

Initiatives to Achieve Our Goal of Zero Fatal Traffic Accidents in 2030

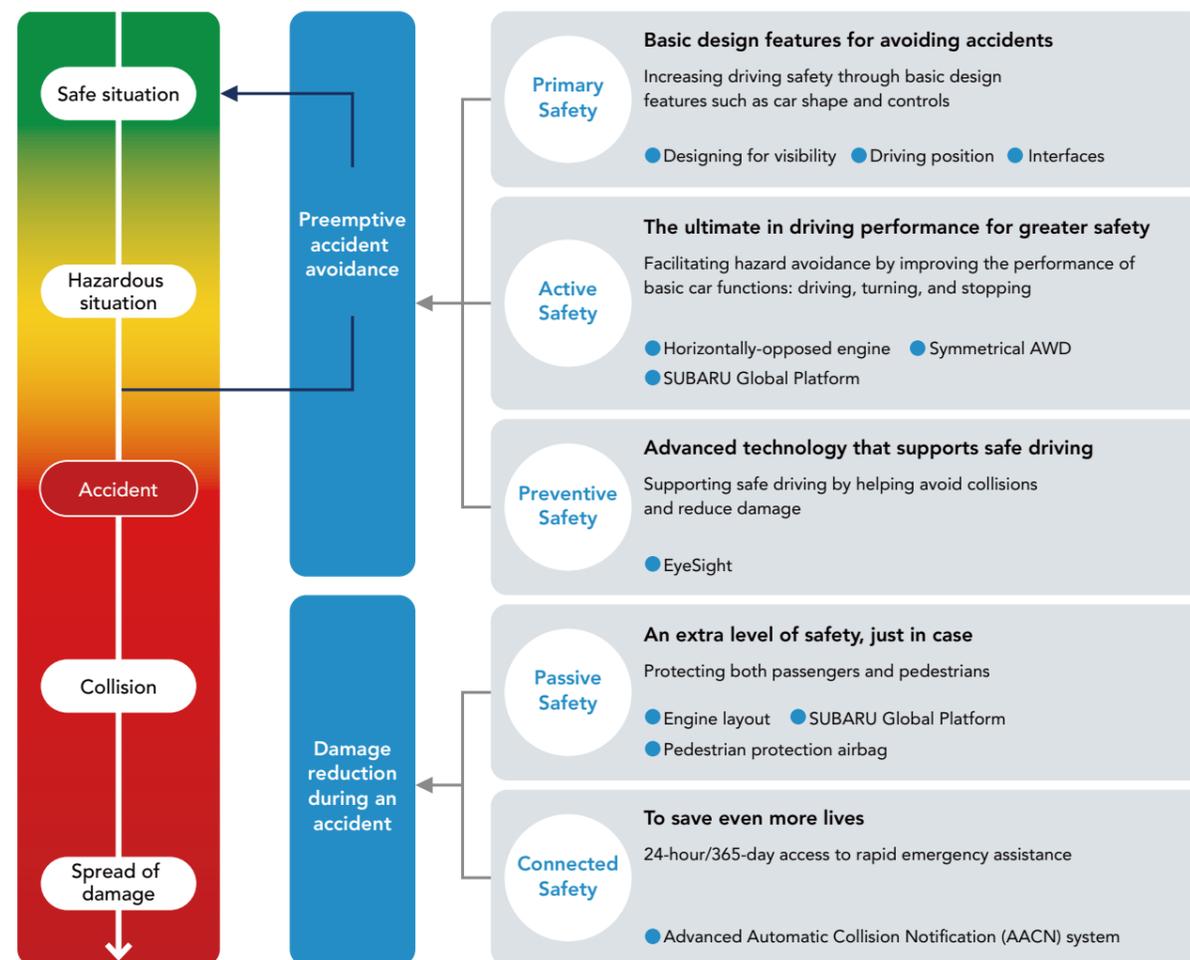
Further advance our technologies to deliver "Enjoyment and Peace of Mind."
 Maintain **the SUBARU Difference** even in the age of vehicle electrification.

SUBARU's All-Around Safety

Attaching particular importance to protecting lives, SUBARU is working to achieve our target of zero fatal traffic accidents*1 in 2030.

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

*1 Zero fatal road accidents among occupants of Subaru vehicles and people involved in collisions with Subaru vehicles, including pedestrians and cyclists



Evolution of EyeSight Driver Assist System

SUBARU believes that to attain zero fatal traffic accidents in 2030, it is crucial to offer exceptional performance at a price that is affordable for a wide range of customers. SUBARU's EyeSight driver assist system, which was introduced in Japan in 2008 and achieved cumulative global sales of 5 million units in June 2022, has continued to evolve over the course of 15 years.

The stereo cameras equipped in EyeSight enable the system to recognize objects with two cameras, similar to human eyes, detecting items on the road at a higher level than radar-based systems. The development of EyeSight began approximately 30 years ago. During the early stages, there were frequent issues with the system's ability to detect objects properly, particularly when it was raining or the windows were foggy. However, these challenges were overcome through extensive testing in various real-world scenarios and subsequent improvements.

The EyeSight system was launched in 2008, achieving a world first in using solely stereo camera technology to enable pre-crash braking and adaptive cruise control. EyeSight version 2 was announced in 2010 with an enhanced pre-crash braking system that provides support until the vehicle comes to a full stop. During this period, EyeSight became a standard feature in numerous models for the Japanese market, and its affordability contributed to a significant increase in its recognition and widespread adoption among customers. In addition, it began to be developed in certain models overseas as well.

In 2014, with the release of version 3, advancements in color recognition and an expanded field of view using stereo cameras significantly enhanced the advanced safety features. In the 2020 release of the Levorg, SUBARU introduced EyeSight X, combining a new stereo camera with four radars in the front and rear, and a high-precision map locator.

In 2022, we newly adopted a wide-angle single lens camera for enhancing EyeSight's recognition capability in the mainstay Outback for the North American market. Through its evolution into a "three-eyed" system with stereo cameras and an ultra-wide-angle single lens camera, EyeSight can now recognize a significantly wider range. This enhancement enables collision damage reduction through pre-crash braking for situations where pedestrians and cyclists, often at higher risk of accidents at intersections, might emerge from a driver's blind spots.

While there were other options available to achieve accident reduction in these scenarios with pre-crash braking, SUBARU chose to utilize the wide-angle single lens camera to provide the highest level of safety at an affordable price for customers. EyeSight is currently integrated into the Crosstrek and Impreza for the Japanese market, with plans for a gradual rollout to other models in the future.



The stereo cameras of EyeSight version 3



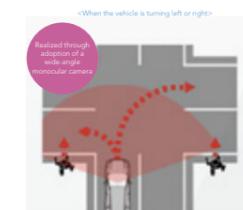
Image depicting EyeSight's recognition capability



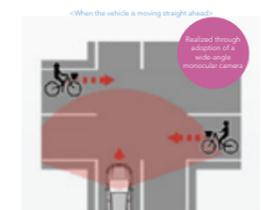
Illustration of EyeSight X capability



The wide-angle single lens camera



When the vehicle is turning left or right



When the vehicle is moving straight ahead

Click on the links or scan the QR codes to view the videos explaining SUBARU's efforts to reduce accidents.

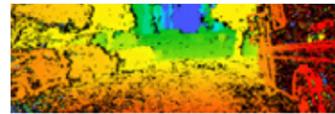
<p>Preventive Safety (1) https://www.subaru.co.jp/topic-en/2022_11_15_203208/</p>		<p>Active Safety https://www.subaru.co.jp/topic-en/2023_05_22_081936/</p>	
<p>Passive Safety https://www.subaru.co.jp/topic-en/2023_01_31_144916/</p>		<p>Preventive Safety (2) https://www.subaru.co.jp/topic-en/2023_09_26_165037/</p>	

EyeSight and AI combine to Enhance Preventive Safety

SUBARU is committed to enhancing its preventive safety technologies and is actively exploring new technologies as it strives to achieve zero fatal traffic accidents. Our current focus is on integrating AI technology with EyeSight.

The fundamental principle of spatial recognition using stereo cameras is to precisely calculate the distance to objects from each pixel by triangulating the displacement of images captured by the two cameras, one on the right and one on the left. The strength of EyeSight lies in its ability to accurately convert everything captured by the cameras into a three-dimensional representation, allowing it to perceive the shape and distance of various objects. However, when it comes to capturing small objects or subtle irregularities, determining whether to pass over them or consider them obstacles solely based on EyeSight's image recognition can be challenging. In contrast, AI excels at precisely categorizing objects captured in camera, pixel by pixel, based on extensive previously learned data. Since EyeSight can fuse the distances to recognized objects with the classifications made by AI in the same image, EyeSight and AI are considered an excellent match. If this can be put into practical use, it is expected to lead to an enhanced level of vehicle safety in various situations by allowing for more detailed and accurate recognition of the driving environment's information than ever before.

An image captured by EyeSight



Calculates the distance to objects pixel by pixel (Near Red < Orange < Yellow < Green < Blue Far)

An image recognized by AI



Can focus solely on the road surface even in complex road environments (Color-codes the recognized road surface on a pixel-by-pixel basis)

This initiative is being pursued at SUBARU Lab, a newly established independent office, designed to create an environment for generating fresh ideas from a different perspective. This new base in Tokyo's Shibuya, an area increasingly seen as an IT hub following recent redevelopment efforts, has enabled us to streamline and effectively recruit the talent essential for AI development. While our current focus is on AI technology, we aim to continue advancing our development by actively incorporating not only AI but also new technologies in the future.

Continuous Enhancement of Passive Safety

SUBARU focuses on developing cars with the utmost priority of safeguarding everyone in the event of a collision, not just the vehicle occupants but also pedestrians and cyclists.

Strengthening the vehicle body and enhancing restraint systems are two critical elements to occupant protection. In strengthening the vehicle body, we combined a cabin structure that can withstand severe collisions by using high-strength materials with the Subaru Global Platform, which helped realize a body structure that efficiently absorbs collision energy. This design ensures protection in collisions from any direction.



In enhancing restraint systems, we reduce the load on the upper body by firmly restraining the lower body with knee airbags and seat cushion airbags. We also adjust the seatbelt tension based on the occupant's physique to prevent excessive pressure. This ensures the protection of all occupants, regardless of age or body size. Nevertheless, even with the evolution of restraint systems, they will not be fully effective unless seat belts are properly fastened. The rate of rear seat belt usage in Japan is only around 40%. SUBARU has taken steps to address this situation by introducing advanced seat belt reminders and expanding the number of models equipped with them.

Pedestrians and cyclists sustain injuries at a rate 2.5 times higher than that of vehicle occupants. To reduce the damage to pedestrians and cyclists in the event of an accident, SUBARU not only uses soft structures for bumpers, bonnets, and other areas that can absorb impacts but also equips its vehicles with pedestrian airbags.



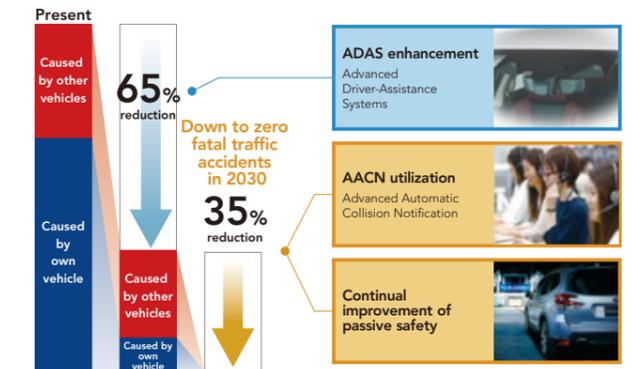
In the pursuit of zero fatal traffic accidents, it is necessary to anticipate more diverse and severe accidents than ever before, however. For example, in collisions involving bicycles, it has been recognized that under certain limited conditions, the current pedestrian airbags may not cover all cases, given the various factors such as the cyclist's physique and the orientation and speed of both the bicycle and the vehicle at the time of impact. As a result, we are utilizing computer simulations to identify worst-case scenarios from the countless collision patterns that can be imagined and to develop specific countermeasures.

Plan to Achieve Zero-Fatality Road Safety

To achieve zero fatal traffic accidents, SUBARU conducted a comprehensive investigation of all fatal traffic accidents that occurred in the United States from 2017 to 2019², analyzing the causes of the accidents and the reasons for fatalities. Based on this analysis, we identified functionalities that can effectively eliminate these causes. Following this, we decided on specific measures to implement these functionalities and are actively engaged in their development to bring them to fruition.

In concrete terms, we will improve Advanced Driver Assistance Systems (ADAS) to further avoid and mitigate accidents, and reduce at-fault traffic accidents. For no-fault accidents, we aim to achieve zero fatal traffic accidents in 2030 by strengthening our existing four safety performance areas, beginning with Passive Safety, and adopting Connected Safety in the form of our Advanced Automatic Collision Notification (AACN) system.

²All fatal traffic accidents involving vehicles from the most recent five model years



Car Assessments

SUBARU undergoes safety performance testing and assessment of public organizations in and out of Japan including JNCAP in Japan, IIHS¹ in the U.S., and Euro NCAP² in Europe, and has gained the highest rank of assessment in most of them.

In FYE March 2023, the Solterra won the JNCAP Five Star Vehicle Safety Performance 2022 Award, the highest rating in the JNCAP. At the IIHS, as of May 2023, three of SUBARU's 2023MY (model year) vehicles had won the organization's 2023 TOP SAFETY PICK+ (TSP+) Award, and two vehicles had won its 2023 TSP Award. In addition, the Legacy, Outback, Ascent, Forester, WRX, BRZ, and Solterra received the highest rating of "Good" in the IIHS Seat Belt Reminder evaluation test, a program launched in March 2022. Euro NCAP gave the Solterra a five-star rating in its 2022 assessment.

¹ IIHS: Insurance Institute for Highway Safety

² Euro NCAP: European New Car Assessment Programme, a safety information disclosure program for automobiles in Europe.

FYE March 2023 Commendations

Assessed Automobiles	Assessment Organization	Assessment
Solterra	JNCAP, Japan	Vehicle Safety Performance JNCAP Five Star Award 2022
2023 models of the Outback, Ascent, Solterra (built after October 2022)	2023 IIHS TOP SAFETY PICK+ (U.S.-specification models only) IIHS, U.S.	2023 TSP+ Award*
2023 models of the Legacy and Forester	2023 IIHS TOP SAFETY PICK (U.S.-specification models only) IIHS, U.S.	2023 TSP Award*
Solterra	Euro NCAP, Europe	2022 Five-star rating

* In the IIHS' s publication of vehicle safety information, the TOP SAFETY PICK (TSP) Award is given to vehicles that earned the rating of "Good" in the original moderate front overlap test and small overlap tests (driver- and passenger-side), and the rating of "Acceptable" or higher in the updated side crash test and headlight evaluation (standard equipment), as well as the rating of "Advanced" or higher in the daytime vehicle-to-pedestrian crash prevention test. In addition to these ratings, vehicles that earned the rating of "Good" in the updated side crash test and "Advanced" or higher in the nighttime vehicle-to-pedestrian crash prevention test are awarded the TOP SAFETY PICK+ (TSP+) Award.

SUBARU's Idea for a Digital Transformation Strategy

SUBARU's Unique Digital Transformation (DX) Strategy with a Firm Foundation to Respond to Environmental Changes

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

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

Strengthening Ties between SUBARU and our Customers

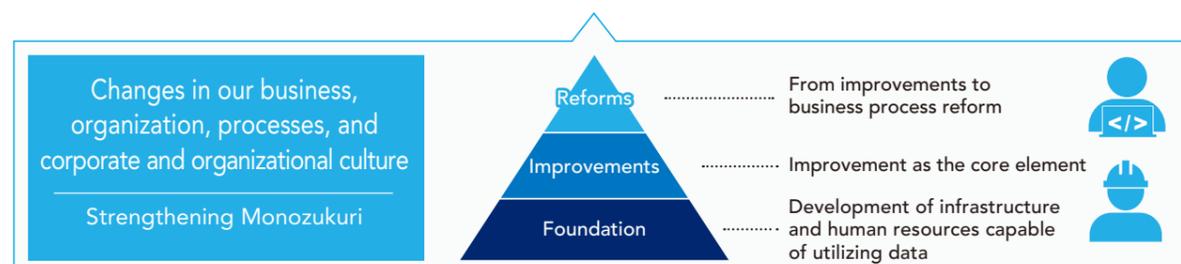
For a smaller car manufacturer like SUBARU to respond to the current upheaval in the automotive industry, we need to select and establish focuses in regard to the use of data and digital technology. As a result of these major changes, the vertical division of units by function (such as development, procurement,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

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

Setting common goals and implementing parallel initiatives



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



Primary Initiatives

In order to strengthen ties with our customers, we continuously carry out an array of measures, which are making steady progress.

Strengthening Monozukuri	Creating Experience-making
<ul style="list-style-type: none"> We will streamline development and production by using a digital twin that combines partial model-based development using data and digital technology in conjunction with real-world development. We will establish data handling tools and skills to process a large number of control items and expand their use on-site. We will build a data integration platform that links data across departments to address a siloed, functional organization. 	<ul style="list-style-type: none"> We are deploying connected services, which started in the U.S., in Japan as well. We are working toward enhancing functionality and expanding the market in the future. We established the SUBARU Digital Innovation Lab to make use of digital technology and data in areas such as sales and marketing. We are expanding the domains of services provided by the SUBAROAD driving app.

* For more details on our initiatives, please see pages 40 to 43 of our Integrated Report 2022. <https://www.subaru.co.jp/en/ir/library/annual-reports.html>

Fostering DX Human Resources

Currently, SUBARU is proactively hiring mid-career DX human resources, but as a basic principle, we believe it is critical to foster human resources internally in this area as a company engaged in Monozukuri. As an example of this, we have launched the Software Human Resource Development Project for engineers as a way to adapt to electrification (see page 42 of this report). In addition, we have been focusing on on-site education in cooperation between a specialized IT department and the respective operating department. Furthermore, we are working to build a system to raise awareness and skill levels on the manufacturing floor, utilizing data and digital technologies. To do this, we have taken a standard training program for data scientists, one of the six kinds of DX human resources defined by the IPA*, and adapted it to suit the SUBARU ideals. This course is used to train experts who can use data as a tool for improving work on the manufacturing floor. To ensure the establishment of individual skill development as part of our corporate culture, we are conducting a continuing chain of grassroots activities in which the first generation of students mentors the second generation, and the second generation then mentors the third generation.

* Information-technology Promotion Agency (IPA), Japan



Tatsuya Ichikawa

Vehicle Body Manufacturing
Engineering Department

My role is to support the production of molds for car body parts from the IT technology side. The molds I work with are used with presses to shape sheet materials such as steel and aluminum into panel parts such as bonnets and doors, which are important to a car's external appearance. This is why I work to develop systems to ensure that the machine tools used to make the molds operate within tolerances measured in units of a hundredth of a millimeter. We have always had quite a bit of data in our engagements with mold and panel manufacturing floors, and I thought that being able to make better use of this data would streamline operations and enable the provision of higher quality molds. And, since this would consequently improve mass-produced panel quality and deliver happiness to our customers, I joined the data scientist training program.

Participants in this training program came from many different departments. In addition to general classroom lectures and practical training, there was also a lot of time for discussion and sharing the data utilization issues we had been facing in our respective departments. Hearing opinions from colleagues in other departments where I normally have no work connection was refreshing. It offered me new insights and hints for formulating improvement plans in my own department. I was also able to turn the lessons I learned in this training program into action, developing and proposing a plan to use data for improving press line quality.

After completing the program, I also became an instructor to help train the next class of trainees. Part of this is my strong feeling that it is more effective when employees who have a real sense of SUBARU's situation today provide guidance to their internal colleagues. It is my desire to motivate colleagues who are aware of issues but have not been able to take action, and I would like to expand the circle of my support to help make SUBARU as a whole even better.

Message from the CFO

To thrive amid competition in the age of electrification, we will make growth investments while maintaining financial soundness and stability.

Katsuyuki Mizuma

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

Profile

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

Financial and Capital Strategies Contributing to Sustainable Growth and Greater Competitive Advantage

As the SUBARU Group does not possess a large scale among automakers, we have developed a highly profitable business model through selection and concentration, in which we allocate limited management resources to areas where we can demonstrate our strengths. In order to achieve success in the coming era of full-scale vehicle electrification, we are striving forward in adherence to this principle.

In an increasingly uncertain business environment, it will become even more important to have financial and capital strategies that will enhance business growth and competitive advantage while reducing business risks. To ensure that SUBARU will thrive amid competition in the age of electrification, we will make solid growth investments while maintaining financial soundness and stability.

We also believe that achieving sustainable growth will necessitate management practices that are mindful of cost of capital and stock price. Our current cost of capital, as measured by weighted average cost of capital (WACC), is mid 6%. Return on equity (ROE), which expresses the profitability and efficiency of our business, has been an important indicator for us, including as a KPI for executive performance-linked compensation. We recognize that a level of 10% or higher is where we should aim currently, and we are working. We will continue our efforts to steadily fulfill our duty toward shareholder returns with unprecedented attention toward improving capital efficiency, to gain stakeholders' understanding of these approaches and strategies, and to meet their growth expectations as indicated by the price earnings ratio (PER).

Review of FYE March 2023 and Outlook for FYE March 2024

In FYE March 2023, needs for SUBARU vehicles remained extremely high, especially in the U.S. market, though there was a continuing supply shortage of semiconductors and other components, which had been significantly affecting automobile production since around 2021. In this environment, we have sustained efficient sales through maximum control of production constraints through Group-wide activities such as strengthening supply chain management, switching to alternative parts, and flexibly adjusting production plans. In addition, despite significant impact from higher raw material prices, we successfully offset a great deal of impact through pricing policies and improved sales mix, which was augmented by significant tailwinds from the yen's depreciation on our operating results. As a result, operating profit increased 196% to 267.5 billion yen, the first increase in both sales and profit in three fiscal years. ROE increased 6.2 points from the end of the previous fiscal year, achieving the 10% level we established in our capital policy as an evaluation indicator.

For FYE March 2024, we are targeting revenue of 4,200 billion yen and operating profit of 300 billion yen, the latter 32.5 billion yen higher than the previous fiscal year. In the automotive segment, gradual recovery is expected despite lingering semiconductor supply risks. Many markets are still showing strong demand for SUBARU vehicles, and given this, we plan to return production and consolidated sales volume to their respective pre-pandemic levels of 1.01 million vehicles each. Although market prices for precious metals and other raw materials have calmed somewhat, the burden on our suppliers is growing due to factors such as soaring energy prices, and we believe it is an important issue to thoroughly engage

them in discussions and take actions to mitigate these. We will minimize the negative impact of cost increases through increasing sales volume and utilizing pricing policies. In addition, the quality enhancement measures set forth in the mid-term management vision "STEP" have been generating results, with total quality-related costs now steadily decreasing. We will continue to focus on achieving our performance targets by optimizing the overall cost of our business processes while maximizing our efforts to deliver as many vehicles as possible, as quickly and courteously as possible, to our customers waiting for SUBARU vehicles around the world.

In the aerospace segment, the business environment has been severe since the COVID-19 pandemic, and the segment has sustained net losses for multiple years. However, we expect the segment to return to profitability in FYE March 2024. We will continue the structural reforms we have carried out to date and grow our three business pillars of defense, commercial, and helicopter.

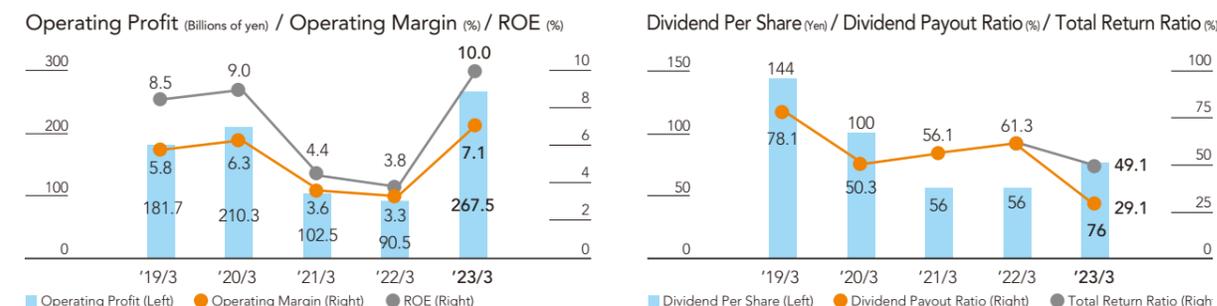
Steady Investments in Electrification toward Reaching Industry-leading Profitability

In August 2023, President Osaki presented our policies under the new management structure. This presentation also included an update to our electrification plan, which we had announced in stages beginning in 2022. This update described how we will concentrate our resources on BEVs and aim to achieve world-leading Monozukuri innovation and value creation without being lost in the current upheaval of the automotive industry. To achieve this goal, we will aggressively invest in growth in order to thrive amid competition in the age of electrification while maintaining financial soundness and stability. Specifically, we expect to invest approximately 1.5 trillion yen in electrification by around 2030. While this does of course include estimates due to its nature as a long-term outlook, we will bring about this significant investment while maintaining both an equity ratio of 50% or more and an appropriate level of net cash based on the situations SUBARU finds itself in along the way. Currently, we retain net cash of around 700 billion yen. In the interest of ensuring a balance between Japanese yen and U.S. dollar holdings and striking an optimal capital structure, if it is deemed appropriate to raise funds, we will explore the potential of doing so in through yen-denominated debt with an eye to sustainable finance and other financing options, where appropriate. As President Osaki has emphasized, human resources are the driving force behind innovation toward electrification, and fostering human resources is the source of SUBARU's competitiveness. This is why we will also invest in human capital to ensure that the people who will lead our transformation are fully primed for success. To ensure competitiveness even in the age of electrification, we will aggressively invest and maintain a rigorous selectivity of where we invest while carefully monitoring global economic trends and the business environment.

In the update to our electrification plan, we announced the 2030 target that we aim to sell 1.2 million vehicles worldwide, of which 600,000 will be BEVs. Toward this, we will improve profitability through value creation, as well as reduce costs through greater density and efficiency in our manufacturing through Monozukuri innovation. In addition, we will take unprecedented steps to improve capital efficiency for the investments that are expected to increase. By completing these initiatives competently, we will achieve industry-leading profitability.

There has been no major change in our approach to shareholder return, but our aim is to return profits with a greater awareness of improving capital efficiency going forward. With the aim of maintaining a total return ratio between 30% and 50%, we will pay stable and consistent dividends and flexibly repurchase shares after comprehensive consideration of our business performance, investment plans, and the business environment. Even as we increasingly make investments, we will emphasize shareholder returns and flexibly implement a capital policy that is optimal and balanced for both our shareholders and the Company, based on the business conditions and valuations at the time.

Though we are already actively engaged in investor dialogue both in Japan and overseas, we will further improve the quality of our engagement here so that they can gain a firm understanding of SUBARU's electrification strategy and gain a strong sense of expectation for our growth. Despite a challenging outlook, especially in the automotive industry, we will continue to make steady efforts to achieve sustainable growth for the SUBARU Group through management practices that are mindful of cost of capital and stock price. We look forward to your continued support of the SUBARU Group.



Financial Information

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

Quality Enhancement

Since launching activities in 2018 to achieve Quality Enhancement, we have been taking actions in three areas: 1) Thorough implementation of a “Quality- First” mindset and reinforcement of organizational efforts and structure, 2) Execution Quality enhancement, and 3) Innate Quality enhancement. Through efforts in these areas, we are steadily reducing the number of recalls (including the number of vehicles affected) and total costs related to quality. In 2023, we launched the new Crosstrek and Impreza, which have incorporated these three quality enhancement activities from the vehicles’ respective planning stages. The SUBARU Group will continue to pursue “Monozukuri Innovation” and unflaggingly evolve its quality enhancement activities. Even in this era of change, including accelerating electrification, we will always pursue quality that delivers happiness to our customers.

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

We are consistently conducting regular activities to raise quality awareness for each and every SUBARU employee. These include in-house quality education tailored to each employee’s level of knowledge and experience, and the Quality Caravan, which introduces actual cases of defects that have occurred and prevention measures. In addition, we set up the FAST* quality improvement team in 2021 in the North America market, creating a speedy market response system. In this team, quality assurance and development functions work in unison with service functions at dealerships to address issues.

* FAST: Fast Action & Solution Team

2 Execution Quality Enhancement

This initiative aims to prevent the occurrence of defects during the vehicle production stage, and includes activities to rapidly resolve defects that have occurred in the market. We have increased the speed at which we improve execution, including the expansion of QA (Quality Assurance) Lab facilities to enhance investigation capabilities and expand the scope of application of parts traceability. As of 2022, we have also launched operations at our new final vehicle inspection building so as to carry out more rigorous inspections. We intend to gradually roll this out to each production line going forward as well.

3 Innate Quality Enhancement

This initiative aims to prevent the occurrence of defects during the vehicle development stage. We have given greater authority to employees responsible for development and have worked to ensure quality throughout all processes, from the initial planning and conceptualization stages to development, design, production preparation, and distribution. In addition to taking rigorous action to prevent recurrence of past defects occurring in the market and similar defects that could occur, we are also working at the development stage to deliver defect-free vehicles to customers through focused change point management to prevent defects in newly adopted parts and systems.

Accelerating Quality Enhancement in Three Areas, as a Top Priority

3 Innate Quality Enhancement

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

2 Execution Quality Enhancement

- **Construction of a new final vehicle inspection facility (partially operational as of August 2022)**
- **Swift response to quality issues**
 - Early detection of defect trends based on analysis using AI
 - Direct gathering of quality data via telematics systems
 - Early determination of the scope of affected parts with traceability systems
 - New QA Lab facility for enhancing our capability to investigate defects

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

- **Redefine goals**
 - In April 2019, Quality Policy revised for the first time in 25 years
 - Full revision of the quality manual
- **Quality awareness, reflection activities**
 - Quality Caravan events
 - Company-wide efforts to prevent lessons learned in the past from fading away
- **Reinforcement of organizational structure**
 - North American quality team FAST

Quality Policy

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

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

Quality Caravan

The Quality Caravan is a two-month internal event beginning in November of each year. Since its inception in 2018, this event has sought to build a culture encouraging all employees to take the customer’s perspective and put quality first through learning about the current state of SUBARU’s quality. Panels are displayed to explain the details of quality defects and the comments received from customers. In FYE March 2023, its fifth year, the Quality Caravan was themed on changing mindsets and changing behavior with regard to quality through an understanding of the customer connections that lie beyond the work that we do. Information was gathered from dealerships and the Customer Support Department, which have close relationships with customers, and a dramatized video was created to show how customers were affected by the actual problems that occurred.

In a questionnaire conducted after the event, participant comments included that their actions had shifted toward a greater awareness about not only avoiding defects but also providing peace of mind to customers. We believe that comments like these have led to the practice of continually improving our products and services by always listening closely to our customers’ voice, as stated in SUBARU’s Quality Policy.

The FAST Quality Improvement Team for the North American Market

In January 2021, we launched “FAST” in the U.S. to strengthen our quality assurance system in North America, a major market for the SUBARU Group. In the North American market, which constitutes an enormous amount of both SUBARU vehicles sold and owned, our most important task is to quickly and accurately ascertain information and improve the speed of our quality improvement actions.

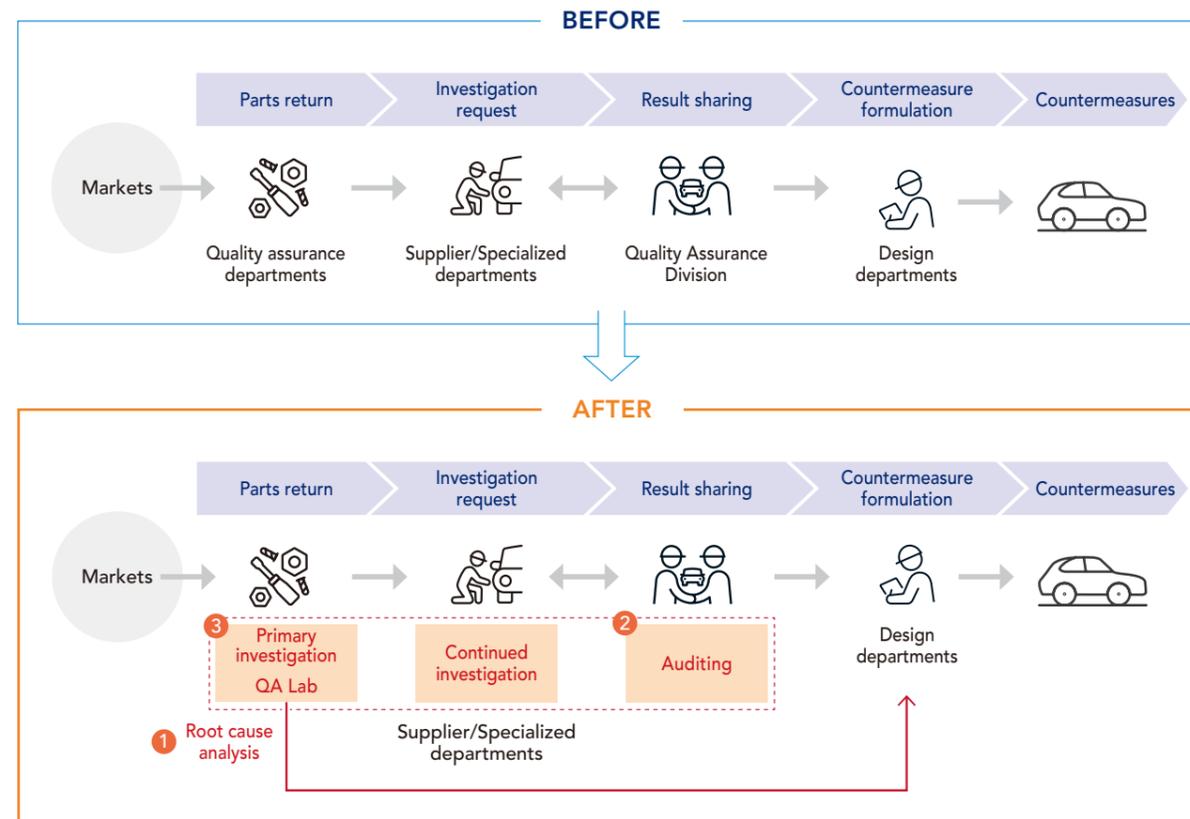
FAST is a cross-national and cross-organizational team consisting of personnel from each of SUBARU’s divisions and headquarters, as well as from Subaru of America, Inc., Subaru Canada, Inc., and North America subsidiaries (North America Subaru, Inc., Subaru Research & Development, Inc.) Furthermore, we are strengthening cooperation between SUBARU and our U.S. production base (Subaru of Indiana Automotive, Inc.) to improve quality through all-SUBARU initiatives. At its inception, FAST consisted of 42, and has gradually increased in team size. As of March 31, 2023, a total of 77 people, including 61 people assigned from SUBARU, are working on quality improvement activities as part of the FAST team.



Since the launch of the FAST team, the number of defects and buybacks, which had been an issue in the North American market, has steadily declined. Going forward, we will work to accelerate resolution of quality issues, including those of our business partners, through participation in external manufacturing quality improvement activities at Subaru of Indiana Automotive, Inc. and by expanding our local parts survey function.

QA Lab

The QA (Quality Assurance) Lab is a new facility at the Oizumi Plant within our Gunma Plant. At this facility, we investigate the causes of defects in parts returned from the market. The QA Lab was established to serve three purposes: ① To accelerate the process of determining defect causes, ② To perform independent investigations separately from the departments and business partners that had been investigating defects, serving an audit function, and ③ To create a human resource development function to support entities requesting investigations so that they can use analysis devices and conduct their own analyses. Full-scale lab activities began in April 2022, and we are working to install the latest equipment to enhance its functionality.



New Final Vehicle Inspection Building

At the Gunma Plant, we are working to strengthen and restructure quality assurance at the plants on its premises. After thoroughly analyzing the inspection process, which differed from one production line to another, a unified standard inspection line was established to enable ease of inspection and create an environment allowing inspectors to focus on the inspection process. In August 2022, the No. 5 Final Vehicle Inspection Building at the Yajima Plant began operations, and in August 2023, the No. 3 Final Vehicle Inspection Building began operations, both featuring these unified standard inspection lines. Specific features of these inspection lines include standardized lighting facilitating easier detection of abnormalities, inspection



processes at undercarriage using a lowered floor to reduce the burden on inspectors, and a wide conveyor that moves across the entire floor so that inspectors can concentrate on inspection without walking from place to place. These standard inspection lines offer flexibility and expandability to accommodate BEV* production, and will be passed on to the dedicated BEV line at the Oizumi Plant, which is currently under construction.

In addition, we operate a training facility equipped with the same facilities as the standard inspection line to enhance our various training programs for inspectors (including inspector candidates).

We are also taking actions to share digital data from final vehicle inspections with other functions, including development, manufacturing, and services, to help improve quality.

* Battery electric vehicle



Osamu Eriguchi
Senior Vice President
Chief Quality Officer (CQO)

Quality is at the foundation of the SUBARU brand, and we will continue to deepen our quality enhancement efforts.

Our efforts in quality enhancement, a top priority since 2018, have been showing results. These include a steady decline in the number of recalls and vehicles affected, as well as total costs related to product quality. During these efforts, we have also thoroughly instilled a Company-wide quality-first awareness, firmly imprinting quality as part of SUBARU's DNA. Still, today's automobiles feature increasingly

larger and complex control systems, requiring unprecedentedly high levels of quality. In addition, we are committed to "Monozukuri Innovation," announced in August 2023, which calls for higher density in development, manufacturing, and the supply chain, and we intend to firmly root our quality enhancement within these innovation efforts so as to continue providing reliable quality to our customers.

Furthermore, all of our functions will work together to resolve customer concerns and improve customer satisfaction in the area of after-sales service as well. When addressing defects, we will quickly take measures from several angles, including supplying repair parts to the market and reducing repair times, in addition to improving our production lines. In this way, we will take efforts as a unified SUBARU to eliminate customer concerns as quickly as possible.

In addition, every year on October 26, we conduct Company-wide efforts to prevent lessons learned in the past from fading away. In these activities, all employees consider the cause of improper final vehicle inspections and what actions they should take if such an incident were to occur in their own work. In FYE March 2023, these activities included a presentation on the new final vehicle inspection buildings. Presentations to all employees also included positive comments from inspectors looking back on the lead-up to the new inspections, saying they wanted to transform the overall Company from their position at the final vehicle inspection site. These annual efforts are part of our work to dig deep and determine the root causes behind improper final vehicle inspection and bring about substantial corporate culture reforms.

Quality is at the very foundations of the SUBARU brand. Our goal is making SUBARU a brand that our customers will choose for its quality, even in the age of electrification.

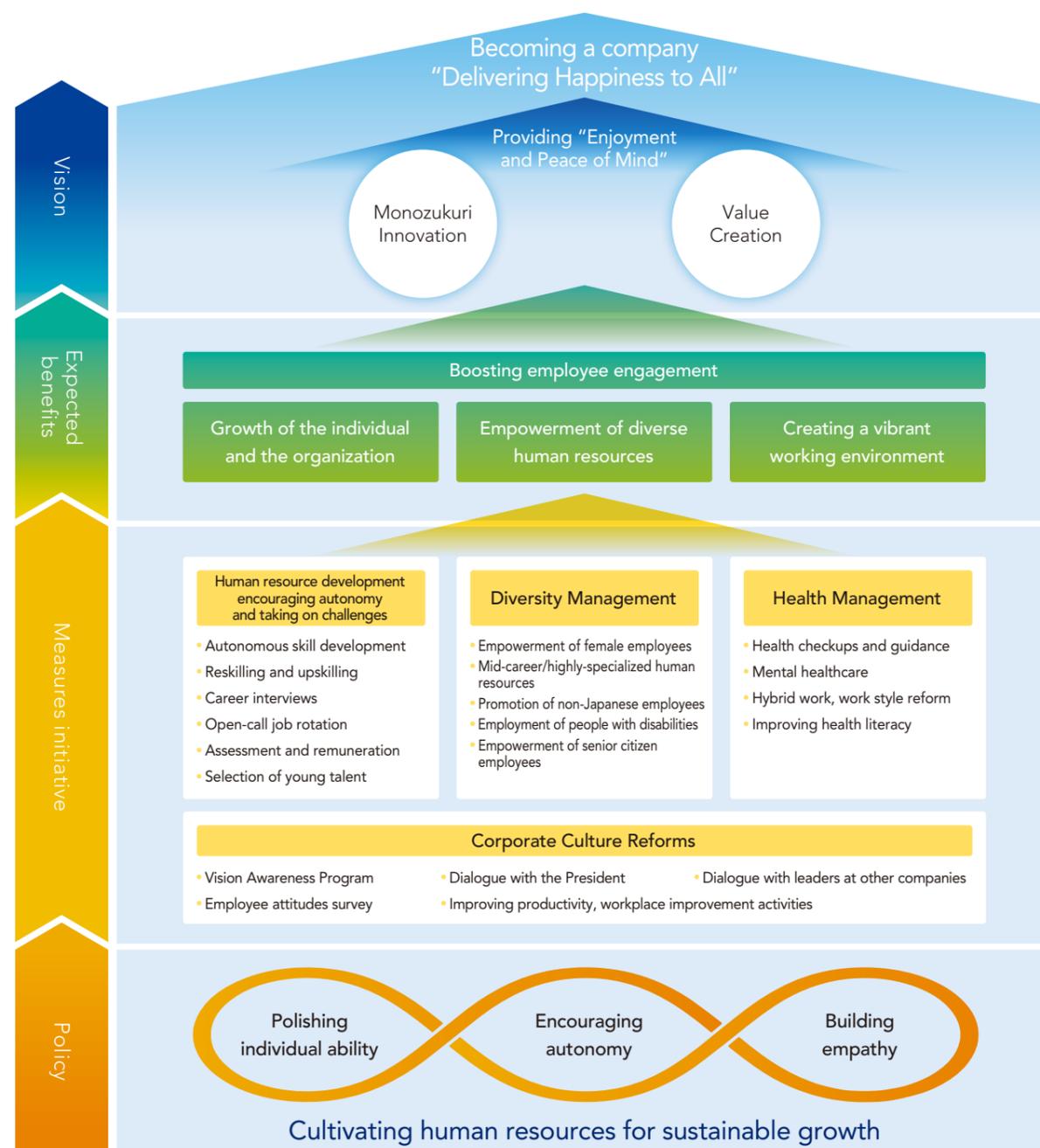
Cultivating Human Resources

Human Capital Management to Become a Company “Delivering Happiness to All”

In the rapidly changing business environment, the SUBARU Group is committed to human capital management with the approach that the human resources that drive our operations are the foundation of our competitiveness and sustainable growth.

We believe that creating competitiveness comes from linking the growth of the individual, in which people think and act on their own initiative in response to various changes, to the growth of the organization. To achieve this, we have been taking a range of actions focused on encouraging autonomy, polishing individual ability, and building empathy, under priority themes such as human resource development and corporate culture reforms, with the goal of building human resources who will lead the future of SUBARU.

In order to be a powerful driver of the impending wave of vehicle electrification, we will use our new management structure to further deepen these efforts and build an environment where these innovation leaders, who will bring about Monozukuri innovation and value creation, can fully demonstrate their abilities. By linking the growth of the individual to the growth of the organization in this way, we will continuously strive toward our vision of becoming a company “delivering happiness to all.”



Human resource development polishing individual ability and encouraging autonomy and taking on challenges

SUBARU promotes various initiatives where the ideal employee is defined as someone who continues to take on new challenges independently based on their affinity with SUBARU’s philosophy. In these initiatives, we encourage employees to autonomously develop their capabilities and take on challenges, supporting the growth of the individual.

(1) Building resonance through the SUBARU Vision Awareness Program

In our SUBARU Vision Awareness Program conducted for all employees, we aim to create a strong organization in which diverse employees work as one toward a unified vision through autonomous demonstration of their respective outstanding abilities.

The program uses videos and mutual discussion among colleagues in the same workplace to encourage participants to consider SUBARU’s vision to become a company “Delivering Happiness to All” and to understand how their daily work is connected to the happiness of SUBARU’s customers. At the same time, the program aims to build resonance with SUBARU’s vision and to encourage each employee to act autonomously. According to the results of a survey of participants conducted in FYE March 2023, approximately 70% of employees said that the program was effective in creating a deeper understanding about “delivering happiness to all.” Based on these results, in FYE March 2024, we will further encourage a sense of ownership and autonomous action among employees that will boost resonance to even higher levels.



A SUBARU Vision Awareness Program session

(2) Supporting employees’ autonomous career development and encouraging growth of the individual

We employ a multi-pronged approach to supporting our employees’ career development. In individual career planning, a career design sheet is used to visualize future career goals based on self-understanding, including one’s own experience, skills, and strengths. Each individual’s thoughts and ideas about their career are then shared with the workplace through career interviews with supervisors. Based on the shared career plan, supervisors provide tailored support to each individual, creating a system that allows employees to develop their careers autonomously. In addition, we offer age-based career planning training, in which participants learn optimal career planning methods and tackle questions about their own careers from a broad range of perspectives through interaction with employees of around the same age. Another program is career management training, in which participants learn the essential mindset and skills required of supervisors when they conduct career interviews.

An annual PDCA cycle is used to evolve each of these initiatives. For example, in a survey conducted after an age-based career planning training program, many participants commented that it offered valuable time to assess their careers and that it helped clarify how to create a career vision and determine where they need to work on going forward. These comments informed our decision to enhance our activities here, including gradually expanding the age ranges covered by this program.

(3) Knowing the outside world to spur challenge with an accurate sense of urgency

In order for SUBARU to maintain its growth going forward, we believe it is essential for each individual to know the outside company, take on challenges proactively with an accurate sense of urgency, and lead the organization.

As part of our efforts to help individuals know the outside world, leaders in corporate management from outside SUBARU were invited to deliver lectures to our own leaders (managers and section leaders) in FYE March 2023 on the theme of “Leadership for Survival into the Future.” These management leaders from a total of seven companies delivered lectures expanding participants’ horizons and helping them think independently about how to demonstrate their own leadership in these rapidly changing and uncertain age.

In our efforts to cultivate and generate managerial talent, each selected employee participates in external courses according to the issues they face and the skills they wish to develop, and by applying the knowledge and inspiration gained

from outside to their work within the Company, they develop their ability to lead SUBARU into the future. We also offer elective external open lectures for all employees, actively providing opportunities for them to learn about the outside world so that many employees can engage in their work with a broader perspective.

(4) Providing career choices through open-call job rotation

SUBARU introduced an open-call job rotation system in FYE March 2022 as a scheme to support employees in the career plans they have developed for themselves. Under this system, employees voluntarily apply for open positions offered by each department, and if conditions are met for both sides, the employee is transferred. More than 100 employees have taken advantage of this system to capture new career opportunities. As of FYE March 2023, we have launched a new initiative offering open-call recruitment to young employees for positions that involve overseas assignment. This has helped launch career development overseas for our motivated talent.

(Comments from open-call job rotation users)

- The system allowed me to utilize my cultivated skills in new areas, creating a feeling of broader career options.
- The ability to take a new job in a completely different area has allowed me to take on new challenges and grow as a person.

Upskilling Engineers for New Value Creation

The creation of new technological value is essential for SUBARU to continuously meet customers' expectations, which fluctuate with the market. SUBARU is actively working to upskill its engineers, a process adding new technical skills required in the era of the electric car to the technical skills cultivated in internal combustion engines and reinforcing technical skills that embody the SUBARU-ness.

In particular, given that areas related to software will determine how well a company generates technological value, we launched the Software Human Resource Development Project within our engineering department in FYE March 2023. This project aims to cultivate human resources capable of developing software that will innovatively enhance the value of automobiles.

Specifically within this project, we launched a training program for acquiring software skills at different levels in October 2022. This training program has two major course branches, one for new employees and one for existing employees. In each of these branches, courses are offered at the introductory, beginner, intermediate, and advanced levels.

All of the approximately 170 new employees who joined the engineering department in FYE March 2023 have completed the beginner level of the training program for new employees. Approximately 10 participants have advanced to the advanced level and are continuing their training.

In the training for existing employees, an introductory level course on software literacy was conducted for all of the approximately 4,000 engineering department employees. Currently, approximately 200 of these employees are taking the beginner level course.

In addition, in order to utilize the skills acquired in these training programs in practice and link them to the creation of technological value, we are also studying and implementing the optimal allocation of human resources.



A software training class for new employees (beginner level)



Diversity Management for Long-lasting Growth

The SUBARU Group aims to continue creating the unique value provided by the SUBARU brand. To achieve this goal, SUBARU employees with a diverse range of individual characteristics and values need to be able to fully utilize their own unique talents and to be encouraged to create innovation. This is why SUBARU respects diversity in the form of gender, nationality, culture, and lifestyle, and strives to create a positive workplace environment for everyone. SUBARU is committed to empowered and fulfilling careers with respect to human resource diversity, including for women, mid-career hires, people with disabilities, non-Japanese employees, and LGBTQ+ individuals. To this end, in January 2015, SUBARU established the Diversity Promotion Office, and has been expanding systems, assigning the right people to the right positions, cultivating human resources, and promoting them to management positions.

Promoting active roles for female employees

At SUBARU, we believe the empowerment of women is important to our sustainable growth. It is based on this belief that we support female employees in their pursuit of career development and in their efforts to balance work and childcare as two key issues. We also provide health support to ensure that female employees can sustain their careers through various life events.

Regarding support for career development, we place special emphasis on nurturing female managers. We have set a goal of doubling the number of female managers by 2025 compared to 2021. In FYE March 2023, we implemented various initiatives aimed at supporting female employees aspiring to become managers. These initiatives included the promotion of the Women's Leadership Program (WLP), which provides guidance and education tailored to each employee, organizing diverse

training programs to help individuals shape their own career paths, and establishing a training system that includes dialogue sessions with female executives through an executive forum aimed at further enhancing the contributions of female managers. We have also worked to create a culture and workplace environment that promotes the active participation of women through initiatives such as unconscious bias training targeting managerial staff. As a result of these initiatives, as of April 2023, we have 31 women among the 1,095 managerial positions, representing an increase of approximately 1.3 times from the 24 female managers in 2021.



An executive forum session

To support balancing work and childcare, we have introduced a work-from-home system from FYE March 2022 and abolished core hours in the flex-time system to facilitate flexible work styles for diverse human resources so that they can balance rewarding work and fulfilling lives. In addition, for employees in direct departments, we introduced an early-morning childcare service by qualified nursery teachers using in-house facilities in FYE March 2020. In FYE March 2023, we have expanded this to cover nights and late nights in our efforts to help balance work and childcare.

Another initiative is the Women's Empowerment Working 4's Project, launched in FYE March 2023 under the leadership of women working in our manufacturing department. This project's goal is to bring about what is needed for women to shine much more brightly, and includes improving facilities and holding round-table discussions.



A Women's Empowerment Working 4's Project session

For our future development, we recognize that it is necessary to make improvements in the two issue areas of work styles and corporate culture. To this end, we will further correct long working hours and encourage male employees to take childcare leave, as well as further raise awareness in the workplace and among managers through various training programs, and promote active roles for female employees.

Strengthening mid-career recruitment

SUBARU has been actively promoting mid-career recruitment in recent years to respond to changes in the business environment and achieve sustainable growth. There were 4,161 mid-career hires working as regular employees (approximately 24% of all regular employees) as of the end of March 2023, and 175 of them were in management positions (approximately 16% of all managers).

In addition, at the SUBARU Lab AI development base established in Shibuya, Tokyo in December 2020, we are working to enable smooth and targeted hiring of human resources required for AI development. As of April 2023, 13 employees play active roles in this area within SUBARU.

Promoting employment of people with disabilities

In accordance with the April 2023 Human Resources Department Policy on Employment of People with Disabilities, the SUBARU Group strives to create workplace environments in which people with disabilities can truly shine. Under this policy, we are working to improve understanding among employees to ensure that those with diverse personalities, regardless of whether they have disabilities, can work with peace of mind and excel in the workplace. This is achieved through training regarding the employment of persons with disabilities provided within SUBARU and our Group companies.

In FYE March 2023, our specified subsidiary SUBARU BLOOM Co., Ltd., the largest employer of people with disabilities in Gunma Prefecture, received recognition for its long-standing contributions with the Gunma Prefecture Governor's Award as an excellent company for employing people with disabilities. As of June 2023, SUBARU BLOOM has 82 employees with disabilities on its roster.

As a result of various initiatives, as of June 2023, the SUBARU Group has 326 employees with disabilities, and the percentage of employees with disabilities (including at our special subsidiary company and affiliated companies) is 2.47%.



A supervisor checking work

Promoting Non-Japanese Employees

The SUBARU Group hires human resources best suited to the policies and business activities of each location, regardless of their nationality. SUBARU employs 88 non-Japanese employees as of the end of March 2023. There are three non-Japanese employees in managerial posts at IT, engineering, and manufacturing departments. In our manufacturing department, where there are a number of non-Japanese employees, work instructions for our processes are translated into five languages to facilitate communication and support active roles for our non-Japanese colleagues.

Initiatives for the LGBTQ+ community

The SUBARU Group's Human Rights Policy prohibits discrimination based on gender, gender identity, expression, and sexual orientation. To ensure that all employees have a proper understanding of sexual diversity, we conduct employee awareness activities and increase the number of allies (LGBTQ supporters) throughout the year.

In FYE March 2022, we set up an external hotline employees can use to consult about LGBT-related issues. In addition, the Diversity Promotion Office regularly holds opinion exchanges with members of the LGBTQ+ community to help provide them with a workplace offering peace of mind. At our internal LGBTQ+ seminars, participants have the opportunity to hear unfiltered comments from people identifying as LGBTQ+, learning about the attitudes and knowledge needed to support them. In addition, as part of activities to increase the number of people who have an understanding of LGBTQ+ issues, we are recruiting internal allies to share information on related events and improve understanding within the Company. In FYE March 2024, as a member of the LGBT-Ally Project, we will work to support the community while interacting with other companies, including through the Tokyo Rainbow Pride event.



Bronze certification in the PRIDE Index



External consultation service informational cards distributed to employees

Boosting Employee Engagement and Reforming Corporate Culture for a More Robust Foundation

SUBARU conducts the Employee Attitudes Survey to assess changes in employee awareness and the workplace environment using objective data, and utilizes its results as a KPI for the evaluation of the Company's efforts. Survey results are also used to identify issues and formulate countermeasures at each workplace, and are utilized in personnel policies and corporate culture reform efforts. Evaluation results become part of our PDCA cycle as we work to become a company "Delivering Happiness to All."

Employee engagement is a rating in the Employee Attitudes Survey that reflects fulfillment from work and pride in the company. We are implementing various initiatives aimed at boosting this rating to 70% by 2025. This indicator has also been used in qualitative (non-financial) evaluation for executive compensation since FYE March 2023. In the FYE March 2023 survey, employee engagement results showed a downward trend (from 50% to 47%), due in part to instability in the global economy and social conditions.

Various Initiatives Aimed at an Employee Engagement Rating of 70% by 2025

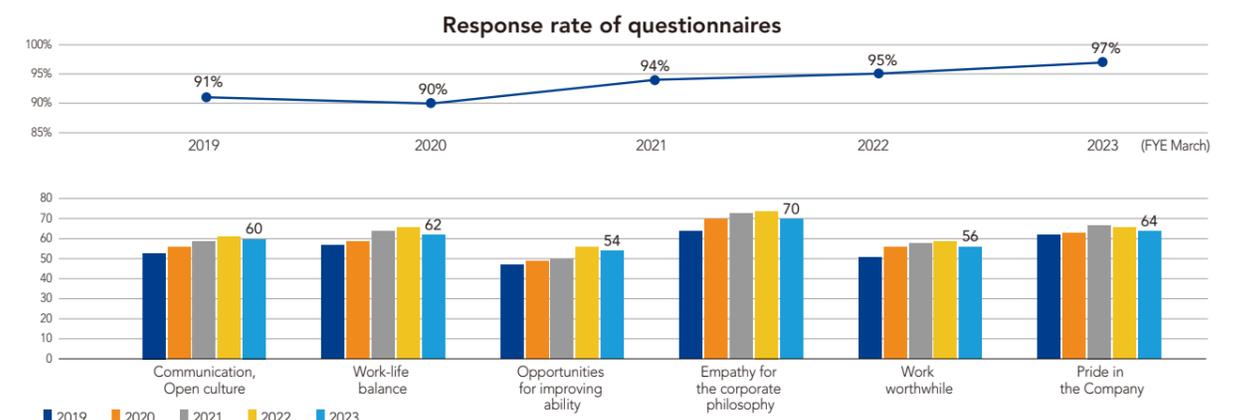


Implementation of Various Measures Related to both "Fulfillment from Work" and "Pride in the Company"

Initiatives to boost engagement		
Senior executive management <ul style="list-style-type: none"> • Message from the President • Executive engagement declaration (includes KPIs) • Use of employee engagement index improvement for director compensation evaluations • Ongoing communication of future strategy • Dialogue with the President 	Management level <ul style="list-style-type: none"> • Facilitation and coaching training • Company-wide disclosure of Employee Attitudes Survey results and employee engagement rating by department/office (planned) • Career interviews • Visualization within the talent management system 	General employees <ul style="list-style-type: none"> • SUBARU Vision Awareness Program • Enhance understanding of SUBARU through Team Window* • Smile Up Project • Activities in cooperation with labor unions
Workplace environments, etc. <ul style="list-style-type: none"> • Health management • Responses to new work styles • Wages • Welfare and benefits 		

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

Survey participation was strong, with 97% of all regular employees responding in FYE March 2023. Our analysis of the FYE March 2023 survey suggests that the impact of temporary factors such as poor performance due to unstable operating conditions during the COVID-19 pandemic and uncertainty about future market conditions led to the lower overall score. Based on these results, in FYE March 2024, we will work toward greater employee understanding by providing timely and easy-to-understand information on SUBARU's future strategies and on its management, as well as by creating opportunities for dialogue, as part of our efforts to eliminate uncertainty about the future.



Six Priority Areas for CSR

We envision becoming a company “Delivering happiness to all.” To achieve this vision, we have adopted the Six Priority Areas for CSR and will promote initiatives based on the SUBARU Global Sustainability Policy and to fulfill our corporate social responsibilities, thereby providing “Enjoyment and Peace of Mind” to our customers and other stakeholders. The SUBARU Group aspires to be a truly global company with sustainable growth driven by each and every one of its employees, and to contribute to the realization of an enjoyable and sustainable society.

SUBARU Group’s Six Priority Areas for CSR

Process of Identifying the Six Priority Areas for CSR

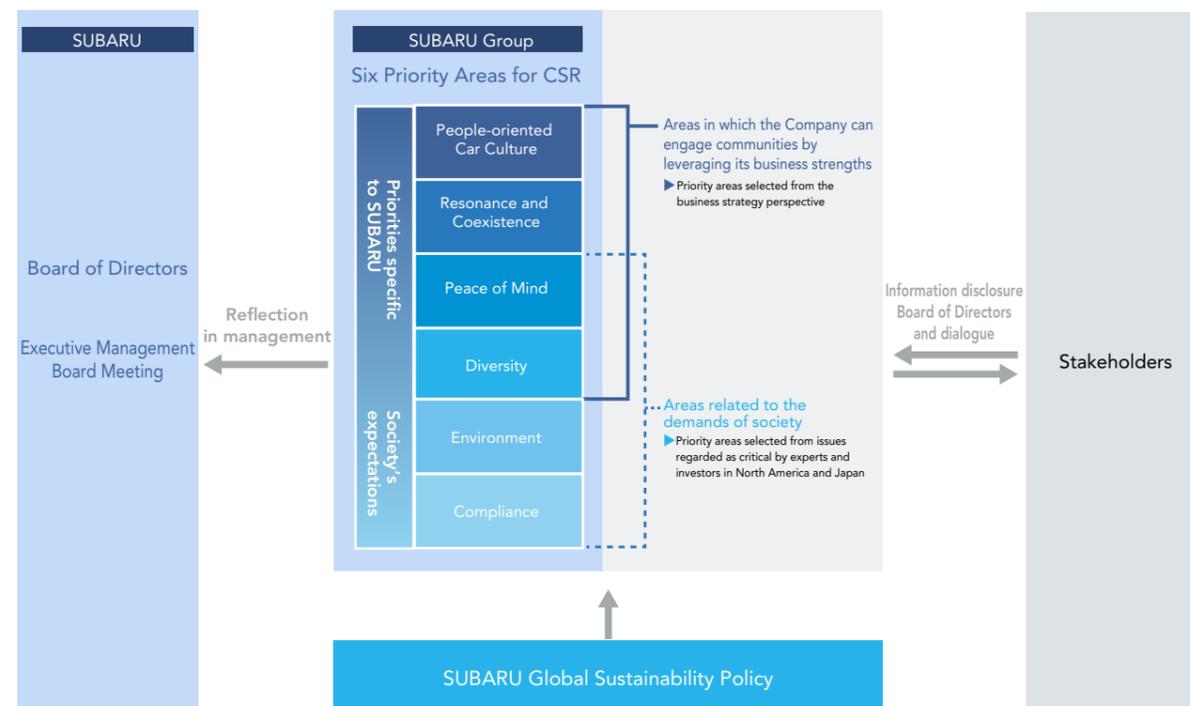
The SUBARU Group promotes CSR initiatives in the Six Priority Areas for CSR: People-oriented Car Culture, Resonance and Coexistence, Peace of Mind, Diversity, Environment, and Compliance.

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

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

In August 2023, SUBARU announced new management policy. Its priority areas in this policy are fundamentally unchanged. Based on the SUBARU Global Sustainability Policy, SUBARU will pursue value creation on a Group-wide and global basis with the goal of becoming a company “delivering happiness to all.” We will also promote initiatives in the Six Priority Areas for CSR, recognizing issues of importance to society and the SUBARU Group, with the aim of creating greater social value and economic value.

Reflecting SUBARU Group’s Six Priority Areas for CSR in Management



SUBARU Global Sustainability Policy

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

SUBARU Global Sustainability Policy

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

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

Six Priority Areas for CSR: Visions for 2025 and Relevant SDGs

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

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

*Zero fatal traffic accidents among occupants of SUBARU vehicles and people involved in collisions with SUBARU vehicles, including pedestrians and cyclists.

Six Priority Areas for CSR	Basic Concepts	Visions for 2025	Relevant SDGs
People-oriented Car Culture	SUBARU believes that a car is more than just a means of transport. SUBARU will foster a sustainable mobility culture by providing customers with added value in the form of products and services which make the car a partner that enriches people’s lives and minds, while cherishing the human emotions of “Enjoyment and Peace of Mind.”	Become a company that enriches people’s lives and minds as a partner.	9 (Industry, Innovation and Infrastructure), 11 (Sustainable Cities and Communities)
Resonance and Coexistence	SUBARU will become a company that is trusted by, and resonates and coexists with, both individual customers and society as a whole by engaging seriously with their voices through greater person-to-person communication.	Become a company that is widely trusted by, resonates and coexists with society.	11 (Sustainable Cities and Communities), 17 (Partnerships for Development)
Peace of Mind	SUBARU will become a company that provides all stakeholders with the utmost peace of mind.	Become a company that provides the utmost peace of mind to all stakeholders.	3 (Good Health and Well-being)
Diversity	The SUBARU Group’s approach to promoting diversity has two key elements: offering products that respect diverse forms of market value, and respecting and reflecting the diverse values of all those who work for the SUBARU Group.	Promote businesses that create diverse forms of market values while respecting the diverse values of all people.	5 (Gender Equality), 8 (Decent Work and Economic Growth)
Environment	In order to pass on “The earth, the sky and nature,” SUBARU’s fields of business, to future generations, we provide utmost care to the environment with our company-wide activities.	Cherish and protect the global environment—The earth, the sky and nature—through Group-wide activities.	13 (Climate Action), 12 (Responsible Consumption and Production)
Compliance	SUBARU will become a company that operates in accordance with laws, regulations, and societal norms, ensuring that our focus on compliance as a priority permeates throughout and is practiced by all those who work for the SUBARU Group.	Act in good faith and become a company that is trusted by and resonates with society.	8 (Decent Work and Economic Growth), 16 (Peace, Justice and Strong Institutions)

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

Six Priority Areas	Relevant Stakeholders	Themes	Initiatives						Vision/KPIs (FYE March 2026-FYE March 2031) Six Priority Areas for CSR	Relevant SDGs
			FYE March 2021	FYE March 2022	FYE March 2023	FYE March 2024	FYE March 2025	FYE March 2026		
People-oriented Car Culture	Customers	Enjoyment of driving a car	Evolution of SUBARU Global Platform and Integration with Intelligent Technology (Achieving safe and enjoyable driving with peace of mind like a skilled driver)						Become a company that enriches people's lives and minds as a partner.	9.1
		Providing enjoyment of customization	Development of high-quality accessories matched with new models							
		Enhancing the brand image	Expansion of the lineup of high-performance, value-added items							
		Proposing new forms of mobility	Promotion of the brand strategy (SUBARU, the Beloved Brand: More than a Car Company)							
		Disseminating car culture	Promotion of marketing activities that match the characteristics of each market							
	Local communities	Strengthening relationships with customers	Promotion of motorsports and continuation of awareness-raising activities							
		Establishing a new maintenance system	Advancement of Subaru's "Dynamic x Solid" design identity to "bolder" expression							
		Coexistence and mutual prosperity with business partners	"Designing experiences" with a focus on resonance with customers under the vision of "Earth-tainment: Enjoying the Earth Together"							
		Creating a safe working environment	Technology development toward realization							
		Revitalizing relationships with local communities	Dissemination of SUBARU's manufacturing practice and its endeavors for "Enjoyment and Peace of Mind"							
Resonance and Coexistence	Customers	Strengthening relationships with customers	Utilizing digital technologies to strengthen relationships with customers						Become a company that is widely trusted by, resonates and coexists with society.	11.2
		Establishing a new maintenance system	Enhancement of customer loyalty							
		Coexistence and mutual prosperity with business partners	Providing products and services contributing to prosperous lifestyles							
		Creating a safe working environment	Development of a maintenance system for EVs							
		Revitalizing relationships with local communities	Enhancing the maintenance system for promoting EVs							
	Business partners	Coexistence and mutual prosperity with business partners	Efficient vehicle maintenance by utilizing IT and digital transformation (DX)							
		Creating a safe working environment	Building relationships with business partners with CSR surveys, awareness-raising, and from CSR perspectives							
		Revitalizing relationships with local communities	Enhancing and strengthening the SUBARU Group's telecommuting environment							
		Contributing to safe lives of people	Reinforcement of efforts for occupational health and safety, improvement of plant environments							
		Contributing to safe lives of people	Creation of a safe and rewarding workplace environment, building of a brand that is loved by employees							
Peace of Mind	Customers	Improving safety functions	Continuation of production operations and maintenance of employment at each site						Become a company that provides the utmost peace of mind to all stakeholders.	3.6
		Contributing to safe driving	Utilization of athletic teams, boosting of employee morale							
		Establishing and strengthening a reliable product supply system	Reinforcement of community exchange and partnership activities							
		Improving inspection and maintenance quality	Contribution and relationship-building through sporting activities							
		Securing and improving quality	Contributing to local communities through stronger cooperation with nonprofit organizations (NPOs)							
	Employees	Contributing to safe driving	Community support activities during disasters and pandemics							
		Establishing and strengthening a reliable product supply system	Advancement of Advanced Driver Assistance System (ADAS)							
		Improving inspection and maintenance quality	Adoption of Advanced Automatic Collision Notification (AACN) system and expansion of its functions							
		Securing and improving quality	Continuous enhancement of crash safety							
		Contributing to safe lives of people	Expanding enhanced safety functions since FYE March 2021							
Local communities	Contributing to safe driving	Developing autonomous flight control systems (collision avoidance technology, fault-tolerant system improvements)								
	Establishing and strengthening a reliable product supply system	Implementing and sustaining EyeSight test rides (awareness-raising for advanced safety technology), etc.								
	Improving inspection and maintenance quality	Establishment of a timely and efficient supply system of spare parts and accessories								
	Securing and improving quality	Strengthening product supply capacity (parts center capacity increase plans/parts supply system improvements)								
	Contributing to safe lives of people	Promotion of accurate, high-quality inspection and maintenance								
Governments	Contributing to safe driving	Global penetration of maintenance system with high and consistent quality								
	Establishing and strengthening a reliable product supply system	Promotion of initiatives to produce vehicles of choice in terms of quality as well								
	Improving inspection and maintenance quality	Improvement of quality in all processes, from product planning to production, sales, and service								
	Securing and improving quality	Placing of the highest priority on quality by implementing quality caravans and providing education for fostering quality awareness								
	Contributing to safe lives of people	Collaboration with business partners								

Six Priority Areas	Relevant Stakeholders	Themes	Initiatives						Vision/KPIs (FYE March 2026-FYE March 2031) Six Priority Areas for CSR	Relevant SDGs
			FYE March 2021	FYE March 2022	FYE March 2023	FYE March 2024	FYE March 2025	FYE March 2026		
Diversity	Employees	Promoting active roles for female employees	Expanding the number of female managers						Promote businesses that create diverse forms of market value while respecting the diverse values of all people.	5.5 5.5.2
		Utilizing diverse human resources	Childcare support for female employees in direct departments							
		Promote diverse work styles	Creating workplaces where female employees in direct departments can thrive and play an active role							
		Providing a wide range of products	Review of the human resources system for senior employees							
		Providing a wide range of products	Operation of the human resources system for senior employees							
	Business partners	Providing a wide range of products	Promotion of active roles for non-Japanese human resources							
		Providing a wide range of products	Examination and promotion of a workplace environment that pays due consideration to minorities in society							
		Providing a wide range of products	Compliance with the legally prescribed employment rate for persons with disabilities							
		Providing a wide range of products	Acquiring new knowledge through proactively recruiting external human resources							
		Providing a wide range of products	Diverse work styles: Labor management to back up work-life balance and support for hybrid work leading to improved productivity							
Environment	Customers	Popularizing vehicles that reduce environmental impact	CSR surveys, awareness-raising, and stronger CSR initiatives in the supply chain with business partners						Cherish and protect the global environment—the earth, the sky and nature—through Group-wide activities.	13.1 13.2
		Popularizing vehicles that reduce environmental impact	Enhancement of the understanding of employees, promotion of cooperation with U.S. minority organizations							
		Popularizing vehicles that reduce environmental impact	Incorporation of feedback on diverse market needs							
		Popularizing vehicles that reduce environmental impact	Design parts that can be used in multiple vehicle models							
		Popularizing vehicles that reduce environmental impact	Expansion of the sale of EVs (including models with e-BOXER)							
	Governments	Popularizing vehicles that reduce environmental impact	Development and sale of EVs (BEVs and SHEVs)							
		Popularizing vehicles that reduce environmental impact	BEV development							
		Popularizing vehicles that reduce environmental impact	Launch of Solterra, global rollout and sales expansion of BEVs							
		Popularizing vehicles that reduce environmental impact	Establishing appropriate disposal schemes for EV batteries							
		Popularizing vehicles that reduce environmental impact	Introduction of solar power generation for self-consumption							
Compliance	Business partners	Ensuring comprehensive export control	Introduction of hydroelectricity and green electricity						Act in good faith and become a company that is trusted by and resonates with society.	8.7 8.8
		Ensuring comprehensive export control	Energy conservation investment and effective utilization of facilities							
		Ensuring comprehensive export control	Continuation of conservation efforts in cooperation with governments							
		Ensuring comprehensive export control	Promotion of lighter, electric, and biofuel aircraft							
		Ensuring comprehensive export control	Establishment and maintenance of an environmental management system							
	Employees/Local Communities	Ensuring comprehensive export control	Efficient parts storage and transportation							
		Ensuring comprehensive export control	Promotion of retailers' continuous efforts for energy saving, water quality conservation, and recycling							
		Ensuring comprehensive export control	Optimization of logistics and complete knockdown (CKD) costs							
		Ensuring comprehensive export control	Prevention of harassment							
		Ensuring comprehensive export control	Maintenance and improvement of the workplace environment by promoting work style reforms and complying with the Labor Standards Act							
Business partners	Ensuring comprehensive export control	Implementing conflict mineral surveys								
	Ensuring comprehensive export control	Establishment and dissemination of our Human Rights Policy, implementation of due diligence								
	Ensuring comprehensive export control	Promoting initiatives to respect human rights								
	Ensuring comprehensive export control	CSR surveys, awareness-raising, and stronger CSR initiatives in the supply chain with business partners								
	Ensuring comprehensive export control	Promotion of fair trade on a continuous basis								

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

Environment ~Climate change~

Declaration of Support for the TCFD Recommendations

SUBARU recognizes that climate change is one of the most pressing global issues, and has been working to disclose information on climate change. In April 2023, it has declared support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). For more information on SUBARU's disclosure of the TCFD's recommended items, please see our TCFD Content Index (<https://www.subaru.co.jp/en/csr/tcfcd/>).

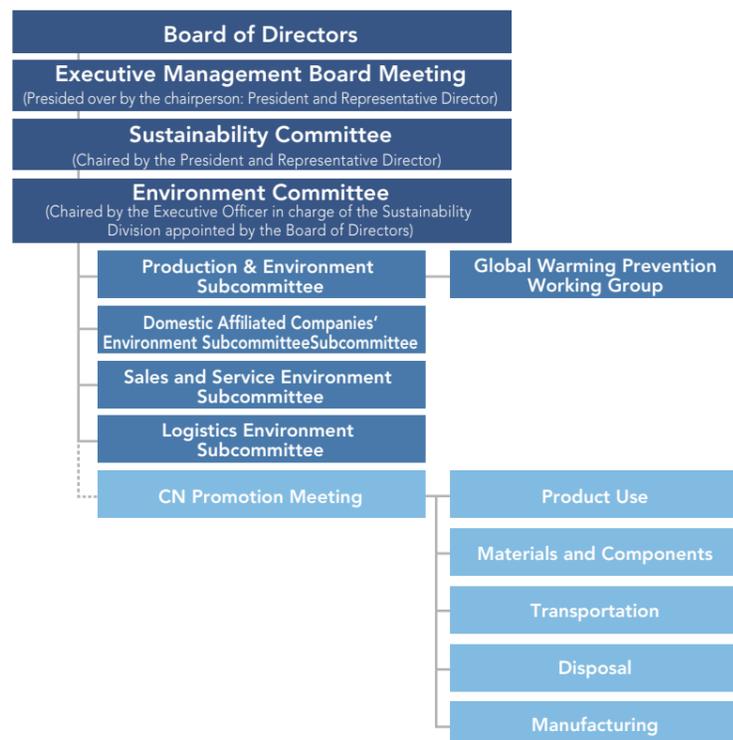


Management System

SUBARU has established the Environment Committee, which discusses measures from broad and medium- to long-term perspectives that accommodate environmental standards required by future societies, and evaluates the progress of related implementations and achievements. Management of climate change-related activities is included in the responsibilities of our environmental management structure. Environmental risks and opportunities associated with climate change are assessed and monitored at the Environment Committee. After discussion at the Sustainability Committee, major issues become the subject of proposals and deliberations at the Board of Directors and the Executive Meeting, while particularly significant matters are subject to deliberation within the Board of Directors before decisions are made.

In addition, in order to contribute to the realization of a decarbonized society through the reduction of CO₂ emissions throughout the life cycle of our business activities, SUBARU holds monthly CN Promotion Meetings, bringing together departments representing the five areas of "product use," "materials and components," "transportation," "disposal," and "manufacturing." In these CN Promotion Meetings, members from each area worked together and shared information, formulated a master plan from a medium- to long-term perspective, and took actions to visualize and mitigate emissions in each area in the interest of achieving carbon neutrality by 2050. These efforts are overseen by the Environment Committee.

Governance Structure for Climate Change



Strategy

SUBARU recognizes that climate change action is one of the most critical issues to address. To address climate change-related transition risks in policy and regulation, technology, markets, and other items, dedicated departments at SUBARU work to identify uncertain climate change-related risks.

Main Risks Identified (Bolted items are identified as highly important risks related to the strategic reorganization of SUBARU's production system)

Climate-related Risks	Main Risks Identified		
Transition risk	Business Management in General	In the event that more rigorous climate change targets are set in various countries, SUBARU's business could be significantly affected.	
	Regulatory risk	Products	If SUBARU fails to meet fuel economy regulations imposed in various countries, the Company could incur additional costs or losses related to negative incentives, such as fines or non-penal fines for legal violation, and credit purchase for unmet standards. Also, some of our products could fail to satisfy certain fuel economy standards, resulting in restrained sales opportunities.
	Production Phase		SUBARU could incur rising costs due to fossil fuel use, not only because of geopolitical factors associated with petroleum etc., but also carbon taxes, emission quotas, and other government policies and regulations.
Transition risk	Technology risk	Products	To promote electrification, it is crucial to ensure profitability for the entire product cycle ranging from procurement and use to disposal. Thus, it is essential to involve SUBARU's upstream and downstream partners in exerting efforts toward this end. Failure to do this could render the Company unable to meet the profitability goal for the entire product life cycle.
	Production Phase		If use of renewable energy does not grow as expected, SUBARU could face slower progress in achieving its Scope 1 and 2 emissions reduction goals.
	Market risk	Products	At present, it is difficult to predict technological progress and price optimization for electrification, which will likely cause a substantial gap with the real state of market needs. In such a situation, SUBARU could incur unnecessary and excessive R&D costs while facing a decline in customer satisfaction, resulting in unexpected losses and reduced sales opportunities as well as hampered advancement of the Company's electrification efforts. In addition, SUBARU views electrification as a steady medium- to long-term trend, and also anticipates the possibility of its swift and sweeping penetration of the market at some stage. SUBARU could be unprepared for such prospect in terms of technology and timely product lineups, and thus suffer from a resultant loss of product sales opportunities.
Physical risk	Reputational risk	Business Management in General	If SUBARU fails to implement adequate initiatives to achieve low-carbon/zero-carbon outcomes, its brand value could be harmed, which could affect the Company's sales and recruiting ability. Capital costs could also rise, due to increased difficulty in obtaining financing from investors.
	Acute physical risk	Business Management in General	As an impact of climate change, extreme torrential rain will frequently cause floods in various locations, which could pose risks of SUBARU's operations being affected by disrupted supply of raw materials and submerged factories.
	Chronic physical risk	Business Management in General	There is a possibility that SUBARU might suffer from shortages of natural resources used for tires and metal resources, such as materials for automotive batteries used in electrification technologies.

Main Opportunities Identified

Climate-related Opportunities	Main Opportunities Identified
Market opportunity	If SUBARU advances its efforts to make products more environmentally friendly as planned and global climate change mitigation/adaptation efforts progress adequately, the Company will be able to maintain its key markets while at the same time potentially expanding in markets receptive to its offer of "Enjoyment and Peace of Mind." In addition, through contributing to addressing climate change issues, SUBARU could increase its brand value, thereby enhancing its sales and recruiting ability. This could make it easier for the Company to obtain financing from investors, thereby lowering capital costs.
Energy source opportunity	Regarding energy use during the production phase, by transitioning to renewable energy while at the same time giving due consideration to cost-effectiveness, SUBARU could overcome the risk of being exposed to price fluctuations involved in energy derived from fossil fuels, thereby preventing future cost increases.

Note: The risks and opportunities described above are based on past facts and currently available information, and may change significantly due to such factors as future economic trends and the business environment facing SUBARU. The opportunities described represent those for SUBARU's products to contribute to climate change adaptation and do not anticipate climate change-related deterioration.

SUBARU explores climate change-related countermeasures in consideration of a variety of scenarios, including its own scenario assuming carbon neutrality by 2050 (equivalent to the 1.5°C scenario), based on climate change-related policy trends in various countries and information published by the International Energy Agency and other organizations. This exploration also incorporates risks and opportunities recognized with respect to sustainable business activities. As an example measure, SUBARU has developed an electrification strategy* that considers multiple scenarios, including one in which the percentage of electric vehicles sold in the market increases significantly, as well as one in which the market penetration of electric vehicles increases modestly.

We are also advancing BCP^{*1} measures against flooding during torrential rainfall as a means of adapting to climate change. This action is in consideration of the risk of increasingly severe natural disasters due to a lack of progress in addressing climate change.

*1 BCP: Business continuity plan

Examples of scenarios and their risks/measures

Scenario	Example scenario risks of particular importance	Measures
Penetration of BEVs	Products Risk of limited sales opportunities due to products not meeting certain fuel efficiency standards	<ul style="list-style-type: none"> Building a production system that can dynamically adapt the production ratio between BEVs, hybrids, and ICE vehicles, keeping a close eye on environmental regulations and market trends
	Risk of market need diverging from electrification technology	<ul style="list-style-type: none"> Establishing an eight-model BEV lineup by the end of 2028 with 400,000 BEVs sold in the U.S.
Increasing severity of natural disasters	Business management Risk of operations being affected by disrupted supply of raw materials and submerged factories as a result of frequent flooding in various locations from extreme torrential rain	<ul style="list-style-type: none"> Taking measures against flooding by installing rainwater collection tanks and strengthening drainage capacity

*Electrification Strategy
<https://www.subaru.co.jp/en/outline/about/policy/index.html>

Risk Management

It is essential for the SUBARU Group to strategically conduct risk management while building a more robust management foundation and securing longevity of its business. 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.

To address climate change-related transition risks, dedicated departments at SUBARU gather information from a wide range of sources and work to identify uncertain climate change-related risks from future projections. For the physical risks associated with climate change, the Risk Management and Compliance Office plays a pivotal role in establishing regulations in response to these operational risks as part of the BCP^{*1} system. During emergencies, the office centrally collects Group-wide information, establishing a system to manage company-wide responses.

Some items related to climate change are proposed and discussed at bodies like the Board of Directors and the Executive Meeting, and particularly significant matters are subject to deliberation within the Board of Directors before decisions are made.

Metrics and Targets

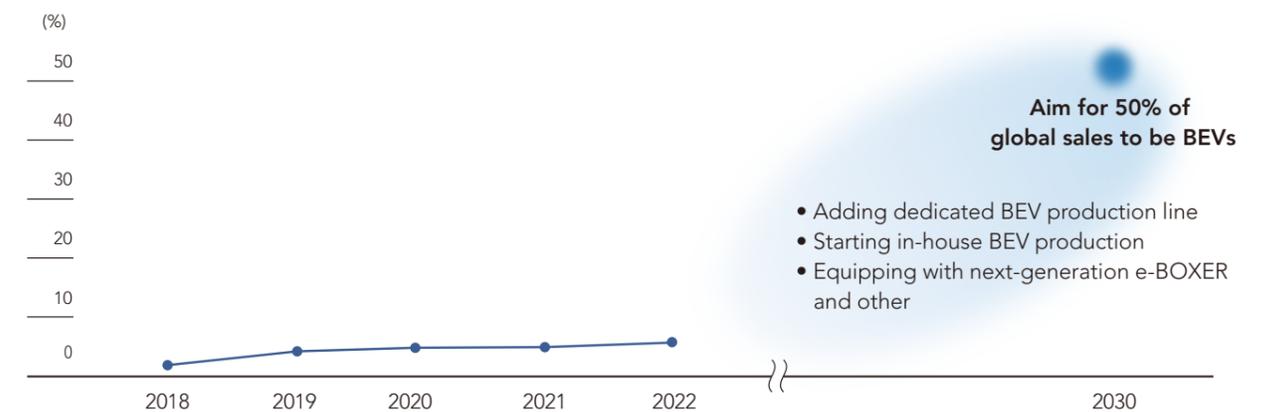
In order to contribute to a decarbonized society, SUBARU has set long-term goals (long-term vision) for 2050 and medium-term goals (milestones) regarding products (Scope 3) and plants and offices (Scope 1 and 2). These medium-term goals are reviewed as necessary according to the business environment, which is experiencing rapid, disruptive changes.

Category	Target Year	Goal
Products Scope 3	2050	Reduce average well-to-wheel* ² CO ₂ emissions from new vehicles (in operation) by 90% or more compared to 2010 levels* ³
	Early 2030s	Apply electrification technologies* ⁴ to all SUBARU vehicles* ⁵ produced and sold worldwide
	2030	Aim for 50% of global sales to be BEVs
Plants and offices Scope 1 and 2	FYE March 2051	Achieve carbon neutrality
	FYE March 2026	Reduce CO ₂ emissions by 60% compared with FYE March 2017 (total volume basis)

*2 Well-to-Wheel: Approach to calculating emissions including the emissions produced by the generation of electricity to be used by EVs and other vehicles.
 *3 Reduce total CO₂ emissions calculated based on the fuel efficiency (notified value) of all SUBARU automobiles sold across the world by 90% or more compared 2010 levels by 2050. Changes in the sales quantity due to changes in the market environment shall be taken into consideration, while minor changes in running distance shall not.
 *4 Refers to the technology used to foster the use of electricity for EVs, HEVs, and others.
 *5 Excluding models supplied by OEMs.

SUBARU is naturally working to improve the fuel efficiency of gasoline-powered vehicles while turning its attention to expanding its lineup of EV models, especially the development and supply of BEVs. We believe it will be especially important to steadily promote the expansion of the above initiatives in order to reduce the amount of CO₂ emitted from automobiles. The percentage of SUBARU's EVs as a share of global sales in FYE March 2023 was 5.7%. However, we will grow our earnings base in the BEV era by strengthening our supply capacity for EVs, including the start of in-house BEV production in the mid-2020s in conjunction with the reorganization of our domestic production system, the launch of the next-generation e-BOXER, and the addition of dedicated BEV production lines in the late 2020s. As we do this, we will work to ensure a high level of financial soundness, taking actions in a sustainable structure toward our stated goal of aiming for 50% of SUBARU global sales to be BEVs in 2030.

Results and future plan of percentage of EVs sold (retail sales basis)



The majority of the SUBARU Group's CO₂ emissions come from the use of the products it sells, and the SUBARU Group's direct CO₂ emissions (Scope 1 and 2) constitute a marginal portion of total emissions when including Scope 3. However, we believe that making proactive efforts to diminish direct emissions will encourage the entire SUBARU value chain to work as a team and in greater earnest. Therefore, we are reducing our CO₂ emissions by using renewable energy and upgrading to highly efficient machinery and equipment with the aim of achieving carbon neutrality in 2050.

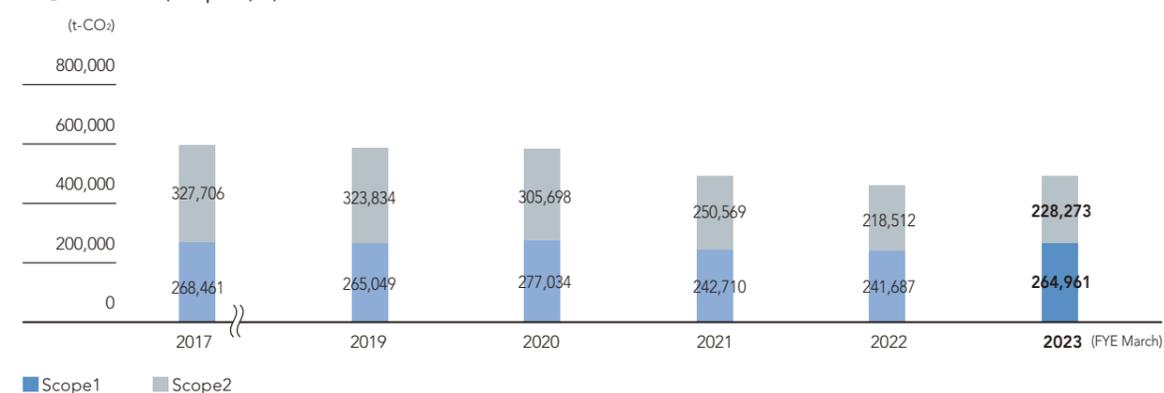
For our medium-term goal for plants and offices (Scope 1 and 2), has been raised to reducing CO₂ emissions by 60% in FYE March 2036 versus FYE March 2017.

Scope 1: Direct emissions of greenhouse gases from a company's own facilities.

Scope 2: Indirect emissions of greenhouse gases from the use of purchased or acquired electricity, heat, and/or steam supplied by another company.

Scope 3: All indirect emissions other than Scope 1 and 2 emissions, including those arising from the procurement of raw materials, transport, product use, and the disposal process, as well as arising from employee commuting, business travel, etc.

CO₂ Emissions (Scope 1, 2)



Scope:

SUBARU: SUBARU CORPORATION

Group companies in Japan: 52 domestic consolidated subsidiaries

(including 33 SUBARU domestic dealerships that are consolidated subsidiaries)

Group companies overseas: Subaru of Indiana Automotive, Inc., Subaru of America, Inc., Subaru of Canada, Inc., Subaru Research & Development, Inc.

SUBARU calculates CO₂ emissions based on the Act on Promotion of Global Warming Countermeasures. However, emission factors for electricity at Group companies overseas are based on the most recent country-specific CO₂ emission intensities for all power sources published annually by the International Energy Agency (IEA). Consolidation of data from the Group's domestic companies into the scope of subsidiaries with 99% certainty of Scope 1 and Scope 2 emissions (percentage based on number of employees). Due to errors in the electricity consumption of some Group companies in Japan, results for previous fiscal years have been revised.

CO₂ Emissions (Scope 3)

Category	Greenhouse Gas Emissions (t-CO ₂)				
	FYE March 2019	FYE March 2020	FYE March 2021	FYE March 2022	FYE March 2023
1 Purchased goods and services	1,703,682	1,992,046	1,583,247	1,430,501	1,726,493
2 Capital goods	372,211	413,287	282,713	260,566	402,915
3 Fuel- and energy-related activities not included in Scope 1 or Scope 2	102,022	103,772	91,851	89,627	95,352
4 Transport and delivery (upstream)	658,268	737,817	601,167	506,604	426,929
5 Waste generated in operations	31,984	32,095	26,446	24,888	28,733
6 Business travel	4,446	4,554	4,689	4,798	4,878
7 Employee commuting	13,506	13,835	14,245	14,576	14,818
8 Leased assets (upstream)	N/A	N/A	N/A	N/A	N/A
9 Transportation, distribution, and sales (downstream)	13,283	6,049	3,893	4,750	5,842
10 Processing of sold products	N/A	N/A	N/A	N/A	N/A
11 Use of sold products	33,298,769	34,029,045	27,455,302	23,102,609	27,453,385
12 End-of-life treatment of sold products	556,139	575,107	484,440	413,368	480,917
13 Leased assets (downstream)	2,394	2,463	1,998	2,065	1,984
14 Franchises	N/A	N/A	N/A	N/A	N/A
15 Investments	N/A	N/A	N/A	N/A	N/A

Source: The calculation method for SUBARU Scope 3 emissions has been revised in reference to the Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain Ver. 2.3 (December 2017) by the Ministry of the Environment and the Ministry of Economy, Trade and Industry; the Emissions Unit Value Database Ver. 3.0 by the Ministry of the Environment Database of emissions unit values; and SUBARU's life-cycle assessment (LCA) calculation standards.

In Category 11 (Use of sold products), emissions were previously calculated on a tank-to-wheel basis, but starting in FYE March 2023, emissions have been calculated on a well-to-wheel basis, and emissions during BEV use are also included in calculations. Revisions have been made to reflect this in data from previous fiscal years.

In addition, for Category 3 (Fuel- and energy-related activities not included in Scope 1 or Scope 2,) due to errors in the electricity consumption of some Group companies in Japan, results for previous fiscal years have been revised.



For other environmental data, please visit:

<https://www.subaru.co.jp/en/csr/environment/>

Risk Management

Our Approach

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

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

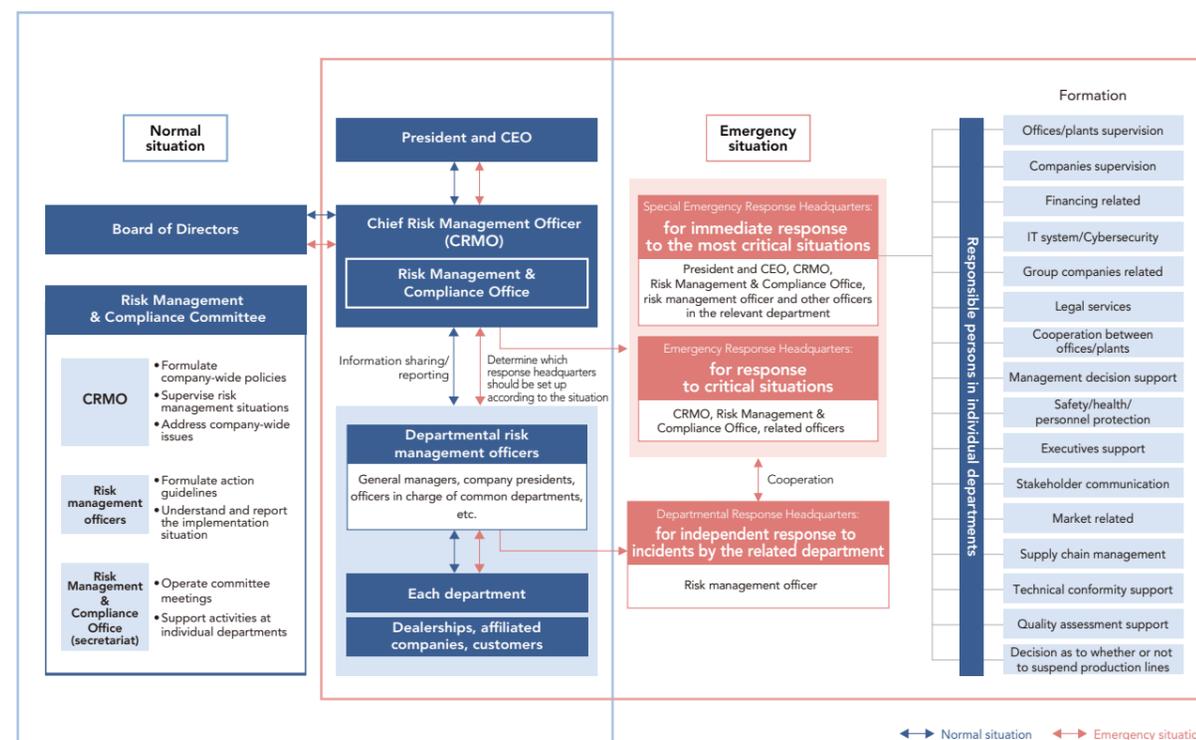
Management System

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

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

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

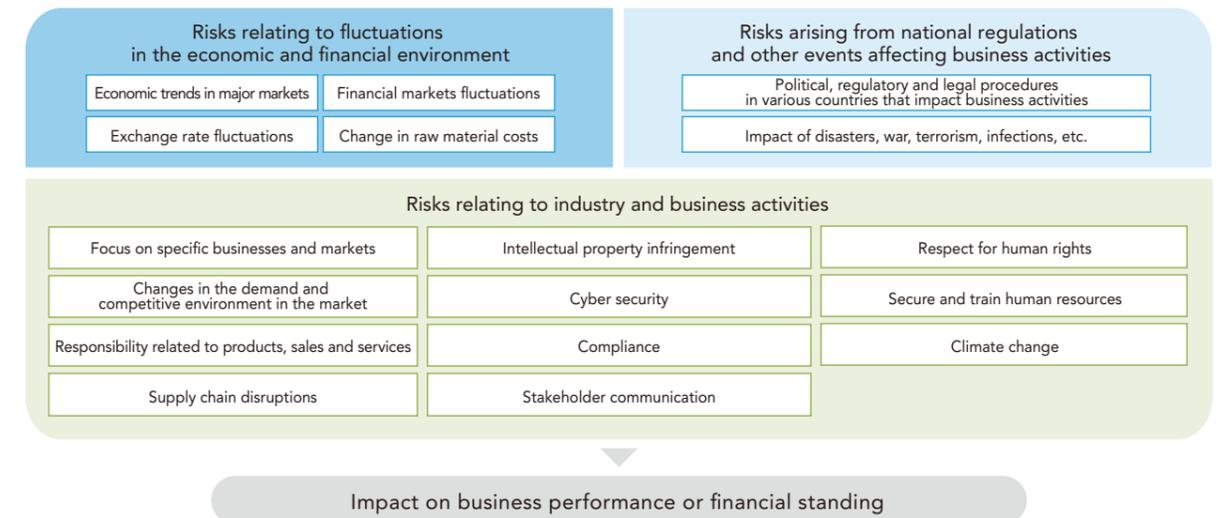
Risk Management System



Risks Associated with Business Activities

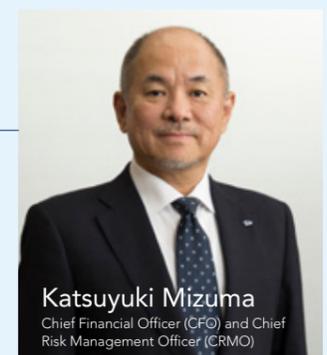
At the SUBARU Group, we extract and identify key risks associated with our business activities and consider measures to combat them. The major business risks are listed below. Please note that this is not an exhaustive list of all risks relating to the SUBARU Group.

17 Risks Affecting Business Activities



Message from the CRMO

We recognize the importance of executing a business continuity plan (BCP) as a critical priority to enhance the effectiveness of risk mitigation activities.



The automotive industry is facing a once-in-a-century period of significant transformation, coupled with a business environment that is changing at a dizzying pace. The SUBARU Group is also exposed to various risks, and we consider the implementation of our BCP as a crucial management issue. In recent years, we have faced an unprecedented and challenging business environment characterized by disruptions in the supply chain due to risk factors such as semiconductor shortages, natural disasters, and the COVID-19 pandemic. In light of these circumstances, we have actively pursued various initiatives to reduce our risk. For example, we have introduced systems that enhance the visibility of information, even for the production facilities of secondary and tertiary suppliers with whom we do not have direct transactions. This allows us to quickly comprehend the state of the supply chain in case of emergencies. We have also enhanced our risk management by strengthening collaboration with our business partners, which includes expanding our executive team within procurement departments to increase opportunities for top-level coordination. In addition to reinforcing our supply chain management structure, we are witnessing a recovery in automobile production volume due to cross-company initiatives such as transitioning to alternative semiconductors, revising product specifications, and reallocating components between vehicle models and plants. Since some of the components we procure from our business partners, including those affected by semiconductor shortages, still face supply risks, we recognize the ongoing need for a united effort across the organization, with a strong focus on our procurement, manufacturing, and development departments. At the same time, we have gained practical risk management capabilities through this experience.

Moreover, the increasing global prevalence of cyberattacks has emerged as a threat to the entire supply chain, and as a result, we are actively enhancing our cybersecurity measures. The Risk Management and Compliance Committee, consisting of vice presidents in charge of different departments, has embarked on a review of our Group-wide Risk Map. This revision, conducted from a holistic company perspective, considers the significant shifts in the business environment in recent years and prioritizes issues according to the likelihood of occurrence and magnitude of impact. At present, every committee member is actively fostering a thorough comprehension of the risk landscape confronting the SUBARU Group. Each department is proactively advancing risk management, encompassing response measures for significant disasters and geopolitical risks. For risks that cannot be resolved by a single department, the Risk Management and Compliance Office serves as a facilitator, promoting cross-organizational activities.

Going forward, we will both encourage each department to think actively about risk management as well as undertake cross-organizational initiatives to further enhance risk mitigation activities.