



March 3, 2022

Company name: SUBARU CORPORATION

Representative: Tomomi Nakamura, Representative Director, President and CEO

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Notice regarding revisions to the executive compensation plan

Subaru Corporation (hereinafter referred to as the "Company") hereby announces that its Board of Directors, at the meeting held today, resolved to revise its executive compensation plan, which is intended to provide an incentive for Company directors and executive officers, other than Outside Directors (hereinafter collectively referred to as the "Directors and Officers") to achieve sustained improvement of the Company's value over the mid- and long-term and to share more of that value with our shareholders.

As a part of its efforts to revise the executive compensation plan, the Company plans to present a proposal on the revisions to the Restricted Stock Compensation Plan at the 91st Ordinary General Meeting of Shareholders to be held in June 2022 (hereinafter referred to as the "General Meeting").

Details of the revisions are provided below.

1. Purpose of the revisions to the executive compensation plan

The revisions to the composition of executive compensation are intended to achieve the priority initiatives laid out in the Company's mid-term management vision, STEP, and further motivate the Directors and Officers to contribute to the Subaru Group's business performance and enhancement of its corporate value over the mid- and long-term. To achieve this purpose, the Company will link their compensation more closely to its business performance and raise the ratio of stock compensation to their total compensation, as well as introduce a performance share unit ("PSU") award which, as part of the stock compensation plan, determines the number of shares to be awarded if and to the extent that the associated, pre-determined performance targets are achieved.

The revisions to the Restricted Stock Compensation Plan are subject to approval by the shareholders at the General Meeting.

2. Overview of the revisions to the executive compensation plan

(1) Composition of compensation

The composition of compensation of the Representative Director of the Board, President and CEO will amount to 45% in basic compensation, 30% in annual performance-linked bonuses, and 25% in restricted stock compensation (15% in performance share unit [PSU] + 10% in restricted stock [RS]), when the performance indicators laid out in STEP are achieved.)

Compensation of Outside Directors remains unchanged and consists solely of basic compensation.

Composition of compensation of the Representative Director of the Board, President and CEO

fixed	Short-term incentives	Mid- and long-term incentives	
Basic compensation 45%	Annual performance-linked bonuses 30%	Restricted stock compensation	
		Variable compensation type (PSU) 15% financial	Fixed compensation type (RS) 10% non-financial

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

Based on the consolidated profit before tax for the current fiscal year as a key performance indicator (KPI), a compensation table in which the higher his/her position is, the more closely his/her compensation is linked to annual performance will be prepared. Annual performance-linked bonuses will be paid in cash at a certain time of the year. The specific amount for Executive Vice Presidents, Senior Vice Presidents, and Vice Presidents will be determined by taking into consideration such factors as their contributions to corporate performance and personnel development. Such bonuses will not be paid to Outside Directors.

(3) Restricted stock compensation (Mid- and long-term incentive)

The Company introduced restricted stock compensation (RS type) in fiscal 2017 with a view towards incentivizing Directors and Officers to achieve sustained improvement of the Company's value over the mid- and long-term and to share more of that value with shareholders.

On this occasion, in a bid to assist in the achievement of the targets laid out in the Subaru Group's mid-term management plan, restricted stock compensation (PSU type) will be added to increase the weight of stock compensation in the overall composition of compensation. KPIs for PSUs will be reviewed to coincide with updates to mid-term management plans or management indicators. For this revision, consolidated ROE and employee engagement (employee satisfaction evaluation) will be adopted for quantitative (financial) evaluation and qualitative (non-financial) evaluation, respectively, in a bid to achieve the priority initiatives laid out in STEP. Such compensation will not be paid to Outside Directors.

Reference: Mid-Term Management Vision "STEP" Progress Briefing (May 11, 2021)

https://www.subaru.co.jp/en/ir/management/pdf/plan/vision_subaru_2021_e.pdf