Vice President<br/>General Manager, External Relations Department</p> <p>Apr. 2017    Senior Vice President<br/>General Manager, External Relations Department<br/>Chief General Manager, Corporate Administration Division</p> <p>Jun. 2017    Director, Senior Vice President<br/>General Manager, External Relations Department<br/>Chief General Manager, Corporate Administration Division</p> <p>Apr. 2018    Director, Executive Vice President<br/>General Manager, Legal Department</p> <p>Oct. 2018    Director, Executive Vice President</p> <p>Apr. 2019    Director, Executive Vice President &amp; CRMO (to the present)</p> | 7,699 shares                        |

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**[Translation for Reference and Convenience Purposes Only]**

| No. | Name<br>(Date of Birth)   | Biography, Posts and Main Fields of Responsibilities in the Company, Significant Positions Concurrently Held, Reasons for Nominating the Candidates for Directors of the Board, and Attendance at the Board of Directors Meetings during the Year under Review   | Number of the Company's Shares Held |
|-----|---|--|-------------------------------------|
| 5   | Yoichi Kato<br>(September 14, 1959)<br><br>Candidate for reelection<br><br>Male | <p>[Continued from the previous page]</p> <p><u>(Main fields of responsibilities in the Company)</u><br/>Risk Management Group, External Relations Dept., Intellectual Property Dept.</p> <p><u>(Significant Positions Concurrently Held)</u><br/>North America Subaru Inc. (NASI) director</p> <p><u>(Reasons for nominating the candidate for Director of the Board)</u><br/>Mr. Yoichi Kato has served in significant positions at the Ministry of Economy, Trade and Industry, and accumulated experience from a non-insider viewpoint mainly in the areas of external relationship, business management, corporate governance and risk management at the Company and Group companies. We are nominating him to once again serve as a candidate for Director, expecting him to supervise management with consideration of interests of all stakeholders and properly enhance external relationship and corporate governance for the whole Group based on abundant experience and broad knowledge and expertise, as well as deep insight into corporate social responsibility, to realize sustainable growth for the Group.</p> <p><u>(Attendance at the Board of Directors meetings during the year under review)</u><br/>13 of 13 meetings (100%)</p> | 7,699 shares                        |

Notes: In addition to the number of Board of Directors meetings held in the above table, two resolutions were adopted in writing that was deemed to be a resolution of the Board of Directors in accordance with Article 370 of the Companies Act and the Articles of Incorporation.

[Translation for Reference and Convenience Purposes Only]

| No. | Name<br>(Date of Birth)  | Biography, Posts and Main Fields of Responsibilities in the Company, Significant Positions Concurrently Held, Reasons for Nominating the Candidates for Directors of the Board, and Attendance at the Board of Directors Meetings during the Year under Review  | Number of the Company's Shares Held |
|-----|--|---|-------------------------------------|
| 6   |  <p>Tetsuo Onuki<br/>(November 15, 1960)</p> <p>Candidate for reelection</p> <p>Male</p> | <p>Apr. 1984    Joined the Company</p> <p>Apr. 2006    General Manager, Subaru Product &amp; Portfolio Planning Division, Design Department</p> <p>Sep. 2008    General Manager, Subaru Engineering Division, Body Design Department</p> <p>Apr. 2014    Vice President, Senior General Manager, Subaru Engineering Division<br/>General Manager, Subaru Engineering Division, Body Design Department</p> <p>Apr. 2016    Senior Vice President, Chief General Manager, Subaru Engineering Division 1<br/>Chief General Manager, Subaru Technical Research Center</p> <p>Apr. 2018    Executive Vice President &amp; CTO<br/>Chief General Manager, Engineering Management Division<br/>Chief General Manager, Engineering Division 1</p> <p>Jun. 2018    Director, Executive Vice President &amp; CTO<br/>Chief General Manager, Engineering Management Division</p> <p>Apr. 2019    Director, Executive Vice President &amp; CTO</p> <p>Apr. 2020    Director, Executive Vice President<br/>Chief General Manager, Purchasing Division (to the present)</p> <p><u>(Main fields of responsibilities in the Company)</u><br/>Purchasing Div. and Product Planning Div.</p> <p><u>(Significant Positions Concurrently Held)</u><br/>None applicable</p> <p><u>(Reasons for nominating the candidate for Director of the Board)</u><br/>Mr. Tetsuo Onuki has abundant experience and knowledge acquired through extensive service at the Company and Group companies mainly in technology and product planning areas. We are nominating him once again to serve as Director, expecting him to supervise management with consideration of interests of all stakeholders and properly enhance customer value centering on “Enjoyment and Peace of Mind” and bolster purchase strategies, to realize sustainable growth for the Group.</p> <p><u>(Attendance at the Board of Directors meetings during the year under review)</u><br/>13 of 13 meetings (100%)</p> | 12,641 shares                       |

Notes: In addition to the number of Board of Directors meetings held in the above table, two resolutions were adopted in writing that was deemed to be a resolution of the Board of Directors in accordance with Article 370 of the Companies Act and the Articles of Incorporation.

[Translation for Reference and Convenience Purposes Only]

| No. | Name<br>(Date of Birth)  | Biography, Posts and Main Fields of Responsibilities in the Company, Significant Positions Concurrently Held, Reasons for Nominating the Candidates for Directors of the Board, and Attendance at the Board of Directors Meetings during the Year under Review  | Number of the Company's Shares Held |
|-----|--|---|-------------------------------------|
| 7   |  <p>Yasuyuki Abe<br/>(April 17, 1952)</p> <p>Candidate for reelection</p> <p>Candidate for Outside Director</p> <p>Candidate for Independent Director</p> <p>Male</p> | <p>Apr. 1977    Joined Sumitomo Corporation</p> <p>Jun. 2002    President and Representative Director, Sumisho Electronics Co., Ltd. (current SCSK Corporation)</p> <p>Apr. 2005    President and Representative Director, Sumisho Information System Co., Ltd. (current SCSK Corporation)</p> <p>Jun. 2009    Representative Director and Managing Executive Officer, General Manager of Financial &amp; Logistics Business Unit, Sumitomo Corporation</p> <p>Apr. 2010    Representative Director and Managing Executive Officer, General Manager of New Industry Development &amp; Cross-Function Business Unit, Sumitomo Corporation</p> <p>Apr. 2011    Representative Director and Senior Executive Operating Officer, General Manager of New Industry Development &amp; Cross-Function Business Unit and General Manager of Finance Department, Sumitomo Corporation</p> <p>Apr. 2013    Representative Director and Senior Executive Operating Officer, General Manager of Corporate Planning &amp; Coordination Department, Sumitomo Corporation</p> <p>Jun. 2015    Advisor, Sumitomo Corporation</p> <p>Jun. 2016    Outside Corporate Auditor, Subaru Corporation</p> <p>Jun. 2018    Retired from Advisor to Sumitomo Corporation</p> <p>Jun. 2019    Retired from Outside Corporate Auditor, Subaru Corporation</p> <p>Jun. 2019    Outside Director, Subaru Corporation (to the present)</p> | 2,600 shares                        |

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[Translation for Reference and Convenience Purposes Only]

| No. | Name<br>(Date of Birth)  | Biography, Posts and Main Fields of Responsibilities in the Company, Significant Positions Concurrently Held, Reasons for Nominating the Candidates for Directors of the Board, and Attendance at the Board of Directors Meetings during the Year under Review  | Number of the Company's Shares Held |
|-----|--|---|-------------------------------------|
| 7   | <p>Yasuyuki Abe<br/>(April 17, 1952)</p> <p>Candidate for reelection</p> <p>Candidate for Outside Director</p> <p>Candidate for Independent Director</p> <p>Male</p> | <p>[Continued from the previous page]<br/><u>(Significant Positions Concurrently Held)</u><br/>Director of the Board(External), JVC KENWOOD Corporation Advisor, ORANGE AND PARTNERS CO., LTD._<br/><u>(Reasons for nominating the candidate for Director of the Board)</u><br/>As Representative Director and Senior Executive Operating Officer of Sumitomo Corporation, Mr. Yasuyuki Abe has been involved in management in both a supervisory and executorial capacity, possesses extensive experience and knowledge in business management, and has an advanced understanding of the field of IT. Mr. Abe has served as the Company's independent outside corporate auditor for three years since June 2016. During this period, he audited execution of duties by directors and often made honest and truthful remarks to the management team appropriately and in a timely manner. As he has served as independent Outside Director since June 2019 and made beneficial proposals for the Company's management, we judged that he would be able to continue to provide sufficient advice and supervision regarding management in general from an independent position as Outside Director of the Company, and have thus proposed him as a candidate for Outside Director.<br/><u>(Attendance at the Board of Directors meetings during the year under review)</u><br/>10 of 10 meetings (100%)</p> | 2,600 shares                        |

Notes:

1. Yasuyuki Abe assumed the position of Outside Corporate Auditor of the Company on June 28, 2016, and retired from his position as of the conclusion of the Ordinary General Meeting of Shareholders for the 88th fiscal period held on June 21, 2019.
2. In his capacity as Outside Corporate Auditor, Mr. Yasuyuki Abe attended two out of three Board of Directors meetings held before his appointment to Director on June 21, 2019.
3. In addition to the number of Board of Directors meetings held in the above table, two resolutions were adopted in writing that was deemed to be a resolution of the Board of Directors in accordance with Article 370 of the Companies Act and the Articles of Incorporation.
4. To allow the Company's Directors and Corporate Auditors fulfill the roles expected of them, the Company's Articles of Incorporation provides that the Company may conclude a contract with its Directors of the Board (excluding those who are executive directors, managers or other employees of the Company or its subsidiaries) to limit their liabilities for the compensation of damages under Article 423, Item 1 of the Companies Act. Based on this provision, the Company has concluded a contract with Messrs. Based on this provision, the Company has concluded a contract for limitation of liability with Mr. Yasuyuki Abe which limits his liability for the compensation of damages to the amount stipulated in Article 425, Item 1 of the Companies Act. If his reelection as Director is approved in this Annual General Meeting of Shareholders, we intend to continue with the contract for limitation of liability concluded between him and the Company.
5. The Company designates Yasuyuki Abe as Independent Director as set forth by the Tokyo Stock Exchange. If his reelection is approved, the Company will continue the designation.
6. In October 2017, while Mr. Abe was serving as Outside Corporate Auditor, improper practices were found in sample tests of fuel economy and emissions and other final vehicle inspections. He had no prior knowledge of such facts. Based on his extensive experience and sharp insights, Mr. Abe routinely provided advice regarding compliance and internal control. After the aforementioned facts were identified, he received reports concerning our efforts towards investigation of the causes of these improper conduct cases and preventive measures therefor, and made various suggestions, thus fulfilling his responsibility.

[Translation for Reference and Convenience Purposes Only]

| No. | Name<br>(Date of Birth)   | Biography, Posts and Main Fields of Responsibilities in the Company, Significant Positions Concurrently Held, Reasons for Nominating the Candidates for Directors of the Board, and Attendance at the Board of Directors Meetings during the Year under Review  | Number of the Company's Shares Held |
|-----|---|---|-------------------------------------|
| 8   |  <p>Natsunosuke Yago<br/>(May 16, 1951)</p> <p>Candidate for reelection</p> <p>Candidate for Outside Director</p> <p>Candidate for Independent Director</p> <p>Male</p> | <p>Apr. 1977    Joined Ebara Corporation</p> <p>Jun. 2002    Executive Officer, Ebara Corporation</p> <p>Apr. 2004    Senior Executive Officer and General Manager of Precision Machinery Department, Ebara Corporation, Chairman and Representative Director, Ebara Precision Machinery Europe GmbH, Chairman and Representative Director, Ebara Technologies Inc., Chairman, Shanghai Ebara Precision Machinery Co., Ltd.</p> <p>Jun. 2004    Director, Ebara Corporation</p> <p>Apr. 2005    Director, Ebara Corporation, Chairman, Ebara-Densan Taiwan Manufacturing Co., Ltd.</p> <p>Jun. 2005    Director and President of Precision Machinery Company, Ebara Corporation, Director, Fujisawa Plant</p> <p>Apr. 2006    Director and Managing Executive Officer and President of Precision Machinery Company, Ebara Corporation</p> <p>Apr. 2007    President and Representative Director, Ebara Corporation</p> <p>May 2007    President and Representative Director and General Manager of Internal Control Promotion Division, Ebara Corporation</p> <p>Jul. 2009    President and Representative Director and General Manager of Internal Control Division, Ebara Corporation</p> <p>Apr. 2013    Chairman of the Board, Ebara Corporation</p> <p>Mar. 2019    Retired from Chairman of the Board, Ebara Corporation</p> <p>Jun. 2019    Outside Director, Subaru Corporation (to the present)</p> <p><u>(Significant Positions Concurrently Held)</u><br/>President, Ebara Hatakeyama Memorial Foundation</p> <p><u>(Reasons for nominating the candidate for Director of the Board)</u><br/>Mr. Natsunosuke Yago served as President and Representative Director and Chairman of the Board at Ebara Corporation and has extensive experience and knowledge in business management. He has advanced knowledge of corporate internal control and governance. Since his appointment as independent Outside Director in June 2019, Mr. Yago has provided valuable advice on management of the Company based on his abundant experience and extensive knowledge as well as his deep insight into corporate social responsibility. We have selected him as a candidate for Outside Director, expecting that he will continue to provide sufficient advice and supervision on all aspects of the Company's management from an independent perspective as Outside Director.</p> <p><u>(Attendance at the Board of Directors meetings during the year under review)</u><br/>10 of 10 meetings (100%)</p> | 800 shares                          |

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**[Translation for Reference and Convenience Purposes Only]**

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Notes:

1. In addition to the number of Board of Directors meetings held in the above table, two resolutions were adopted in writing that was deemed to be a resolution of the Board of Directors in accordance with Article 370 of the Companies Act and the Articles of Incorporation.
2. To allow the Company's Directors and Corporate Auditors fulfill the roles expected of them, the Company's Articles of Incorporation provides that the Company may conclude a contract with its Directors of the Board (excluding those who are executive directors, managers or other employees of the Company or its subsidiaries) to limit their liabilities for the compensation of damages under Article 423, Item 1 of the Companies Act. Based on this provision, the Company has concluded a contract with Messrs. Based on this provision, the Company has concluded a contract for limitation of liability with Mr. Natsunosuke Yago which limits his liability for the compensation of damages to the amount stipulated in Article 425, Item 1 of the Companies Act. If his reelection as Director is approved in this Annual General Meeting of Shareholders, we intend to continue with the contract for limitation of liability concluded between him and the Company.
3. The Company designates Yasuyuki Abe as Independent Director as set forth by the Tokyo Stock Exchange. If his reelection is approved, the Company will continue the designation.
4. In September 2016, when Mr. Yago was serving as Director of Ebara Corporation, it was identified that regarding the construction work mainly carried out by an affiliate company of Ebara Corporation involving changing existing sewage pipes in an apartment building, some of the employed construction methods did not conform to the Building Standards Act. He had no prior knowledge of such facts. Based on his extensive experience and sharp insights, Mr. Yago routinely provided advice regarding compliance and internal control. After the aforementioned facts were identified, he received reports concerning our efforts towards investigation of the causes of the problems and preventive measures therefor, and made various suggestions. He fulfilled his responsibilities by implementing the necessary improvement measures in response to guidance by the Ministry of Land, Infrastructure and Transport (MLIT) and local authorities, and other means.

[Translation for Reference and Convenience Purposes Only]

| No. | Name<br>(Date of Birth)   | Biography, Posts and Main Fields of Responsibilities in the Company, Significant Positions Concurrently Held, and Reasons for Nominating the Candidates for Directors of the Board   | Number of the Company's Shares Held |
|-----|---|--|-------------------------------------|
| 9   |  <p>Miwako Doi<br/>(June 2, 1954)</p> <p>New candidate</p> <p>Candidate for Outside Director</p> <p>Candidate for Independent Director</p> <p>Female</p> | <p>Apr. 1979    Joined Research &amp; Development Center, Tokyo Shibaura Electric Corporation(Toshiba Corporation)</p> <p>Jul. 2005    Senior Fellow, Human Centric Laboratory, Corporate Research &amp; Development Center Toshiba Corporation</p> <p>Jul. 2006    Senior Fellow, Corporate Research &amp; Development Center</p> <p>Jul. 2008    Chief Fellow, Corporate Research &amp; Development Center</p> <p>Jun. 2014    Retired from Toshiba Corporation (to the present)</p> <p><u>(Significant Positions Concurrently Held)</u><br/>           Auditor, National Institute of Information and Communications Technology<br/>           Executive Director, Nara Institute of Science and Technology<br/>           Executive Vice President, Tohoku University<br/>           Outside Director, Nomura Research Institute, Ltd. (scheduled to step down in June 2020)<br/>           Outside Directors, Isetan Mitsukoshi Holdings Ltd.</p> <p><u>(Reasons for nominating the candidate for Director of the Board)</u><br/>           Ms. Miwako Doi long worked for Toshiba Corp. for many years as researcher and supervisor in the area of information technology. As an expert of the area, she has made many achievements. In recognition of her high expertise and abundant experience and knowledge, she has been appointed to governmental advisory bodies. In consideration of the abundant experience and high expertise she developed through these experiences and activities, we judged that Ms. Doi would be able to provide sufficient advice and supervision regarding management in general from an independent position as Outside Director of the Company, and have thus proposed her as a candidate for Outside Director.</p> | 0 shares                            |

Notes:

1. To allow the Company's Directors and Corporate Auditors fulfill the roles expected of them, the Company's Articles of Incorporation provides that the Company may conclude a contract with its Directors of the Board (excluding those who are executive directors, managers or other employees of the Company or its subsidiaries) to limit their liabilities for the compensation of damages under Article 423, Item 1 of the Companies Act. Based on this provision, the Company has concluded a contract with Messrs. Based on this provision, if Ms. Miwako Doi's election as Outside Director is approved in this Annual General Meeting of Shareholders, the Company intends to conclude a contract for limitation of liability with her which will limit her liability for the compensation of damages to the amount stipulated in Article 425, paragraph 1 of the Companies Act.
2. Ms. Miwako Doi satisfies the conditions of Independent Officer as provided for in the regulations of the Tokyo Stock Exchange. If her election as Director is approved in this Annual General Meeting of Shareholders, the Company intends to notify the Tokyo Stock Exchange of her status as Independent Officer.

[Translation for Reference and Convenience Purposes Only]

**Proposal No. 3: Election of One (1) Corporate Auditor**

As of the conclusion of this Annual General Meeting of Shareholders, the term of office of Corporate Auditor Mr. Shuzo Haimoto will expire. Accordingly, the election of one (1) Corporate Auditor is proposed.

The proposal has been approved by the Board of Corporate Auditors.

The candidates for Corporate Auditor are as follows.

| No. | Name<br>(Date of Birth)  | Biography, Posts in the Company,<br>Significant Positions Concurrently Held,<br>and Reasons for Nominating the Candidates for Corporate<br>Auditors  | Number of the<br>Company's<br>Shares Held |
|-----|--|--|---|
| 1   | <br>Hiromi Tsutsumi<br>(April 25, 1957)<br><br>New candidate<br><br>Female | Apr. 1980    Joined the Company<br>Jun. 2002    General Manager, Corporate Communications<br>Department<br>Jun. 2006    General Manager,<br>Subaru Product & Portfolio Planning Department,<br>Subaru Product & Portfolio Planning Division,<br>Apr. 2013    Vice President<br>Chief General Manager, Subaru Customer Center<br>Apr. 2015    Vice President<br>General Manager, Human Resources Department<br>President, Subaru Bloom Co.Ltd<br>Apr. 2017    Senior Vice President<br>General Manager, Human Resources Department<br>Apr. 2020    Senior Vice President<br><br><u>(Significant Positions Concurrently Held)</u><br>None applicable<br><u>(Reasons for nominating the candidate for Corporate Auditor)</u><br>Ms. Hiromi Tsutsumi has abundant experience and knowledge<br>acquired through extensive service at the Company and Group<br>companies mainly in marketing, product planning, customer<br>service and public relations. In addition, she has a long history<br>as a Senior Vice Presidents / Human Resources Department<br>Director, who has long been involved in the development of<br>human resources strategies for the Group. Based on her<br>background and wide experience as described above, she is a<br>candidate for Corporate Auditors with the expectation that she<br>will appropriately perform her duties as Corporate Auditors ,<br>focusing on strengthening governance and utilizing human<br>resources for the entire Group. | 18,956<br>shares                          |

Notes: To allow the Company's Directors and Corporate Auditors fulfill the roles expected of them, the Company's Articles of Incorporation provides that the Company may conclude a contract with its Directors of the Board (excluding those who are executive directors, managers or other employees of the Company or its subsidiaries) to limit their liabilities for the compensation of damages under Article 423, Item 1 of the Companies Act. Based on this provision, if Ms. Hiromi Tsutsumi's election as Outside Director is approved in this Annual General Meeting of Shareholders, the Company intends to conclude a contract for limitation of liability with her which will limit her liability for the compensation of damages to the amount stipulated in Article 425, paragraph 1 of the Companies Act.

[Translation for Reference and Convenience Purposes Only]

**Proposal No. 4: Election of One (1) Substitute Corporate Auditor**

At the commencement of the 89th Ordinary General Meeting of Shareholders, the resolution on the election of the Substitute Auditor, made at the 88th Ordinary General Meeting of Shareholders held on June 21, 2019, expires. Therefore, it is proposed that one (1) Substitute Auditor for Outside Corporate Auditor be elected in case a vacancy of the statutory number of Corporate Auditors arises.

The candidate for the position of Substitute Auditor for Outside Corporate Auditor is as follows:

The validity of the resolution on the election of Hirohisa Ryu shall expire at the opening of the first Ordinary General Meeting of Shareholders to be held after said resolution is made, and can be nullified by resolution of the Board of Directors, with the consent of the Board of Corporate Auditors Meeting, only before he assumes office.

The proposal has been approved by the Board of Corporate Auditors Meeting.

| Name<br>(Date of Birth)                              | Biography, Significant Positions Concurrent Held, and Reasons for Nominating the Candidate for Substitute Corporate Auditor   | Number of the Company's Shares Held |
|--|---|-------------------------------------|
| <p>Hirohisa Ryu<br/>(August 4, 1964)</p> <p>Male</p> | <p>Apr. 1994 Certified as an attorney and joined Tokyo Hatchobori Law Office.</p> <p>Apr. 2001 Assistant Chief of Financial Crisis Response Office, Planning and Management Division, Supervision Bureau of Finance Services Agency (under fixed-term contract).</p> <p>Apr. 2003 Returned to Tokyo Hatchobori Law Office.</p> <p>Apr. 2004 Partner at Tokyo Hatchobori Law Office (to the present)</p> <p>Jun. 2013 Outside Corporate Auditor, eGuarantee, Inc.</p> <p>May. 2017 Outside Auditor, Renown Incorporated (to the present)</p> <p><u><i>Reasons for nominating the candidate for Outside Substitute Corporate Auditor</i></u></p> <p>With his long career as an attorney, and having worked as an outside corporate auditor and a fixed-term official of FSA, Mr. Hirohisa Ryu has both scholarly knowledge and practical experience regarding corporate legal affairs. Although he has no experience dealing directly with corporate management other than as an outside auditor, he has expert knowledge of corporate management acquired through his extensive hands-on experience in corporate legal, accounting and financial affairs. Based on the above, the Company concluded that he is capable as an Outside Corporate Auditor and should be able to fulfill the relevant duties appropriately if he takes office.</p> | <p>0 shares</p>                     |

Notes:







1. To allow the Company's Directors and Corporate Auditors fulfill the roles expected of them, the Company's Articles of Incorporation provides that the Company may conclude a contract with its Directors of the Board (excluding those who are executive directors, managers or other employees of the Company or its subsidiaries) to limit their liabilities for the compensation of damages under Article 423, Item 1 of the Companies Act. Based on this provision, if he assumes office as the Corporate Auditor, the Company will conclude the above contract to set the upper limit for their liabilities at the amount stipulated under Article 425, Item 1 of the Companies Act with him.
2. After Mr. Ryu assumes office, the Company will register him as the Independent Corporate Auditor set forth by Tokyo Stock Exchange.

**[Translation for Reference and Convenience Purposes Only]**








**(Reference) Structure of the Board of Directors and Board of Corporate Auditors after approval of Proposals Nos. 2 and 3**

If Proposals Nos. 2 and 3 are approved without amendment, the structure of the Board of Directors and Board of Corporate Auditors will be as follows. The total 13 Directors and Corporate Auditors will include three females (23%), the total nine members of the Board of Directors will include three independent Outside Directors (33%), and the total five members of the Executive Nomination Meeting and the Executive Compensation Meeting will include three independent Outside Directors (60%).

[Translation for Reference and Convenience Purposes Only]

|                                   | Board of Directors  |   |   |  |   |   |
|-----------------------------------|---|---|---|--|---|---|
|                                   |  |  |  |  |  |  |
| Name and attributes               | Yasuyuki Yoshinaga<br>(March 5, 1954)<br>Male                                     | Tomomi Nakamura<br>(May 17, 1959)<br>Male   | Kazuo Hosoya<br>(July 29, 1957)<br>Male   | Toshiaki Okada<br>(October 30, 1960)<br>Male                                       | Yoichi Kato<br>(September 14, 1959)<br>Male   | Tetsuo Onuki<br>(November 15, 1960)<br>Male   |
| Planned positions, etc.           | Director, Chairman  | Representative Director<br>President<br>CEO                                       | Representative Director,<br>Deputy President                                      | Director,<br>Executive Vice President<br>CFO                                       | Director,<br>Executive Vice President<br>CRMO                                       | Director,<br>Executive Vice President   |
|                                   | Chairman of the Board   | Chairman of the Executive Nomination Meeting                                      | Member of the Executive Nomination Meeting  |  |   |   |
|                                   |   | Chairman of the Executive Compensation Meeting                                    | Member of the Executive Compensation Meeting                                      |  |   |   |
| Total years of service            | 11 years  | 2 years   | 1 year  | 3 years  | 3 years   | 2 years   |
| Management (executive experience) | ●   | ●   |   |  |   |   |
| Technology/development            |   |   |   |  |   | ●   |
| Manufacturing/purchase            |   |   | ●   |  |   | ●   |
| Sales/marketing                   | ●   | ●   | ●   |  |   |   |
| Global                            |   | ●   |   |  | ●   | ●   |
| Finance (CFO experience)          |   |   |   | ●  |   |   |
| Corporate ESG                     | ●   | ●   | ●   | ●  | ●   |   |
| IT                                |   |   |   |  | ●   |   |

[Translation for Reference and Convenience Purposes Only]

|   |   |   | Board of Corporate Auditors   |  |   |   |
|---|---|---|---|--|---|---|
|  |  |  |  |  |  |  |
| Yasuyuki Abe<br>(April 17, 1952)<br>Male<br>Independent<br>Outside                | Natsunosuke Yago<br>(May 16, 1951)<br>Male<br>Independent<br>Outside              | Miwako Doi<br>(June 2, 1954)<br>Female<br>Independent<br>Outside                  | Akira Mabuchi<br>(September 11, 1953)<br>Male                                     | Hiromi Tsutsumi<br>(April 25, 1957)<br>Female                                      | Shigeru Nosaka<br>(September 12, 1953)<br>Male<br>Independent<br>Outside            | Kyoko Okada<br>(July 26, 1959)<br>Female<br>Independent<br>Outside                  |
| Directors   | Directors   | Directors   | Standing Corporate Auditor  | Standing Corporate Auditor   | Corporate Auditors  | Corporate Auditors  |
| Member of the Executive Nomination Meeting  | Member of the Executive Nomination Meeting  | Member of the Executive Nomination Meeting  | Chairman of Corporate Auditors  |  |   |   |
| Member of the Executive Compensation Meeting                                      | Member of the Executive Compensation Meeting                                      | Member of the Executive Compensation Meeting                                      |   |  |   |   |
| 1 year  | 1 year  | New candidate   | 5 year  | New candidate  | 1 year  | 1 year  |
| ●   | ●   |   |   |  |   |   |
|   | ●   | ●   | ●   |  |   |   |
|   | ●   |   |   |  |   |   |
|   |   |   |   | ●  |   | ●   |
| ●   | ●   |   |   |  | ●   |   |
|   |   |   |   |  | ●   |   |
| ●   | ●   |   | ●   | ●  |   | ●   |
| ●   |   | ●   |   |  |   |   |



## [Translation for Reference and Convenience Purposes Only]

### (Reference) Criteria for Independence of Outside Officers

The Company considers that it is desirable for outside directors and outside corporate auditors (hereafter, collectively referred to as “outside officers”) to maintain independence to the maximum extent possible, in order to ensure corporate management with high levels of objectivity and transparency and a strong management oversight function, and to improve corporate value.

Accordingly, the Company shall set the criteria for independence and conduct an investigation to the extent reasonably possible. If any of the following items apply to an outside officer, the Company deems that the relevant outside officer does not maintain adequate independence.

1. A person engaged in business execution<sup>\*1</sup> of the Company and its current consolidated subsidiaries (hereafter, referred to as the “Group”)
2. A major shareholder<sup>\*2</sup> of the Company or a person engaged in business execution of a major shareholder
3. A major business partner<sup>\*3</sup> of the Group or a person engaged in business execution of such business partner, or a business partner for whom the Group is a major business partner<sup>\*4</sup> or a person engaged in business execution of such business partner
4. A person engaged in business execution of the Group’s major lender<sup>\*5</sup>
5. A party whose shares corresponding to 5% or more of the voting rights the Group holds, or a person engaged in business execution of such party
6. A person who belongs to the accounting firm that performs statutory audits of the Company
7. A consultant, accounting professional or legal professional obtaining large amounts<sup>\*6</sup> of money or other financial benefits other than officers’ compensation from the Company (if such financial benefits are obtained by an organization, such as an incorporated entity and union, a person belonging to such organization)
8. A person or a person who belongs to a corporation or association receiving a large donation<sup>\*6</sup> from the Group and who is directly engaged in the activity for the donation
9. If a person engaged in business execution of the Group is concurrently holding the position of outside officer at another company, a person engaged in business execution of such company
10. Close relatives<sup>\*7</sup> of a person who fall within any of items 1. through 9. above
11. A person who fall within any of items 2. through 10. above during the past 5 years
12. A person who has been holding the position of outside officer of the Company for a cumulative total of eight or more years
13. A person for whom a substantial conflict of interest may constantly occur with the Company’s general shareholders as a whole for reasons other than those considered in items 1. through 12. above

\*1 A person engaged in business execution refers to executive directors, executive officers, corporate vice presidents or other persons performing an equivalent function and employees who belong to the Group currently.

\*2 A major shareholder refers to a shareholder holding 5% or more of the voting rights of the Company in their own name or another person’s name as of the end of the most recent fiscal year. If a major shareholder is an organization such as an incorporated entity and union, a person engaged in business execution of item 2. refers to such person who belongs to said organization.

\*3 A major business partner of the Group refers to a business partner with which the Company conducts business transactions for which net sales, etc., in any one fiscal year of the three fiscal years immediately preceding the most recent fiscal year exceed 2% of the Group’s annual consolidated net sales, etc., in the relevant fiscal year.

\*4 A business partner to which the Group is a major business partner refers to a business partner with which the Company or its consolidated subsidiaries conduct business transactions for which net sales, etc., in any one fiscal year of the three fiscal years immediately preceding the most recent fiscal year exceed 2% of the annual net sales, etc., of the said company group.

\*5 A major lender refers to a financial institution from which the Group borrows funds for which the outstanding borrowings as of the end of the most recent fiscal year exceed 2% of the consolidated total assets of the Company.

\*6 A large amount refers to a case in which the amount of consideration or donation received from the Company exceeds 10 million yen for an individual and either higher amount of followings 10 million yen or 2% of annual gross income or consolidated net sales for an incorporated entity or association per year.

\*7 Close relatives refer to spouses and first- and second-degree relatives.

## Attachments

# Business report for the 89th fiscal period (April 1, 2019 to March 31, 2020)

## 1. Matters concerning the status of SUBARU GROUP

### (1) Progress and Results

The global economy continued to slow down until the final part of this fiscal period due mainly to a prolonged trade issue, but consumer spending remained solid in the United States, the Group's mainstay market, thanks to a favorable employment and income environment. In Japan, consumer spending continued to fail to show strength as corporate capital spending and domestic demand decreased, affected by export declines and natural disasters. Growth outlook has remained uncertain since January 2020, as economic activity slowed globally, affected by the global pandemic of COVID-19.

Under such circumstances, the Group is proceeding with a mid-term management vision called "STEP" with the aim of becoming a company that is trusted by and resonates with our customers through the provision of "Peace of mind and enjoyment." In this fiscal period, which falls in the second year of STEP, we set: (1) corporate culture reforms to create a company that is more open and transparent and where people are free to speak their minds; (2) quality reforms to strengthen trust, which forms the cornerstone of our brand, and (3) a "Make a Subaru" initiative, as the highest priority, and worked on these reforms in a coordinated effort across the Group.

Furthermore, we are working to solidify the foundation on which to build a strong brand and maintain our sustained growth in a time when the automotive industry is undergoing a significant change. In September 2019, in our pursuit of alliance, we agreed with Toyota Motor Corp. on a new business and capital alliance with the aim of further developing and strengthening a long-term partnership. In January 2020, we announced a medium to long-term goals (road map) regarding climate change. Through these efforts, we aim to steadily implement measures to contribute to realizing a carbon-free society, taking advantage of our uniqueness and technological innovation.

The consolidated results for the fiscal year ended March 2020 are as follows. Revenue rose ¥188.0 billion, or 6.0%, to 3,344.1 billion, due to unit sales growth and other factors. Despite negative impact on profit from exchange rates, operating profit increased ¥28.6 billion, or 15.7%, to ¥ 210.3 billion as a result of unit sales growth and other efforts including sales incentive control. Profit before tax rose ¥20.8 billion, or 11.6%, to ¥ 207.7 billion, and profit for the period attributable to owners of parent grew ¥ 11.2 billion, or 7.9%, to 152.6 billion. Impact of the spread of COVID-19 on the results for the fiscal year ended March 2020 was not significant.

※The Group has voluntarily adopted the IFRS from the first quarter of the fiscal year ended March 2020, and the figures for the FYE 2019 have also been reclassified to the IFRS basis and presented.

|  | Amount of money<br>(Millions of Yen) | Change<br>(%) |
|--|--------------------------------------|---------------|
| Revenue  | 3,344,109                            | 6.0           |
| Operating Profit                                       | 210,319                              | 15.7          |
| Profit before tax                                      | 207,656                              | 11.6          |
| Profit for the period attributable to owners of parent | 152,587                              | 7.9           |

In October 2017, a case of inappropriate practice came to light in final vehicle inspections. On April 24, 2020, we submitted to the Ministry of Land, Infrastructure and Transport a report on quarterly execution situations of the seventh round of measures to prevent similar misconduct. In this quarterly report, we reported that all of the 65 measures we had come up with to prevent similar occurrences had gone through the discussion phase and are now ready for application.

We aim to maintain and deepen these countermeasures and work to ensure that the sense of alert will not fade and introduce reforms to create workplaces that have strict discipline. Furthermore, we aim to introduce measures to recover and build further the trust of all stakeholders, including customers.

\*Please refer to our website (<https://www.subaru.co.jp/kensa/top.html>) for the details of our release.

**[Translation for Reference and Convenience Purposes Only]**

**(Automobile Division)**

Overall automobile demand in the United States, our mainstay market, decreased 3.6% to 16.549 million units, as the figure for light trucks, including SUVs, exceeded the year-earlier level but the passenger vehicle figure decreased year-on-year. Total automobile demand in Japan decreased 4.2% to 5.039 million units as figures decreased for both passenger cars and the “kei” class minicars.

Despite such a demand situation, overseas sales rose 43,000 units, or 5.0%, to 908,000 units, led by strong demand for the Forester and Ascent in the United States. In the domestic market, unit sales declined 10,000 units, or 7.7%, to 126,000 units, as sales of the Impreza and other models decreased.

Combined domestic and overseas unit sales thus increased by 33,000 units, or 3.3%, to 1.034 million units, while revenue increased ¥186.3 billion, or 6.2%, to ¥3,193.9 billion. Segment profit increased ¥28.2 billion, or 16.4%, to ¥200.3 billion.

|                       | Unit sales<br>(in 10 thousand units) | Change<br>(in 10 thousand units) | Change<br>(%) |
|-----------------------|--------------------------------------|----------------------------------|---------------|
| <b>Total in Japan</b> | 12.6                                 | (1.0)                            | (7.7)         |
| Passenger cars        | 10.2                                 | (0.8)                            | (7.5)         |
| Minicars              | 2.4                                  | (0.2)                            | (8.3)         |
| <b>Total Overseas</b> | 90.8                                 | 4.3                              | 5.0           |
| North America         | 76.2                                 | 4.5                              | 6.3           |
| Europe/Russia         | 4.6                                  | 0.5                              | 13.4          |
| Australia             | 4.3                                  | 0.1                              | 3.3           |
| China                 | 2.1                                  | (0.2)                            | (9.4)         |
| Other regions         | 3.7                                  | (0.7)                            | (15.3)        |
| <b>Total</b>          | 103.4                                | 3.3                              | 3.3           |

With respect to product and safety, SUBARU’s safety performance was highly appreciated by third party agencies.

In the U.S., Outback, Legacy, Forester, and Crosstrek\*<sup>1</sup> Hybrid were awarded the highest standard of safety, 2020 Top Safety Pick+, by the Insurance Institute for Highway Safety (IIHS).

Ascent, Crosstrek, Impreza and WRX (all models equipped with the EyeSight driver assist system and steering-linked headlight\*<sup>2</sup>) won the Top Safety Pick award.

\*<sup>1</sup> Called Subaru XV in Japan.

\*<sup>2</sup> The three models other than WRX have high-beam assisting functions.



2020 Outback (U.S. version)

In Japan, Forester, Impreza, Subaru XV was awarded the highest rank of Preventive Safety Evaluation ASV+++ in the automobile assessment by the MLIT and the National Agency for Automotive Safety and Victims' Aid (NASVA), in which automobile safety performance was compared and evaluated.

In addition, Forester earned the highest score in crash safety evaluation tests, winning the Grand Prix Award in the category.



In Europe, Forester won the highest five-star overall rating in the 2019 European New Car Assessment Programme (Euro NCAP) safety performance test performed by an independent agency composed of European

**[Translation for Reference and Convenience Purposes Only]**

governments and motoring and European consumer organizations. In addition, the model also received Best in Class Safety, the award given to models that earned the highest score in each category, in the Small Off-Road/MPV category.



Forester (European version)

**(Aerospace Division)**

Revenue grew ¥8.0 billion, or 6.0%, to ¥142.1 billion as output of the Boeing 787 and Boeing 777X increased. Segment profit decreased ¥1.0 billion, or 15.9% to ¥5.1 billion.

In the period under review, the cumulative output of the center wing section for the Boeing 787 aircraft reached 1,000 units, and center wing packages, or a shipping format where the center wing section and main landing gear wheel wells are integrated, started to be shipped in January 2020.

We also announced that the division received an order for a SUBARU BELL 412EPX from the Japanese National Police Agency. The order, which was the global first for the model, is scheduled to be delivered to the NPA in March 2021, to be deployed at the Iwate prefectural police.



SUBARU BELL 412EPX (illustration)

**(Other Businesses)**

Revenue decreased 6.4 billion, or 44.2%, to 8.0 billion. Segment profit increased ¥0.3 billion, or 8.8%, to ¥3.6 billion.

(In Japanese yen in million except for profit ratio and percentage change from the previous period)

|                     | Revenue                     |                             |         |               | Segment Income              |                             |        |               |
|---------------------|-----------------------------|-----------------------------|---------|---------------|-----------------------------|-----------------------------|--------|---------------|
|                     | 88 <sup>th</sup><br>FYE2019 | 89 <sup>th</sup><br>FYE2020 | Change  | Change<br>(%) | 88 <sup>th</sup><br>FYE2019 | 89 <sup>th</sup><br>FYE2020 | Change | Change<br>(%) |
| Automobile Division | 3,007,637                   | 3,193,949                   | 186,312 | 6.2           | 172,083                     | 200,263                     | 28,180 | 16.4          |
| Aerospace Division  | 134,144                     | 142,141                     | 7,997   | 6.0           | 6,025                       | 5,065                       | △960   | △15.9         |
| Other Businesses    | 14,369                      | 8,019                       | △6,350  | △44.2         | 3,287                       | 3,577                       | 290    | 8.8           |
| Adjustments         | —                           | —                           | —       | —             | 329                         | 1,414                       | 1,085  | 329.8         |
| Total               | 3,156,150                   | 3,344,109                   | 187,959 | 6.0           | 181,724                     | 210,319                     | 28,595 | 15.7          |

Notes: 1. Revenue is the revenue from external customers.

2. Adjustment to segment profit refers to the elimination of intersegment transactions.

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(2) Status of Assets and Profit/Loss

| Category   |                   | 86 <sup>th</sup> | 87 <sup>th</sup> | 88 <sup>th</sup> |           | 89 <sup>th</sup>      |
|--|-------------------|------------------|------------------|------------------|-----------|-----------------------|
|  |                   | FYE 2017         | FYE 2018         | FYE 2019         |           | (Current)<br>FYE 2020 |
|  |                   | JGAAP            | JGAAP            | JGAAP            | IFRS      | IFRS                  |
| Revenue  | (Millions of yen) | 3,325,992        | 3,232,695        | 3,160,514        | 3,156,150 | 3,344,109             |
| Operating profit   | (Millions of yen) | 410,810          | 379,447          | 195,529          | 181,724   | 210,319               |
| Profit for the period attributable to owners of parent           | (Millions of yen) | 282,354          | 220,354          | 147,812          | 141,418   | 152,587               |
| Ratio of operating profit to revenue                             | (%)               | 12.4             | 11.7             | 6.2              | 5.8       | 6.3                   |
| Profit for the period per share, basic                           | (Yen)             | 365.77           | 287.40           | 192.78           | 184.44    | 198.99                |
| Total assets   | (Millions of yen) | 2,762,321        | 2,866,474        | 2,982,725        | 3,180,597 | 3,293,908             |
| Total equity   | (Millions of yen) | 1,464,888        | 1,561,023        | 1,612,825        | 1,689,899 | 1,720,123             |
| Ratio of equity attributable to owners of parent to total assets | (%)               | 52.8             | 54.2             | 53.8             | 52.9      | 52.0                  |
| Equity attributable to owners of parent per share                | (Yen)             | 1,902.56         | 2,025.31         | 2,093.60         | 2,193.97  | 2,233.76              |
| Ratio of profit to equity attributable to owners of parent (ROE) | (%)               | 20.2             | 14.6             | 9.4              | 8.5       | 9.0                   |
| Price earnings ratio   | (%)               | 11.16            | 12.13            | 13.08            | 13.68     | 10.42                 |
| Operating activities   | (Millions of yen) | 345,442          | 366,298          | 174,006          | 250,732   | 210,134               |
| Investing activities   | (Millions of yen) | (254,252)        | (150,711)        | (158,327)        | (190,119) | (25,844)              |
| Financing activities   | (Millions of yen) | (189,044)        | (170,937)        | (96,617)         | (141,551) | (15,818)              |
| Cash and cash equivalents  | (Millions of yen) | 728,616          | 765,591          | 702,328          | 702,328   | 858,966               |

Note 1. The Group has voluntarily adopted the IFRS from the 89<sup>th</sup> (Current), as a result, the categories are displayed in accordance with IFRS. And the figures for the 88<sup>th</sup> have also been reclassified to the IFRS basis and presented.

- Profit for the period per share, basic is calculated based on the average number of shares during the period, and basic share attributable to owners of parent is calculated based on the number of shares issued at the end of the period, excluding treasury stock.

### **(3) Issues That Must Be Addressed**

#### **[1] Measures to combat new coronavirus pandemic**

##### **(Impact on business and measures)**

In terms of the production operation, we have adjusted production, including suspension of operation at the Gunma Plant and Subaru of Indiana Automotive, Inc. (SIA) in the U.S. due to a global spread of new coronavirus infection. In sales, we were forced to undergo various restrictions, including pleas to stay home. Such a sharp change in production and sales activities has had a significant impact on our business activity.

From an early phase of the infection, the Company has worked to collect information from our Group companies in Japan and overseas by setting up a counter-COVID-19 headquarters led by the CEO and working under the CRMO's leadership. As protecting health and safety of customers, suppliers and employees is our top priority, we have worked to ensure thorough counter-infection measures are taken, expanded introduction of staggered working hours and remote work, and provided support to regional medical institutions.

##### **(Future Initiatives)**

The ongoing coronavirus shock was a fresh reminder that we must create a resilient business structure that can withstand changes in the business environment. There is still uncertainty in the future outlook, but we aim to regard the situation in a positive light and work to execute structural reforms in various areas. Specifically, we will work to build a robust business franchise and profit structure by reforming the fixed-cost structure and promoting selection and consolidation of investment, while taking advantage of know-how gained in our past experience, including the measures to improve work efficiency through work style reforms.

#### **[2] Promotion of the “STEP” mid-term management vision**

In this period of drastic change for the automotive industry, we believe we need to monitor changes in the business environment and take measures quickly in response. To achieve this, we worked out the “STEP” mid-term management vision and announced it in July 2018. Overview of this initiative is shown on the next page.

Priority themes of this initiative are corporate culture reforms, quality reforms, Launch “Make-a-Subaru” project and alliance enhancement, whose situation of activity and planned initiatives are described below.

##### **(Corporate culture reforms)**

We set the goal of becoming a company that is more open to new ideas and where people can say what they want, and are promoting a corporate culture reforms on an ongoing basis in a company-wide effort led by the management members. In addition to regular dispatches of management messages and information on activities across the Company through internal newsletter, we ran an “officer speech relay” program throughout the year under review. We have worked on reforms in a coordinated effort across the Company. For example, management members visited staff on the ground to directly convey their seriousness about reforming the Company and frankly exchange views with them. In order to identify workplaces that exhibit positive changes and signs and inform the rest of the Company about their activities, we will increase opportunities for dialogue in fiscal 2020 to bring about changes in all employees and make such changes felt.

##### **(Quality reforms)**

We revised the Quality Policy in April 2019 and has worked on quality reforms with a goal to become No.1 for “the quality that enables customers to enjoy long-term ownership with peace of mind.” When the “STEP” mid-term management vision was worked out, we earmarked a 150 billion yen (five years) fund to invest in quality improvement measures. This was planned along with specific quality improvement measures, including improvement to the processes starting from the product planning phase, where components and their specifications are decided, to the production phase and enhancement to quality management. In order to prevent the alertness heightened after the final inspections problem from fading, we will work to reinforce a quality-centric culture through coordinated efforts across the entire company, holding events to have all our employees review the incident.

##### **(Launch “Make-a-Subaru” project)**

We have launched a “Make-a-Subaru” project to promote activity to improve customer value provided by Subaru. For the goals of achieving high-quality, high-added value and low-cost products, we have sought to realize car-making that takes into consideration production and after-purchase service from the initial phase of development. For this, we have worked on reform of our development processes, starting at the upper stream of development than before, to improve quality at the birth of products.

**[Translation for Reference and Convenience Purposes Only]**

**(Alliance enhancement)**

In order to overcome the period of drastic change in the automotive industry, we need to step into new areas, including CASE\*. In relation to this, we agreed in September 2019 with Toyota Motor Corp. on a fresh business capital tie-up, aiming to develop and strengthen a long-term collaborative relationship with the company. In addition to joint development of the next-generation Toyota 86 and Subaru BRZ models, we aim to improve what can make Subaru stand out in the age of CASE and seek to realize car-making that strongly resonates with customers by expanding collaboration in all-wheel-drive technologies, vehicle electrification technologies, the domain of connected vehicles and technical collaboration in the field of autonomous driving, strengthening the bond between the companies and bringing together what each company has.

\* CASE stands for connected, autonomous, shared, and electric.

Other activities are progressing as planned. We will work toward realizing the “STEP” mid-term management vision.

**“STEP” mid-term management vision: Initiatives overview (9 Boxes + 1)**

|   |   |  |  |   |
|---|---|--|--|---|
| 0 | “Change the Culture”<br>Corporate culture reforms | <ul style="list-style-type: none"> <li>- Accelerate efforts to become “a company that does the right thing in the right way.”</li> <li>- Continuous efforts aimed at corporate culture reforms.</li> </ul> |  |   |
|   |   | “Mono-zukuri”<br>(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” project   | -Target 5% share in the U.S. -<br>Steady growth in each region         | Initiatives to create new technologies and businesses |

\*Please refer to our website (<https://www.subaru.co.jp/en/ir/management/plan/>) for the details of STEP, the Company’s mid-term management vision.



[Translation for Reference and Convenience Purposes Only]

**(4) Main Facilities** (as of March 31, 2020)

[1] Company

| Name                             | Address   |
|----------------------------------|---|
| Head Office                      | Shibuya-ku, Tokyo                                     |
| Tokyo Office                     | Mitaka-shi, Tokyo                                     |
| Gunma Plant                      | Ota-shi, Gunma; Oizumi-machi, Oura-gun, Gunma         |
| Utsunomiya Plant                 | Utsunomiya-shi, Tochigi; Handa-shi, Aichi             |
| SUBARU Test & Development Center | Sano-shi, Tochigi; Bifuka-cho, Nakagawa-gun, Hokkaido |

[2] Domestic Subsidiaries/Overseas Subsidiaries

Refer to “(9) Significant Subsidiaries”

**(5) Capital Expenditures**

The amount of capital expenditure for FYE2020 was 126.0 billion yen. The main areas of spending were production equipment for new products, upgrade and maintenance of production and inspection lines, research-and-development equipment, product-quality and work-environment improvement, development and expansion of sales networks, and production equipment for enhancing production capacity, all in the Automobile Business, as well as output boost in the Aerospace Company and production equipment for new businesses.

**(6) Financing**

[1] The Company took out long-term loans totaling 106.0 billion yen in the period under review, and issued first- to third-round unsecured bonds worth a total of 40.0 billion yen in December 2019.

[2] The Company securitized approximately 114 million US dollars of accounts receivables<sup>\*1</sup> during the period under review.

[3] The Company has entered into commitment line contracts<sup>\*2</sup> (jointly with our subsidiary Subaru of America Inc. (SOA)) for a total of 197.5 billion yen and 150 million US dollars.

\*1 Securitization of accounts receivables refers to monetization of uncollected accounts receivables by transfer of the claims to banks.

\*2 Commitment line contracts promise extension of loans by banks and other lenders at the request by the borrower up to the predetermined amount which is to be made available for a set period of time.

**[Translation for Reference and Convenience Purposes Only]**

**(7) Main Businesses** (as of March 31, 2020)

| By Business Segment   | Main Products   |
|-----------------------|---|
| (Automobile Division) | Legacy, Levorg, WRX, Impreza, SUBARU XV, Forester, ASCENT, SUBARU BRZ, Justy, Chiffon, Stella, Pleo, Dias Wagon, Sambar |
| (Aerospace Division)  | Airplane, aerospace related machinery and components  |
| (Other Businesses)    | Real estate leasing   |

**(8) Main Lenders** (as of March 31, 2020)




| Lender                              | Amount of Borrowings (Million yen) |
|-------------------------------------|------------------------------------|
| Mizuho Bank, Ltd.                   | 37,500                             |
| MUFG Bank, Ltd.                     | 25,100                             |
| Sumitomo Mitsui Banking Corporation | 21,500                             |
| Sumitomo Mitsui Trust Bank, Limited | 14,000                             |
| The Norinchukin Bank                | 13,000                             |

(Reference) : “Positive impact finance” contract signed

Subaru signed with Sumitomo Mitsui Trust Bank, Ltd. a “positive impact finance\* (loan type that does not limit purpose of use of the funds)” contract, becoming the world’s first manufacturer of finished vehicles to do so, on March 26, 2020. The amount structured in the contract totals 10.0 billion yen.

We aim to continue to contribute to achieving SDGs and creating a sustainable society.

Subaru’s activities deemed to positively impact the achievement of SDGs

| Theme                                 | Description  | KPI (indicators and targets)   | SDGs  |
|---------------------------------------|--|--|---|
| Contribution to a carbon-free society | <ul style="list-style-type: none"> <li>- Efforts for reducing CO<sub>2</sub> emissions through Subaru Environmental Action Plan</li> <li>- Improvement to vehicle fuel efficiency, introduction of power electronics technologies and switch to electric vehicles or HEVs</li> </ul> | <ul style="list-style-type: none"> <li>- Reduce CO<sub>2</sub> emissions arising from fiscal 2030 corporate activity by 30% from the level in fiscal 2016</li> <li>- Raise the combined ratio of electric vehicles (EVs) and HEVs in the global vehicle sales to at least 40% by the end of fiscal 2030</li> </ul> |  |
| Safety and fun of driving             | <ul style="list-style-type: none"> <li>- Development of advanced technologies for vehicle safety performance</li> </ul>  | <ul style="list-style-type: none"> <li>- Zero traffic accident by the end of 2030 (Reducing to zero driver or passenger fatalities in Subaru cars in accidents and fatalities among pedestrians, cyclists, and the like arising from collisions with a Subaru.)</li> </ul>   |  |
| Diversity                             | <ul style="list-style-type: none"> <li>- Development of a working environment respecting and receptive to employees with diverse backgrounds, including females, the elderly, individuals with disabilities and foreign nationals.</li> </ul>  | <ul style="list-style-type: none"> <li>- Increase the number of females in managerial posts to 12 times the number in 2014 by the end of 2025</li> </ul>   |  |

\*Loans aimed at analyzing/assessing impact corporate activities may have on the environment, society and economy from comprehensive angles in accordance with the Principles For Positive Impact Finance and their implementation guidelines worked out by the United Nations Environment Programme - Finance Initiative and supporting activities that have positive impact on them on an ongoing basis. Their most prominent feature is that they use degrees of contribution to the achievement of the SDGs and disclose the process.

**[Translation for Reference and Convenience Purposes Only]**

**(9) Significant Subsidiaries** (as of March 31, 2020)

[1] Significant Subsidiaries

| Name                       | Address   | Capital                  | Equity Interest | Main Businesses  |
|----------------------------|-----------|--------------------------|-----------------|--|
| Fuji Machinery Co., Ltd.   | Gunma     | 480<br>Millions of yen   | 100.0%          | Manufacture and sales of automotive parts  |
| Ichitan Co., Ltd.          | Gunma     | 480<br>Millions of yen   | 100.0%          | Manufacture and sales of automotive parts  |
| KIRYU INDUSTRY Co., Ltd.   | Gunma     | 400<br>Millions of yen   | 100.0%          | Manufacturing of repair parts for Subaru cars, Subaru vehicle rust prevention works, manufacture of Subaru custom-build cars, etc. |
| Subaru Logistics Co., Ltd. | Gunma     | 96<br>Millions of yen    | 100.0%          | Shipping, land freight and warehousing of Subaru vehicles, etc.  |
| H. B. C. Co., Ltd.         | Kanagawa  | 490<br>Millions of yen   | 68.0%           | Storing and shipping of Subaru vehicles  |
| Hokkaido Subaru Inc.       | Hokkaido  | 98<br>Millions of yen    | 100.0%          | Sales of Subaru vehicles and components  |
| Miyagi Subaru Inc.         | Miyagi    | 80<br>Millions of yen    | 100.0%          | Sales of Subaru vehicles and components  |
| Niigata Subaru Inc.        | Niigata   | 100<br>Millions of yen   | 100.0%          | Sales of Subaru vehicles and components  |
| Kanagawa Subaru Inc.       | Kanagawa  | 100<br>Millions of yen   | 100.0%          | Sales of Subaru vehicles and components  |
| Chiba Subaru Inc.          | Chiba     | 100<br>Millions of yen   | 100.0%          | Sales of Subaru vehicles and components  |
| Tokyo Subaru Inc.          | Tokyo     | 100<br>Millions of yen   | 100.0%          | Sales of Subaru vehicles and components  |
| Nagoya Subaru Inc.         | Aichi     | 100<br>Millions of yen   | 100.0%          | Sales of Subaru vehicles and components  |
| Osaka Subaru Inc.          | Osaka     | 100<br>Millions of yen   | 100.0%          | Sales of Subaru vehicles and components  |
| Hiroshima Subaru Inc.      | Hiroshima | 92<br>Millions of yen    | 100.0%          | Sales of Subaru vehicles and components  |
| Fukuoka Subaru Inc.        | Fukuoka   | 50<br>Millions of yen    | 100.0%          | Sales of Subaru vehicles and components  |
| Subaru Finance Co., Ltd.   | Tokyo     | 2,000<br>Millions of yen | 100.0%          | Leasing and rental of Subaru vehicles; credit and financing related to Subaru vehicles   |

**[Translation for Reference and Convenience Purposes Only]**

| Name                                     | Address | Capital                | Equity Interest | Main Businesses  |
|--|---------|------------------------|-----------------|--|
| Subaru of Indiana Automotive, Inc. (SIA) | US      | USD<br>794,045,000     | 100.0%          | Purchasing of production parts for Subaru vehicles, sales of completed vehicles to Subaru of America Inc. (SOA) and others   |
| Subaru of America, Inc. (SOA)            | US      | USD<br>241,000         | 100.0%          | Sales of Subaru manufactured vehicles, Subaru of Indiana Automotive, Inc. (SIA) manufactured vehicles and parts  |
| Subaru Canada, Inc. (SCI)                | Canada  | CND<br>30,000,000      | 100.0%          | Sales of Subaru manufactured vehicles, Subaru of Indiana Automotive, Inc. (SIA) manufactured vehicles and parts  |
| Subaru Europe N. V./S. A. (SE)           | Belgium | EUR<br>87,504,000      | 100.0%          | Sales of Subaru vehicles and components  |
| Subaru of China Ltd. (SOC)               | China   | CNY<br>187,354,000     | 60.0%           | Sales of Subaru vehicles and components  |
| North America Subaru Inc. (NASI)         | US      | USD<br>5,000           | 100.0%          | Technical investigation for Subaru manufactured vehicles, Subaru of Indiana Automotive, Inc. (SIA) manufactured vehicles in North America market, automobile related regulatory compliance in the US |
| Yusoki Kogyo K. K.                       | Aichi   | 100<br>Millions of yen | 100.0%          | Manufacture and sales of aircraft parts to Subaru  |
| Fuji Aircraft Maintenance Co., Ltd.      | Tokyo   | 30<br>Millions of yen  | 100.0%          | Inspection, service and maintenance of aircrafts   |
| Subaru Kohsan Co., Ltd.                  | Tokyo   | 675<br>Millions of yen | 100.0%          | Rental and management of real estate   |
| SUBARU IT CREATIONS CORPORATIONS         | Saitama | 100<br>Millions of yen | 100.0%          | IT system development and operation for Subaru Group   |

Notes: As of end of March 2020, there are 73 consolidated subsidiaries including the above 26 companies, and 10 equity method affiliates

**[2] Other**

The Company has reached a basic agreement on business affiliation with Toyota Motor Corporation (“Toyota”) in October 2005. We currently manufacture jointly developed sports car “Subaru BRZ” and “Toyota 86” at our domestic production facility, Gunma Plant. In addition, the Company receives OEM vehicle supplies from Daihatsu Motor Co, Ltd., a subsidiary of Toyota. In September 2019, the Company and Toyota entered into a new operational/capital tie-up to further develop and strengthen our long-term tie-up relationship. As of the end of March 2020, Toyota held 153.6 million shares in the Company, increasing 24.6 million shares from a year earlier, with the stake totaling 20.02%, up 3.2 percentage points from a year earlier. (The percentage of total shares held is calculated based on the number of shares excluding treasury stock of 1,960,368 shares.)

**[Translation for Reference and Convenience Purposes Only]**

**(10) Employees** (as of March 31, 2020)

[1] SUBARU Group

| By Business Segment   | Number of employees (persons) |         | Change from end of previous fiscal year (persons) |        |
|-----------------------|-------------------------------|---------|---|--------|
| (Automobile Division) | 31,687                        | (8,469) | 888   | (735)  |
| (Aerospace Division)  | 2,807                         | (772)   | 95  | (223)  |
| (Other Businesses)    | 540                           | (472)   | -149  | (-102) |
| Total                 | 35,034                        | (9,713) | 834   | (856)  |

Notes: Number of employees refer to number of workers. Average annual number of contingent workers (seasonal staffs, casual workers, part-time workers, secondees from external parties, support staffs, guest engineers) are shown in brackets.

[2] Company

|        | Number of employees (persons) | Change from end of previous fiscal year (persons) | Average age | Average years of service |
|--------|-------------------------------|---|-------------|--------------------------|
| Male   | 14,665                        | 478   | 38.5        | 15.6                     |
| Female | 1,141                         | 54  | 36.5        | 14.7                     |
| Total  | 15,806                        | 532   | 38.4        | 15.5                     |

| By Business Segment   | Number of employees (persons) |         | Change from end of previous fiscal year (persons) |       |
|-----------------------|-------------------------------|---------|---|-------|
| (Automobile Division) | 13,585                        | (5,518) | 475   | (178) |
| (Aerospace Division)  | 2,221                         | (619)   | 57  | (154) |
| Total                 | 15,806                        | (6,137) | 532   | (332) |

Notes: Number of employees refer to number of workers. Average annual number of contingent workers (seasonal staffs, casual workers, part-time workers, secondees from external parties, support staffs, guest engineers) are shown in brackets.

**(Reference) Diversity promotion activities**

In order to enable employees who possess different personalities and values to demonstrate their individual abilities, the SUBARU Group values all genders, nationalities, cultures, and lifestyles of employees and strives to create a comfortable workplace environment. We also promote initiatives related to diversity at affiliated companies in Japan and overseas in accordance as a central core of the CSR activities that are mentioned later based on the regional characteristics and the business contents of each company.

The Diversity Promotion Office is promoting activities on the priority themes of “promoting active roles for female employees,” “employing people with disabilities,” “promoting employment of the elderly,” “promoting employment of non-Japanese,” and “promoting employment of the elderly.” It is currently working on “promoting active roles for female employees” as the top-priority theme. Based on the “The Act on Promotion of Women’s Participation and Advancement in the Workplace”, the Company is currently establishing an action plan towards promoting the activities of female employees. The office has set the goal of increasing the number of female managers to at least five times the 2014 figure by the end of 2020, and accomplished it by March 31, 2020, when female managers totaled 20. This time, we have set the new goal of increasing female managers to 12 times the figure in 2014 by the end of 2025 and has stepped up efforts to train female managers. In the future, we will continue to expand the number of female candidates as board members, directors and managers, and promote the active participation of females.

[Translation for Reference and Convenience Purposes Only]

## 2. Information on Shares Issued by the Company (as of March 31, 2020)

- (1) **Common stock authorized** 1,500,000,000 shares
- (2) **Common stock issued** 769,175,873 shares (including 1,960,368 treasury shares)
- (3) **Number of Shareholders** 152,889 persons (up 12,496, or 8.9%)
- (4) **Major Shareholders (top 10)**

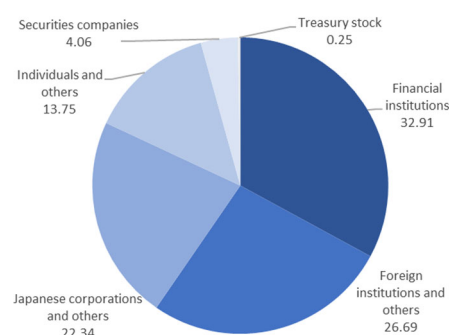
| Name of shareholder                                  | Number of shares held (in thousands) | Percentage of total shares held (%) |
|--|--------------------------------------|-------------------------------------|
| Toyota Motor Corporation                             | 153,600                              | 20.02                               |
| The Master Trust Bank of Japan, Ltd. (trust account) | 68,332                               | 8.91                                |
| Japan Trustee Services Bank, Ltd. (trust account)    | 42,671                               | 5.56                                |
| BNYM TREATTY DTT 15                                  | 18,729                               | 2.44                                |
| GIC PRIVATE LIMITED - C                              | 13,917                               | 1.81                                |
| Japan Trustee Services Bank, Ltd. (trust account 9)  | 12,924                               | 1.68                                |
| Japan Trustee Services Bank, Ltd. (trust account 5)  | 12,646                               | 1.65                                |
| JP MORGAN CHASE BANK 385151                          | 10,721                               | 1.40                                |
| MIZUHO SECURITIES ASIA LIMITED - CLIENT A/C          | 10,112                               | 1.32                                |
| Mizuho Bank, Ltd.                                    | 10,078                               | 1.31                                |

Notes:

- Number of shares held are rounded down to the nearest thousand shares.
- The percentage of total shares held is calculated based on the number of shares excluding treasury stock of 1,960,368 shares.

### (5) Ownership situation by shareholders type

| Shareholder type                 | Number of shares held (in thousands) | Percentage of total shares held (%) |
|----------------------------------|--------------------------------------|-------------------------------------|
| Financial institutions           | 253,143                              | 32.91                               |
| Foreign institutions and others  | 205,256                              | 26.69                               |
| Japanese corporations and others | 171,810                              | 22.34                               |
| Individuals and others           | 105,762                              | 13.75                               |
| Securities companies             | 31,243                               | 4.06                                |
| Treasury stock                   | 1,960                                | 0.25                                |



Notes: Number of shares held are rounded down to the nearest thousand shares.

### 3. Information on Shares Held by the Company (as of March 31, 2020)

#### (1) Basic policy regarding cross-shareholdings

Regarding listed stocks held by the Company as cross-shareholdings, each year the Company shall have the Board of Directors examine each cross-shareholding to determine primarily whether its purpose and the benefits derived from it justify the associated capital cost. If the Board of Directors judges that a cross-shareholding will contribute to management and business strategies in the medium and long term, the Company shall continue to hold that shareholding.

The Company has steadily reduced the number of listed stocks held as cross-shareholdings since fiscal 2015, when the Corporate Governance Code was introduced, as shown below. As a result, such listed stocks decreased to four issues by March 31, 2020.

#### (2) Number of shares and total amount of stock investment reported on the balance sheet which are held primarily for strategic purposes

|  |          | 84th<br>FYE2015 | 85th<br>FYE2016 | 86th<br>FYE2017 | 87th<br>FYE2018 | 88th<br>FYE2019 | 89th<br>(Current)<br>FYE2020 |
|--|----------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------------------|
| Number of Issues<br>(Issues)                             | Listed   | 60              | 32              | 30              | 18              | 10              | 4                            |
|  | Unlisted | 31              | 31              | 32              | 31              | 31              | 32                           |
|  | Total    | 91              | 63              | 62              | 49              | 41              | 36                           |
| Amount reported<br>on Balance Sheet<br>(Millions of Yen) | Listed   | 38,503          | 28,238          | 12,795          | 8,836           | 3,138           | 1,922                        |
|  | Unlisted | 552             | 526             | 544             | 535             | 535             | 581                          |
|  | Total    | 39,055          | 28,764          | 13,339          | 9,371           | 9,371           | 2,503                        |

#### (3) All stocks held primarily for strategic purposes

| Issues                        | 88th   | 89th (Current) | Purpose of holding, quantitative impact of holding and reason for increase in number of shares  | Does it own Subaru shares? |
|-------------------------------|--|----------------|---|----------------------------|
|                               | Number of shares<br>Amount reported on the balance sheet (Millions of yen) |                |   |                            |
| The Gunma Bank, Ltd.          | 2,850,468  | 2,850,468      | The shares are held with an aim to facilitate smooth operation of financial transactions, etc. We review benefit of holding the shares and assess whether it is worth the capital cost in each instance, and determine if holding them may contribute to medium- to long-term management strategy and business strategy. There was no increase in the number of shares held in the period under review. | Yes                        |
|                               | 1,194  | 935            |   |                            |
| Mizuho Financial Group, Inc.  | 3,720,970  | 3,720,970      | The shares are held with an aim to facilitate smooth operation of financial transactions, etc. We review benefit of holding the shares and assess whether it is worth the capital cost in each instance, and determine if holding them may contribute to medium- to long-term management strategy and business strategy. There was no increase in the number of shares held in the period under review. | Yes                        |
|                               | 637  | 460            |   |                            |
| Mitsui O.S.K. Lines, Ltd.     | 168,405  | 168,405        | The shares are held with an aim to facilitate operations such as transporting of vehicles. We review benefit of holding the shares and assess whether it is worth the capital cost in each instance, and determine if holding them may contribute to medium- to long-term management strategy and business strategy. There was no increase in the number of shares held in the period under review.     | No                         |
|                               | 401  | 294            |   |                            |
| Nippon Yusen Kabushiki Kaisha | 181,080  | 181,080        | The shares are held with an aim to facilitate operations such as transporting of vehicles. We review benefit of holding the shares and assess whether it is worth the capital cost in each instance, and determine if holding them may contribute to medium- to long-term management strategy and business strategy. There was no increase in the number of shares held in the period under review.     | No                         |
|                               | 294  | 233            |   |                            |

Notes: 1. The indication of whether the company has shareholdings in Subaru, in the case where the company is a holding company, reflects holdings by subsidiaries that Subaru mainly has dealings with (effective shareholdings).

2. The Company does not have investment shareholdings purely for investment purposes.



## **4. Directors and Corporate Auditors**

### **(1) Basic approach to corporate governance**

The Company aims to become “a manufacturing company that can bring smiles to customers” based on the corporate and management philosophies, and by improving sustainable growth and medium- and long-term corporate value, we are engaging in the strengthening of corporate governance as the most important challenge for management in order to obtain the satisfaction and trust of all stakeholders.

We aim to achieve efficient management by clearly separating management decision-making and oversight from business execution and increasing the speed of decision-making. Furthermore, through monitoring of business operations and advice provided by outside officers, we ensure appropriate management decision-making, oversight and business execution, and work to improve the systems for managing risks and ensuring compliance. To increase management transparency, we provide timely and appropriate disclosure of information.

### **(2) Company Organizational Bodies**

As a corporate governance system, we have adopted a Board of Corporate Auditors system, in which Board of Directors and the Board of Corporate Auditors perform decision making and oversight of the execution of important business operations. The Board of Directors was comprised of nine members at the end of March 2020, of whom three were highly independent outside directors. The Board of Corporate Auditors is composed of four corporate auditors, two of whom are outside corporate auditors. This system is designed to ensure soundness and efficiency of operations by enhancing effectiveness of monitoring of business operation through the involvement of highly independent outside directors and outside corporate auditors.

Regarding the system for the execution of business operations, important issues that require consultation with the Board of Directors are thoroughly discussed at the Executive Management Board Meeting, a preliminary consultation body for the Board of Directors which deliberates on company-wide management strategy and the execution of key business operations. In addition to employing an executive officer system and establishing Executive Meetings as decision making body for the business divisions, we have introduced an in-house company system for the Aerospace Division with the aim of clarifying responsibility and speeding up execution of business operations.

### **(3) Policy and procedures on nomination of candidates for Directors and Corporate Auditors**

The Board of Directors nominates individuals who are deemed to have abundant experience, excellent skills/knowledge and high expertise that are appropriate for serving as the Company’s director or corporate auditor, aiming to achieve the Company’s corporate philosophy, effective corporate governance, sustainable growth and corporate-value improvement over a medium to long term.

The Board of Directors nominates multiple independent outside directors with an aim to achieve diversity of the overall Board, and ensure management transparency and improve shareholder value by taking advantage of independent oversight on management.

The Company has voluntarily set up an Executive Nomination Meeting in order to enhance the effective governance structure based on the existing organizational design. To ensure fairness and transparency in decisions on executive appointments, the Executive Nomination Meeting, a half of whose members are independent Outside Directors, submits to the Board of Directors proposals on the nomination of directors and corporate auditors, approved through sufficient deliberation in response to the Board’s consultation. These personnel matters are decided by resolution of the Board. During the fiscal period under review, the Executive Nomination Meeting was held four times and deliberated mainly inquiries regarding the Company’s officers, their personnel matters and roles, and executive appointments at key consolidated subsidiaries, as well as CEO succession plan.

Consent by the Board of Corporate Auditors is obtained for nomination of candidates for corporate auditors.

When nominating candidates for directors and corporate auditors, the Meeting briefs the Board of Directors on biography, posts and main fields of responsibilities in the Company, significant positions concurrently held, reasons for nominating the candidates for each nomination.

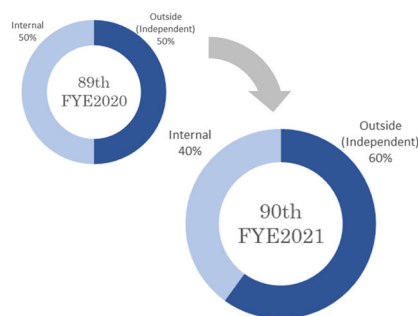
**[Translation for Reference and Convenience Purposes Only]**

The Executive Nomination Meeting in the fiscal period under review comprised of two representative directors, a director in charge of Secretarial Office, and three outside directors. Its chairman, elected from among representative directors, was Representative Director and President Tomomi Nakamura.

At a March 3, 2020 meeting, the Board of Directors resolved to change the composition of the Executive Nomination Meeting with an aim of enhancing fairness and transparency in the process of appointing officers.

Accordingly, the Executive Nomination Meeting has now been comprised of two Representative Directors and three Outside Directors since April 1, 2020. Representative Director and President Tomomi Nakamura is serving as chairman.

Internal-outside ratio of Executive Nomination Meeting members



**(4) Name of Directors and Corporate Auditors (as of March 31, 2020)**

| Title  | Name               | (Main fields of responsibilities in the Company)                             | (Significant Positions Concurrently Held)   |
|--|--------------------|--|---|
| Director, Chairman<br>[Chairman of the Board]  | Yasuyuki Yoshinaga | -  | -   |
| Representative Director President<br>CEO (Chief Executive Officer)<br>[Chairman of the Executive Nomination Meeting]<br>[Chairman of the Executive Compensation Meeting] | Tomomi Nakamura    | Aerospace Company Quality  | Director, Subaru of Indiana Automotive, Inc. (SIA)<br>Director, Subaru of America, Inc. (SOA) |
| Representative Director, Deputy President<br>[Member of the Executive Nomination Meeting]<br>[Member of the Executive Compensation Meeting]                              | Kazuo Hosoya       | Manufacturing, China Project Office  | Director, Subaru of Indiana Automotive, Inc. (SIA)  |
| Director, Executive Vice President<br>CFO (Chief Financial Officer)<br>[Member of the Executive Nomination Meeting]<br>[Member of the Executive Compensation Meeting]    | Toshiaki Okada     | Secretarial Office, Finance & Accounting Dept., Human Resources Dept.        | Director, Subaru of Indiana Automotive, Inc. (SIA)<br>Director, Subaru of America, Inc. (SOA) |
| Director, Executive Vice President<br>CRMO (Chief Risk Management Officer)   | Yoichi Kato        | Risk Management Group, External Relations Dept., Intellectual Property Dept. | North America Subaru Inc. (NASI) director   |

**[Translation for Reference and Convenience Purposes Only]**

| Title   | Name             | (Main fields of responsibilities in the Company) | (Significant Positions Concurrently Held)  |
|---|------------------|--|--|
| Director, Executive Vice President<br>CTO (Chief Technology Officer)  | Tetsuo Onuki     | -  | President, Subaru Research & Development, Inc. (SRD) (retired March 31, 2020)  |
| Outside Directors (independent)<br>[Member of the Executive Nomination Meeting]<br>[Member of the Executive Compensation Meeting] | Shigehiro Aoyama | -  | External Director, Takamatsu Construction Group, Co., Ltd.<br>Outside Director, Miraca Holdings Inc.<br>President, The Distribution Economics Institute of Japan |
| Outside Directors (independent)<br>[Member of the Executive Nomination Meeting]<br>[Member of the Executive Compensation Meeting] | Yasuyuki Abe     | -  | Director of the Board(External), JVC KENWOOD Corporation<br>Advisor, ORANGE AND PARTNERS CO., LTD.   |
| Outside Directors (independent)<br>[Member of the Executive Nomination Meeting]<br>[Member of the Executive Compensation Meeting] | Natsunosuke Yago | -  | President, Ebara Hatakeyama Memorial Foundation  |
| Standing Corporate Auditor<br>[Chairman of Corporate Auditors]  | Akira Mabuchi    | -  | Corporate Auditor, Subaru Kohsan Co., Ltd.<br>Corporate Auditor, Tokyo Subaru Inc.   |
| Standing Corporate Auditor  | Shuzo Haimoto    | -  | Corporate Auditor, Subaru Finance Co., Ltd.  |
| Outside Corporate Auditors (independent)  | Shigeru Nosaka   | -  | -  |
| Outside Corporate Auditors (independent)  | Kyoko Okada      | -  | Audit and Supervisory Board Member, NS Solutions Corporation<br>Director, Japan Cancer Society   |

Notes:

1. Directors Kazuo Hosoya and Natsunosuke Yago, and Corporate Auditors Shigeru Nosaka and Kyoko Okada were elected and appointed at the 88th Ordinary General Meeting of Shareholders held on June 21, 2019.

**[Translation for Reference and Convenience Purposes Only]**

2. Yasuyuki Abe assumed the position of Corporate Auditor on June 28, 2016, and resigned from his position as of the conclusion of the Ordinary General Meeting of Shareholders for the 88th fiscal period held on June 21, 2019, and was elected and appointed to Director at the same meeting.
3. Director Yoshinori Komamura and Corporate Auditor Shinichi Mita retired at end of their terms at the conclusion of the 88th Ordinary General Meeting of Shareholders held on June 21, 2019.
4. Directors Shigehiro Aoyama Yasuyuki Abe and Natsunosuke Yago are outside directors as prescribed in Article 2, Item 15 of the Companies Act. The Company has no significant transaction relationship with Takamatsu Construction Group Co., Ltd. and Miraca Holdings Inc., for both of which Mr. Shigehiro Aoyama concurrently serves as outside director, and the Distribution Economics Institute of Japan, for which he concurrently serves as president. The Company has no significant transaction with JVC Kenwood Corp., for which Mr. Yasuyuki Abe concurrently serves as outside director, or Orange and Partners Co., Ltd., for which he concurrently serves as advisor. The Company has no significant transaction with Ebara Hatakeyama Memorial Foundation for which Mr. Natsunosuke Yago serves as president.
5. Corporate Auditors Shigeru Nosaka and Kyoko Okada are outside statutory auditors as prescribed in Article 2, Item 16 of the Companies Act. The Company has no significant transaction with Yamaha Corp. for which Shigeru Nosaka concurrently served as outside director until June 24, 2019. The Company has no significant transaction with NS Solutions Corp., for which Ms. Kyoko Okada concurrently serves as outside Audit and Supervisory Board Member, and Japan Cancer Society, for which she concurrently serves as a director.
6. Corporate Auditor Shigeru Nosaka long served in the accounting and finance divisions of Oracle Corp. Japan, and has significant knowledge in finance and accounting.
7. Corporate Auditor Kyoko Okada long served in accounting and finance divisions at Kao Corp., and has significant knowledge in these areas.
8. The Company has reported Directors Shigehiro Aoyama, Yasuyuki Abe and Natsunosuke Yago and Corporate Auditors Shigeru Nosaka and Kyoko Okada as independent officers to the Tokyo Stock Exchange.
9. Director Toshiaki Okada ceased to be a member of these committees as of April 1, 2020 due to changes in the composition of the Executive Nomination Meeting and the Executive Compensation Meeting.
10. Key responsibilities of the directors as of April 1, 2020 are as shown in the below table.

| Title  | Name               | (Main fields of responsibilities in the Company)                             |
|--|--------------------|--|
| Director, Chairman   | Yasuyuki Yoshinaga | -  |
| Representative Director President<br>CEO (Chief Executive Officer)         | Tomomi Nakamura    | Aerospace Company, Quality   |
| Representative Director,<br>Deputy President                               | Kazuo Hosoya       | Manufacturing, China Project Office  |
| Director, Executive Vice President<br>CFO (Chief Financial Officer)        | Toshiaki Okada     | Secretarial Office, Finance & Accounting Dept., Human Resources Dept.        |
| Director, Executive Vice President<br>CRMO (Chief Risk Management Officer) | Yoichi Kato        | Risk Management Group, External Relations Dept., Intellectual Property Dept. |
| Director, Executive Vice President   | Tetsuo Onuki       | Purchasing, Product Planning   |

[Translation for Reference and Convenience Purposes Only]

**(5) Outside Directors and Corporate Auditors**

Key activities for current fiscal year

| Title                     | Name             | Key activities   |
|---------------------------|------------------|--|
| Outside Director          | Shigehiro Aoyama | Attended all 13 Board of Directors meetings held in the fiscal period under review and served as member of the Executive Nomination and Executive Compensation meetings. Fulfilled his role as a sound advisor on the Company's management, providing comments based on abundant experience and broad knowledge gained from his corporate management positions, and excellent insight on corporate social responsibility.  |
| Outside Director          | Yasuyuki Abe     | Attended all 10 Board of Directors meetings held in a period from his appointment on June 21, 2019 to the end of the fiscal period under review, and served as a member of the Executive Nomination and Executive Compensation meetings. Fulfilled his role as sound adviser on the Company's management, providing comments based on the abundant experience and knowledge he gained through his tenure as officer of a general trader where he covered a broad range of operating divisions. |
| Outside Director          | Natsunosuke Yago | Attended all 10 Board of Directors meetings held in a period from his appointment on June 21, 2019 to the end of the fiscal period under review, and served as a member of the Executive Nomination and Executive Compensation meetings. Fulfilled his role as a sound advisor on the Company's management, providing comments based on abundant experience and broad knowledge gained from his corporate management positions, and excellent insight on internal control and governance.      |
| Outside Corporate Auditor | Shigeru Nosaka   | Attended all of 10 Board of Directors meetings and 10 Board of Corporate Auditors meetings held since his appointment on June 21, 2019 until the end of the fiscal period under review. Fully performed his auditing function, participating in management as an executive officer of a listed company, particularly with comments based on broad experience and knowledge on accounting and finance among corporate activities.   |
| Outside Corporate Auditor | Kyoko Okada      | Attended all of 10 Board of Directors meetings and 10 Board of Corporate Auditors meetings held since his appointment on June 21, 2019 until the end of the fiscal period under review. Fully performed his auditing function, participating in management as an executive officer of a listed company, particularly with comments based on broad experience and knowledge on CSR and corporate culture in corporate activities.   |

Notes:

1. In addition to the number of Board of Directors meetings held in the above table, two resolutions were adopted in writing that was deemed to be a resolution of the Board of Directors in accordance with Article 370 of the Companies Act and the Articles of Incorporation.
2. In addition to the number of Board of Directors meetings indicated in the above table, Yasuyuki Abe attended two Board of Directors meetings held in the fiscal period under review in his capacity as Outside Corporate Auditor.
3. In October 2017, when Mr. Shigehiro Aoyama and Mr. Yasuyuki Abe were respectively serving as Outside Director and Outside Corporate Auditor, improper practices came to light in sample tests of fuel economy and emissions and other final vehicle inspections. Neither Mr. Aoyama nor Mr. Abe had any prior knowledge of such facts. Based on his extensive experience and sharp insights, Mr. Aoyama and Mr. Abe routinely provided advice regarding compliance and internal control. After the aforementioned facts were identified, he received reports concerning our efforts towards investigation of the causes of these improper conduct cases and preventive measures therefor, and made various suggestions, thus fulfilling their responsibility.

## **(6) Summary of Contract for Limitation of Liability**

The Company has executed a contract for limitation of damages under Article 423, paragraph 1 of the Companies Act pursuant to the provisions of Article 427, Paragraph 1 of the same Act with Outside Directors Shigehiro Aoyama, Yasuyuki Abe and Natsunosuke Yago, and Corporate Auditors Akira Mabuchi, Shuzo Haimoto, Shigeru Nosaka and Kyoko Okada. The maximum liability for damages pursuant to such contract shall be the amount prescribed in Article 425, Paragraph 1 of the Act.

## **(7) Summary of Evaluation of the Effectiveness of the Board of Directors**

The Board of Directors conduct analysis and evaluation on the effectiveness of the Board of Directors in accordance with the Corporate Governance Guideline, and review and implement improvement measures for the issues identified.

In the fiscal period under review, the Board's analysis and evaluation centered on confirmation of measures to address issues identified in previous evaluations in addition to fixed-point observation from the previous period, as described below.

### **1. Evaluation and Analysis Methods**

- (1) Date: February 2020
- (2) Respondents: All directors and corporate auditors (13 in total, including outside officers)
- (3) Procedure: Self-evaluation using a questionnaire prepared by a third-party body
- [1] A third-party body conducted a self-evaluation questionnaire survey of all directors and corporate auditors using an anonymous questionnaire.
  - [2] The third-party body aggregated and analyzed the questionnaire data.
  - [3] A report received from the third-party body was verified and discussed by the Board of Directors.
- (4) Questionnaire items:
- I. Board of Directors' management structure
  - II. Board of Directors' oversight function
  - III. Shareholder dialogue
  - IV. Addressing of issues identified in the previous period

Each director performed a self-evaluation by answering questions using a four-point rating scale and provided their own thoughts on points of excellence relating to SUBARU's Board of Directors and the necessary points to further increase the Board's effectiveness, before submitting the completed questionnaire directly to the third-party body.

### **2. Evaluation Results**

The Board of Directors received an evaluation report from the commissioned third-party body as described below.

- As was the case with the evaluation results up to the previous period, it was confirmed that free and open discussion is conducted from a company-wide perspective at meetings of the Board of Directors.
- Points confirmed as strengths in the previous evaluation (chair's leadership, responses to cross-shareholding, Board of Directors' size) continued to be evaluated highly, confirming that the Company's Board of Directors is maintaining its strengths.
- Evaluation improved in the following points: "BoD management," "BoD support structure," "BoD's oversight function" and "BoD risk management systems"
- However, the results also confirmed that, as in the previous period, there was a need to further enhance discussion of the Company's medium- to long-term management strategy. It was confirmed that there is strong awareness that information security systems and sustainability are areas in which further improvement and functional enhancement is expected.
- Please note that five of the 13 officers have been newly appointed, and since evaluation criteria may differ for each officer, care is required in making simple comparisons with the evaluation in the previous period.

### **Issues Identified in the Previous Period's Evaluation**

In the fiscal period under review, the Company addressed the following issues identified in the previous period's evaluation.

**[Translation for Reference and Convenience Purposes Only]**

[1] Reinforcing risk identification and management systems

In addition to establishing the position of Chief Risk Management Officer (CRMO) and reinforcing systems to integrate the Risk Management Group, the Company reinforced and firmly established risk identification and management systems by further enhancing opportunities for discussion at Board of Directors’ meetings.

[2] Enhancing discussion of medium- to long-term management strategy

The Company energized discussion of medium- to long-term management strategy by providing more reporting and discussion opportunities at Board of Directors’ meetings, including information-sharing and discussion on progress towards the mid-term management vision.

[3] Policy for succession planning and successor development

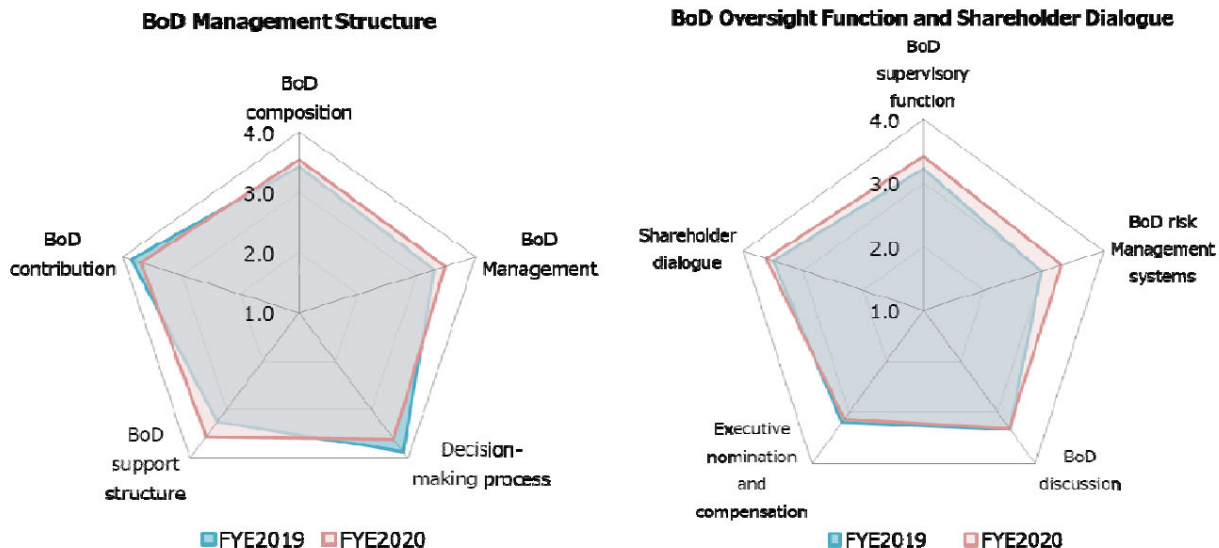
Succession planning for the position of CEO was discussed in the Executive Nomination Meeting and Board of Directors’ meetings, a CEO succession plan and an image of the ideal CEO for the Subaru Group were resolved to implement while continuing to engage in deeper discussion.

**3. Future Initiatives**

In response to the evaluation report received from the third-party body, the Board of Directors resolved to verify, discuss and implement outcomes on matters including a CEO succession plan and membership of the Board of Directors, the Executive Nomination Meeting, and the Executive Compensation Meeting.

The Board of Directors will continue to engage in deeper discussion of medium- to long-term management strategy aimed at continuous enhancement of medium- to long-term corporate value and sustainable growth. It will also begin active discussion of information security systems and sustainability, and maintain and enhance the effectiveness of the Board of Directors.

(Reference) Results of BoD Effectiveness Evaluation Questionnaire



Rating scale: 1 (low) – 4 (high)



**[Translation for Reference and Convenience Purposes Only]**

(Reference) Questions used in BoD Effectiveness Evaluation Questionnaire

| Category   | Matters Examined   |  |  |
|--|--|--|--|
| <b>I. Board of Directors' management structure</b> |  |  |  |
| [1] BoD composition                                | BoD size   | Board of Directors' composition (proportion of inside and outside directors) | BoD composition (diversity and specialty)      |
| [2] BoD management                                 | frequency, duration, and distribution of meetings                              | Appropriateness of agenda  | Quality and quantity of documents              |
|  | Timing of document distribution  | Pre-meeting explanation  | Content of explanations and reports            |
| [3] Decision-making process                        | Chair's leadership   | Adequate discussion  |  |
| [4] BoD support structure                          | Environment and systems for providing information                              | Provision of information to outside directors                                | Training of outside directors                  |
|  | Training of inside directors   |  |  |
| [5] BoD contribution                               | Stance toward initiatives  | Company-wide perspective   | Mutual respect                                 |
|  | Diverse values   | Stakeholder perspective  |  |
| <b>II. Board of Directors' oversight function</b>  |  |  |  |
| [1] Board of Directors' oversight function         | Reporting systems  | Supervision of management  |  |
| [2] BoD risk Management systems                    | Risk management system   | Subsidiary management system   | Information-sharing on risks and risk response |
|  | Systems for managing progress of response measures                             | Thorough awareness of compliance issues                                      |  |
| [3] BoD discussion                                 | Discussion of management strategy  | Discussion of capital policy   | Discussion of cross-shareholdings              |
|  | Discussion on strengthening governance   | Responses to social and environmental issues                                 |  |
| [4] Executive nomination V and compensation        | Composition of Executive Nomination Meeting and Executive Compensation Meeting | Successor development  | Incentive-based compensation                   |
| <b>III. Shareholder dialogue</b>                   |  |  |  |
| [1] Shareholder dialogue                           | Sharing shareholder and investor views   | Enhancement of shareholder and investor dialogue                             |  |

**(8) Policy and Procedure for Determination of Remuneration for Directors**

Executive compensation is determined from the perspective of the following items:

- Compensation, etc., is at a level commensurate with the roles and responsibilities of directors and is appropriate, fair, and balanced.
- The compensation structure is determined by giving consideration to providing motivation for sustained improvement in corporate performance and corporate value and securing talented personnel.

The specific components of the compensation, etc., shall be as follows. The total amount and the levels of compensation of each item shall be set for every position depending on difference in responsibility by utilizing the research data compiled by outside specialized agencies.

- Basic compensation:

Fixed compensation for which specific amounts are determined based on job positions and with consideration given to elements such as the business environment.

- Short-term performance-linked compensation:

A performance-linked portion with the specific amount determined based on consolidated ordinary income for the current fiscal year\*, taking into consideration personnel development and the business environment, and adjusted according to the matrix of combined ROE and improved shareholders' equity ratio, which are both performance indicators aligned with the Company's capital policy.

**[Translation for Reference and Convenience Purposes Only]**

- Restricted stock units:  
Compensation to grant restricted stock for the purpose of providing an incentive for sustained improvement of the Company’s corporate value and further value sharing with the shareholders.

**Compensation System for Directors (Excluding Outside Directors)**



Neither short-term performance-linked compensation nor restricted stock units are given to outside directors in view of their roles of fulfilling monitoring and oversight functions of corporate management from an independent position.

By a resolution passed at the 85th Ordinary General Meeting of Shareholders, held on June 28, 2016, the maximum total amount of annual compensation, etc., for directors is 1.2 billion yen (including 200 million yen for outside directors). By a resolution passed at the 86th Ordinary General Meeting of Shareholders on June 23, 2017, the total amount of monetary compensation related to restricted stock units is required to be within the above maximum total and up to 200 million yen annually.

The Company has set up an Executive Compensation Meeting, a voluntary committee, in order to enhance the effective governance structure based on the existing organizational design. In terms of decision on compensation levels for Directors, the Executive Compensation Meeting, half of whose members are independent Outside Directors, on the basis of delegation by the Board of Directors, determines specific compensation amounts, including the compensation system, following sufficient deliberation and considering various factors, including properly comparable compensation levels of other companies, compensation of the Company’s employees, social situations and performance evaluation of executive officers. With 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 Executive Compensation Meetings were held four times in the fiscal period under review. The body debated the compensation structure and decided performance linked compensation levels for Directors (except for Outside Directors) and executive officers based on performance evaluation and claims for monetary compensation for individuals regarding restricted stock units.

The body decided performance-linked compensation levels for directors (except for Outside Directors) and executive officers and claims for monetary compensation for individuals regarding restricted stock units.

The Executive Compensation Meeting in the fiscal period under review comprised of two Representative Directors, a Director in charge of Secretarial Office, and three Outside Directors. Its chairman, elected from among representative directors, was Representative Director and President Tomomi Nakamura.

At a March 3, 2020 meeting, the Board of Directors resolved to change the composition of the Executive Compensation Meeting.

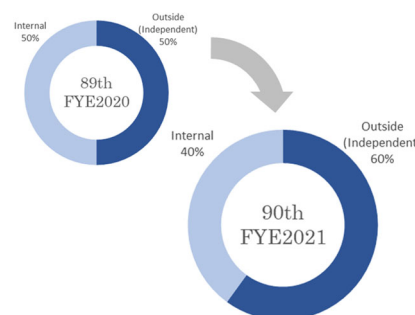
Accordingly, the Executive Compensation Meeting has now been comprised of two Representative Directors and three Outside Directors since April 1, 2020. Representative Director and President Tomomi Nakamura is serving as chairman.

In addition to the “Profit Plan for FYE2018-2020 (3 years),” the Company announced it aims to achieve a ratio of shareholders’ equity to total assets of 50% and to maintain a minimum ROE of 10% while aiming for ROE of 15% or higher in the “STEP” mid-term management vision announced on July 10, 2018. In accordance with these goals, the Executive Compensation Meeting, upon authorization by the Board of Directors, decided short-term performance-linked compensation levels for Directors, using the consolidated ordinary income for fiscal 2019\* as the basis, making adjustment using the matrix of ROE and degrees of improvement in shareholders’ equity ratio, and taking into consideration personnel development and the business environment.

By a resolution passed at the 75th Ordinary General Meeting of Shareholders, held on June 27, 2006, the maximum total amount of annual compensation, etc., for corporate auditors is no more than 100 million yen. The maximum number of Corporate Auditors provided for in the Company’s Articles of Incorporation is five.

\* As the Company started to voluntarily apply the IFRS to the accounts of the fiscal period under review, this is a figure converted to consolidated ordinary income under the Japanese standards.

**Internal-outside ratio of Executive Compensation Meeting members**



[Translation for Reference and Convenience Purposes Only]

**(9) Total Compensation for Directors and Corporate Auditors for the Fiscal Period**

| Category                              | Number of persons | Total compensation (millions of yen)                    |  |                        |      |
|---------------------------------------|-------------------|---|--|------------------------|------|
|                                       |                   | Basic compensation (paid in fixed monthly installments) | Short-term performance-linked compensation | Restricted stock units |      |
| Directors                             | 10                | 333   | 91   | 53                     | 477  |
| (of which Outside Directors)          | (4)               | (35)  | (-)  | (-)                    | (35) |
| Corporate Auditors                    | 6                 | 77  | -  | -                      | 77   |
| (of which Outside Corporate Auditors) | (4)               | (21)  | (-)  | (-)                    | (21) |

Notes: Figures in the above table include an Outside Director and two Corporate Auditors who resigned before the last day of the fiscal period under review. At the end of the period, there were nine Directors, including three Outside Directors, and four Corporate Auditors, including two outside Corporate Auditors.

## 5. Initiatives to improve corporate value

### (1) CSR of SUBARU GROUP

The Company believes that in order to contribute to society through our businesses and meet the expectations and needs of our stakeholders, it is necessary to promote CSR initiatives on a group-wide basis, with a focus on respect of human rights. This has led us to establish the Subaru Global Sustainability Policy and the Human Rights Policy on April 1, 2020.

#### [1] Establishment of Subaru Global Sustainability

Subaru Global Sustainability was created by updating our CSR Policy revised in June 2009 to reflect changes that have since taken place to the social environment and our relationship with stakeholders and to allow sharing of intentions among employees on group-global levels.

#### <Subaru Global Sustainability Policy>

We, 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 management decisions, and disclose corporate information in a timely and proper manner.

\*Subaru Group includes Subaru Corporation and its all subsidiaries.

#### [2] Establishment of Human Rights Policy












The Company considers respect for individual human rights and individuality as a key management issue in realizing its corporate philosophy of continuously promoting harmony between people, society, and the environment while contributing to the prosperity of society. It has established the Human Rights Policy to guide its efforts in this regard. The Company will also extend its human rights initiatives by urging its business partners and other parties involved in its operations, including its supply chain, to respect human rights based on this policy.

Notes: For more information about the Human Rights Policy, visit our website ([https://www.subaru.co.jp/outline/Humanrights\\_Policies.pdf](https://www.subaru.co.jp/outline/Humanrights_Policies.pdf)).

**[Translation for Reference and Convenience Purposes Only]**

**[3] Clarification of 2025 Vision for Subaru Group’s Six Priority Areas for CSR and Contribution to SDGs**

The Company has clarified its CSR efforts in six priority areas selected in 2018 in the 2025 Vision, based on the Subaru Global Sustainability Policy. We aim to step up efforts in each of these areas to achieve the vision of shifting “from a company making things to a company making people smile” set out in the STEP Mid-Term Management Vision for 2025 (announced in July 2018) and contribute toward achieving the SDGs.

| Subaru Group’s Six Priority Areas for CSR | Vision for 2025  | Contribution to SDGs  |
|---|--|---|
| People-oriented Car Culture               | Become a company that enriches people’s lives and minds as a partner.  |       |
| Resonance and Coexistence                 | Become a company that is widely trusted by, resonates and coexists with society.                                 |       |
| Peace of Mind                             | Become a company that provides the utmost peace of mind to all stakeholders.                                     |    |
| Diversity                                 | Promote businesses that create diverse forms of market values while respecting the diverse values of all people. |       |
| Environment                               | Cherish and protect the global environment – the earth, the sky and nature – through Group-wide activities.      |     |
| Compliance                                | Act in good faith and become a company that is trusted by and resonates with society.                            |   |

<Specific example of contribution to delivering on SDGs: “Peace of mind”>

Subaru Group efforts to eliminate traffic accident deaths\* by 2030 contribute to reaching Target 3.6: “By 2020, halve the number of global deaths and injuries from road traffic accidents.”

\* Traffic accident deaths of Subaru drivers/passengers and people including pedestrians/cyclists Subaru cars collide with.

**(2) Environmental Actions**

**“The earth, the sky and nature” are Subaru’s fields of business.**

With the automotive and aerospace businesses as the pillars of Subaru’s operations, our fields of business are the earth, the sky and nature. Preservation of the ecosystem of our planet, the earth, the sky and nature, is of utmost importance to ensure the future sustainability of both society and our organization. We align our business strategy to enhance these global goals in all our operations.

**[1] Approach to Climate Change (Global Warming)**

The Company believes that the approach to climate change is one of the most important actions and respects the goal set in the Paris Agreement to keep a global average temperature rise below two degrees Celsius above pre-industrial levels. In order to contribute to achieving this goal, the Company will contribute to efforts to realize a carbon-free society through reduction in CO<sub>2</sub> emissions from our products, plants and offices.

Specifically, we are in the process of working out long-term goals, aiming to achieve carbon neutral by around 2050. We are also working out mid-term goals for around 2030 as a milestone on our way to the long-term goals.

**[Translation for Reference and Convenience Purposes Only]**

| Category    | Target year         | Goal   |
|-------------|---------------------|--|
| Scope 1 & 2 | fiscal 2050         | Achieve carbon neutrality.   |
|             | fiscal 2030         | Reduce to 30% below FYE2017 levels (on a total emissions volume basis).  |
| Scope 3     | 2050                | Reduce average well-to-wheel CO <sub>2</sub> emissions from new vehicles (in operation) sold worldwide by 90% or more compared to 2010 levels. |
|             | By 2030             | Make at least 40% of Subaru global sales electric vehicles (EVs) or hybrid electric vehicles (HEVs).   |
|             | First half of 2030s | Apply electrification technologies to all Subaru vehicles sold worldwide.  |

**[2] Creation of Environment Action Plan 2030, a mid-term environmental plan**

The Company will work to contribute to solving global environmental issues, including not just climate change, to help realize a sustainable society. To flesh out the roadmap for this endeavor, we are working on an Environment Action Plan 2030, which sets out a plan after fiscal 2020, when the 6th Voluntary Plan for the Environment, the existing medium-term plan for environment conservation.

We aim to make the 2030 plan reflect relationships with the Company's businesses and significance, taking into consideration the degree of the public's expectations on us in around the second half of the 21st century.

**(3) Policy for Constructive Dialogue with Shareholders**

The Company shall endeavor to develop a long-term relationship of trust with shareholders by holding constructive dialogue with them to contribute to the achievement of sustainable growth and improvement in corporate value in the medium and long term.

The overall constructive dialogue with shareholders shall be supervised by the CEO and CFO and taken charge by the Investor Relations Department. In addition, relevant departments, including the Corporate Planning Department, Secretarial Office, Finance & Accounting Department, Legal Department and Audit Department, shall cooperate organically to enhance dialogue. The Company shall proactively disseminate clear information to shareholders through such means as timely holding various briefing meetings and utilizing its website, to deepen shareholders' understanding about management strategy, description of business, products, performance, etc.

The Company shall periodically update directors, corporate auditors and corporate vice presidents, as well as relevant departments, on the details of opinions and concerns of shareholders obtained through dialogue with them. The Company shall thoroughly implement information management in accordance with the Insider Trading Prevention Rules to prevent leakage of undisclosed important internal information (insider information) through dialogue. In addition, the Company shall hold appropriate dialogue with shareholders through fair disclosure in accordance with the Company Information Disclosure Rules and the disclosure policy specified separately.

(Reference) : Activity to support prevention of new coronavirus infection: Production of medical-use face shields

As part of efforts to support prevention of new coronavirus infection, the Group has started to manufacture medical-use face shields in cooperation with our partners. We have already supplied about 400 of them to medical institutions near our Gunma Plant by the end of April 2020. We estimate we will be able to provide about 7,000 of them by the end of May.

They will be provided to medical institutions and medical associations near our locations.

We will continue to consider taking measures in a variety of aspects to help prevent new coronavirus infection and support medical workers.



## 6. Company Framework and Policies

### **Framework for ensuring conformity of performance of duties by the directors to the laws and articles of incorporation, and other frameworks for ensuring appropriateness of a joint-stock company's business** (as of March 31, 2020)

#### **1. Framework to ensure that the performance of duties by the directors comply with the laws and articles of incorporation**

Following framework shall be established as a preventative measure against illegal acts by directors:

- (1) Directors shall establish a framework for effective supervision of performance of duties by other directors and effective audits by the corporate auditors, through activities such as attendance of various meetings, review of approval forms, and receiving business reports from corporate vice presidents and employees by the directors and corporate auditors.
- (2) Establish rules regarding compliance and a framework for ensuring that Directors comply with laws, articles of incorporation and internal rules.
- (3) Establish whistle blowing system (Compliance Hotline) as internal reporting framework where violation of laws/articles of Incorporation by directors in performing their duties have been identified by executive officers/employees.
- (4) Conduct compliance related trainings by external experts for directors as necessary.
- (5) A director who identifies violation of laws/articles of incorporation by another director shall immediately report such violation to the Board of Corporate Auditors and Board of Directors, and implement corrective measures.

#### **2. Establishment of other systems prescribed by the applicable Ordinance of the Ministry of Justice as systems necessary to ensure the properness of operations of a Stock Company and the business of the corporate group comprising of the stock company and its subsidiaries**

##### **(1) Structure concerning storage and management of information related to performance of duties of directors**

- i. Establish internal rules on storage and management of minutes of the Board of Directors, approval forms, other documents related to performance of duties by directors, and other information, and appropriately store and manage such information in accordance with such rules and laws.

##### **(2) Rules and other frameworks on management of risk of loss**

- i. The Company shall work out rules regarding risk management and establish rules, manuals and guidelines corresponding to the business of each division to prevent risks from materializing or increasing.
- ii. Business-related risks shall be scrutinized by the directors and corporate vice presidents in accordance with certain approval rules, and the Corporate Planning Department shall lead the management by each division/company and shared corporate operation departments at the headquarters.
- iii. Establish a company-wide emergency communication network to ensure prompt response to emergencies and prevent spreading of losses.
- iv. To ensure appropriate risk management practice, establish a risk management and compliance committee to deliberate/discuss, decide, exchange/communicate information on significant risk management matters.

##### **(3) Framework to ensure efficient performance of duties by Directors**

- i. An executive officer system shall be implemented to delegate the business execution authorities of directors to corporate vice presidents. Chief Operating Officer (COO) shall supervise the business execution. Chief Executive Officer (CEO) shall supervise the overall management.
- ii. Directors shall supervise the business execution of corporate vice presidents and employees by attending meetings and receiving regular business reports.
- iii. Discuss projects to be deliberated at the Board of Directors meeting in advance at Management Meetings (a preliminary consultation body for the Board of Directors to deliberate on company-wide business projects) and Executive Meetings (decision making body for each executive unit) to clarify issues for efficient deliberation at the Board of Directors meeting.
- iv. Board of Directors shall establish the medium- to long-term management goals, promote sharing of such goals, and periodically review the progress.



**[Translation for Reference and Convenience Purposes Only]**

- v. Board of Directors shall periodically conduct self-evaluation and analysis, to ensure effective performance of roles and obligations of the directors both in terms of decision making and supervision over business execution.

**(4) System to ensure conformity of execution of operations of executive officers and employees with laws and articles of incorporation**

- i. Establish rules on compliance and a framework to ensure that executive directors and employees comply with laws, the Articles of Incorporation and internal rules.
- ii. To promote compliance, establish a risk management and compliance committee to deliberate/discuss, decide, exchange/communicate information on significant compliance matters.
- iii. Structured education shall be conducted for executive directors and employees such as compliance lectures, to promote compliance awareness.
- iv. Establish a whistle blowing system (Compliance Hotline) as an internal reporting framework in case executive officer or employees identify illegal business acts, etc.
- v. Establish an independent audit department as an internal audit entity.

**(5) Framework for securing appropriateness of business in corporate group**

- i. In order to enhance the Group's brand value and its overall potential through sound operation of group subsidiaries, establish rules on subsidiary management, and manage/support subsidiaries mainly through the Company's department in charge of management of business or management of each subsidiary pursuant to such rules. At the same time, create a framework where subsidiaries are to make periodic reports as well as extraordinary reports as required on necessary matters to the Company.
- ii. The Company shall encourage its subsidiaries to establish rules tailored to each subsidiary's business characteristics, including rules on risk management, manuals, guidelines, etc. and build risk management systems corresponding to the characteristics of each subsidiary's business, to prevent risks from materializing or increasing.
- iii. The Company shall ensure efficiency of performance of duties by directors of subsidiaries by receiving business reports from subsidiaries pursuant to the rules on subsidiary management, and conducting preliminary discussions on business for significant matters, etc.
- iv. The Company shall establish Audit Department as an organization that performs internal audits, and perform periodic business audits for affiliates including subsidiaries and related companies, and extraordinary audits for necessary matters as required.
- v. The Company shall periodically convene Corporate Auditors of domestic affiliates and exchange opinions with the Company's Corporate Auditors to enhance audit functions at domestic affiliates.
- vi. The Company shall concurrently appoint executive officers and employees as Corporate Auditors of some of the domestic affiliates to enhance the audit function.
- vii. The Company shall apply the whistle blowing system (Compliance Hotline) in (4) above to domestic affiliates.
- viii. Overseas subsidiaries are to comply with the local laws, and follow a framework pursuant to this policy to the extent possible.

**(6) Matters concerning an employee where Corporate Auditors request for an employee to support his/her duties**

- i. In response to request by Corporate Auditors, one or more staffs shall be allocated from the Company's employees to support the duties of the Corporate Auditors.

**(7) Matters related to securing independence of the employee from directors and effectiveness of instruction to the employee from Corporate Auditors**

- i. In case such supporting staff is to be concurrently appointed to a position involving business execution, directors and executive units shall not intervene with the staff's performance of tasks supporting the Corporate Auditors; ensure the staff's independence from directors; and notify the Company's officers and employees that such supporting staff is to follow the instructions and orders of the Corporate Auditors.
- ii. Appointment of such supporting staff shall require consent by the Board of Corporate Auditors.

**(8) Framework for reporting by directors, executive officers, and employees of the Company and its subsidiaries to the Company's Corporate Auditors; frameworks for other reports to the Company's Corporate Auditors; and the framework for securing effective audit by the Company's Corporate Auditors**

**[Translation for Reference and Convenience Purposes Only]**

- i. A system shall be established to ensure that the Company's Corporate Auditors can receive periodic reports on performance of duties from the directors, executive officers and employees of the Company or its subsidiaries.
- ii. A system shall be established to ensure that the Company's Corporate Auditors can collect information on the status of performance of obligations relating to each business division, etc. by the directors, executive officers and employees of the Company and its subsidiaries.
- iii. Directors of the Company or its subsidiaries shall report to the Company's Corporate Auditors where matters that may cause significant damages to the Company, material violation of laws/articles of incorporation, or other material compliance matters occur.
- iv. Corporate Auditors of the Company may attend the Compliance Committee, which is an organizational body that deliberates/discusses, determines, exchange/communicate information on, important matters regarding risk management and compliance.
- v. The Company and its subsidiary's Representative Directors, Directors, or Accounting Auditors shall attend meetings to exchange opinions held by the Company's Corporate Auditor at the request of such Corporate Auditor.
- vi. A framework shall be established to ensure that the person reporting to the Company's Corporate Auditors shall not receive disadvantageous treatment for the reason of making the report in the preceding Item.
- vii. A framework shall be established with respect to procedures for advance payment or repayment of expenses arising from performance of duties of Corporate Auditors and processing or repayment of other expenses arising from performance of such duties, to enable smooth processing in accordance with the invoice, etc. from the Corporate Auditors.

At our company, divisions with functions that concern different parts of the Company, led by Risk Management Group supervised by Corporate Planning Department, which performs division-encompassing functions, and Chief Risk Management Officer, and working closely with different divisions and companies to enhance risk management. Audit Department audits execution of tasks by each division and group company in a planned manner.

**3. Summary of operation of framework for securing appropriateness of business**

**(1) Situation of efforts to enhance compliance**

To comply with laws, articles of incorporation and internal rules, the Company is continuously engaging in company-wide compliance activities by appointment of compliance manager and compliance officers at each business unit, and operating a program where compliance plans for each business unit is prepared, implemented and reported based on the overall annual compliance plan. Risk Management and Compliance Office supports the overall management of the activities listed above, as well as creation and execution of compliance plans at each department. In fiscal 2019, we set review of internal rules from the viewpoint of ensuring appropriateness of rule systems and their consistency with laws, etc. as the main theme in the company-wide compliance activity and carried it out, aiming to develop and enhance the company-wide framework for law compliance.

The Company regularly conducts Compliance Committee meetings chaired by a Director elected by the Board in accordance with the Compliance Rules to oversee such compliance activities. The Compliance Committee met four times in fiscal 2019, deliberated/discussed important compliance-related matters, made relevant decisions, and exchanged and communicated information regarding such matters. Such activities included deciding an annual compliance policy for the Company as a whole, reviewing compliance activities by the overall Company and divisions, sharing information on recent law revisions and progress in guideline creation.

The Company conducted information and opinion exchanges on significant issues at the Planning Department Meeting, a preliminary deliberation body, to ensure the efficiency and effectiveness of the Compliance Committee, and carried out discussions for the further permeation of the overall compliance of the Group.

For the purpose of improving the compliance level of the overall Group, we also promote information exchange on problematic cases with the management team and operational personnel of domestic affiliates.

To further enhance effectiveness of our compliance activities, the Company is dedicated to early identification and correction of issues by the overall Group through active and proper operation of the internal reporting system (Compliance Hotline) that is established and operated by the Company and domestic and overseas affiliates.

## **[Translation for Reference and Convenience Purposes Only]**

### **(2) Situation of effort on corporate culture reforms**

We have worked on an initiative to reform our corporate culture since fiscal 2018, positioning it as a key element in our effort to ensure appropriateness of operation. In April 2019, we set a goal of becoming a company that is more open to new ideas and where people can say what they want, under a project planned and led by Corporate Planning Department and has since worked toward this goal.

In fiscal 2019, we took measures to address issues that concern all divisions, worked to make the progress of such measures known, conducted a series of speeches by officers on corporate culture reforms to establish communication between them and employees, and worked to stimulate communication within workplaces through ongoing communication of information on the situation of this activity and relevant information.

At the same time, the committee analyzes changes observed in interviews with staff and managers in all divisions, online surveys about activities and employee opinion polls, as well as outcomes of regular exchange of opinions with the labor union from multiple angles, and constantly monitors impact on actual efforts in order to track situations on the ground and appropriately grasp situations of changes. Aiming to bring about a change that all employees can feel, we will continue and deepen activities that are down-to-earth and close to work places and work to establish them as part of our corporate culture.

### **(3) Risk Management**

To prevent risks from materializing or increasing, we have worked to enhance our risk management by developing rules regarding risk management, including introduction of roles respectively responsible for supervising risk management and managing risks in each division in an initiative led by Risk Management and Compliance Office set up in April 2019. Risk Management and Compliance Office keeps CRMO and Corporate Auditors informed, by reporting regularly about the progress of these efforts and important matters regarding risk management, including compliance events.

The Company has established rules, manuals and guidelines corresponding to each business division's business. Reviews are performed as necessary on the operation of such rules while ensuring consistency with the laws. During the period under review, addition/revision/abolishment were made to the rules and similar instruments. Approval Rules are strictly applied to business-related risks, and all approved items were reviewed, scrutinized and confirmed to have no issues in each description by Directors and Corporate Auditors. Business-related risks were also managed by deliberation at the Executive Meeting and Board of Directors meeting depending on their significance.

In addition, the Board of Directors worked to enhance its discussions by increasing the opportunities of reporting or deliberation about internal control matters, including risk management situations of the Group.

Status of establishment of a company-wide emergency communication is being inspected periodically, and information is being shared as needed using the emergency communication network in case of a disaster that may affect the Company.

### **(4) Securing efficient performance of duties**

The Company has introduced an Executive Officer System with the aim of ensuring speedy business executions by the Directors through the delegation of business executions to the Executive Officers and supervising the Executive Officers by attending various meeting bodies and receiving periodic business reports. We position the president and other executive roles as executive officers, instead of directors, to clarify the roles and responsibilities assigned to directors and executive officers.

In addition, we have shifted an executive structure to one that respects diversity by resolving to nominate a female Outside Director and a female full-time Corporate Auditor as fresh candidates, aiming to enhance the supervisory function of the Board of Directors.

Significant matters requiring submission to the Board of Directors were deliberated at the Executive Meeting to deepen the discussion and discussion points that should be subjected to focused deliberation by the Board of Directors were clarified by sorting out discussion points and providing directionality. Deeper and efficient discussion of essence at the Board of Directors meeting is being promoted by early distribution of materials and providing preliminary explanations where necessary.

Documents regarding performance of duties by the directors and other information is being stored and maintained appropriately in accordance with the internal rules.

### **(5) Securing appropriateness of business by the corporate group comprising of the Company and its subsidiaries**

The Company is enhancing the audit and supervisory functions by appointing executive directors and employees of the Company to concurrently work as directors or Corporate Auditors of domestic affiliates. In addition, the Company received periodic and ad hoc reporting from subsidiaries through designated management departments, had discussions where necessary, and issues that have significant impact on the Company were reported to the Executive Meeting.

**[Translation for Reference and Convenience Purposes Only]**

To ensure that business activities are carried out strictly in accordance with the subsidiaries' management rules, the subsidiaries' projects that should be subject to preliminary discussions with the Company and projects to be determined at the discretion of subsidiaries were clearly distinguished. In addition, the information communication routes from each subsidiary to the Company were confirmed for each type of projects, and ongoing confirmation is being made on the establishment of rules at domestic subsidiaries.

Furthermore, the Company's internal audit division performed business audits for the Company and its affiliates in accordance with the Internal Audit Rules. Their results were reported at the Executive Meeting, and corrective measures were implemented where necessary.

**(6) Securing effectiveness of Corporate Auditors' Audit**

The Company has established a framework where the Corporate Auditors can gather information from directors and employees 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 allocating the Company's employees to provide support for duties of Corporate Auditors.

The Company's Corporate Auditors attend important meetings including the Board of Directors meeting, Executive Meeting, and Compliance Committee, and state their opinions as necessary to secure effectiveness of the audit.

In addition, periodic semi-annual interviews with directors and executive officers as well as on-site audits of key offices and affiliates are performed to confirm the status of establishment and operation of the internal control system.

Monthly reports are received from Internal Audit and Legal Divisions, and reports on subsidiaries are received as necessary from departments in charge of managing the subsidiaries. Furthermore, discussion meetings are held with Corporate Auditors of key group subsidiaries.

**[Translation for Reference and Convenience Purposes Only]**

**Consolidated Financial Statements**

The Group has voluntarily adopted the IFRS from the FYE 2020, and the figures for the FYE 2019 have also been reclassified to the IFRS basis and presented.

**Consolidated Statements of Financial Position**

(Unit: Millions of yen)

|   | FYE 2019<br>(as of March 31, 2019) | FYE 2020<br>(as of March 31, 2020) |
|---|------------------------------------|------------------------------------|
| <b>Assets</b>                                 |                                    |                                    |
| <b>Current assets</b>                         |                                    |                                    |
| Cash and cash equivalents                     | 702,328                            | 858,966                            |
| Trade and other receivables                   | 344,237                            | 364,839                            |
| Inventories                                   | 403,473                            | 459,940                            |
| Income taxes receivable                       | 9,704                              | 15,648                             |
| Other financial assets                        | 394,406                            | 204,373                            |
| Other current assets                          | 59,582                             | 74,748                             |
| Subtotal                                      | 1,913,730                          | 1,978,514                          |
| Assets held for sale                          | 4                                  | 251                                |
| <b>Total current assets</b>                   | 1,913,734                          | 1,978,765                          |
| <b>Non-current assets</b>                     |                                    |                                    |
| Property, plant and equipment                 | 808,710                            | 820,491                            |
| Intangible assets and goodwill                | 155,510                            | 209,775                            |
| Investment property                           | 25,414                             | 23,986                             |
| Investments accounted for using equity method | 8,821                              | 9,831                              |
| Other financial assets                        | 40,121                             | 19,730                             |
| Other non-current assets                      | 100,764                            | 112,843                            |
| Deferred tax assets                           | 127,523                            | 118,487                            |
| <b>Total non-current assets</b>               | 1,266,863                          | 1,315,143                          |
| <b>Total assets</b>                           | 3,180,597                          | 3,293,908                          |

[Translation for Reference and Convenience Purposes Only]

(Unit: Millions of yen)

|  | FYE 2019<br>(as of March 31, 2019) | FYE 2020<br>(as of March 31, 2020) |
|--|------------------------------------|------------------------------------|
| <b>Liabilities and equity</b>                        |                                    |                                    |
| <b>Liabilities</b>                                   |                                    |                                    |
| <b>Current liabilities</b>                           |                                    |                                    |
| Trade and other payables                             | 404,395                            | 336,223                            |
| Financing liabilities                                | 15,274                             | 12,173                             |
| Other financial liabilities                          | 51,621                             | 44,126                             |
| Income taxes payable                                 | 4,331                              | 2,642                              |
| Provisions   | 289,912                            | 261,162                            |
| Other current liabilities                            | 297,917                            | 328,081                            |
| <b>Total current liabilities</b>                     | <b>1,063,450</b>                   | <b>984,407</b>                     |
| <b>Non-current liabilities</b>                       |                                    |                                    |
| Financing liabilities                                | 88,452                             | 227,037                            |
| Other financial liabilities                          | 73,856                             | 67,855                             |
| Employee benefits                                    | 52,618                             | 59,525                             |
| Provisions   | 45,537                             | 46,398                             |
| Other non-current liabilities                        | 162,197                            | 179,849                            |
| Deferred tax liabilities                             | 4,588                              | 11,714                             |
| <b>Total non-current liabilities</b>                 | <b>427,248</b>                     | <b>589,378</b>                     |
| <b>Total Liabilities</b>                             | <b>1,490,698</b>                   | <b>1,573,785</b>                   |
| <b>Equity</b>  |                                    |                                    |
| <b>Equity attributable to owners of parent</b>       |                                    |                                    |
| Capital stock  | 153,795                            | 153,795                            |
| Capital surplus                                      | 160,192                            | 160,178                            |
| Treasury shares                                      | (6,910)                            | (6,722)                            |
| Retained earnings                                    | 1,350,639                          | 1,397,239                          |
| Other components of equity                           | 24,532                             | 8,391                              |
| <b>Total equity attributable to owners of parent</b> | <b>1,682,248</b>                   | <b>1,712,881</b>                   |
| <b>Non-controlling interests</b>                     | <b>7,651</b>                       | <b>7,242</b>                       |
| <b>Total equity</b>                                  | <b>1,689,899</b>                   | <b>1,720,123</b>                   |
| <b>Total liabilities and equity</b>                  | <b>3,180,597</b>                   | <b>3,293,908</b>                   |

[Translation for Reference and Convenience Purposes Only]

Consolidated Statements of Income

(Unit: Millions of yen)

|   | FYE 2019<br>(April 1, 2018 to<br>March 31, 2019) | FYE 2020<br>(April 1, 2019 to<br>March 31, 2020) |
|---|--|--|
| Revenue   | 3,156,150  | 3,344,109  |
| Cost of sales   | (2,558,262)                                      | (2,728,605)                                      |
| Gross profit  | 597,888  | 615,504  |
| Selling, general and administrative expenses                            | (298,875)  | (308,227)  |
| Research and development expenses                                       | (108,558)  | (92,460)   |
| Other income  | 6,731  | 7,751  |
| Other expenses  | (15,839)   | (12,026)   |
| Share of profit (loss) of investments accounted for using equity method | 377  | (223)  |
| Operating profit  | 181,724  | 210,319  |
| Finance income  | 13,701   | 15,844   |
| Finance costs   | (9,399)  | (18,507)   |
| Profit before tax   | 186,026  | 207,656  |
| Income tax expense  | (45,237)   | (55,065)   |
| Profit for the period   | 140,789  | 152,591  |
| Profit for the period attributable to                                   |  |  |
| Owners of parent  | 141,418  | 152,587  |
| Non-controlling interests   | (629)  | 4  |
| Profit for the period   | 140,789  | 152,591  |
| Profit for the period per share attributable to owners of parent        |  |  |
| Basic (Yen)   | 184.44   | 198.99   |



[Translation for Reference and Convenience Purposes Only]

Non-consolidated Financial Statements

Non-consolidated Balance Sheet

(Unit: Millions of yen)

|  | FYE2019<br>(as of March 31, 2019) | FYE2020<br>(as of March 31, 2020) |
|--|-----------------------------------|-----------------------------------|
| <b>ASSETS</b>  |                                   |                                   |
| <b>I Current assets</b>  |                                   |                                   |
| Cash and deposits  | 742,751                           | 769,644                           |
| Accounts receivable-trade  | 261,785                           | 254,960                           |
| Short-term investment securities   | 80,997                            | —                                 |
| Merchandise and finished goods   | 48,330                            | 52,661                            |
| Work in process  | 66,718                            | 68,539                            |
| Raw materials and supplies   | 20,016                            | 26,494                            |
| Advance payments-trade   | 14,924                            | 22,013                            |
| Prepaid expenses   | 4,801                             | 6,745                             |
| Short-term loans receivable to subsidiaries and affiliates                     | 58,704                            | 65,799                            |
| Current portion of long-term loans receivable from subsidiaries and affiliates | 18,000                            | 21,800                            |
| Deposits paid  | 30,540                            | 29,897                            |
| Accounts receivable-other  | 38,594                            | 51,593                            |
| Other  | 20,964                            | 33,267                            |
| Allowance for doubtful accounts  | (11)                              | (11)                              |
| <b>Total current assets</b>  | <b>1,407,113</b>                  | <b>1,403,401</b>                  |
| <b>II Noncurrent assets</b>  |                                   |                                   |
| <b>1. Property, plant and equipment</b>  |                                   |                                   |
| Buildings, net   | 90,496                            | 91,214                            |
| Structures, net  | 13,725                            | 14,243                            |
| Machinery and equipment, net   | 118,217                           | 111,784                           |
| Vehicles, net  | 2,774                             | 2,969                             |
| Tools, furniture and fixtures, net   | 10,078                            | 8,438                             |
| Land   | 81,612                            | 81,174                            |
| Construction in progress   | 7,684                             | 28,534                            |
| Other  | 3,050                             | 2,318                             |
| <b>Total property, plant and equipment</b>                                     | <b>327,636</b>                    | <b>340,674</b>                    |
| <b>2. Intangible assets</b>  |                                   |                                   |
| Software   | 22,863                            | 24,429                            |
| Other  | 6,758                             | 14,814                            |
| <b>Total intangible assets</b>   | <b>29,621</b>                     | <b>39,243</b>                     |
| <b>3. Investments and other assets</b>   |                                   |                                   |
| Investment securities  | 3,673                             | 2,503                             |
| Stocks of subsidiaries and affiliates  | 148,828                           | 150,735                           |
| Investments in capital of subsidiaries and affiliates                          | 3,634                             | 4,375                             |
| Long-term loans receivable   | 504                               | 403                               |
| Long-term loans receivable from subsidiaries and affiliates                    | 80,949                            | 73,160                            |
| Claims provable in bankruptcy, claims provable in rehabilitation and other     | 2,660                             | 0                                 |
| Prepaid pension cost   | 11,638                            | 10,241                            |
| Deferred tax assets  | 111,639                           | 107,871                           |
| Other  | 22,989                            | 23,949                            |
| Allowance for doubtful accounts  | (3,272)                           | (460)                             |
| <b>Total investments and other assets</b>                                      | <b>383,242</b>                    | <b>372,777</b>                    |
| <b>Total noncurrent assets</b>   | <b>740,499</b>                    | <b>752,694</b>                    |
| <b>Total assets</b>  | <b>2,147,612</b>                  | <b>2,156,095</b>                  |

[Translation for Reference and Convenience Purposes Only]

(Unit: Millions of yen)

|   | FYE2019<br>(as of March 31, 2019) | FYE2020<br>(as of March 31, 2020) |
|---|-----------------------------------|-----------------------------------|
| <b>LIABILITIES</b>                                    |                                   |                                   |
| <b>I Current liabilities</b>                          |                                   |                                   |
| Notes payable-trade                                   | 507                               | 164                               |
| Accounts payable-trade                                | 237,125                           | 207,298                           |
| Electronically recorded obligations-operating         | 63,954                            | 32,330                            |
| Current portion of long-term loans payable            | 5,500                             | 6,000                             |
| Lease obligations                                     | 1,831                             | 1,132                             |
| Accounts payable-other                                | 17,398                            | 16,933                            |
| Accrued expenses                                      | 38,269                            | 51,744                            |
| Income taxes payable                                  | 912                               | —                                 |
| Advances received                                     | 33,416                            | 32,979                            |
| Deposits received                                     | 237,943                           | 262,497                           |
| Provision for bonuses                                 | 14,294                            | 15,077                            |
| Provision for product warranties                      | 255,836                           | 225,967                           |
| Provision for loss on construction contracts          | 666                               | 3,112                             |
| Provision for loss on business liquidation            | 1,575                             | —                                 |
| Other   | 4,261                             | 2,700                             |
| <b>Total current liabilities</b>                      | <b>913,487</b>                    | <b>857,933</b>                    |
| <b>II Noncurrent liabilities</b>                      |                                   |                                   |
| Bonds payable   | —                                 | 40,000                            |
| Long-term loans payable                               | 85,200                            | 185,200                           |
| Lease obligations                                     | 1,603                             | 1,496                             |
| Provision for product warranties                      | 33,046                            | 36,526                            |
| Provision for retirement benefits                     | 261                               | 301                               |
| Asset retirement obligations                          | 16                                | 16                                |
| Other   | 3,190                             | 2,116                             |
| <b>Total noncurrent liabilities</b>                   | <b>123,316</b>                    | <b>265,655</b>                    |
| <b>Total liabilities</b>                              | <b>1,036,803</b>                  | <b>1,123,588</b>                  |
| <b>I Shareholders' equity</b>                         |                                   |                                   |
| Capital stock   | 153,795                           | 153,795                           |
| Capital surplus                                       |                                   |                                   |
| Legal capital surplus                                 | 160,071                           | 160,071                           |
| Other capital surplus                                 | 14                                | —                                 |
| <b>Total capital surplus</b>                          | <b>160,085</b>                    | <b>160,071</b>                    |
| Retained earnings                                     |                                   |                                   |
| Legal retained earnings                               | 7,901                             | 7,901                             |
| Other retained earnings                               |                                   |                                   |
| Reserve for reduction entry of land                   | 990                               | 1,341                             |
| General reserve                                       | 35,335                            | 35,335                            |
| Retained earnings brought forward                     | 759,738                           | 680,800                           |
| <b>Total retained earnings</b>                        | <b>803,964</b>                    | <b>725,377</b>                    |
| Treasury stock  | (6,910)                           | (6,722)                           |
| <b>Total shareholders' equity</b>                     | <b>1,110,934</b>                  | <b>1,032,521</b>                  |
| <b>II Valuation and translation adjustments</b>       |                                   |                                   |
| Valuation difference on available-for-sale securities | (125)                             | (14)                              |
| <b>Total valuation and translation adjustments</b>    | <b>(125)</b>                      | <b>(14)</b>                       |
| <b>Total net assets</b>                               | <b>1,110,809</b>                  | <b>1,032,507</b>                  |
| <b>Total liabilities and net assets</b>               | <b>2,147,612</b>                  | <b>2,156,095</b>                  |

[Translation for Reference and Convenience Purposes Only]

Non-consolidated Statements of Income

(Unit: Millions of yen)

|  | FYE2019<br>(April 1, 2018 to<br>March 31, 2019) | FYE2020<br>(April 1, 2019 to<br>March 31, 2020) |
|--|---|---|
| I Net sales  | 1,929,791                                       | 2,011,205                                       |
| II Cost of sales   | 1,641,311                                       | 1,730,592                                       |
| Gross profit   | 288,480   | 280,613   |
| III Selling, general and administrative expenses                       | 208,658   | 232,689   |
| <b>Operating income</b>  | <b>79,822</b>                                   | <b>47,924</b>                                   |
| IV Non-operating income  |   |   |
| Interest income  | 8,814   | 9,340   |
| Interest on securities   | 37  | 18  |
| Dividends income   | 3,531   | 3,198   |
| Foreign exchange income  | 3,031   | —   |
| Real estate rent   | 2,868   | 2,935   |
| Gain on valuation of derivatives                                       | —   | 919   |
| Gain on settlement of plant shutdown related costs                     | —   | 2,534   |
| Other  | 4,544   | 2,740   |
| Total non-operating income   | <b>22,825</b>                                   | <b>21,684</b>                                   |
| V Non-operating expenses   |   |   |
| Interest expenses  | 3,926   | 5,438   |
| Depreciation   | 1,233   | 1,295   |
| Foreign exchange losses  | —   | 15,834  |
| Loss on valuation of derivatives                                       | 6,993   | —   |
| Plant shutdown related costs   | 2,532   | —   |
| Other  | 5,344   | 5,587   |
| Total non-operating expenses   | 20,028  | 28,154  |
| <b>Ordinary income</b>   | <b>82,619</b>                                   | <b>41,454</b>                                   |
| VI Extraordinary income  |   |   |
| Gain on sales of noncurrent assets                                     | 95  | 1,554   |
| Gain on sales of investment securities                                 | 3,214   | 200   |
| Gain on sales of investments in capital of subsidiaries and affiliates | —   | 2,170   |
| Other  | 1,379   | 876   |
| Total extraordinary income   | 4,688   | 4,800   |
| VII Extraordinary loss   |   |   |
| Loss on sales and retirement of noncurrent assets                      | 3,609   | 3,992   |
| Gain on valuation of investment securities                             | —   | 905   |
| Other  | 566   | 120   |
| Total extraordinary losses   | 4,175   | 5,017   |
| Income before income taxes   | 83,132  | 41,237  |
| Income tax-current   | 31,362  | 5,588   |
| Income taxes-deferred  | (16,233)  | 3,730   |
| Total income taxes   | 15,129  | 9,318   |
| <b>Net income</b>  | <b>68,003</b>                                   | <b>31,919</b>                                   |

[Translation for Reference and Convenience Purposes Only]

## Audit Report

### Accounting Audit Report on Consolidated Financial Statements

#### Independent Auditor's Report

May 18, 2020

The Board of Directors  
SUBARU CORPORATION

KPMG AZSA LLC  
Tokyo Office

Hidetoshi Fukuda (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Yumiko Hosoi (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Tetsuo Saeki (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

#### **Opinion**

We have audited the consolidated financial statements, which comprise the consolidated statements of financial position, the consolidated statements of income, the consolidated statement of changes in equity and the related notes of SUBARU CORPORATION ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at March 31, 2020 and for the year from April 1, 2019 to March 31, 2020 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, in accordance with the second sentence of Article 120-1 of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the second sentence of Article 120-1 of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with the second sentence of Article 120-1 of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with the second sentence of Article 120-1 of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**[Translation for Reference and Convenience Purposes Only]**

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act for the conveniences of the reader.

[Translation for Reference and Convenience Purposes Only]

## Accounting Audit Report on Non-consolidated Financial Statements

### Independent Auditor's Report

May 18, 2020

To the Board of Directors  
SUBARU CORPORATION

KPMG AZSA LLC  
Tokyo Office

Hidetoshi Fukuda (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Yumiko Hosoi (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Tetsuo Saeki (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

### **Opinion**

We have audited the financial statements, which comprise the balance sheet, the statements of income, the statements of changes in net assets and the related notes, and the supplementary schedules of SUBARU CORPORATION (“the Company”) as at March 31, 2020 and for the year from April 1, 2019 to March 31, 2020 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and Others* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Financial Statements and Others**

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements and Others**

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



**[Translation for Reference and Convenience Purposes Only]**

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Notes to the Reader of Independent Auditor's Report:**

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

## Board of Corporate Auditors' Report

### Audit Report

The Board of Corporate Auditors have prepared this Audit Report by analyzing the Audit Report prepared by the auditors concerning the performance of duties by the directors for the 89th fiscal period between April 1, 2019 and March 31, 2020, and report as follows.

#### **1. The Corporate Auditors, and the Methods and Contents of Audit by the Board of the Corporate Auditors**

- (1) The Board of the Corporate Auditors determined the audit policy and allocation of duties, received reports on the status and results of audits from each auditor, received reports on the status of performance of duties from directors, etc., and accounting auditors, and requested explanation where necessary.
- (2) In accordance with the standards for auditor's audit prescribed by the Board of the Corporate Auditors, each auditor attempted to communicate with the directors, internal control division and other employees, etc., following the audit policy and allocation of duties, etc., strove to gather information and establish audit environment, and performed the audit using the following methods.
  - (i) Participated in board of directors' meetings and other important meetings, received reports from the directors and employees, etc., on the status of performance of their duties, requesting explanations where necessary, inspected important approval documents, etc., and examined the status of the business and assets at the headquarters and major offices. With respect to subsidiaries, the Corporate Auditors sought communication and exchange of information with the directors and corporate auditors, etc., of the subsidiaries, and received reports on business from the subsidiaries where necessary.
  - (ii) With respect to the content of the board of directors' resolution concerning the establishment of the system prescribed in Article 100, Paragraphs 1 and 3 of the Enforcement Rule for the Company Act as necessary for securing the system to ensure that the performance of duties by the directors described in the Business report comply with the laws and articles of incorporation and appropriateness of the business of the corporate group comprising of the stock company and its subsidiaries, as well as the status of the system established based on the resolution of the board of directors' meeting (internal control system), the Corporate Auditors received periodic reports on the status of establishment and operation of such system, requested explanation and stated our opinions where necessary.
  - (iii) We monitored and reviewed that the accounting auditors maintained independence and performed appropriate audits and received reports from the accounting auditors on the status of performance of their duties, and requested explanation where necessary. We also received a notice from the Accounting Auditors that the "system to secure appropriate performance of duties" (matters listed in the Items of Article 131 of Company Calculation Rules) were established in accordance with the "Quality Control Standards for Audit" (October 28, 2005 Business Accounting Council), etc. and requested explanation where necessary.

Based on the above methods, we reviewed the Business Report and its supporting documents, Non-consolidated Financial Statements (Non-consolidated Balance Sheet, Non-consolidated Statements of Comprehensive Income, Non-consolidated Statement of Changes in Net Assets, and Notes to Non-consolidated Financial Statements) and their supporting documents as well as Consolidated Financial Statements (Consolidated Statement of Financial Position, Consolidated Statements of Comprehensive Income, Consolidated Statement of Changes in Equity, and Notes to Consolidated Financial Statements).

**[Translation for Reference and Convenience Purposes Only]**

**2. Audit Results**

- (1) Audit Result for the Business Report, etc.
  - (i) The business report and its supporting documents correctly represent the status of the Company in accordance with the laws and the Articles of Incorporation.
  - (ii) There were no unlawful acts or material facts in violation of laws or the Articles of Incorporation in relation to the performance of duties of the directors.
  - (iii) We acknowledge that the resolutions of the Board of Directors with respect to the internal control system are appropriate. We have found no matters to point out for the description of Business Report and the execution of duties by Directors with respect to the internal control systems.
- (2) Audit Results for the Non-consolidated Financial Statements and Supporting Documents  
The methods and results of the audit by the accounting auditors KPMG AZSA LLC were appropriate.
- (3) Audit Results for Consolidated Financial Statements  
The methods and results of the audit by the accounting auditors KPMG AZSA LLC were appropriate.

May 18, 2020

|  |                |        |
|--|----------------|--------|
| SUBARU CORPORATION Board of Corporate Auditors |                |        |
| Standing Corporate Auditor                     | Akira Mabuchi  | (seal) |
| Standing Corporate Auditor                     | Shuzo Haimoto  | (seal) |
| Outside Corporate Auditor                      | Shigeru Nosaka | (seal) |
| Outside Corporate Auditor                      | Kyoko Okada    | (seal) |

< Outlook for our business >

## Technologies that Make a Subaru a Subaru, and their Evolution

On January 20, 2020, the Company held “SUBARU Technology Briefing” to discuss the future direction of its technology development efforts. It was the first such technology-centered briefing in about four years. Interest in the direction of our technology remains high, and many members of the media community and analysts attended this event. This document summarizes what was discussed in the event.

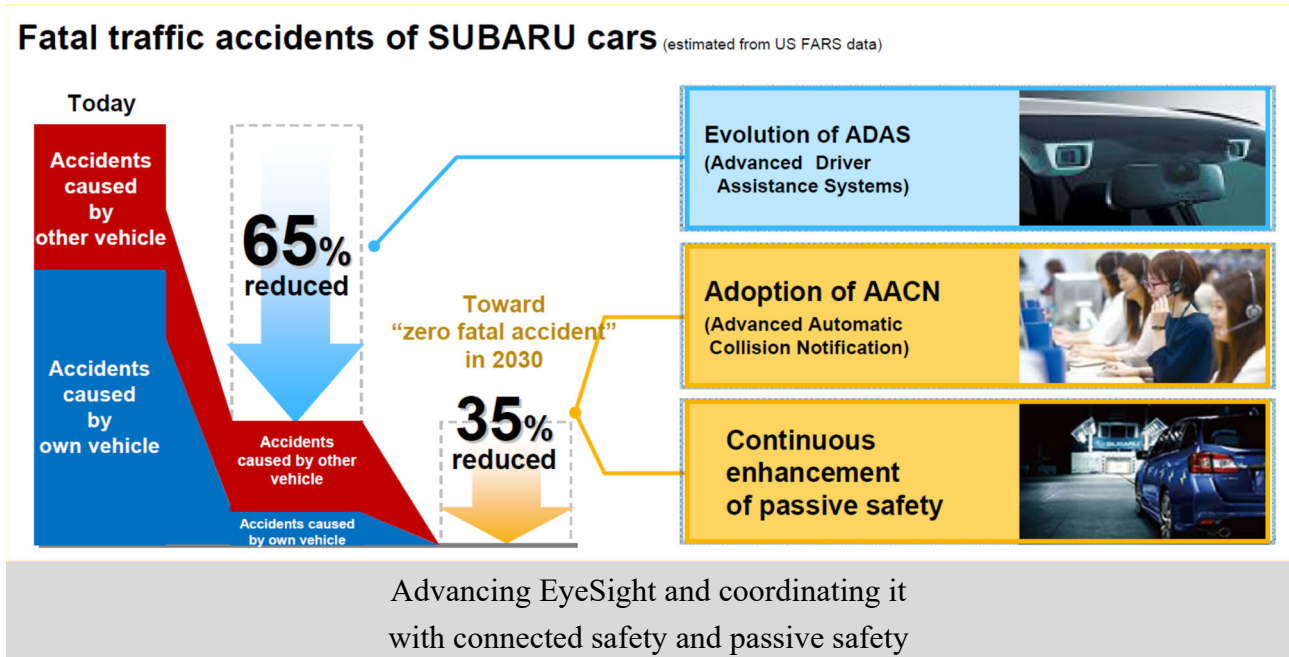
### 1. Enjoyment and Peace of Mind

Technology toward “zero fatal accidents\*” in 2030 and improved Subaru Global Platform

Subaru aims toward “zero fatal accidents\*” in 2030. In order to achieve this goal, it is important to further develop advanced driver-assistance systems, including the EyeSight and the Driver Monitoring System, introduce new technologies and services, including automatic accident reporting system, and take technologies that support intrinsic functions of cars, as represented by the Subaru Global Platform (SGP) and the all-wheel-drive (AWD) technology, to the next level. Fast and accurate vehicle response, straight-driving performance, vehicle stability during cornering and turning performance, which together comprise what we call “dynamic quality,” create values that allows the driver have fun driving and makes them want to continue driving. These qualities also has a significant impact on the car’s ability to avoid accidents. Even when the age of self-driving vehicles arrives, the importance of basic performance of elements, including platforms, will remain the same. We believe our effort to eliminate fatal traffic accidents will also realize fun of driving, and lead to everything that makes Subaru unique.

\*Fatal traffic accidents of Subaru drivers/passengers and pedestrians/cyclists Subaru cars collide with Corporate

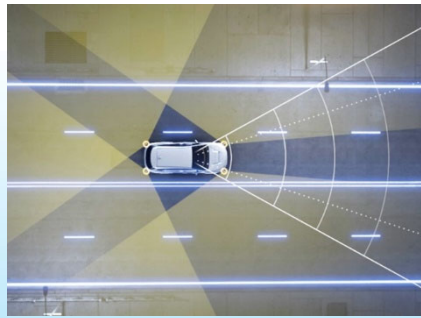
### A Scenario toward Zero Fatal Traffic Accidents





## SUBARU STARLINK

A connected car service introduced in the United States. We plan to introduce it in Japan. In Japan, we plan to introduce AACN, which automatically notify a call center of accidents that have happened to raise percentage of surviving accident victims.



## Next-generation EyeSight

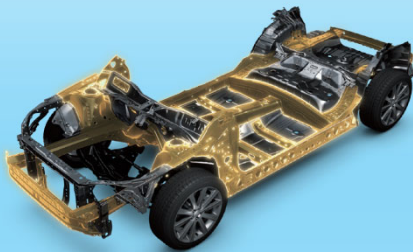
We aim to strengthen EyeSight's capacity to address a variety of accident situations by improving its identification/judgment and integrated control performance with a stereo camera as its core. We are evolving toward linkage with the connected-car service and introduction of auto-parking systems.



## Driver monitoring system

Monitors expressions and the direction of the face to detect driver sleepiness or lapse of attention and warns with an alert sound and display. We plan to consider further deepening its linkage with EyeSight.

# Develop “Enjoyment and Peace of Mind” through intelligent technologies; pursue what makes Subaru unique



## Subaru Global Platform

“Enjoyment and Peace of Mind” is supported by the Subaru Global Platform, our core technology. We will use intelligent technologies to develop this technology further.

### Reduce friction in steering system

Deformation in contacting parts between cogs in a steering system can lead to slow vehicle response.

- > We are working to optimize friction levels by examining how individual cogs contact each other.

### Stiffness analysis of Bolted sections

Rigidity of bolt joints can be affected by the shapes of not just bolts and nuts but also the surfaces that are fastened together.

- > We are seeking optimum structures by examining levels and directions of force that is applied.

### Body hysteresis analysis

Slight deformation occurs in joints between hundreds of parts that comprise a vehicle body.

- > We are introducing the technology to enhance continuity of joints using structural adhesives, etc. to minimize deformation.

## 2. Environmental Technologies

Prepare for age of environment by fusing three original technologies and hybrid technology

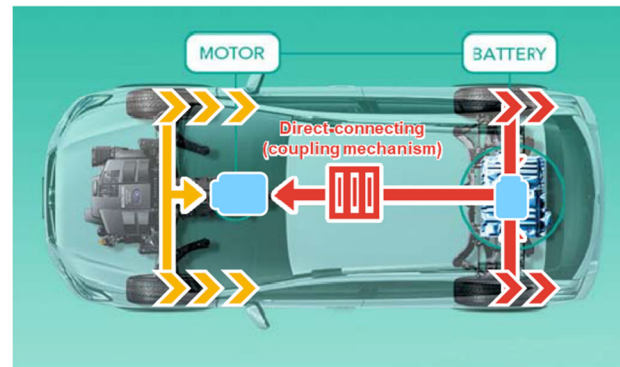
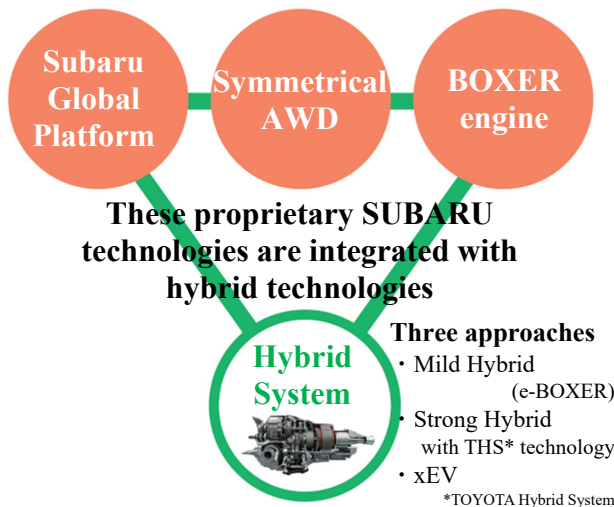
We will make products designed for the age of environment, while brushing up our AWD technology. In addition to the joint development project with Toyota Motor Corp. (hereafter “Toyota”) for battery electric vehicles announced in June 2019, we will develop hybrid vehicles unique to Subaru that achieve both driving enjoyment and high environmental performance by fusing our three core technologies of Symmetrical AWD, BOXER engine and SGP and the hybrid technology. In addition to the “e-Boxer” mild hybrid which is already marketed, we plan to introduce a strong hybrid that integrates THS\*. In the first half of the 2030s, all vehicles manufactured and sold by Subaru will have electric driving technology. Subaru will introduce climate change and global environment protection measures in all its business activities, including product development.



A picture shows a study model for the exterior design of a BEV being jointly developed with Toyota. The model is targeted for introduction by the middle of the 2020s.

\*TOYOTA Hybrid System

### SUBARU’s Hybrid System



Enhance environmental performance while offering driving enjoyment

Enhance safety, AWD performance, and dynamic quality besides reducing CO<sub>2</sub> emissions

< Subaru Technology Briefing >

View video of the briefing on our website:

<https://www.subaru.co.jp/en/ir/library/presentation.html?id=a-2020>