

Governance

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Corporate Governance

Our Approach

Subaru aims to realize its vision of shifting “From a company making things, to a company making people smile,” while being guided by its corporate philosophy and management philosophy, in order to achieve sustainable growth, improve its corporate value over the medium to long term, and gain the satisfaction and trust of all its stakeholders. As part of efforts toward this end, we are committed to enhancing corporate governance as one of the top priorities of corporate management.

At Subaru, functions for making management decisions and overseeing the management are clearly separated from those for executing business operations, with a view to facilitating faster decision making and more efficient management processes. To ensure proper decision making and oversight of the management as well as effective execution of business operations while enhancing compliance and risk management systems, outside officers are employed to serve as monitors and to provide necessary advice. We also implement proper and timely information disclosure in order to improve the transparency of management processes.

Subaru has created the Corporate Governance Guidelines with the objective of clarifying the basic concept, framework, and operating policy of its corporate governance.

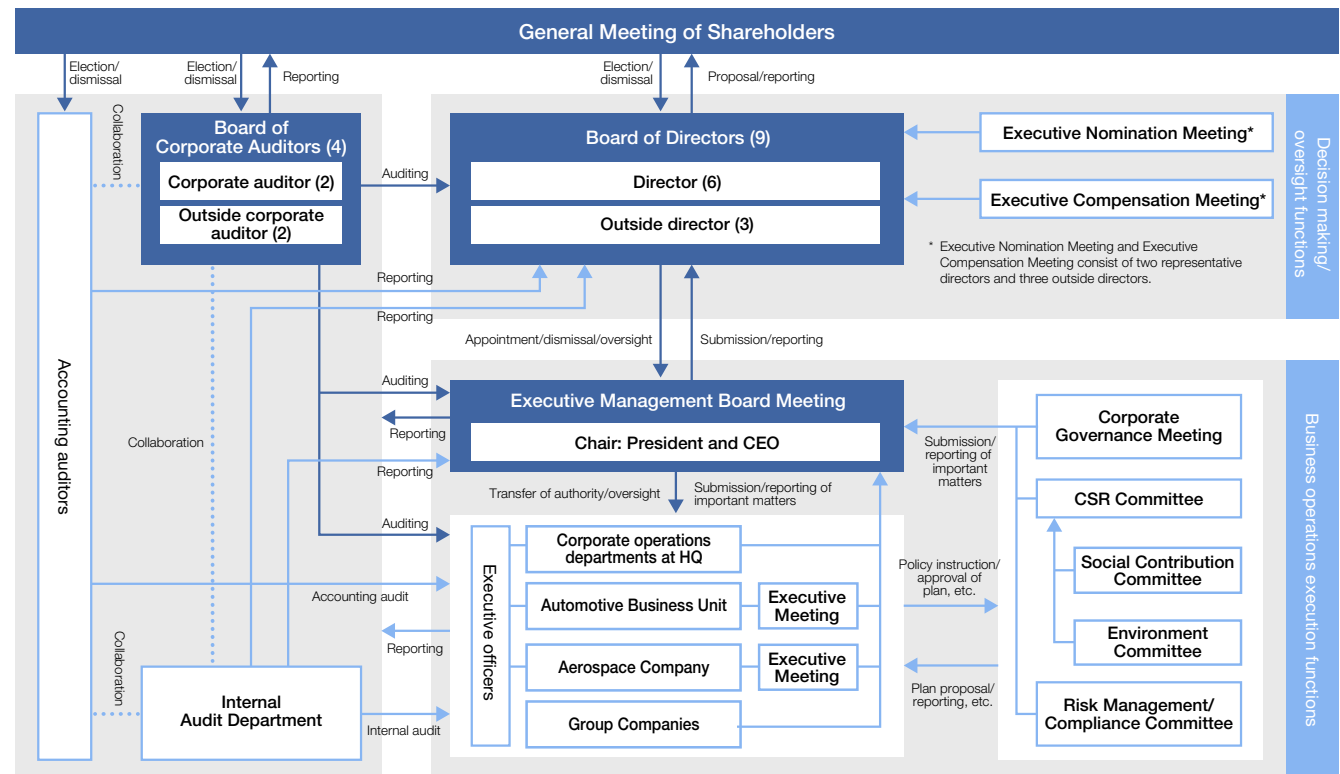
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Management System

As its corporate governance system, Subaru has chosen the form of company with board of company auditors, in which the Board of Directors and Board of Corporate Auditors perform decision making, oversight and audit of the execution

of important business operations. This structure enables us to achieve sounder, more efficient business operations through increased effectiveness of management monitoring by involving highly independent outside directors and outside corporate auditors. In addition, in order to enhance the practical governance structure based on the ongoing system design, we have established two voluntary meetings: the Executive Nomination Meeting and Executive Compensation Meeting.

Corporate Governance Structure



■ Board of Directors

The Board of Directors is committed to bringing to fruition Subaru's corporate philosophy, achieving effective corporate governance and sustainable growth, and enhancing its corporate value over the medium to long term. For this purpose, the body seeks to select individuals with a wealth of experience, high levels of skill and insight, and advanced expertise appropriate for Subaru's directors and auditors. The Board of Directors consist of a maximum of 15 members, from within and outside of the company, in accordance with the Articles of Incorporation. It is now composed of nine directors, including three outside directors, which was approved at the 89th Ordinary General Meeting of Shareholders held in June 2020.

■ Board of Corporate Auditors

Subaru's corporate auditors attend Board of Directors meetings and other important meetings, inspect business sites and subsidiaries, interview members of the audit department, and audit the execution of duties by the directors and others, based on the audit policy and audit plan established by the Board of Corporate Auditors. The body consists of a maximum of five members in accordance with the Articles of Incorporation. It is now composed of four corporate auditors, including two outside corporate auditors, which was approved at the 89th Ordinary General Meeting of Shareholders held in June 2020.

■ Executive Nomination Meeting

In order to ensure fairness and transparency in the process for selecting directors and corporate auditors, the Executive Nomination Meeting, whose members include independent outside directors, engages in due deliberation on candidates proposed by the Board of Directors. The Meeting then submits the approved nomination proposals for directors and corporate auditors, as well as approved proposals for appointment and removal of executive officers, including the chief executive officer (CEO), to the Board of Directors, which then discusses the proposals and decides on them by resolution. For nominating candidates for corporate auditors, the Meeting seeks to obtain approval from the Board of Corporate Auditors. It was resolved at the Board of Directors meeting held on March 3, 2020 that the

Executive Nomination Meeting would consist of two representative directors and three outside directors and be chaired by the President and Representative Director from April 1, 2020.

The Executive Nomination Meeting was convened four times in FYE2020, and submitted reports mainly on the executive structure and appointments, the division of duties of executives, and the appointment of representatives of major subsidiaries, in addition to discussing CEO succession plans.

■ Executive Compensation Meeting

In order to ensure objectivity and transparency in the process for determining executive compensation, the Executive Compensation Meeting, whose members include independent outside directors, decides on the compensation system and specific sums paid in compensation to executives after due deliberation, based on the authority delegated to the Meeting by the Board of Directors. Where matters concern the executive compensation system in general, such as its revision, the Board of Directors deliberates on proposals approved by the Executive Compensation Meeting and decides on them by resolution. It was resolved at the Board of Directors meeting held on March 3, 2020 that the Executive Nomination Meeting would consist of two representative directors and three outside directors and be chaired by the President and Representative Director from April 1, 2020.

The Executive Compensation Meeting was convened four times in FYE2020, and deliberated on compensation systems, while deciding on performance-based compensation for directors (excluding outside directors) and executive officers based on evaluations and the amount of monetary compensation claims in respect of restricted stock compensation for each individual recipient.

Participation of Directors

	FYE2016	FYE2017	FYE2018	FYE2019	FYE2020
Number of meetings	15	15	17	16	13
Attendance rate	96.3%	96.3%	99.0%	98.4%	100%

* In addition to the above-indicated number of meetings, there were three cases (one in FYE2019 and two in FYE2020) in which a resolution was deemed to have been passed at a Board of Directors meeting, as stipulated in Article 370 of the Companies Act and the Articles of Incorporation.

* Attendance rates for newly appointed directors are calculated for Board of Directors meetings held after their appointment.

The following is the membership list of the Board of Directors, Board of Corporate Auditors, Executive Nomination Meeting and Executive Compensation Meeting.

Board/Meeting Membership (As of June 24, 2020)

Title	Name	Board of Directors	Board of Corporate Auditors	Executive Nomination Meeting	Executive Compensation Meeting
Director	Yasuyuki Yoshinaga	◎			
Representative Director	Tomomi Nakamura	○		◎	◎
Representative Director	Kazuo Hosoya	○		○	○
Director	Toshiaki Okada	○			
Director	Yoichi Kato	○			
Director	Tetsuo Onuki	○			
Outside Director	Yasuyuki Abe	○		○	○
Outside Director	Natsunosuke Yago	○		○	○
Outside Director	Miwako Doi	○		○	○
Standing Corporate Auditor	Akira Mabuchi	○	◎		
Standing Corporate Auditor	Hiromi Tsutsumi	○	○		
Outside Corporate Auditor	Shigeru Nosaka	○	○		
Outside Corporate Auditor	Kyoko Okada	○	○		

◎: Chair; ○: Member

Business Operation System

■ Executive Management Board Meeting

The Executive Management Board Meeting is a preliminary consultation body tasked with deliberating on companywide management strategies and the execution of important operations to provide bases for discussion at Board of Directors meetings. The body is composed of the representative directors, directors who execute business, and executive vice presidents, and is chaired by the President and Representative Director, who is the CEO. Standing corporate auditors also attend the Meeting.

■ Executive Meeting

Subaru has adopted an executive officer system, and accordingly established the Executive Meeting to serve as the decision-making function for the operations of the Automotive Business. Additionally, an in-house company system has been introduced to the Aerospace business division in order to achieve clearer responsibilities and faster execution of its business operations. The body consists of the representative directors, directors and executive officers, and is chaired by the President and Representative Director, who is the CEO.

CEO Succession Plan

■ Approach

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

In order to hand over the business to the right person, the Board of Directors, as part of its essential duties, develops succession plans that can convince all stakeholder groups.

To ensure objectivity and transparency in the process for deciding on replacement and selection of the CEO, the Board of Directors appropriately supervises the preparation of proposals by the current

CEO through discussions at the Executive Nomination Meeting.

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

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

To ensure the objectivity of successor selection process and increase the effectiveness of its supervision by the Board of Directors and Executive Nomination Meeting, it is important to have effective selection criteria in place, particularly for usage by outside directors. Based on this view, Subaru has established two sets of criteria: "Abilities required of the Subaru Group's CEO" and "Five key qualities required of the Subaru Group's CEO." These criteria serve as a guide for evaluating candidates in light of quality, competency, experience, track record, specialized expertise, personality and other factors, which have been discussed and decided on by the Board of Directors and Executive Nomination Meeting.

Abilities required of the Subaru Group's CEO

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

Five key qualities required of the Subaru Group's CEO

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

Executive Training

■ Training Policy

Subaru provides its directors and corporate auditors on an ongoing basis with information and knowledge regarding its business activities that is necessary for them to fulfill their responsibilities to oversee and audit the management. The company gives similar opportunities to executive officers, for the purpose of developing human resources to lead its management in the future.

Subaru provides its outside officers on an ongoing basis with information relating to the company's management philosophy, corporate culture, business environment and other matters, mainly through arranging appropriate opportunities, such as operations briefings from business divisions and factory tours, as well as creating an environment for officers to share information and exchange opinions more easily. Expenses to be incurred for offering the above training to directors and corporate auditors, including outside officers, and executive officers are borne by the company.

■ Major Ongoing Programs

1. Training for directors/corporate auditors

- 1) Refresher courses focusing on information regarding the Companies Act and other laws and regulations related to corporate governance
- 2) Participation in seminars and programs hosted by government agencies, Japan Federation of Economic Organizations, Japan Association of Corporate Directors, Japan Audit & Supervisory Board Members Association, etc.

2. Training for outside directors/outside corporate auditors

The following programs are provided to outside Board members at the time of appointment and subsequently to keep them updated.

- 1) Briefings from responsible executive officers about the management philosophy, corporate culture, business environment, and the performance, situation and issues of each business division/department, and related discussions
- 2) Inspection tours at manufacturing/R&D/distribution sites
- 3) Discussions with directors and corporate auditors on management issues
- 4) Social gatherings with directors and corporate auditors
- 5) Participation in companywide business events, such as improvement activity debriefing sessions

3. Training for executive officers

- 1) Participation in external programs aimed at fostering the mindset required for executive management and motivating self-improvement actions
- 2) Lectures by invited experts in specified topics to share and increase literacy in the related field (legal affairs, compliance, IT, the SDGs, etc.)
- 3) All-hands strategy building camps
- 4) Recommendation and support for participation in appropriate external seminars and programs

4. Programs provided in FYE2020

- 1) Programs for outside directors/corporate auditors
 - Operations briefings offered by executive officers and related discussions
Three newly appointed outside directors/corporate auditors attended 18 sessions in total.
 - Inspection tours at manufacturing sites in Japan
Three newly appointed outside directors/corporate auditors visited three different locations (plants, offices).

- Inspection tours at group companies in Japan
Two outside corporate auditors visited five companies in total.
 - Inspection tours at manufacturing and distribution sites outside Japan
Two outside corporate auditors visited manufacturing and distribution sites in two countries.
 - Management discussions and social gatherings with directors and corporate auditors
The entire board membership (13 directors and corporate auditors) attended two semi-annual events.
 - External exhibitions
Outside directors and corporate auditors participated in external exhibitions.
- 2) Programs for all executives (directors/corporate auditors/executive officers)
 - External seminars
Each of the four newly appointed directors and executive officers in total participated in different three-day programs.
 - Classroom lectures by invited experts
Two sessions were held for all executives to discuss management issues. (ESG seminar, SDGs study meeting)
 - Individual lectures by invited experts
A total of three sessions were held for two directors to listen to specialists in specified topics, including about the Companies Act.
 - In-house presentations and exhibits
Held to present to all executives information about future technologies and quality solutions.
 - In-vehicle lessons offered to all executives, aimed to improve their driving skills, and teach them about new technologies (three sessions)

Directors of the Board

Directors, Auditors, and Executive Officers (as of June 24, 2020)

Directors of the Board



Yasuyuki Yoshinaga
Director, Chairman
Year of Birth: 1954 (male)

Apr 1977 Joined the Company
Oct 1999 General Manager of Sales Planning Department, Domestic Sales Division
Apr 2005 Vice President, Senior General Manager of Strategy Development Division and General Manager of Corporate Planning Department
Jun 2006 Vice President, Chief General Manager of Strategy Development Division
Apr 2007 Vice President, Chief General Manager of Subaru Japan Sales & Marketing Division and General Manager of Sales Promotion Department
Jun 2007 Senior Vice President, Chief General Manager of Subaru Japan Sales & Marketing Division
Jun 2009 Director, Executive Vice President, Chief General Manager of Subaru Japan Sales & Marketing Division
Jun 2011 Representative Director, President
Jun 2018 Director, Chairman (to the present)



Kazuo Hosoya
Representative Director,
Deputy President
Year of Birth: 1957 (male)

Apr 1982 Joined the Company
May 2006 General Manager of Corporate Planning Department
Jan 2009 Senior General Manager of Subaru Japan Sales & Marketing Division
Jun 2010 President, Tokyo Subaru Inc.
Apr 2012 Vice President, General Manager of Human Resources Department
Apr 2014 Senior Vice President, General Manager of Human Resources Department and Career Support Office, and President of Subaru Bloom Co. Ltd
Apr 2015 Senior Vice President, Chief General Manager of Subaru Japan Sales & Marketing Division
Apr 2016 Executive Vice President, Chief General Manager of Subaru Japan Sales & Marketing Division
Mar 2018 Retired as Executive Vice President
Apr 2018 President, Tokyo Subaru Inc.
Dec 2018 Retired as President of Tokyo Subaru Inc.
Jan 2019 Deputy President, Chief General Manager of Subaru Manufacturing Division and Gunma Plant
Jun 2019 Representative Director, Deputy President, Chief General Manager of Subaru Manufacturing Division and Gunma Plant
Apr 2020 Representative Director, Deputy President, Chief General Manager of Subaru Manufacturing Division (to the present)



Yoichi Kato
Director, Executive Vice
President
CRMO (Chief Risk
Management Officer)
Year of Birth: 1959 (male)

Apr 1983 Joined the Ministry of International Trade and Industry (MITI), Japanese government (present-day Ministry of Economy, Trade and Industry)
Jul 2010 Director-General, Chubu Bureau of Economy, Trade and Industry, Ministry of Economy, Trade and Industry
Aug 2011 Director-General, Business Environment Department, Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry
Sep 2012 Councillor, Cabinet Secretariat (National Strategy Office)
Dec 2012 Deputy Director-General for Policy Evaluation, Minister's Secretariat, Ministry of Economy, Trade and Industry
Jun 2013 Director-General for Regional Economic and Industrial Policy, Ministry of Economy, Trade and Industry
Oct 2014 Joined the Company as a Vice President
Apr 2015 Vice President, General Manager of External Relations Department
Apr 2016 Senior Vice President, General Manager of External Relations Department
Apr 2017 Senior Vice President, General Manager of External Relations Department, Chief General Manager of Corporate Administration Division
Jun 2017 Director, Senior Vice President, General Manager of External Relations Department, Chief General Manager of Corporate Administration Division
Apr 2018 Director, Executive Vice President, General Manager of Legal Department
Oct 2018 Director, Executive Vice President (to the present)



Tomomi Nakamura
Representative Director
of the Board, President
CEO (Chief Executive
Officer)
Year of Birth: 1959 (male)

Apr 1982 Joined the Company
Jun 2004 General Manager of Marketing Planning Department, Subaru Japan Sales & Marketing Division
Apr 2011 Vice President, Senior General Manager of Strategy Development Division and General Manager of Corporate Planning Department
Jun 2011 Vice President, Chief General Manager of Strategy Development Division and General Manager of Corporate Planning Department
Apr 2013 Vice President, Senior General Manager of Subaru Global Marketing Division, Subaru Overseas Sales & Marketing Division 1 and Overseas Sales & Marketing Division 2
Apr 2014 Senior Vice President, Chairman, Subaru of America, Inc., and Chief General Manager of Subaru Overseas Sales & Marketing Division 1
Apr 2016 Executive Vice President, Chairman, Subaru of America, Inc., and Chief General Manager of Subaru Overseas Sales & Marketing Division 1
Apr 2018 Executive Vice President
Jun 2018 Representative Director, President and Chief Executive Officer (CEO) (to the present)



Toshiaki Okada
Director, Executive Vice
President
CFO (Chief Financial
Officer)
Year of Birth: 1960 (male)

Apr 1984 Joined the Company
Oct 2004 General Manager of Sales Planning Department and Manager of 1st Sales Promotion Section, Subaru Marketing Division
Apr 2013 Vice President, General Manager of Corporate Planning Department
Apr 2015 Senior Vice President, General Manager of Corporate Planning Department
Apr 2017 Executive Vice President
Jun 2017 Director and Executive Vice President (to the present)



Tetsuo Onuki
Director, Executive Vice
President
Year of Birth: 1960 (male)

Apr 1984 Joined the Company
Apr 2006 General Manager of Design Department, Subaru Product & Portfolio Planning Division
Sep 2008 General Manager of Body Design Department, Subaru Engineering Division
Apr 2014 Vice President, Senior General Manager of Subaru Engineering Division and General Manager of Body Design Department, Subaru Engineering Division
Apr 2016 Senior Vice President, Chief General Manager of Subaru Engineering Division 1, Chief General Manager of Subaru Technical Research Center
Apr 2018 Executive Vice President, Chief General Manager of Engineering Management Division and Engineering Division 1
Jun 2018 Director, Executive Vice President, Chief General Manager of Engineering Management Division
Apr 2019 Director, Executive Vice President
Apr 2020 Director, Executive Vice President, Chief General Manager of Purchasing Division (to the present)



Yasuyuki Abe
Director

Year of Birth: 1952 (male)

- Apr 1977 Joined Sumitomo Corporation
- Jun 2002 President & Representative Director of Sumisho Electronics Co., Ltd. (present-day SCSK Corporation)
- Apr 2005 President & Representative Director of Sumisho Computer Systems Corporation (present-day SCSK Corporation)
- Jun 2009 Representative Director, Managing Executive Officer, General Manager of Financial & Logistics Business Unit, Sumitomo Corporation
- Apr 2010 Representative Director, Managing Executive Officer, General Manager of New Industry Development & Cross-function Business Unit, Sumitomo Corporation
- Apr 2011 Representative Director, Senior Executive Operating Officer, General Manager, of New Industry Development & Cross-function Business Unit and Finance Department, Sumitomo Corporation
- Apr 2013 Representative Director, Senior Executive Operating Officer, General Manager of Corporate Planning and Coordination Department, Sumitomo Corporation
- Jun 2015 Advisor at Sumitomo Corporation
- Jun 2016 Outside Corporate Auditor at Subaru
- Jun 2018 Retired from position as an advisor at Sumitomo Corporation
- Jun 2019 Retired from position as Outside Corporate Auditor
- Jun 2019 Director at Subaru (to the present)



Miwako Doi
Director

Year of Birth: 1954 (female)

- Apr 1979 Joined the Integrated Research Institute (present-day Corporate Research & Development Center), Tokyo Shibaura Electric Corporation (present-day Toshiba Corporation)
- Jul 2005 Senior Fellow, Human Centric Laboratory, Corporate Research & Development Center
- Jul 2006 Senior Fellow, Corporate Research & Development Center
- Jul 2008 Chief Fellow, Corporate Research & Development Center
- Jun 2014 Retired from Toshiba Corporation
- Jun 2020 Director at Subaru (to the present)



Shigeru Nosaka
Corporate Auditor

Year of Birth: 1953 (male)

- Apr 1976 Joined Marubeni Corporation
- Dec 1989 Joined Apple Computer Japan
- Mar 1996 Joined Allergan plc
- Nov 1996 Joined Japan Communications Inc., Senior Executive Officer and CFO
- Apr 2002 Joined Oracle Corporation Japan, Vice President under direct control of CEO, Financial Affairs
- Aug 2002 Director, Senior Executive Officer and CFO
- Jun 2004 Director, Executive Vice President, CFO, Finance/Infrastructure Development/Application IT, Director of Finance
- Nov 2005 Retired from Oracle
- Oct 2007 Executive Vice President, CFO, Finance, IT and General Affairs, Director of Finance
- Aug 2008 Director, Senior Corporate Executive Officer, CFO, Finance, Facility, IT, Internal Audit
- Jun 2011 Director, Executive Officer Deputy President, CFO
- Aug 2018 Director, Deputy Chairman
- Jun 2019 Corporate Auditor at Subaru (to the present)
- Aug 2019 Retired from position as Deputy Chairman at Oracle Corporation Japan



Natsunosuke Yago
Director

Year of Birth: 1951 (male)

- Apr 1977 Joined Ebara Corporation
- Jun 2002 Executive Officer, Ebara Corporation
- 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.
- Jun 2004 Director, Ebara Corporation
- Apr 2005 Director, Ebara Corporation, Chairman, Ebara-Densan Taiwan Manufacturing Co., Ltd.
- Jun 2005 Director, President of Precision Machinery Company and Director of Fujisawa Plant
- Apr 2006 Director, Managing Executive Officer; President of Precision Machinery Company
- Apr 2007 President and Representative Director, Ebara Corporation
- May 2007 President and Representative Director and General Manager of Internal Control Promotion Division, Ebara Corporation
- Jul 2009 President and Representative Director; General Manager of Internal Control Division
- Apr 2013 Chairman, Ebara Corporation
- Mar 2019 Retired from position as Chairman, Ebara Corporation
- Jun 2019 Director at Subaru (to the present)

Corporate Auditors



Akira Mabuchi
Standing Corporate Auditor

Year of Birth: 1953 (male)

- Apr 1979 Joined the Company
- Jul 2000 General Manager of Chassis Design Department, Subaru Engineering Division
- Apr 2005 Vice President, Senior General Manager of Subaru Engineering Division and General Manager of Engineering Administration Department
- Jun 2007 Senior Vice President, Chief General Manager of Subaru Engineering Division
- Apr 2009 Senior Vice President, Chief General Manager of Strategy Development Division
- Jun 2010 Director, Executive Vice President, Chief General Manager of Strategy Development Division
- Jun 2011 Director, Executive Vice President
- Oct 2011 Director, Executive Vice President, General Manager of China Project Office
- Apr 2015 Director, Executive Vice President
- Jun 2015 Standing Corporate Auditor (to the present)



Hiromi Tsutsumi
Standing Corporate Auditor

Year of Birth: 1957 (female)

- Apr 1980 Joined the Company
- Jun 2002 General Manager of Corporate Communications Department
- Jun 2006 General Manager of Subaru Product Planning Department, Product Planning Division
- Apr 2013 Vice President, General Manager of Subaru Customer Center
- Jun 2015 Vice President, General Manager of Human Resources Department and President of Subaru Bloom Co., Ltd.
- Apr 2017 Senior Vice President, General Manager of Human Resources Department
- Apr 2020 Senior Vice President
- Jun 2020 Standing corporate auditor (to the present)



Kyoko Okada
Corporate Auditor

Year of Birth: 1959 (female)

- Apr 1982 Joined Shiseido Co., Ltd.
- Sep 2004 CSR Department
- Apr 2006 Corporate Culture Department
- Oct 2011 General Manager of Corporate Culture Department
- Oct 2012 General Manager of Corporate Culture Department and project leader for compilation of the 150-year history
- Apr 2015 General Manager of Executive Section, General Affairs Department
- Jun 2015 Audit & Supervisory Board Member (standing)
- Mar 2019 Retired from position as standing corporate auditor
- Jun 2019 Corporate Auditor at Subaru (to the present)

Executive Officers

Chairman	Yasuyuki Yoshinaga	
President	Tomomi Nakamura	CEO (Chief Executive Officer)
Deputy President	Kazuo Hosoya	Chief General Manager of Manufacturing Div.
Executive Vice President	Toshiaki Okada	CFO (Chief Financial Officer)
Executive Vice President	Yoichi Kato	CRMO (Chief Risk Management Officer)
Executive Vice President	Katsuyuki Mizuma	Chief General Manager of Overseas Sales & Marketing Div. 2
Executive Vice President	Tetsuo Onuki	Chief General Manager of Purchasing Div.
Executive Vice President	Atsushi Osaki	CQO (Chief Quality Officer), Chief General Manager of Quality Assurance Div. and General Manager of Quality Assurance Management Office
Executive Vice President	Fumiaki Hayata	Chief General Manager of Overseas Sales & Marketing Div. 1, Chairman of Subaru Indiana Automotive, Inc.
Senior Vice President	Shoichiro Tozuka	Company President of Aerospace Company
Senior Vice President	Takuji Dai	CIO (Chief Information Officer), Chief General Manager of IT Strategy and Senior General Manager of Corporate Planning Div.
Senior Vice President	Tatsuro Kobayashi	General Manager of Human Resources Dept.
Senior Vice President	Eiji Ogino	Senior General Manager of Manufacturing Div., Chief General Manager of Gunma Plant
Senior Vice President.	Jinya Shoji	Senior General Manager of Overseas Sales & Marketing Div. 1, Executive Vice President of Subaru of America (SOA), Inc.
Senior Vice President	Yoichi Sato	Chief General Manager of Japan Sales & Marketing Div.
Vice President	Yasushi Nagae	General Manager of Investor Relations Dept. and General Administration Dept.
Vice President	Takeshi Seiyama	Chief General Manager of Parts & Accessories Div.
Vice President	Osamu Eriguchi	Chief General Manager of Engineering Div. 2, Senior General Manager of Engineering Management Div.
Vice President	Tomoaki Emori	Chief General Manager of Corporate Planning Div.
Vice President	Tatsuya Okuno	Chief General Manager of Engineering Div. 1, Senior General Manager of Engineering Management Div.
Vice President	Tamotsu Inui	Chief General Manager of Cost Planning & Management Div., Senior General Manager of Corporate Planning Div.
Vice President	Tetsuo Fujinuki	CTO (Chief Technology Officer), Chief General Manager of Engineering Management Div. and Technical Research Center
Vice President	Hiroshi Wakai	Company Vice President of Aerospace Company, Senior General Manager of Engineering & Development Center
Vice President	Kazuhiro Abe	Chief General Manager of Product & Portfolio Planning Div.
Vice President	Hiroshi Watahiki	Senior General Manager of Engineering Management Div.
Vice President	Tadashi Yoshida	Chief General Manager of Customer Service Div.
Vice President	Ryota Fukumizu	President of Subaru Indiana Automotive (SIA), Inc.

Reasons for Appointing the Outside Officers and Major Activities (as of June 2020)

Independent Officer Status ¹	Reasons for Appointing the Outside Officers and Major Activities	Meeting Attendance (FYE2020)		Significant Concurrent Positions ²
		Board of Directors	Board of Corporate Auditors	
Outside Directors				
Yasuyuki Abe	○ As representative director and senior managing executive officer of Sumitomo Corporation, Mr. Yasuyuki Abe has been involved in management in both a supervisory and executional capacity, possesses extensive experience and knowledge in business management, and has an advanced understanding of the IT field. Mr. Abe has served three years as an independent outside corporate auditor for the Company since June 2016. During his tenure, he has supervised the execution of duties conducted by directors, as well as understood the true nature of the problems facing the Company and offered his frank opinions to senior management in a timely and appropriate manner. In June 2019, Mr. Abe was appointed to the position of independent outside director and has been providing beneficial advice to the Company's management. In light of this, the Company has once again appointed Mr. Abe with the expectation that he will provide sufficient advice and oversight of all aspects of the Company's management from an independent perspective when he assumes office as an outside director of the Company.	Attended 10 of 10 meetings	Attended 2 of 2 meetings	Director (External), JVC KENWOOD Corporation Advisor, ORANGE AND PARTNERS CO., LTD.
Natsunosuke Yago	○ Mr. Natsunosuke Yago served successively as president and representative executive officer and chairman at Ebara Corporation, and has extensive experience and knowledge in business management. Mr. Yago is especially knowledgeable in the areas of internal control and governance. In June 2019, the Company has appointed him to the position of independent outside director. Given that he has been providing beneficial advice to the Company's management based on his rich experience and wide range of knowledge, and high level of insight into the Company's social responsibilities, we appointed Mr. Yago once again with the expectation that he will provide sufficient advice and oversight of all aspects of the Company's management from an independent perspective when he assumes office as an outside director of the Company.	Attended 10 of 10 meetings	—	President, Ebara Hatakeyama Memorial Foundation Outside director, J. FRONT RETAILING Co., Ltd.
Miwako Doi	○ As a researcher and supervisor in the field of information technology at Toshiba Corporation, Ms. Miwako Doi has accumulated vast experience and made many achievements in this field over many years. In addition, she has held successive positions, mainly in government committees, owing to her high level of expertise and extensive experience and knowledge. In June 2020, we appointed Ms. Doi to the position of outside director with the expectation that she will provide sufficient advice and oversight of all aspects of the Company's management from an independent perspective when she assumes office, given her experience and a high level of insight as an expert cultivated from her vast experience.	—	—	Auditor, National Institute of Information and Communications Technology (NICT) Executive Director, Nara Institute of Science and Technology Executive Vice President, Tohoku University Outside Director, Isetan Mitsukoshi Holdings Ltd. Outside Director, NGK Spark Plug Co., Ltd.
Outside Corporate Auditors				
Shigeru Nosaka	○ Mr. Shigeru Nosaka has been involved in management in both a supervisory and executional capacity as a director, executive deputy president and deputy chairman and CFO at Oracle Corporation Japan and possesses extensive experience and knowledge in business management. In June 2019, Mr. Nosaka was appointed to the position of independent outside corporate auditor and has been providing beneficial advice to the Company's management based on his wide range of insights into finance and accounting in corporate activities. In light of this, the Company has once again appointed Mr. Nosaka with the expectation that he will appropriately perform the duties when he assumes office as of an outside corporate auditor of the Company.	Attended 10 of 10 meetings	Attended 10 of 10 meetings	
Kyoko Okada	○ Ms. Kyoko Okada has accumulated extensive experience and knowledge in areas such as CSR and corporate culture at Shiseido Co., Ltd. and has a career in management auditing as a corporate auditor at Shiseido. In June 2019, Ms. Okada was appointed to the position of independent outside corporate auditor and has been providing beneficial advice to the Company's management based on her wide range of insights into CSR and corporate culture in corporate activities. In light of this, the Company has once again appointed Ms. Okada with the expectation that she will appropriately perform the duties when she assumes office as an outside corporate auditor of the Company.	Attended 10 of 10 meetings	Attended 10 of 10 meetings	Japan Cancer Society, Director Outside Audit & Supervisory Board Member, NS Solutions Corporation Outside Audit & Supervisory Board Member, Daio Paper Corporation

Note:

In addition to the number of times Board of Director meetings were held as stated in the table above, there were two written resolutions that were deemed to be Board of Director resolutions in accordance with Article 370 of the Companies Act and the Articles of Incorporation of the Company.

In October 2017, during Mr. Yasuyuki Abe's tenure as an outside auditor, inappropriate actions related to a spot check and other final inspections for fuel consumption and exhaust gas were identified. Mr. Abe had no beforehand knowledge of said facts. On a daily basis, he has been providing advice on legal compliance and internal control based on insights from his ample experience. After this matter was identified, he adequately received reports on measures to determine the cause of these inappropriate actions and to prevent their recurrence and also provided various suggestions, thereby fulfilling his responsibilities.

In September 2016, during Mr. Natsunosuke Yago's tenure as a director at Ebara Corporation, it was discovered that construction methods used at properties were not in compliance with the Building Standards Law. This was mainly at Ebara's affiliates. This issue was discovered when construction was carried out to replace existing drainage pipes for an apartment complex. Mr. Yago had no beforehand knowledge of said facts. On a daily basis, he has been providing advice on legal compliance and internal control based on insights from his ample experience. After this matter was identified, he adequately received reports on measures to determine the cause of these inappropriate actions and to prevent their recurrence and also provided various suggestions. In addition, he also fulfilled his responsibilities in part by implementing improvement measures in response to guidance provided by the Ministry of Land, Infrastructure and Transport and the designated administrative agency.

On June 17, 2019, Ms. Miwako Doi was appointed to the position of outside director at Isetan Mitsukoshi Holdings Ltd. MICARD Co. LTD., a subsidiary of Isetan Mitsukoshi Holdings, was issued an order for action by the Consumer Affairs Agency on July 8, 2019. The administrative order was issued due to misleading representation of services related to the MICARD+ GOLD card in accordance with Article 5-1 and 5-2 of the Act against Unjustifiable Premiums and Misleading Representations. An order for payment of a surcharge was issued on March 24, 2020. Ms. Doi had no beforehand knowledge of said facts. After this matter was identified, Ms. Doi has been fulfilling her responsibilities in part by pouring energies into the establishment of measures through deliberation by its Board of Directors to prevent recurrence of such incidents in the Isetan Mitsukoshi Holdings Group, which includes MICARD and its subsidiaries, and to make these facts common knowledge among all employees and to strengthen employee training.

¹ Outside directors and outside auditors with no risk of a conflict of interest with general shareholders as stipulated by the stock exchange. ² Current as of June 30, 2020

[Refer to the SUBARU corporate website corporate governance page for the Corporate Governance Guidelines \(attached materials: Criteria for Independence of Outside Officers\)](#)

Executive Compensation

Policy for Determining the Amount of Compensation for Subaru Executives or the Calculation Method

Compensation of directors is determined based on the following:

- An appropriate, fair, and well-balanced level commensurate with the director's roles and responsibilities.
- A system that takes into account the need to secure outstanding personnel and motivate them to achieve sustained improvements in corporate performance and corporate value.

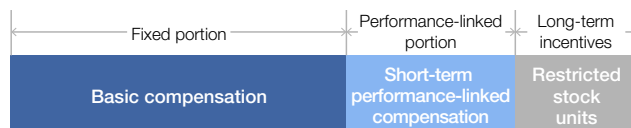
Specific compensation consists of the following items. Note that standards for each item are set according to responsibilities and are differentiated between internal and external status by using survey data from external expert institutions.

Policy for Determining the Amount of Compensation for Subaru Executives or the Calculation Method

(1) Basic compensation	Fixed portion amount based on position held and taking into consideration the business environment, etc.
(2) Short-term performance-linked compensation	Performance-linked portion based on the consolidated ordinary income of FYE2020*, with the adjustment using a matrix of return on equity (ROE) and equity ratio improvement, which are management indicators consistent with the company's capital policy, and taking into account human resource development and the business environment.
(3) Restricted stock compensation	Compensation for granting shares with transfer restriction to provide long-term incentive for sustained improvement of corporate value and to further enhance value sharing with shareholders.

* As the Group has voluntarily adopted the International Financial Reporting Standards (IFRS) from FYE2020, the consolidated ordinary income is reclassified under the Japanese GAAP.

Compensation System for Directors (excluding outside directors)



Total compensation for directors was resolved to be no more than 1.2 billion yen per year (of which, compensation for outside directors was to be no more than 200 million yen per year) at the 85th Ordinary General Meeting of Shareholders held in June 2016. Within that sum, total monetary compensation associated with long-term incentives is capped at 200 million yen per year.

In determining the compensation paid to directors, the Executive Compensation Meeting decides on the compensation system and specific sums paid in compensation to executives after ample deliberation by the Meeting members, including the independent outside directors, based on the authority delegated to the Meeting by the Board of Directors. Where matters concern the executive compensation system in general, such as its revision, the Board of Directors deliberates on proposals approved by the Executive Compensation Meeting and decides on them by resolution.

In STEP, the mid-term management vision published in July 10, 2018, Subaru set out a profit plan for operating income of 950 billion yen over the three years from FYE2019 to FYE2021. Under this plan, Subaru will ensure an equity ratio of 50% or higher and ROE of 10%, while aiming for 15% or higher. Under the authority delegated to it by the Board of Directors, the Executive Compensation Meeting determined the sums to be paid in short-term performance-linked compensation to each director in line with these targets and based on the consolidated ordinary income of FYE2020*, with the adjustment using a matrix of return on equity (ROE) and equity ratio improvement, and taking into account human resource development and the business environment.

* As the Group has voluntarily adopted the International Financial Reporting Standards (IFRS) from FYE2020, the consolidated ordinary income is reclassified under the Japanese GAAP.

Total compensation for auditors was resolved to be no more than 100 million yen per year at the 75th Ordinary General Meeting of Shareholders held in June 2006. Within this amount, the basic compensation to be paid is determined based on the rank with consideration to business environment, etc.

Policies for Cross-shareholding

Subaru scrutinizes each of its major listed shares held as cross-shareholding at annual meetings of the Board of Directors, examining the purpose of the shareholdings and whether their benefits are commensurate with the capital cost, and will continue to hold those deemed to contribute to the company's medium- to long-term management and business strategies.

Subaru has steadily reduced its major listed shares held as cross-shareholding since the Corporate Governance Code entered into force in FYE2016. As a result, Subaru's major listed shares held as of March 31 each year for policy purposes fell as indicated below, and as a result, the number of the shares held was four as of March 31, 2020.

Subaru's Shareholdings for Purposes Other Than Investment Alone: Number of Securities and Total Value as Recorded in the Balance Sheet

		85th Term FYE2016	86th Term FYE2017	87th Term FYE2018	88th Term FYE2019	89th Term FYE2020
Number of Issues (Securities)	Listed	32	30	18	10	4
	Unlisted	31	32	31	31	32
	Total	63	62	49	41	36
Value Listed on Balance Sheet (million yen)	Listed	28,238	12,795	8,836	3,138	1,922
	Unlisted	526	544	535	535	581
	Total	28,764	13,339	9,371	3,673	2,503

Preventing Conflicts of Interest

The approval of the Board of Directors is obtained in advance where a transaction poses the risk of a conflict of interest. A report on the positions that each director has held concurrently over the past financial year is provided once a year at the April meeting of the Board of Directors (A report to confirm that there have been no improper transactions or positions held concurrently that would hinder the performance of their duties).

Effectiveness Evaluation of the Board of Directors

Subaru has created and published the Corporate Governance Guidelines with the objective of informing all stakeholders about the basic concept, framework, and operating policy of our corporate governance, in order to ensure the sustainable growth of the Subaru Group and enhance its medium- to long-term corporate value.

In accordance with the Guidelines, the Board of Directors analyzes and evaluates the effectiveness of the Board and examines and implements improvement measures to tackle the issues identified.

In FYE2020, as well as conducting fixed-point observation based on the FYE2019 evaluation, the Board of Directors undertook analysis and evaluation focused primarily on checks of initiatives to tackle issues identified in the FYE2019 evaluation. The results are reported below.

Overview of Evaluation

Timing of implementation: February 2020

Respondents: All directors and all corporate auditors (13, including outside directors)

Method: Self-evaluation using a questionnaire drawn up by a third-party body

- (1) The third-party body conducts an anonymous self-evaluation questionnaire among all directors and all corporate auditors.
- (2) The third-party body collates and analyzes results.
- (3) The Board of Directors reviews and discusses the report received from the third-party body.

Focus of Questions

- 1) Operational structure of the Board of Directors
- 2) Supervisory functions of the Board of Directors
- 3) Dialogue with shareholders

4) Initiatives to tackle issues identified in the FYE2019 evaluation

As well as the self-evaluation section in which each person rates themselves on a four-rank scale, the questionnaire has a free-response section in which respondents can describe their views on the areas in which Subaru's Board of Directors is achieving excellence and areas where it needs to increase its effectiveness.

Results of Evaluation

Subaru has received the following report on the results from the third-party body commissioned to conduct the evaluation.

- As with the evaluations conducted through to FYE2019, with respect to the operation of the Board of Directors, the evaluation found that healthy, frank discussion from a company-wide perspective took place at meetings of the Board of Directors.
- The areas identified as strengths in the previous year's evaluation ("Leadership by the Chair," "Discussion of cross-shareholdings for policy purposes," and "Size of the Board of Directors") continued to be rated highly, confirming that the strengths of Subaru's Board of Directors have been sustained.
- In particular, there were improvements in the following areas: Operation of the Board of Directors, Support system for the Board of Directors, and Supervisory functions of the Board of Directors and Risk management system of the Board of Directors.
- On the other hand, as in the previous year, the need to further enhance the discussion on medium- to long-term management strategies was confirmed. The evaluation also showed that there was a strong awareness of issues in such areas as information security system and sustainability, so further improvements and functional enhancements are expected in these areas.
- Regarding this evaluation, five of the 13 officers were new to the Board. It has been noted that simple comparisons to the previous year's evaluation should be made with caution, as the evaluation criteria may differ for each officer.

Issues Recognized in the FYE2019 Evaluation

In FYE2020, directors and corporate auditors tackled the following issues recognized in the FYE2019 evaluation.

(1) Strengthening the system for identifying and managing risk

We have strengthened our risk identification and management system by establishing the position of Chief Risk Management Officer (CRMO) to oversee the Risk Management Group and by providing more opportunities for discussion at Board of Directors meetings than before.

(2) Enhancing discussions on medium- to long-term management strategies

We strove to invigorate discussions on medium- to long-term management strategies by providing more opportunities for reporting and discussion at Board of Directors meetings, including sharing and discussing the progress of our medium-term management vision.

(3) Succession planning and development policies

The Executive Nomination Meeting and the Board of Directors held discussions on the CEO succession plan, and resolved on the CEO succession plan and the ideal image of the Subaru Group's CEO, which will be implemented through ongoing discussions.

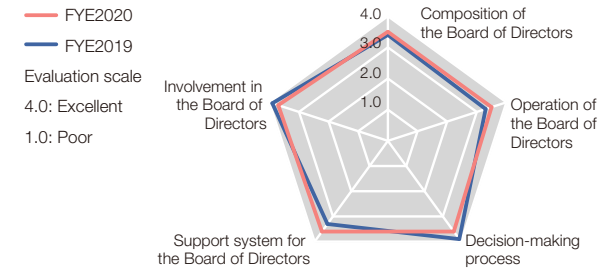
Future Initiatives

After receiving the evaluation report from the third-party body, the Board of Directors examines and discusses the CEO's succession plan and the members of the Board of Directors, Executive Nomination Meeting and Executive Compensation Meeting for implementing relevant measures.

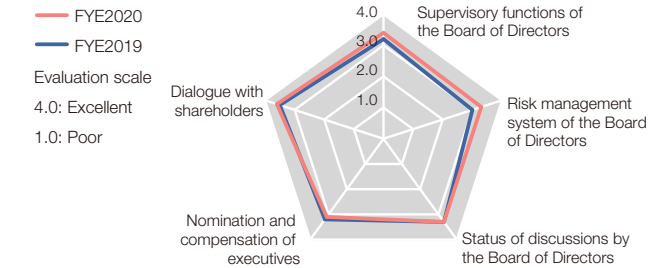
Furthermore, the Board of Directors continues to deepen discussions on medium- to long-term management strategies and has begun active discussions on information security systems and sustainability, with the aim of enhancing corporate value and achieving sustainable growth in the medium to long term. We will continue to strive to maintain and improve the effectiveness of the Board of Directors.

Results of the Questionnaire

Operational Structure of the Board of Directors



Supervisory Function of the Board of Directors and Dialogue with Shareholders



Questionnaire Items

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

Internal Control

Management System

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

Internal Control System

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

Auditing

Auditing by Corporate Auditors

Subaru has put in place a system that enables corporate auditors to gather information as required from directors and employees in the event of risk causing significant harm to the company, or a serious breach of laws, regulations or the Articles of Incorporation, or any other critical compliance issue. Under this system, Subaru employees are deployed to assist the corporate auditors in their duties, to enable the corporate auditors to execute their duties smoothly.

In addition, Subaru's corporate auditors attend important meetings, including meetings of the Board of Directors, the Executive Management Board Meeting, the CSR Committee, and the Risk Management & Compliance Committee, at which they give their opinions as needed, thereby ensuring the effectiveness of the audit process. The corporate auditors also perform the following:

- Check the state of the development and operation of internal control systems by holding regular meetings with the directors and executive officers, and making site visits to major business establishments and affiliated companies.
- Receive monthly reports from the Risk Management & Compliance Office, the Internal Audit Department, and the Legal Department, as well as receiving reports as needed from departments in charge of managing subsidiaries concerning the state of those subsidiaries.
- Hold meetings with the corporate auditors of major group subsidiaries.
- Meet the accounting auditors quarterly to exchange information and opinions, thereby facilitating their efforts to work together, and hold discussions concerning the appointment of accounting auditors.

Internal Auditing

Subaru has established the Internal Audit Department (13 members) that reports directly to the President as an internal auditing organization and conducts internal audits of business execution at Subaru and its group companies in and outside Japan from an independent and objective standpoint. At the beginning of the fiscal year, the Internal Audit Department prepares an internal audit plan for the fiscal year that takes into consideration the risks and internal control status of the Group as a whole and systematically implements the plan. The Department prepares and distributes to the directors, corporate auditors, and concerned parties audit reports on the results of internal audits. It also reports the results semi-annually at a Board of Directors meeting and quarterly at the joint meeting.

Subaru's Internal Audit Department and corporate auditors achieve closer collaboration and strengthen their auditing functions by holding dialogues on the status of internal control activities, in addition to the Department's monthly reports on the results of audits to the corporate auditors. The Internal Audit Department and corporate auditors also endeavor to strengthen auditing functions by quarterly information sharing with accounting auditors. In addition, the Internal Audit Department periodically undergoes an evaluation by external experts to confirm that the audit operations are being performed appropriately.

Internal Control System Related to Financial Reporting

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

The President & Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) evaluated the status of the development of the internal control system related to financial reporting as of March 31, 2020 and affirmed that it has been established properly and functions effectively, and issued an internal control report audited by the accounting auditors to that effect.

Group Governance (Affiliated Companies in Japan)

Affiliated companies will play an ever-greater role in enabling the Subaru Group to survive the automobile industry's epochal transformation once in a hundred years, including electrification and driving automation. Subaru now faces the pressing issue of enhancing the governance of the Group as a whole.

Group Companies

In the Subaru Group, Subaru's Business Administration Department administers the businesses of group companies, while its Group Company Management Department supports the management of the group companies. In order to strengthen group governance and enhance the overall strength of the Group, the Subaru Group is promoting the "three-in-one activities," in which each of the group companies, the Business Administration Department, and the Group Company Management Department work together and cooperate with each other. In FYE2021, the Group Company Management Department, as the Risk Management Group, will continue to promote initiatives under the supervision of the CRMO, focusing on the following three priority issues in order to make the three-in-one activities more effective.

1. Strengthening the function of the three-in-one activities as a platform

- (1) After a review of the corporate auditor system at group companies, the managers of the Group Company Management Department, who concurrently assumed the post of the part-time corporate auditor of a group company, stepped down from the post at the end of June 2020 to use their resources intensively for providing management

- support to group companies, information sharing and communication, and promoting compliance
- (2) Raise the awareness of compliance policies and the Subaru Global Sustainability Policy groupwide, to enhance the value of the Subaru brand

2. Supporting efforts to strengthen corporate management (strengthening and enhancement of auditing system and education/training system)

- (1) Dispatching personnel from the Business Administration Department of Subaru to play a part in the management of group companies by serving as part-time directors
- (2) Enhancing the quality of auditing by increasing the number of full-time corporate auditors (from 11 to 12)
- (3) Holding periodic directors' workshops (once a year), general administration managers meetings (twice a year), and corporate auditors' workshops (twice a year)
- (4) Strengthening governance through the Subaru Internal Audit Department's efforts to share examples of auditing with each company

3. Revising means of communication

- (1) Revitalizing conference bodies
Holding meetings for all group company presidents twice a year and industry- or theme-based small group meetings for relevant group company presidents as needed to provide a forum for two-way exchanges of opinions
- (2) Use of the web
Sharing information via the Subaru Group Multi Communication Site website for group companies

Subaru Dealerships

Subaru dealerships are the company's point of contact with customers. Subaru is therefore striving to strengthen group governance at its dealerships, believing that getting even closer to the voice of the customer and working with Subaru dealerships to become an integrated team serving customers is crucial to foster trust on the part of our customers.

1. Management system support

- (1) Deploying directors (part-time) and corporate auditors (all presiding companies)
- (2) Holding periodic training for executives (newly appointed directors, directors in their third year, corporate auditors)

2. Sharing Subaru's policies with Subaru dealerships

- (1) Directors Council meeting (twice a year)
- (2) Specialist committee meetings (sales and marketing, used cars, service and parts, general affairs, and IT)
- (3) Internal Audit Department Liaison Committee meeting (twice a year)

Compliance

Our Approach

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

[Corporate Governance Guidelines](#)

Corporate Code of Conduct and Conduct Guidelines

At Subaru, we have set forth the Corporate Code of Conduct and Conduct Guidelines as compliance criteria for the purpose of putting our view of compliance as important into practice in our corporate activities.

Its contents are detailed in the Compliance Manual that every Subaru Group employee owns, while the Compliance Manual: Essential Version provides a concise summary, promoting thorough enforcement in every day action.

■ Corporate Code of Conduct

Based on Subaru's Corporate Philosophy, the Corporate Code of Conduct sets forth the basic policy that all executives and employees must observe for customers, business partners, shareholders, regional communities, and all stakeholders.

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.

■ Conduct Guidelines

These guidelines specifically set forth standards for actions in order to put the basic policy as exemplified by the Corporate Code of Conduct into practice in the daily business activities of all executives and workers.

■ Rules for Compliance

Subaru has Compliance Regulations which set forth the systems, organization and management processes related to compliance. In FYE2020, for the purpose of promoting better understanding of the systems, organization and management processes related to compliance and striving for thorough implementation

of efforts, we performed a systematic review of the Compliance Regulations, after which the Compliance Committee deliberated and approved the establishment and revision of several rules related to compliance. Starting in FYE2021, we are further enhancing efforts on compliance based on these rules.



Compliance Manual

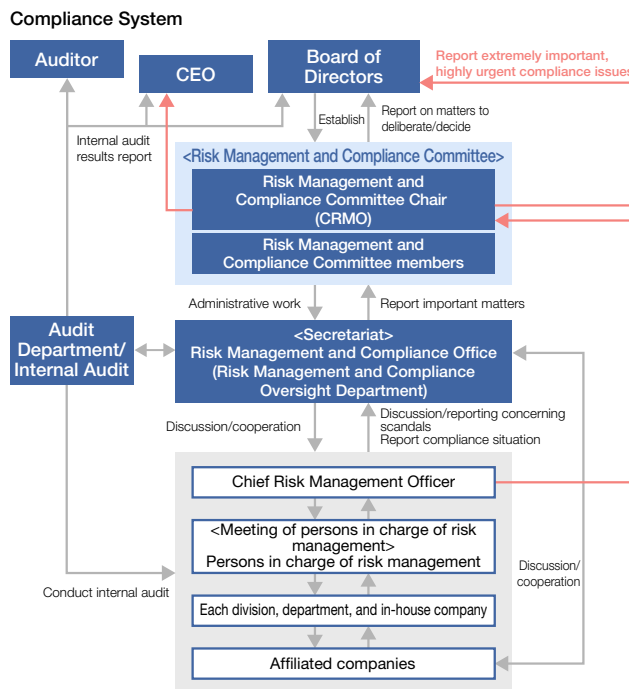


Compliance Manual:
Essential Version

Management System

Subaru has established the Compliance Committee as a group-wide organization to promote compliance and to deliberate, discuss, make decisions, and exchange information related to important matters. Also, each department formulates their own implementation plan (compliance program) to promote compliance every fiscal year, and moves forward with continuous, systematic independent activities.

In FYE2020, the Director and Executive Vice President was newly appointed Chief Risk Management Officer (CRMO) in April, and appointed Chair of the Committee. Also in April, the newly established Risk Management and Compliance Office was appointed secretariat for the Committee. These efforts were carried out for the purpose of accelerating global, group-wide initiatives related to compliance under the direction of the Committee Chair. Also, starting in FYE2021, the Committee's name was changed to the Risk Management and Compliance Committee, and it will deliberate, discuss, make decisions, and exchange information on important matters related to risk management, in addition to those related to compliance.



Compliance Hotline

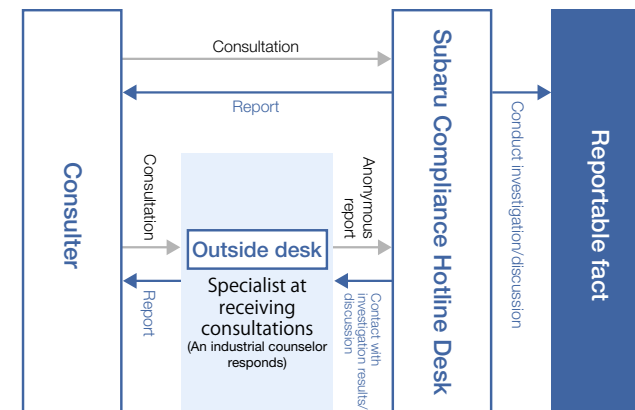
When regular and temporary employees of the Subaru Group detect a problem related to compliance in the group, they can consult with the Hotline Desk by using the Compliance Hotline. Based on the relevant regulations, the Hotline Desk is where employees affiliated with the appointed Risk Management and Compliance Office directly receive mail, telephone calls, and e-mail, investigate facts, and provide response. We have also established a desk outside the company staffed by external specialists to increase the hours in which service is available and to increase the confidentiality of those contacting the desk. The Desk works to quickly resolve consultation matters upon conducting a fact-finding investigation headed by the Risk Management and Compliance Office Manager. Also, it reports to

the proper management members and the Risk Management and Compliance Committee, working toward preventive measures. There were 216 consultations in FYE2020, the details of which are outlined in the table below. We strive to instill a mindset of being assertive regarding use of the system and to improve compliance awareness through efforts to make the existence of the system common knowledge (please refer to "Initiatives"). This has increased the number of consultations, and we have seen improvements in the management of the system, such as an increase in the number of events that lead to improvements in the corporate culture in addition to proper response and issue resolution.

Itemization of the contents of consultations with the Compliance Hotline

Item	Number
Workplace environment	14
Labor related	68
Personal relationships, suspicion of harassment	84
Other compliance-related issues (Work violations, suspicion of wrongdoing, etc.)	50
Total	216

Compliance Hotline (Consultation and resolution procedure)



Initiatives

Training

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

Also, each department and affiliated company creates their own unique education plan based on their compliance program, supplemented with study groups on important laws related to their work and compliance enlightenment training.

In FYE2020, we started offering the compliance training we have been providing for employees of a designated rank to all regular and non-regular employees in an effort to further expand the range of compliance. Also, in addition to a training course with Risk Management and Compliance Office members serving as the instructors, we also established a course in which executives from various departments speak from their own experience, promoting further understanding of compliance on the part of our employees and encouraging communication with executives. In FYE2020, approximately 7,700 people participated in trainings conducted by or involving the Legal Department and the Risk Management and Compliance Office.

Compliance Implementation Support Tools

In order to promote compliance in everyday work, we create and provide various implementation support tools other than the Compliance Manual, such as in areas of specialization at affiliated companies.

To make knowledge of the Compliance Hotline common, we distribute cards containing information on the framework of the

system and the contact address for consulting services, and also put up posters in all workplaces. In FYE2019, we updated the design of the information cards and posters to deliver a message that encourages employees to proactively use the system even for things that feel only slightly suspicious.

In addition, we are making efforts for the timely report of highly urgent information and to call the entire group's attention to such matters.



Compliance training (Gunma Plant)



Compliance Hotline card

Bribery Prevention

At Subaru, based on our stance toward the prevention of acts of corruption related to business as an important issue, we distribute the Anti-Corruption Guidelines (Japanese and English versions) throughout the Subaru Group. The guidelines clarify the conduct required of employees and executives by explaining

prohibited and non-prohibited acts particularly when coming in contact with government workers. In China, taking into considerations unique social conditions, we created the China Anti-Corruption Guidelines (with a Chinese translation included). It is distributed throughout our Chinese subsidiaries and forms the official rules of the relevant companies.

Also, anti-corruption is identified as an important issue in the Compliance Manual (Japanese and English versions) issued to domestic and overseas companies. We not only require proper conduct regarding bribery to government workers, but also pursue thorough fairness in transactions with private-sector customers and partners.

Security Trade Control

Subaru, seeking to preserve the peace and safety of the international community, performs independent export control in accordance with the Foreign Exchange and Foreign Trade Act so that consumer products and technology that could be repurposed for military use, including weaponry, do not fall into the hands of countries developing weapons of mass destruction or terrorists (non-state entities).

We have regulations for the purpose of appropriate management of the entire group. Also, the Export Control Committee is a body that meets at least once a year to deliberate on the state of initiatives throughout the entire group. It is comprised of all executives of departments involved in exports, with the director in charge of the Legal Department, the person in charge at the same department, or the executive responsible for business execution as the Chair.

Further, for the purpose of improving the control level, we carry out export controls with the use of IT and work to continuously improve the system.

Since FYE2019, we started detailed autonomous confirmations using a check list to ascertain that operations are in conformance with a variety of official regulations. Based on the results, we conducted the full-scale launch of continuous improvement activities.

Enactment of the Tax Policy

Subaru enacted its Tax Policy in June 2020. This basic policy sets forth our posture and way of thinking toward the tax laws we should comply with when paying the appropriate amount of tax.

Tax Policy

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

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

1. Compliance with tax laws and tax-related regulations

The SUBARU Group undertakes applicable tax return filing and tax payment procedures in compliance with the tax laws and tax-related regulations of each country, and relevant tax treaties.

2. Tax corporate governance

The SUBARU Group establishes and implements a structure to appropriately identify, manage and report tax risk. In order to respond to changes in its businesses, and in light of complex tax operations, the SUBARU Group enhances this structure by assigning to it employees with tax expertise. Furthermore, the SUBARU Group raises awareness and provides guidance and consultation regarding tax compliance to SUBARU Group companies, making use of external professionals, and properly fulfils its tax payment obligations.

3. Appropriate intercompany transaction prices (Transfer Pricing)

The SUBARU Group conducts inter-group transactions and transactions with unrelated parties applying economically rational (arm's length) prices, and does not inappropriately set prices through arbitrary manipulation.

4. Compliance with Anti-Tax Haven Rules

The SUBARU Group does not establish entities that are unnecessary for its business with the aim of tax avoidance, and the SUBARU Group pays taxes pursuant to the substance of its businesses in accordance with the tax laws and regulations.

5. Relationship with tax authorities

The SUBARU Group strives to maintain trust with tax authorities by dealing with the authorities in a good faith manner; for example, by providing fact-based information in an appropriate and timely manner in response to requests.

Risk Management

Our Approach

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

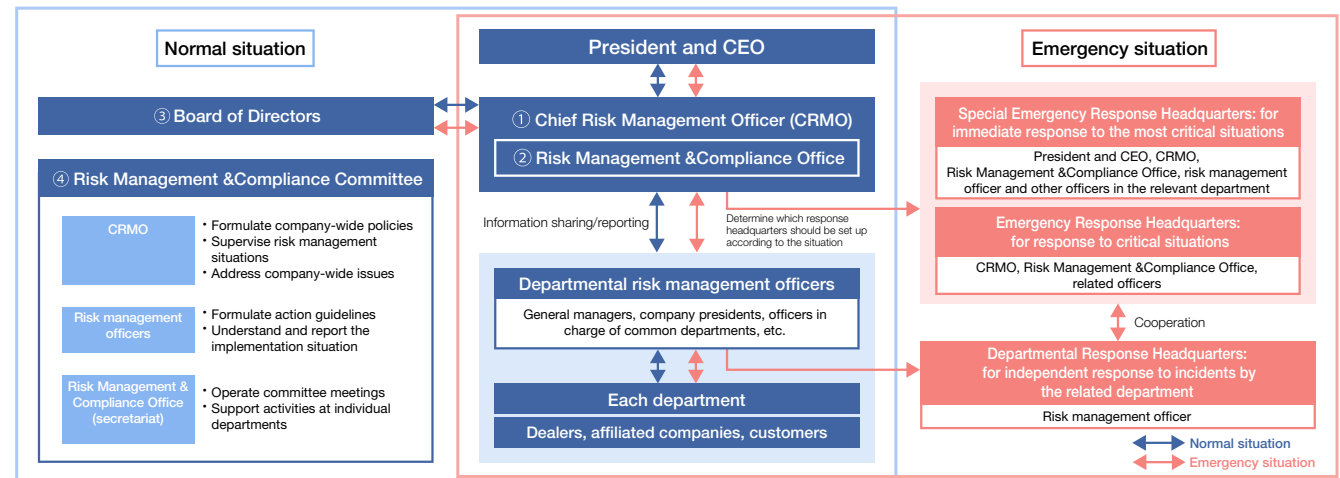
The automotive industry is ushering in a major transformation, which only occurs once in a hundred years. Subaru, which operates businesses globally, is aiming to enhance the resilience of its management infrastructure by ensuring the sustainability of its businesses by quickly tackling recent changes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

Management System

At Subaru, we aim to fortifying risk management by having each department and company closely coordinate with company-wide shared corporate operations departments, in which the Risk Management Group (the General Administration Department, Sustainability Promotion Department, Risk Management & Compliance Office, Group Company Management Department, and Legal Department), which is overseen by the Corporate Planning Department, a unit in charge of cross-organizational functions, and the Chief Risk Management Officer (CRMO), plays a central role. Furthermore, the Audit Department systematically carries out audits of the operations executed by each department and affiliate. In FYE2020, mainly centering around the Risk Management & Compliance Office, we further enhanced our risk management by establishing various

regulations related to risk management, including positioning risk management officers and people in charge of risk management in each department, and reviewing the response system for when cases of risk arise. On top of this, in the FYE2021, as a function to compile and summarize risk management actions (PDCA), we have decided to launch a Risk Management & Compliance Committee, which is an improved version of the former Compliance Committee. This aims to clarify the reporting line for handling emergencies when their rise, including in particular the rising threat from natural disasters, pandemics and accidents in recent years, and strengthen Subaru's initial response, which contributes to business continuity. Along with this, we plan to move forward with further enriching our risk management by instilling the use of a PDCA cycle to ensure all employees recognize, are aware of, think about and deal with risk independently in their daily duties.

Risk Management System



Risks Associated with Business Activities

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

The major business risks are listed below.

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

Risks related to changes in the economic and financial environments

- (1) Economic trends in major markets
- (2) Exchange rate fluctuations
- (3) Financial markets fluctuations
- (4) Change in raw material costs

Risks related to industries and business activities

- (5) Focus on specific businesses and markets
- (6) Changes in the demand and competitive environment in the market
- (7) Responsibility related to products, sales and services
- (8) Supply chain disruptions
- (9) Intellectual property infringement
- (10) Information network security
- (11) Compliance
- (12) Secure and train human resources

Risk of regulations and events in various countries that impact other business activities

- (13) Political, regulatory and legal procedures in various countries that impact business activities
- (14) Climate change
- (15) Impact of disasters, war, terrorism, infections, etc.

Crisis-level Risks

Among the various types of risk we face, Subaru calls those risks that are particularly dangerous to our business operations and that Subaru cannot handle through regular decision-making channels “crisis-level risks” and categorizes them as follows: natural disaster, accident, internal human factors, external human factors, social factors (domestic, overseas), and compliance. Subaru is creating various manuals for dealing with each of these types of emergencies.

BCP

At Subaru, the Risk Management & Compliance Office plays a pivotal role in establishing regulations related to BCPs*. During emergencies, the Office centrally grasps group-wide information, establishing a system to manage company-wide response. In FYE 2020, a BCP was launched to deal with the spread of COVID-19, with the president at the top and CRMO handling overall management. Specifically, crisis management headquarters are set up immediately with the occurrence of a serious incident and a response system is quickly and accurately developed in line with the basic policy of our Emergency Response Policy. This leads to the swift achievement of business restoration and contributes to business continuity. In addition, during normal times we work to enhance the speed and accuracy of risk recognition and identification to the best of our ability by clarifying the roles of each department and the domain of management responsibilities. In conjunction with this, we are regularly preparing and updating manuals and are implementing training. Furthermore, each business site develops its own BCP, including specifying key operations, establishing an emergency contact system, and developing a telework system. While closely collaborating with company-wide shared corporate operations departments, we are implementing measures to accurately and speedily carry out business continuity and early restoration of operations.

*Abbreviation for Business Continuity Plans.

Emergency Response Policy

1. Give first priority to people’s survival and physical safety.
2. Minimize loss of stakeholder interests and corporate value.
3. Act always with honesty, fairness, and transparency, even in an emergency.

Coronavirus Countermeasure Headquarters



■ Gunma Plant

The Gunma Plant has installed a storm water detention tank with a capacity of some 1,000 m³ beneath the pavement of the Main Plant's visitors' car park, to combat flooding of the plant at times of heavy rainfall. This also helps to curb flooding of the surrounding area. Grass has been planted in the car park to reduce the total area of asphalt, thereby alleviating issues caused by heat reflection due to the heat island effect.

■ Utsunomiya Plant

The Utsunomiya Plant has frequently suffered damage due to flooding of the plant at times of intense heavy rain. Accordingly, storm water channels at the plant were revised and drainage work was carried out in FYE2018 to combat flooding due to intense heavy rain. In addition, storm water gutter sizes and routes were revised and new facilities were installed to facilitate discharge into the river (culvert) to the east of the plant, thereby bolstering storm water drainage capacity. As a result, the plant has suffered no flooding since FYE2019. The measures also helped to combat flooding of the surrounding area.



Car park with a flood prevention measure (Gunma Plant)



Flood prevention measure (drainage grid) (Utsunomiya Plant)

Supporting Restoration at Suppliers Stricken by Disaster

Subaru dispatched a total of 590 employees from the Gunma Plant to provide support for restoration work at those suppliers that experienced damage during the heavy rains in Saga Prefecture in August 2019 and due to Typhoon Hagibis which struck in October.

In addition to providing support for the restoration of flooded plants belonging to primary suppliers during the heavy rains in Saga Prefecture, we also helped with oil recovery and to clean and straighten up damaged homes as oil used in product had leaked into nearby homes and farmlands.

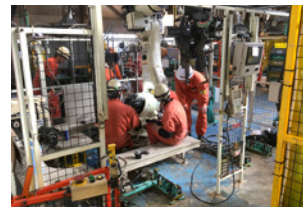
Many suppliers in Kita Kanto and Fukushima Prefecture were struck by Typhoon Hagibis. In particular, to help secondary suppliers in Tochigi Prefecture that suffered severe damage, we dispatched expert engineers for a 10-day period to restore the flooded plant infrastructure and facilities. We also enlisted the cooperation of other automobile manufacturers and primary suppliers to aid with the restoration.

Providing support to suppliers during times of emergency is a major pillar of Subaru's BCP and is an essential measures for Subaru which aims to achieve coexistence and co-prosperity with its suppliers.

Going forward, Subaru aims to derive and strengthen its own unique BCP vision.



Helping with restoration after the heavy rains in Saga Prefecture



Providing support for restoration after Typhoon Hagibis

Information Security

Our Approach

The use of digital data is essential for Subaru and Subaru Group companies to conduct business activities. The use of digital data is not limited to traditional information systems but covers diverse realms, including facilities, products, and a whole range of services offered by Subaru.

Being aware of our social responsibility to handle digital data in these realms safely, we have established the Basic Cybersecurity Policy, undertaking information security protection activities group-wide.

Basic Cybersecurity Policy

[Objective]

Subaru Corporation and its group companies (hereinafter referred to as “the Subaru Group”) put in place a Basic Cybersecurity Policy to protect all our conceivable products, services, and information assets from threats arising in the course of our business activities and earn the trust of our customers and society as a whole.

[Scope]

This basic policy applies to all executives and employees of the Subaru Group, and also to the employees and other staff of Subaru’s subcontractors.

[Initiatives]

1. The Subaru Group will comply with laws, regulations, and standards, as well as security-related contractual obligations to our customers.
2. The Subaru Group will put in place and operate management systems and internal regulations concerning cybersecurity.
3. The Subaru Group will establish information security measures tailored to our information assets and strive to prevent and minimize information security incidents. Should such an incident occur, Subaru will address it swiftly and appropriately, taking steps to prevent recurrence.
4. The Subaru Group will strive to ensure information security by providing both executives and employees with education and training, as well as undertaking other efforts to raise their awareness of this issue.
5. The Subaru Group will continually review and strive to improve the aforementioned activities.

Established in June 2018

Initiatives

As an organization system and rules on safe vehicle design, testing, manufacturing and operations, we established cybersecurity management system documents that encompass three domains, In-Car (interior systems), Out-Car (exterior systems) and information systems. In conjunction with this, we brushed up areas related to conventional information systems and clarified what we should carry out as initiatives for Out-Car IT security.

In addition, as an initiative to deal with supply chain cybersecurity incidents that arise at suppliers, we aim to grasp the status of initiatives at each supplier while also boosting the level of their cybersecurity, including providing advice on specific initiatives.

Personal Information Protection Initiatives

Subaru, in conjunction with the enactment of the Act on the Protection of Personal Information, undertook various initiatives, including establishing internal systems and rules, and publicly disclosing its privacy policy.

In particular, Subaru dealerships in Japan, which handle a large volume of customer information, have worked to establish personal information protection regulations and put a system in place to comply with the Act. To ensure that all employees at these dealerships understand the importance of information management and have a correct understanding of personal information protection, Subaru is deploying educational tools, including an Information Security Handbook (January 2020).

In FYE2020, Subaru implemented the following key initiatives.

- Training for all departmental and office managers concerning the Act on the Protection of Personal Information
- Identification of management issues by taking stock of personal information held by all departments
- Confirmation of a check sheet on the status of compliance with related internal rules at all departments and the implementation of a PDCA cycle

In addition to addressing Japan's Act on the Protection of Personal Information, the Subaru Group has built a system to conform with the EU's General Data Protection Regulation (GDPR). Moreover, the Subaru Group, among other things, has put in place a privacy policy and regulations, is conducting training concerning them and confirming the status of compliance.



Information Security Handbook

Intellectual Property Protection Initiatives

Our Approach

Subaru, after identifying its strengths and weaknesses, has put together a vision for Subaru's intellectual property activities with aims to achieve the brand management outlined in its medium-term management vision "STEP." The following is the three-point basic policy being carried out.

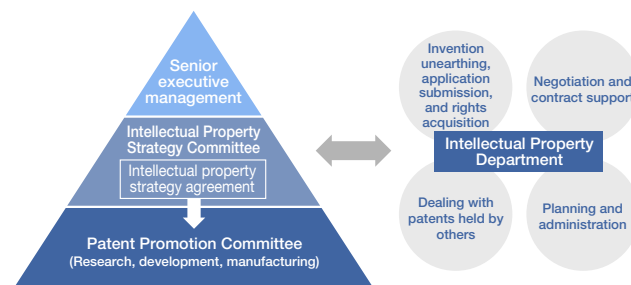
Basic Intellectual Property Policy

1. Function as a compass for business and R&D strategies using the IP landscape*
2. Throughout Subaru, Subaru will dedicate ourselves to creating intellectual properties that originate from the market and appropriately manage its intellectual property portfolio to protect and enhance its brand.
3. Subaru will respect the intellectual property rights of others and work thoroughly for patent clearance in product development

* In combination with market information on intellectual properties, analyzes the business environment and support strategic plans

Management System

Intellectual Property Promotion System



Initiatives

At Subaru, the Intellectual Property Department protects and utilizes intellectual property rights belonging to the Subaru Group and also implements internal activities that aim to avoid infringing on the intellectual property rights of others. The following are specific activities being undertaken.

1. Support the proposal of strategies using the IP landscape
2. Acquire rights for intellectual properties, including technologies, trademarks, naming and design, and adequately manage the IP portfolio
3. Conduct a comprehensive survey on the existence of intellectual property rights which may hinder business operations and take measures to prevent and resolve such issues
4. Crack down on counterfeit goods, including protection measures at borders for oversight and taxation of online sales
5. Secure intellectual properties, ownership of data and user rights in technology and business contracts

Awareness Activities

At Subaru, the Intellectual Property Department manages the intellectual properties of the Subaru Group as well as regularly undertaking awareness activities, as shown below, to instill standard practices.

1. Implementing rank-specific training for employees involved in development, tailored to their year of entry into the company and their position
2. Established the Patent Promotion Committee to promote the creation of inventions and patent application activities in each department, and to implement awareness activities through this committee
3. Development departments are surveying the intellectual property rights of other parties and securing patent clearance. In addition, holding charity bazaars that utilize commercialization rights to continue to donate revenues to charitable organizations