

## Respect for Human Rights

### Our Approach

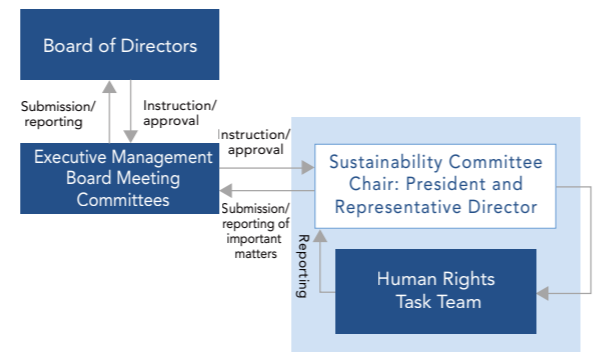
The SUBARU Group puts people first and engages in people-oriented manufacturing. Based on the belief that respect for the rights and characteristics of individuals is an important management issue for SUBARU, the SUBARU Group established its Human Rights Policy in April 2020. In this policy, the Group respects the human rights stipulated in international norms such as the Universal Declaration of Human Rights (UDHR), International Bill on Human Rights, and the ILO Declaration on Fundamental Principles and Rights at Work. It also applies to SUBARU CORPORATION and all its subsidiaries, as well as to business partners, and other stakeholders. The policy states that we do not tolerate any discrimination based on race, age, sex, gender identification or expression, sexual orientation, national origin, ethnicity, religion, creed, profession, disability, family relations, or any other status protected by applicable law.

This policy was formulated with full consideration to stakeholders' expectations, incorporating discussions with outside experts and overseas subsidiaries. It was officially established after approval by the second meeting of the CSR Committee for FYE March 2020 and reported to the Board of Directors in March 2020. This policy is run globally and appropriately, being ready to address future environmental changes. If a company commits an act where human rights issues arise, it not only results in loss of trust from customers but also damages brand image, significantly affecting the business foundation. Therefore, SUBARU recognizes respecting human rights as a risk related to its industry and business operations.

\*Renamed in FYE March 2022 from the CSR Committee.

### Management System

We have appointed the Representative Director, President and CEO as a director who is responsible for leading the process of developing the policy and assigning resources as needed for its implementation and continued improvement. Specifically, we formed the Human Rights Task Team comprised of management personnel including the General Manager from the Human Resources Department, IR Department, Sustainability Promotion Department, Risk Management and Compliance Office, and Global Purchasing Planning Department. The human rights issues and initiatives discussed within the team are regularly reported and deliberated upon in the Sustainability Committee, chaired by the Representative Director, President and CEO. The details and outcomes are then submitted and reported to the Board of Directors, where they are monitored for their impact on the SUBARU Group's business and appropriately addressed.



### Human Rights Due Diligence

The SUBARU Group carries out human rights due diligence in accordance with the procedures stipulated in the United Nations Guiding Principles on Business and Human Rights. "Promoting initiatives to respect human rights based on the Human Rights Policy and communicating the policy throughout the entire supply chain" has been set as a key performance indicator (KPI) under Compliance within the SUBARU Group's Six Priority Areas for CSR. Together with our business partners, we are actively undertaking efforts in this regard.

From FYE March 2021 to FYE March 2022, with cooperation from LRQA Sustainability Co., Ltd. (formerly Lloyd's Register Japan K.K.), we identified and conducted impact assessments for human rights risks in the domains of human resources and procurement, identifying particularly key risks for the SUBARU Group. We have also formulated measures to address each of these risks. These are agreed upon by the Sustainability Committee and reported to the Board of Directors.

In FYE March 2023, we put into action measures to mitigate risks, while concurrently monitoring the progress and challenges through the Human Rights Task Team. This procedure includes presenting reports to the Sustainability Committee and the Board of Directors, thus establishing a plan-do-check-act (PDCA) cycle.

Human Rights Policy  
[https://www.subaru.co.jp/en/csr/social/human\\_rights.html](https://www.subaru.co.jp/en/csr/social/human_rights.html)

## Corporate Governance

### Our Approach

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

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

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

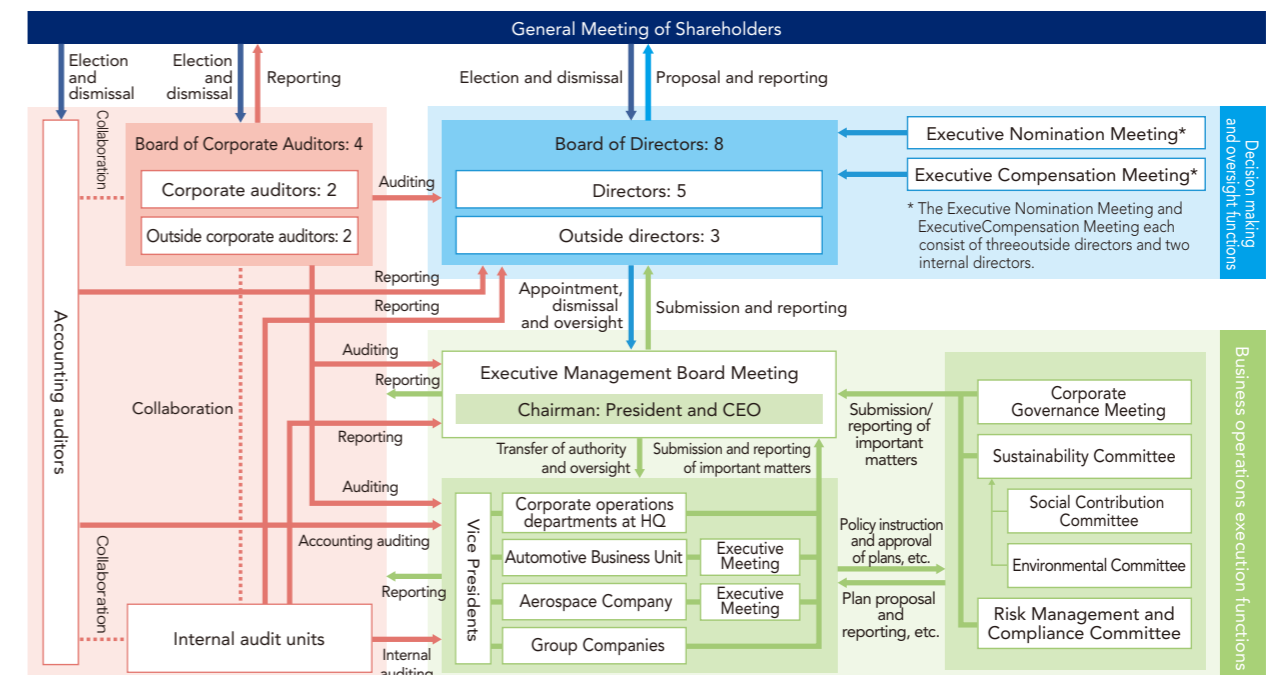
For other corporate governance information, please visit:  
<https://www.subaru.co.jp/en/csr/governance/corporate/>

### Corporate Governance Structure

SUBARU has chosen a structure with a board of corporate auditors. The Board of Directors and the Board of Corporate Auditors decide, supervise, and audit the execution of important business.

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

In regard to the business operation system, SUBARU has established the Executive Management Board Meeting as a preliminary consultation body to conduct deliberations on company-wide management strategies and the execution of important business before their presentation at the Board of Directors Meeting. In addition, SUBARU has adopted a vice president system and delegates directors' business execution authority to vice presidents. By doing this, SUBARU clearly separates the function of decision making and the oversight of corporate management from that of the execution of business operations, expediting decision making.



**Board of Directors and Board of Corporate Auditors**

Organization	Board of Directors	Board of Corporate Auditors
Chairman	Chairman of Board of Directors	Standing Corporate Auditor
Composition	Directors: 5, Outside directors: 3	Standing Corporate Auditors: 2, Outside Corporate Auditors: 2
Role/ responsibility	The Board of Directors ensures fairness and transparency by performing the oversight function for overall management and makes the best decisions possible for the Company through appointment, evaluation and resolution regarding the compensation of its CEO and other management team members, the assessment of material risks faced by the Company and the development of measures to deal with such risks, and decisions on the execution of important business of the Company. The Board takes these actions in the interest of effective corporate governance, as well as sustainable growth and improvement of corporate value over the medium to long term.	The Board of Corporate Auditors, as an independent organization entrusted by shareholders, is responsible for ensuring the sound and sustainable growth of SUBARU and establishing a high-quality corporate governance system that can be trusted by society by performing audits of the execution of duties by directors, passing resolutions on the contents of proposal items regarding the appointment and dismissal, or non-reappointment, of accounting auditors that are to be submitted to the General Meeting of Shareholders, and performing business audits, accounting audits and other matters prescribed by laws and regulations.
Meetings held in FYE March 2023	13 times*	12 times

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

**Number of Board of Directors' Meetings Held and Attendance Rate**

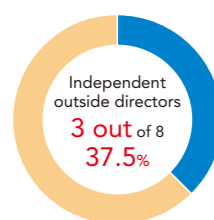
Category	2018	2019	2020	2021	2022
Number of meetings held	16	13	12	13	13
Attendance rate	98.4%	100.0%	100.0%	100.0%	100.0%

Note: In addition to the number of Board of Directors' meetings shown in the above table, there was one written resolution passed in FYE March 2019, two in FYE March 2020, and one in FYE March 2021-2023 that were deemed equivalent to a Board of Directors' meeting, pursuant to Article 370 of the Companies Act and the Articles of Incorporation. Attendance rates for newly appointed directors are calculated based on the number of Board of Directors' meetings held after their appointment.

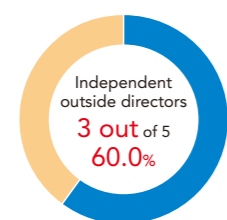
**Executive Nomination and Executive Compensation Meetings**

Organization	Executive Nomination Meeting	Executive Compensation Meeting
Chairman	Chairman of Board of Directors	Chairman of Board of Directors
Composition	Independent Outside Directors: 3, Directors: 2	Independent Outside Directors: 3, Directors: 2
Role/ responsibility	To ensure the fairness and transparency of decisions on executive appointment, and based on ample deliberation by its membership, a majority of which is independent outside directors, this committee submits proposals to the Board of Directors regarding policies for the composition of the Board of Directors, the appointment or dismissal of the CEO and other top management members, and the nomination of candidates for directors and corporate auditors. It also determines and makes proposals for appointment, dismissal, and nomination for the same.	To ensure objectivity and transparency in decisions on compensation for directors, the Executive Compensation Meeting, as a voluntary committee and on the basis of delegation by the Board of Directors, determines individual compensation amounts per director and other issues after ample deliberation. Where matters concern the executive compensation system in general, such as its revision, the Board of Directors deliberates on proposals approved by the Executive Compensation Meeting and decides on them by resolution.
Meetings held in FYE March 2023	7 times	4 times
Items deliberated in FYE March 2023	The Executive Nomination Meeting discussed matters concerning the submission of reports on the executive structure and appointments, the division of duties of executives, and the appointment of representatives of major subsidiaries.	The Executive Compensation Meeting submitted revised policy drafts for determining director compensation systems and details of compensation for individual directors, while deciding on performance-linked compensation for directors (except for outside directors) and corporate vice presidents based on evaluations and the amount of compensation claims in respect of restricted stock compensation for each individual recipient.

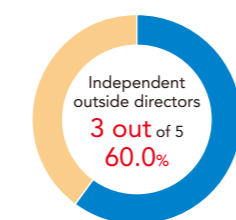
**Board of Directors**  
(Independence)



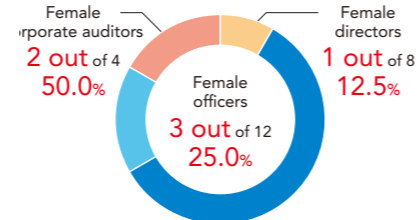
**Executive Nomination Meeting**  
(Independence)



**Executive Compensation Meeting**  
(Independence)



**Board of Directors/  
Board of Corporate Auditors**  
(Gender Diversity)



**Message from the Chairman of the Board of Directors**



Following the resolution made during the Board of Directors' meeting held in June 2023, I have now assumed the position of Chairman for the Board of Directors as well as for the Executive Nomination Meeting and Executive Compensation Meeting. Over the past five years, as Representative Director, President, and CEO, I have been focused on key missions to enhance the value of the SUBARU brand, namely corporate culture reforms, quality enhancement, and evolution of the SUBARU Difference. As Chairman, I look forward to incorporating specific insights and fresh perspectives provided by our outside directors into our management practices, further elevating our corporate governance to new heights.

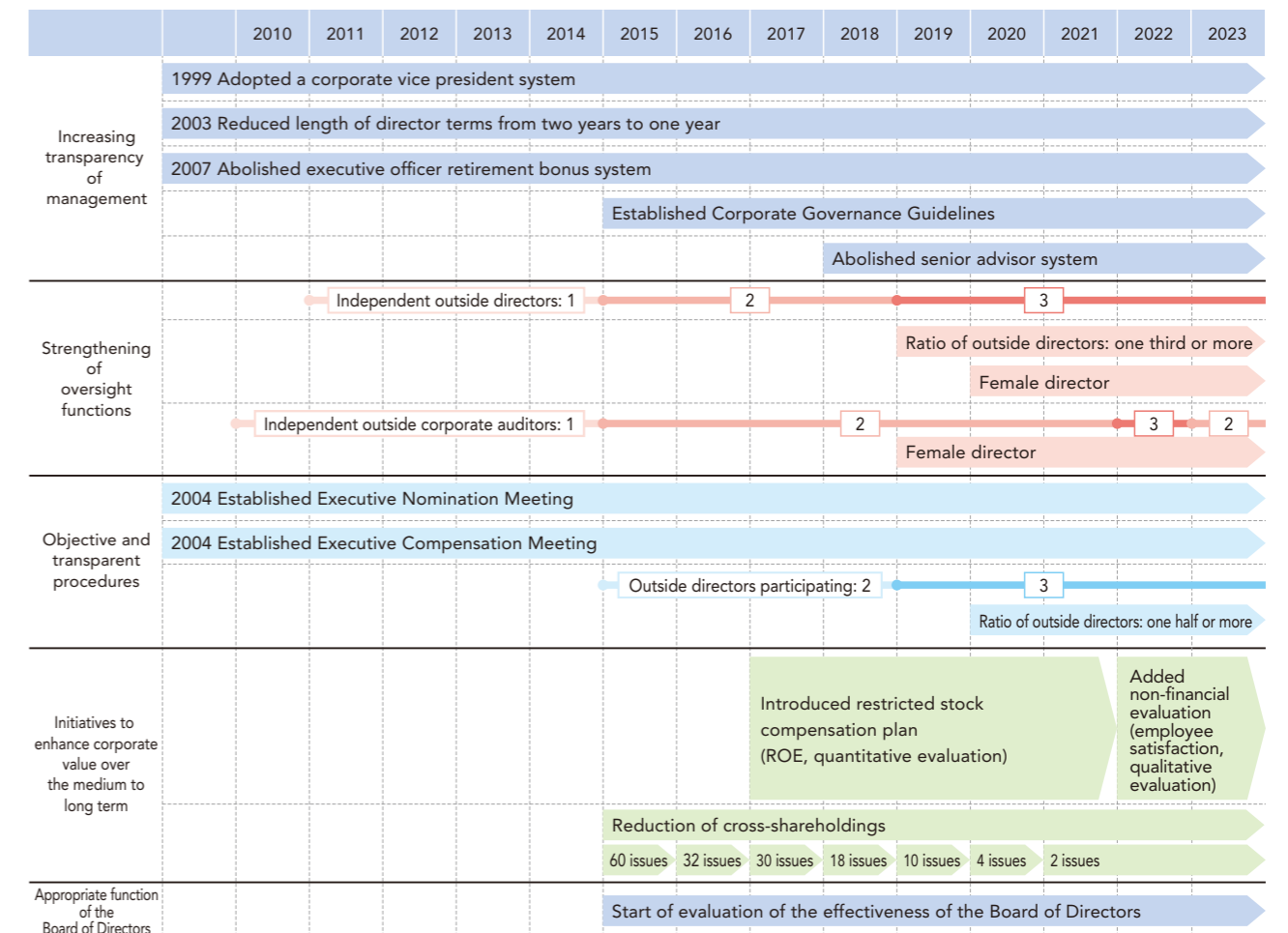
I consider the features of the Board of Directors' meetings that I have attended to be the high quality of proposals put forth by the executive team, the depth of understanding from those providing advice and oversight, and the seamless nature of discussions and communication, marked by mutual respect between both sides. This has resulted in the realization of a monitoring-focused Board that specializes in oversight. In the evaluation of the effectiveness of the Board conducted in 2022, our outside directors also provided a favorable assessment of the current Board style, which prioritizes the monitoring function. Nevertheless, despite social gatherings of management personnel\* and plant visits to bridge the information gap between inside and outside Board members, we acknowledge that challenges persist. To further enhance the effectiveness of the Board, we will continue to drive initiatives aimed at resolving this issue. As outside directors deepen their understanding of the automotive industry's latest trends and SUBARU's unique business characteristics, they will be better positioned to offer more comprehensive insights and advice, drawing from their own experience and knowledge. Consequently, we anticipate that the Board of Directors will become an even more effective forum for lively discussions than ever before.

In March 2023, we announced new executive personnel, including the replacement of the CEO, marking a significant change in management structure, the first since the disclosure of the CEO succession plan in 2020. First, in July 2022, as the CEO at that time, I proposed the fundamental principles regarding CEO transition at the Executive Nomination Meeting. Subsequently, we held these meetings on an almost monthly basis, engaging in in-depth discussions and involving the outside directors extensively in anticipation of the CEO transition to ensure the selection of candidates based on impartiality, objectivity and transparency.

Going forward, with our new management structure, we will continue to carefully assess the direction of global governance reform trends and progressively strengthen the effectiveness of SUBARU's distinctive corporate governance, leveraging the insights of our outside directors, aimed at fostering sustainable growth.

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

**Activities for Strengthening Corporate Governance**



## Directors, Auditors, and Executive Officers

(As of June 21, 2023)

(As of October 1, 2023)

## Directors of the Board

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

**Atsushi Osaki**Representative Director,  
President and CEO  
2 years / 23,422 shares**Fumiaki Hayata**Representative Director,  
Deputy President  
2 years / 10,256 shares**Tomomi Nakamura**Director, Chairman  
5 years / 40,733 shares**Katsuyuki Mizuma**Director, Executive Vice President,  
CFO and CRMO  
2 years / 15,894 shares**Tetsuo Fujinuki**Director, Senior Vice President, CTO  
**Newly appointed** / 11,403 shares**Yasuyuki Abe**Independent Outside Director  
4 years / 5,200 shares**Miwako Doi**Independent Outside Director  
3 years / 400 shares**Fuminao Hachiuma**Independent Outside Director  
**Newly appointed** / 0 shares

## Corporate Auditors

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

**Yoichi Kato**Standing Corporate  
Auditor  
2 years / 11,129 shares**Hiromi Tsutsumi**Standing Corporate  
Auditor  
3 years / 19,056 shares**Yuri Furusawa**Independent Outside  
Corporate Auditor  
1 years / 300 shares**Yasumasa Masuda**Independent Outside  
Corporate Auditor  
**Newly appointed** / 0 shares

## Executive Officers \* Concurrently serve as a Director

Chairman	Tomomi Nakamura*	—
President	Atsushi Osaki*	CEO (Chief Executive Officer) Aerospace Company
Deputy President	Fumiaki Hayata*	Secretarial Office, Human Resources Department, Sales, Marketing
Executive Vice President	Katsuyuki Mizuma*	CFO (Chief Financial Officer), CRMO (Chief Risk Management Officer) Finance & Accounting Department
Executive Vice President	Tetsuo Fujinuki*	CTO (Chief Technology Officer) Engineering Division, Technical Research Center, CTO Strategy Office
Executive Vice President	Tomoaki Emori	Chief General Manager of Corporate Planning Division
Senior Vice President	Shoichiro Tozuka	Company President of Aerospace Company
Senior Vice President	Tatsuro Kobayashi	General Manager of Human Resources Department
Senior Vice President	Jinya Shoji	Chief General Manager of Overseas Sales & Marketing Division 2
Senior Vice President	Osamu Eriguchi	CQO (Chief Quality Officer) Chief General Manager of Quality Assurance Division, General Manager of Quality Assurance Management Office
Senior Vice President	Tamotsu Inui	Chief General Manager of Purchasing Division
Senior Vice President	Kazuhiro Abe	CIO (Chief Information Officer) Chief General Manager of IT Strategy Division
Senior Vice President	Shinsuke Toda	Senior General Manager of Overseas Sales & Marketing Division 2 and Corporate Planning Division
Senior Vice President	Hiroshi Watahiki	Chief General Manager of Engineering Division and Technical Research Center Senior General Manager of Purchasing Division
Senior Vice President	Tadashi Yoshida	Chief General Manager of Overseas Sales & Marketing Division 1 Chairman of SOA <sup>*1</sup> , SCI <sup>*2</sup> , NASI <sup>*3</sup>
Senior Vice President	Ryota Fukumizu	President of SIA <sup>*4</sup>
Vice President	Yasushi Nagae	General Manager of Investor Relations Department and General Administration Department, Corporate Communications Department and Sustainability Promotion Department
Vice President	Tatsuya Okuno	Chief General Manager of Customer Service Division
Vice President	Shinichi Murata	General Manager of Risk Management & Compliance Office Risk Management Group, External Relations Department, Intellectual Property Department
Vice President	Kazuki Uejima	Chief General Manager of Product & Portfolio Planning Division
Vice President	Ikuo Watanabe	Chief General Manager of Monozukuri Division and Gunma Plant
Vice President	Akihiro Kato	Chief General Manager of Japan Sales & Marketing Division
Vice President	Katsufumi Nakazawa	Chief General Manager of Parts & Accessories Division
Vice President	Kosuke Kawai	General Manager of Cost Innovation Promotion Office, Senior General Manager of Corporate Planning Division
Vice President	Yoshihiro Saito	Company Vice President of Aerospace Company
Vice President	Yoichi Hori	General Manager of CTO Strategy Office, Senior General Manager of Corporate Planning Division, General Manager of Corporate Planning Department

\*1 Subaru of America, Inc.

\*2 Subaru Canada, Inc.

\*3 North American Subaru, Inc.

\*4 Subaru of Indiana Automotive, Inc.

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

## Directors/Auditors

(As of June 21, 2023)

	Name	Title at the Company	Gender	Total years of service	Board of Directors*	Board of Corporate Auditors*	Executive Nomination Meeting*	Executive Compensation Meeting*	Reasons for selection	Promotion of business strategies for accelerating responses to major transformation					Strengthening of management infrastructure that supports the Company's sustainable growth		
									Definition of experience	Experience and track record as an officer in charge of each business division					Knowledge, experience, and competency as an officer in charge of a field or employee with experience in highly specialized operations		
									Business management (executive experience)	Promotion of business strategies					Strengthening of management infrastructure		
									Technology/development	Manufacturing/purchase	Sale/marketing	Global	IT/digital	Business administration/financial/accounting	Legal affairs/compliance/risk management	Human capital/labor	
Directors	Atsushi Osaki	Representative Director, President (CEO)	Male	2 years	○		○	○	Required skills	●	●				●	●	
	Fumiaki Hayata	Representative Director, Deputy President	Male	2 years	○						●	●	●			●	
	Tomomi Nakamura	Director, Chairman	Male	5 years	◎		◎	◎		●			●	●		●	●
	Katsuyuki Mizuma	Director, Executive Vice President (CFO, CRMO)	Male	2 years	○								●	●		●	●
	Tetsuo Fujinuki	Director, Executive Vice President (CTO)	Male	Newly appointed	○					●				●			
	Yasuyuki Abe	Independent Outside Directors	Male	4 years	○		○	○		●				●	●		
	Miwako Doi	Independent Outside Directors	Female	3 years	○		○	○			●				●		●
	Fuminao Hachiuma	Independent Outside Directors	Male	Newly appointed	○		○	○		●			●	●			
Corporate Auditors	Yoichi Kato	Standing Corporate Auditor	Male	2 years	○	◎							●	●	●	●	
	Hiromi Tsutsumi	Standing Corporate Auditor	Female	3 years	○	○							●			●	
	Yuri Furusawa	Independent Outside Corporate Auditor	Female	1 year	○	○							●		●	●	
	Yasumasa Masuda	Independent Outside Corporate Auditor	Male	Newly appointed	○	○							●		●		

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

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

## Approach to the CEO Succession Plan

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

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

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

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

To ensure the objectivity of the successor selection process and increase the effectiveness of its supervision by the Board of

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

## Abilities required of the SUBARU Group's CEO

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

## Five key qualities required of the SUBARU Group's CEO

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

## Executive Officer Training

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

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

Category	Programs Provided in FYE March 2023
All executives (including outside officers)	<ul style="list-style-type: none"> <li>• Newly appointed directors and vice presidents participated in external seminar programs</li> <li>• Held a total of three classroom lectures by invited experts on management issues</li> </ul>
Outside directors	<ul style="list-style-type: none"> <li>• Operations briefings offered by vice presidents and others, and related discussions</li> </ul>
Outside corporate auditors	<ul style="list-style-type: none"> <li>• Held a total of four discussions with directors and corporate auditors on management issues</li> <li>• Outside directors and outside corporate auditors participated in external presentations and exhibits about future technologies and quality solutions</li> </ul>

## Outside Directors/Outside Corporate Auditors

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

### Reasons for Appointing the Outside Officers and Major Activities

Name	Independent Officer Status*	Reasons for Appointing	Meeting Attendance (FYE March 2023)	Significant Concurrent Positions (As of June 30, 2023)
Yasuyuki Abe	○	As representative director and senior managing executive officer of Sumitomo Corporation, Mr. Yasuyuki Abe has been involved in management in both a supervisory and execution capacity, possesses extensive experience and knowledge in business management, and has an advanced understanding of the IT field. Mr. Abe has served three years as an independent outside corporate auditor for the Company since June 2016. During his tenure, he has supervised the execution of duties conducted by directors, as well as understood the true nature of the problems facing the Company and offered his frank opinions to senior management in a timely and appropriate manner. In June 2019, Mr. Abe was also appointed to the position of independent outside director and has been providing beneficial advice to the Company's management. In light of this, the Company has appointed Mr. Abe with the expectation that he will appropriately perform the duties when he assumes office as an outside corporate director of the Company.	Attended 13 of 13 meetings	Outside Director, HOYA Corporation
Miwako Doi	○	As a researcher and supervisor in the field of information technology at Toshiba Corporation, Ms. Miwako Doi has accumulated vast experience and made many achievements in this field over many years. In addition, she has held successive positions, mainly in government committees, owing to her high level of expertise and extensive experience and knowledge. In June 2020, Ms. Doi was appointed to the position of independent outside director and has been providing beneficial advice to the Company's management for the generation of new innovation. In light of this, the Company has appointed Ms. Doi with the expectation that she will appropriately perform the duties when she assumes office as an outside corporate director of the Company.	Attended 13 of 13 meetings	Auditor, National Institute of Information and Communications Technology (NICT) (part-time) Executive Vice President, Tohoku University (part-time) Executive Director, Nara Institute of Science and Technology (part-time) Outside Director, Isetan Mitsukoshi Holdings Ltd. Outside Director, NGK Spark Plug Co., Ltd.
Fuminao Hachiuma	○	Mr. Fuminao Hachiuma has abundant experience and knowledge acquired through his involvement in management in a broad range of fields including overseas business at Ajinomoto Co., Inc. and its group companies as well as promotion of strengthening of corporate governance and management reform of J-OIL MILLS, INC. as Representative Director and President. In light of this, the Company has appointed Mr. Hachiuma with the expectation that he will appropriately perform the duties when he assumes office as an outside corporate director of the Company.	Newly appointed	Outside Director, Seven & i Holdings Co., Ltd. Outside Audit & Supervisory Board Member, YKK AP Inc.
Yuri Furusawa	○	Ms. Yuri Furusawa has held key positions in the Ministry of Land, Infrastructure, Transport and Tourism, and has been involved in the promotion of work style reform, active participation by women and diversity in the Cabinet Secretariat, as well as in the overseas business development in the private sector, giving her a broad perspective and a high level of insight. In light of this, the Company has appointed Ms. Furusawa with the expectation that she will appropriately perform the duties when she assumes office as an outside corporate auditor of the Company.	Attended 10 of 10 meetings <sup>2</sup>	Outside Audit & Supervisory Board Member, Kubota Corporation
Yasumasa Masuda	○	Mr. Yasumasa Masuda has experience in corporate planning and served as CFO at Astellas Pharma Inc. and has deep insight in overall management with focus on financial and accounting. He has also served as Independent Non-Executive at Deloitte Tohmatsu LLC and Outside Director and Chairman of the Audit Committee at Olympus Corporation, giving him a broad perspective and a high level of insight. In light of this, the Company has appointed Mr. Masuda with the expectation that he will appropriately perform the duties when he assumes office as an outside corporate auditor of the Company.	Newly appointed	Outside Director, Chairman of the Audit Committee, Olympus Corporation

\*1 Independent officers: Outside directors and outside corporate auditors with no risk of a conflict of interest with general shareholders as stipulated by the stock exchange.

\*2 Corporate Auditor Yuri Furusawa was elected and appointed at the 91st Ordinary General Meeting of Shareholders held on June 22, 2022.

## Message from Outside Directors



**Yasuyuki Abe**  
Outside Director

June 2016 Appointed Outside Corporate Auditor  
June 2019 Retired as Outside Corporate Auditor  
June 2019 Appointed Outside Director

### Contributions, future challenges, and expectations as an outside director

As an outside director, I believe it is crucial to properly understand what is happening within the company in a limited timeframe, communicate various insights to the executive team, and thereby contribute to further enhancing corporate value. To achieve this goal, I consistently contemplate and take action on what the best course of action is at any given moment.

The most critical task of the Executive Nomination Meeting for FYE March 2023 was the selection of the CEO's successor. After announcement of the CEO succession plan, as a member taking part in this meeting, I spent a considerable amount of time conducting data research on various candidates, including interviews, in order to gain a thorough understanding of them. Through extensive deliberations and discussions, we ultimately arrived at the decision regarding the CEO succession. As a result, I believe we successfully made a well-qualified choice for the successor. Furthermore, although the Executive Nomination Meeting and Executive Compensation Meeting are currently chaired by the Chairman, an inside officer, they ensure a high level of transparency in their operations as outside officers have access to any necessary documents. This aspect is also one of SUBARU's significant strengths, and I believe it is something we must continue in the future.

As expectations for the new management structure, the three key initiatives from our mid-term management vision, STEP—corporate culture reforms, quality enhancement, and evolution of the SUBARU Difference—have been steadily yielding results and contributing to the improvement of our performance. With the new management structure in place, it's imperative that SUBARU keeps pushing forward without disrupting this substantial momentum. The significant challenge of adapting to electrification has prompted a contemplation of the SUBARU Difference, primarily within the Engineering Division, and subsequent strategies are now being actively implemented.

In the sustainability strategy, it is particularly important to accelerate the pace of diversity reform, including efforts concerning the empowerment of female employees. I aim to steadily assess the response to these reform and transformation initiatives.

As SUBARU aims to become a brand that is different from others by enhancing distinctiveness, I look forward to the changes that lie ahead under the leadership of President Osaki and Deputy President Hayata in the new SUBARU, and I will continue to fulfill my oversight responsibilities as an outside director.

### Efforts through the Executive Nomination Meeting and vision for the future of SUBARU

Although many companies with a board of corporate auditors in place often have a nominating committee as an independent mechanism, in some cases, the successor chosen by figures such as the CEO or Chairman is directly approved without further formalities. In order to increase transparency, SUBARU's Chairman, who does not have specific areas of responsibility for business execution and has a clear understanding of the Company's overall business, has been appointed chairman of the Executive Nomination Meeting and Executive Compensation Meeting, and has been promoting reforms such as the creation of a CEO succession plan. The recent CEO change followed a highly transparent process, involving a comprehensive review of materials, including 360-degree evaluations of candidates in the CEO succession plan. After shortlisting the candidates, interviews were conducted by outside directors, and the CEO was ultimately selected through deliberations in the Executive Nomination Meeting. I believe it is crucial to provide support for candidates to accumulate the requisite business experience that qualifies them for the role of CEO, in accordance with the CEO succession plan.



**Miwako Doi**  
Outside Director

June 2020 Appointed Outside Director

In mid-June, I had the opportunity to participate in the reception of the Keidanren Women's Executive Network for the first time. Approximately 130 female executives from member companies attended the event and I received positive remarks about SUBARU's distinctive qualities. While maintaining uniqueness can be challenging, it is important that SUBARU continues to pursue the SUBARU Difference through collaborative research with Gunma University\*, especially amid moves toward electrification. I think it would be wonderful to capitalize on SUBARU's uniqueness in finding a balance between environmental preservation and technological innovation, two seemingly conflicting elements.

Japanese people traditionally have taken an approach of making adequate preparations and dealing with situations within their expectations. Nevertheless, in the current environment where unexpected events such as the pandemic, the Ukraine invasion, and economic security issues, have become increasingly common, relying solely on such traditional coping methods may prove inadequate. Ensuring diversity, including active women's participation, is crucial for creating an organizational structure capable of responding to unexpected events. In a forum on women's careers held in March 2023, as well as during dialogues with female employees in Bifuka and Tochigi, we received a wealth of vibrant input. This has instilled a sense of optimism about SUBARU's future, and I am looking forward with great expectations.

\* SUBARU CORPORATION and Gunma University are undertaking a joint research course titled "Next-Generation Automobile Technology Research Course."



**Fuminao Hachiuma**  
Outside Director

June 2023 Appointed Outside Director

### Expectations for SUBARU as it navigates significant changes

The automotive industry is facing a significant period of upheaval, often referred to as a "once-in-a-century" transformation, in response to the demands of the carbon-neutral and digital transformation (DX) era.

While we can recognize the magnitude of this wave of change, it is a stage where the management's decision-making ability is challenged as there is no clear answer at this moment.

In times like these, it is crucial to operate and act organically across departments, requiring a compact organizational structure. Additionally, we anticipate the need for the capability to respond flexibly by considering various scenarios from diverse and objective perspectives, without being bound by conventional wisdom.

Over the past 40 years, I have been involved in the food industry both domestically and internationally. Although it differs greatly in dynamics and scale from the automotive industry, I feel a shared purpose in contributing to safety, security, enjoyment, and even the well-being and smiles beyond that, just like what a manufacturer aims for.

From the position of someone involved in product manufacturing, I will continue to strive to be of support to Subaru, shining even brighter as it overcomes this era of significant change.

## Effectiveness Evaluation of the Board of Directors

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

In the fiscal year ended March 31, 2023, aiming to apply the results of the evaluations toward enhancing the BoD's functions, the BoD confirmed efforts to address issues recognized in previous evaluations, reorganized the evaluation items on the survey and implemented interviews with certain directors, and assessed and analyzed the reasons and underlying factors behind differences in the recognition of issues. The results of this process are reported below.

### ◆ Methods of evaluation and analysis

(1) Timing: December 2022–February 2023

(2) Methods: Self-evaluation survey created by a third-party body; interviews

(a) Survey respondents: Directors (9) and auditors (5) for a total of 14 respondents

(b) Interviewees: Chair of the BoD, Representative Director and President, and outside directors (3) for a total of 5 interviewees

(3) Process

(a) Third-party body conducts anonymous self-evaluation survey of directors and auditors

(b) Third-party body conducts interviews with the chair of the BoD, Representative Director and President, and outside directors

(c) Third-party body aggregates and analyzes survey responses and interviews

(d) BoD verifies and discusses reports received from third-party body

(4) Evaluation items on the survey

(a) BoD roles and functions

(b) BoD composition

(c) BoD operation

(d) BoD support system

(e) BoD culture and communication

(f) BoD risk management and internal control

(g) Executive Nomination Meeting and Executive Compensation Meeting operation

(h) Shareholder dialogue

(i) Continued BoD improvements

Respondents evaluated themselves on a four-point scale in response to questions relating to the evaluation items. They were also free to add their own thoughts on the characteristics of the BoD and points that they felt would be necessary in enhancing the effectiveness thereof. Upon completing their responses, they then submitted their surveys directly to the third-party body.

### ◆ General evaluation

Based on the third-party body's report detailing its aggregation and analysis, the BoD discussed and confirmed the following points.

(a) The BoD is making solid, gradual progress on improvements by taking advantage of social gatherings of management personnel\*, enhancing discussions on the Executive Nomination Meeting, and taking other steps.

(b) Improvements have been made in efforts aimed at "enhancing the quality of discussion of medium- to long-term management strategy" and "enhancing discussions on the establishment of a system to appropriately address newly identified risks," two areas for improvement that emerged in last fiscal year's evaluation.

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

### ◆ Characteristics of the Subaru Corporation BoD

(a) A BoD with a focus on the monitoring function

Both inside and outside officers recognize that the roles of the BoD are to examine the execution of business and monitor the status of various initiatives.

(b) A framework conducive to open provision of information to the BoD

Business divisions appropriately provide information to outside officers through measures such as sharing internal information, offering opportunities for visits to factories and other sites, and utilizing social gatherings of management personnel. The company environment where outside officers can obtain access to internal materials and contact inside officers as necessary.

(c) A united commitment to enhancing the value of the Subaru brand

Outside officers share in Subaru employees' consistent commitment to pursuing the "Evolution of the SUBARU Difference."

### ◆ Future points to examine for further enhancing the effectiveness of the BoD

(a) Discussing medium- to long-term management strategy (a continuing point for examination)

The BoD confirmed the need to establish common ground in approaching discussions of medium- to long-term management strategy in the automobile industry, where constant, rapid transformation contributes to a lack of clarity and certainty, so that it can optimally fulfill its supervisory responsibility.

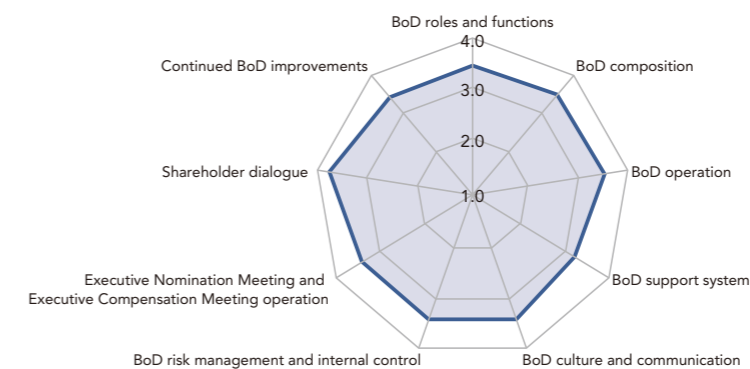
(b) Further bolstering the support system for outside directors

The BoD confirmed the need to work on rolling out information via the BoD Secretariat in order to help outside directors perform their functions more effectively than before.

(c) Further improving the effectiveness of the Executive Nomination Meeting

The BoD confirmed that it has been making solid progress through various efforts, including discussions of succession plans for the CEO position and other posts as well as skills matrices for officers, and will strive to implement continuing initiatives and propel further evolution.

### Results of the Questionnaire



1=Strongly disagree; 2=Disagree; 3=Agree; 4=Strongly agree

\*The figure above presents this year's results only without any comparison to the previous year's results, as this year's survey used a new, reorganized set of evaluation items.

### Evaluation Items

Evaluation Items		Evaluation Items	
(a) BoD roles and functions	Recognition of the roles and functions of the Board of Directors	(e) BoD culture and communication	Diverse values
	Delegation of authority to execution		Stakeholder perspectives
	Reporting system		Directors and business divisions
	Supervision of corporate management		Inside and outside directors
(b) BoD composition	Size of the Board of Directors	(f) BoD risk management and internal control	Directors and corporate auditors
	Composition of the Board of Directors (ratio of inside to outside directors)		Risk management
(c) BoD operation	Composition of the Board of Directors (diversity and expertise)		(g) Executive Nomination Meeting and Executive Compensation Meeting operation
	Frequency, length, and time allocation of meetings	Internal control and compliance	
	Relevance of agenda items	(h) Shareholder dialogue	Supervision of proper disclosure of information to shareholders and investors
	Timing of proposals and discussions		Sharing the views of shareholders and investors
	Quality and quantity of documents		Enhancing dialogue with shareholders and investors
	Timing of document distribution		(i) Continued BoD improvements
	Prior explanation		
	Content of explanations and reports		
Discussions by the Board of Directors			
(d) BoD support system	Leadership by the Chair		
	Environment and systems for the provision of information		
	Provision of information to outside officers		
	Training of outside officers		
	Training of inside officers		

## Compensation for Directors

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

SUBARU deliberated and decided on the proposal of the Policy for Determining Details of Compensation for Individual Directors approved by the Executive Compensation Meeting at the Board of Directors' meeting held on March 3, 2022. To the right is the summary of the policy.

Policy for Determining Details of Compensation for Individual Directors																																		
<p><b>1. Basic policy</b></p> <p>As a basic policy, compensation for directors of the Company is determined in view of the following items:</p> <p>(1) Compensation is at a level commensurate with the roles and responsibilities of directors and is appropriate, fair, and balanced.</p> <p>(2) The compensation structure is determined by giving consideration to providing motivation for sustained improvement in corporate performance and corporate value and securing excellent human resources.</p> <p>Specifically, for directors (excluding outside directors), compensation is composed of basic compensation, annual performance-linked bonus, and restricted stock compensation (for non-resident officers, phantom stock instead of restricted stock). For outside directors, the Company pays only basic compensation in view of their roles of fulfilling monitoring and oversight functions of corporate management from an independent position. The total amount of compensation for individual directors and the levels of each compensation item are set for every position depending on difference in responsibility by utilizing the research data compiled by outside specialized agencies.</p>	<p>director, and other factors. After an evaluation period, shares of the Company's common stock are granted at an amount equivalent to the number of units multiplied by a payout ratio (50% to 100%) determined in accordance with achievement levels for performance indicator targets.</p> <p>The maximum number of shares of the Company's common stock to be granted as restricted stock compensation to directors, for RS and PSUs combined, is 150,000 per year. In addition, the Company and its directors shall enter into a restricted stock allotment agreement that includes an overview and provisions that state (1) Company executives shall not, while they serve in their positions as executives and for a set period of time, transfer, create a security interest on, or otherwise dispose of the shares of the Company's common stock that have been allotted to them, and (2) the Company may acquire the said shares of its common stock without compensation if certain events occur. If a director is a non-resident of Japan at the time shares are granted, the Company shall grant phantom stock in place of and equivalent to the restricted stock compensation that would have been granted, and the stock shall also be treated in accordance with the restricted stock allotment agreement.</p>																																	
<p><b>2. Policy for determining the amount of monetary compensation excluding performance-linked compensation (hereinafter, the "Fixed Monetary Compensation"), performance-linked compensation, and non-monetary compensation (including the policy for determining the timing or conditions for granting such compensation)</b></p> <p>(1) Policy for the Fixed Monetary Compensation</p> <p>Directors receive the Fixed Monetary Compensation monthly as basic compensation. The amount for individual directors is determined based on their positions, taking into consideration elements such as the business environment.</p> <p>(2) Policy for performance-linked compensation</p> <p>For annual performance-linked bonus for directors (excluding outside directors), we have set a compensation table based on rank and the KPI of consolidated profit before tax for the fiscal year under review. Based on this table, cash compensation is paid at a certain time of each year. In addition, in order to encourage the achievement of goals in the Group's medium- to long-term strategy, a portion of restricted stock compensation (described in (3) below) to be granted as non-monetary compensation will be PSUs, where the number of shares granted is linked to the degree to performance target achievement. In addition to consolidated ROE, which is the financial indicator emphasized in our medium-term strategy, we will adopt employee engagement as a non-financial KPI for these PSUs.</p> <p>The Company will review the KPIs for annual performance-linked bonus and PSUs as needed based on changes in the environment and reports from the Executive Compensation Meeting.</p> <p>(3) Policy for non-monetary compensation</p> <p>The Company grants restricted stock compensation to directors (excluding outside directors) for the purpose of providing them an incentive for sustained improvement of the Company's corporate value and further value sharing with the shareholders. For restricted stock compensation, a portion shall be provided as the fixed compensation type, with the rest as the variable compensation type. Both of these shall be prohibited from being transferred during the recipient's term of office, and this restriction on transfer shall be lifted upon their retirement.</p> <p>For fixed compensation type restricted stock (RS) compensation, shares of the Company's common stock are granted at a certain time each year at an amount equivalent to a base amount determined in consideration of the Company's business performance, responsibilities of each director, and other factors.</p> <p>For variable compensation type restricted stock compensation (PSUs), units (one unit = one share) are granted at a certain time each year at an amount equivalent to a base amount determined in consideration of the Company's business performance, responsibilities of each</p>	<p><b>3. Policy for determining the proportion of the Fixed Monetary Compensation, performance-linked compensation, and non-monetary compensation to the total amount of compensation, etc., for individual directors</b></p> <p>The Company has set the following as a general guideline for proportions of compensation by type for directors (excluding outside directors) in reference to the compensation levels and compensation mix of companies of a similar scale to the Company or industry peers obtained through an external research company, and in consideration of factors such as the Company's overall salary level and social situations (performance-based compensation is a proportion of the base amount).</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">Breakdown</th> <th colspan="2">Rate</th> </tr> <tr> <th>Basic compensation</th> <th>Annual performance-linked compensation</th> <th>Restricted stock compensation</th> <th>President</th> <th>Directors other than the President</th> </tr> </thead> <tbody> <tr> <td>Fixed monetary compensation</td> <td>●</td> <td></td> <td></td> <td>45%</td> <td>50%</td> </tr> <tr> <td>Performance-linked compensation</td> <td></td> <td>●</td> <td>●</td> <td>45%</td> <td>40%</td> </tr> <tr> <td>Non-monetary compensation</td> <td></td> <td></td> <td>●</td> <td>25%</td> <td>20%</td> </tr> </tbody> </table> <p>The Company shall appropriately review the compensation level and compensation mix in consideration of the Company's business environment, as well as the situation of companies of a similar scale to the Company or industry peers, and other circumstances based on reports from the Executive Compensation Meeting.</p>			Breakdown			Rate		Basic compensation	Annual performance-linked compensation	Restricted stock compensation	President	Directors other than the President	Fixed monetary compensation	●			45%	50%	Performance-linked compensation		●	●	45%	40%	Non-monetary compensation			●	25%	20%	<p><b>4. Matters concerning the determination of details of compensation, etc., for individual directors</b></p> <p>The Executive Compensation Meeting, by a resolution of and upon delegation by the Board of Directors, determines specific amounts of compensation, etc., of individual directors, following sufficient deliberation by its members including outside directors. Its authorities include the determination of specific amounts of basic compensation, annual performance-linked bonus, and restricted stock compensation (includes phantom stock), and their payment schedule.</p> <p>With regard to revisions of the compensation system and other matters pertaining to compensation overall, proposals approved by the Executive Compensation Meeting are deliberated and decided on by the Board of Directors. The total amount of compensation for individual directors and the levels of each compensation item are set depending on their responsibilities, and whether he or she is an internal or outside director, by utilizing research data compiled by outside specialized agencies.</p> <p>To ensure transparency and effectiveness of the executive compensation determination process, the Executive Compensation Meeting shall, by a resolution of the Board of Directors, be structured so that the majority of its members are outside directors, and its chairman shall be appointed by a resolution of the Board of Directors.</p>		
	Breakdown			Rate																														
	Basic compensation	Annual performance-linked compensation	Restricted stock compensation	President	Directors other than the President																													
Fixed monetary compensation	●			45%	50%																													
Performance-linked compensation		●	●	45%	40%																													
Non-monetary compensation			●	25%	20%																													

### Overview of Executive Compensation System

#### • Composition of compensation

The ratio of compensation for the Representative Director, President and CEO will be set as 45% for basic compensation, 30% for annual performance-linked compensation, and 25% for restricted stock compensation (15% for variable compensation type (PSU) + 10% for fixed compensation type (RS\*)) upon achievement of the KPIs set forth in the STEP mid-term management vision.

As before, outside directors will only receive basic compensation

\* Restricted stock

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

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

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

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

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

#### (Reference) Compensation System for Directors (Representative Director President and CEO)

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

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

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

### Matters Concerning the Resolutions of the General Meetings of Shareholders on Compensation, etc. for Directors and Corporate Auditors

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

### Matters Concerning Delegation of Authority over the Details of Compensation, etc. for Individual Directors

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

### Total Compensation for Directors and Corporate Auditors for FYE March 2023

Category	Number	Total Compensation (Millions of yen)				
		Basic Compensation (Paid in fixed monthly installments)	Short-term Performance-linked Compensation	Restricted Stock Compensation		
				PSU	RS	
Directors	9	293	147	23	58	521
(of which, outside directors)	(3)	(38)	(—)	(—)	(—)	(38)
Corporate auditors	5	85	—	—	—	85
(of which, outside corporate auditors)	(3)	(29)	(—)	(—)	(—)	(29)

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



## Cross-Shareholding

### Policy for Cross-Shareholding

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

### Verification Details for Cross-Shareholding

Based on the above policy, SUBARU has steadily reduced the number of listed stocks held as cross-shareholding. As a result, 60 issues held at the end of March 2015 decreased to 2 issues at the end of March 2021. We consider these two issues to be essential to hold at this time for the following reasons, but we will continue to hold dialogue with these companies at least once a year, and the Board of Directors will evaluate and scrutinize these issues annually to determine whether they should be held or not.

### Investment Stocks Held for Purposes other than Pure Investment

As of March 31, 2023

Issues	Number of shares	Amount reported on the balance sheet (Millions of yen)	Purpose of holding, impact of holding, and reason for increase in number of shares
The Gunma Bank, Ltd.	2,850,468	1,263	The Gunma Bank, a local bank of the area where the Company's main factory resides, is supporting not only SUBARU but also local supplier sites in Japan and abroad through its financial services. As the bank has been the Company's important partner, the Company will continue to hold the bank's shares to promote fair and smooth financial transactions.
Mizuho Financial Group, Inc.	372,097	699	The Mizuho Financial Group firms have been supporting SUBARU with financial transactions and other services. In particular, the Mizuho Bank has long been the Company's most important financial partner, providing support in a broad area of management. The Company will continue to hold the group's shares to promote fair and smooth transactions.

### Criteria for Exercising Voting Rights for Cross-Shareholding

With regard to the exercise of voting rights for listed stocks held as cross-shareholding, the Board of Directors deliberates on and determines the criteria for exercise with evaluation items such as whether the company is consistently exhibiting poor performance, whether a sufficient number of independent outside directors are in place and if management is supervised appropriately, and whether there are any corporate governance issues present. Although these are our general principles, we hold dialogues at least once a year with companies whose stock we hold to avoid making blanket decisions. Accordingly, we exercise our voting rights appropriately in light of the performance, management policies, and medium- to long-term management plans of the companies in question, as well as from the perspectives of corporate value enhancement, corporate governance, and social responsibility. In addition, we will continue to verify whether or not our criteria for exercise of voting rights warrant review.

## Internal Control

### Management System

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

### Internal Control System

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

## Internal Control System Related to Financial Reporting

Regarding internal control reporting systems pursuant to the Financial Instruments and Exchange Act, the evaluation of the internal control system related to financial reporting is dated the final day of the consolidated accounting period and is conducted in accordance with generally accepted assessment standards for internal control over financial reporting. The President and Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) evaluated the status of the development of the internal control system related to financial reporting as of March 31, 2023 and affirmed that it has been established properly and functions effectively, and issued an internal control report audited by the accounting auditors to that effect.



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

## Auditing

### Auditing by Corporate Auditors

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

### Specific matters studied in FYE March 2023

#### Matters for resolution

Audit policy, audit plan and division of audit duties, consent to agenda items for the General Meeting of Shareholders (appointment of corporate auditors), evaluation and selection/dismissal of the accounting auditors, consent to the audit fee for the accounting auditors, preparation of the audit report, etc. for the current fiscal year

#### Matters for reporting

- Report on the results and findings of site visits to Company offices and affiliated companies
- Sharing of information from standing corporate auditors to outside corporate auditors on important company matters, including via the Executive Management Board Meeting and the Executive Meeting
- Status reporting from responsible departments on risk management issues that arise internally or within the industry from a preventive audit perspective

Individual opinions raised by the Board of Corporate Auditors are presented to relevant officers and others as appropriate to gain reference opinions for forming decisions on the execution of business.

#### Main Initiatives

##### 1) Confirming management monitoring and execution

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

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

##### 2) Meetings with departments related to internal controls

Corporate auditors receive regular monthly reports from the Legal Department and the Risk Management and Compliance Office on compliance concerns including the operation of the whistleblowing system, and receive regular reports from human resource departments on the status of issues such as disciplinary cases and industrial accidents.

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

##### 3) Cooperation in the three-party audit system

Corporate auditors hold regular audit report meetings with internal audit units, receive reports on all internal audit results, and exchange information and opinions on internal control issues, which are reflected in audits by corporate auditors.

Corporate auditors also receive quarterly reports from the accounting auditors on the status of accounting audits and exchange opinions with them as necessary so as to ensure effective and efficient audits, thereby establishing close mutual cooperation in the three-party audit system.

As part of these exchanges, corporate auditors harness opportunities provided by quarterly reports to engage with the accounting auditors from the beginning of the fiscal year with respect to Key Audit Matters (KAMs), including candidate matters, about concepts such as the suitability of audit targets and the state of audit actions.

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

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

### Internal Auditing

The Internal Audit Department (15 members) has been established and reports directly to the President. This organization evaluates the state of the development and operation of internal controls with regard to business execution at SUBARU and its Group companies in Japan and overseas from an independent and objective standpoint, providing advice and proposals for improvement.

As an initiative to ensure effective internal audits, the Internal Audit Department systematically conducts audits of business execution in accordance with an annual business audit plan prepared at the beginning of each fiscal year, taking into consideration the risks and internal control status of the entire Group. Audit reports on business execution are distributed to all directors, corporate auditors, and relevant departments at the same time as reports are directly made to the President at a monthly reporting meeting. In parallel with this, reports are also made at semi-annual meetings of the Board of Directors and quarterly at joint meetings consisting of all vice presidents.

SUBARU's Internal Audit Department and corporate auditors work together to strengthen audit functions, as described in 3.3) "Cooperation in the three-party audit system" above. In addition, we strive to strengthen audit functions by sharing information with the accounting auditors on audit plans and audit results on a quarterly basis. Furthermore, the Internal Audit Department regularly exchanges information with Group companies that have their own internal audit units, working toward greater cooperation.

The Internal Audit Department carries out a yearly evaluation of its own activities and periodically undergoes an evaluation by external experts to confirm that the audit operations are being performed appropriately.

## Compliance

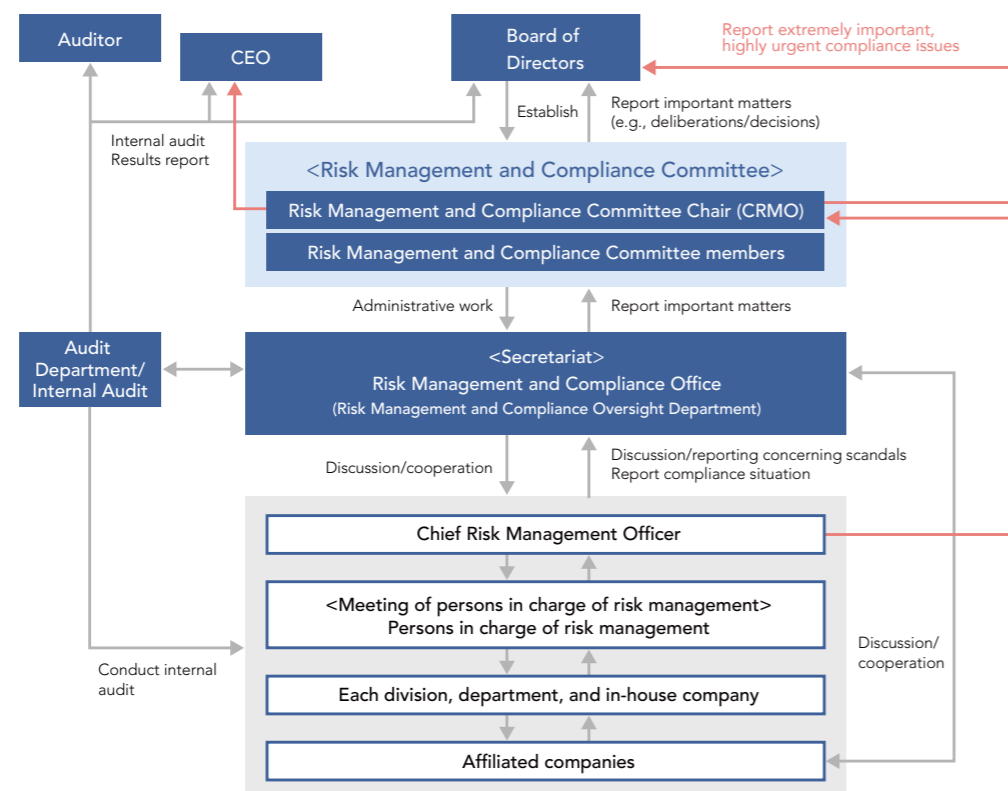
### Our Approach

At SUBARU, compliance is positioned as one of our most important management issues in our Corporate Governance Guidelines. All officers and employees of the SUBARU Group are deeply ingrained with the commitment to adhere to the Compliance Manual, laws, internal regulations, and social ethics and norms, making it an integral part of their behavior at all levels. In the unlikely event of a violation of set standards, not only could the Company incur damages in accordance with legal regulations, but such incidents could erode the trust and confidence of customers, business partners, clients, shareholders, and broader society. By creating and operating a compliance system/organization, and carrying out activities such as providing different kinds of training, each employee has a strong awareness that thorough Group-wide compliance forms the foundation of SUBARU's management and behaves in accordance with this.

### Management System

The SUBARU Group has established the Risk Management and Compliance Committee, a company-wide organization designed to promote compliance. This committee deliberates, discusses, decides, and exchanges information on important matters related to risk management. We also employ a PDCA cycle, with each department creating its own compliance program each fiscal year to enhance compliance. This involves consistent, structured independent actions for legal compliance management and to foster employee compliance awareness, as well as subsequent verification of compliance status.

### Compliance System



### Compliance Hotline

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

There were 270 consultations in FYE March 2023, the details of which are outlined in the table on the next page. Through initiatives to fully embed this system, SUBARU has improved awareness of compliance and fostered an atmosphere where employees can consult even about trivial matters. This has resulted in an increasing trend in the number of consultations over the previous five years. It is also contributing to the reform of corporate culture as a channel for addressing and resolving workplace issues.

### Breakdown of Compliance Hotline Consultations and Trends Over Time

(FYE March)

	2019	2020	2021	2022	2023
Suspected violation or violation	22	14	19	26	24
Labor-related grievances and requests	59	60	65	67	59
Interpersonal relationship grievances and requests	111	136	143	111	178
Others	7	6	9	10	9
Total	199	216	236	214	270

### Training

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

In particular, approximately 30,000 SUBARU and Group companies in Japan have participated in video-based online training programs, which was introduced to adapt to work format changes due to the COVID-19 pandemic, thereby raising compliance awareness across a wide range of individuals. In addition, to promote the understanding of key laws and regulations, the Legal Department leads training for legal affairs in practical business for SUBARU and Group companies in Japan. In FYE March 2023, we conducted such training within eight programs covering topics that included security trade controls, the Act on the Protection of Personal Information, and the Subcontract Act. In addition, to complement compliance enlightenment training, study groups are held at each department and affiliated company based on their compliance program, covering important laws and regulations related to their work. These include export controls, the Act on the Protection of Personal Information, the Antimonopoly Act, the Political Funds Control Act, and harassment prevention.

### Bribery Prevention

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

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

Under the monitoring system for bribery prevention, SUBARU collects information to ascertain the presence of cases that may constitute compliance violations through company-wide fact-finding investigations. It also strives to detect cases early via business audits conducted by internal audit departments. Furthermore, SUBARU has established a system to report high-risk cases to the Risk Management and Compliance Committee and the Board of Directors, in an effort to strengthen oversight.

In FYE March 2023, there were no fines, penalties, or settlement payments related to violations of anti-corruption laws and regulations within the Group, and no individuals were subject to disciplinary dismissals for such violations.

### Tax Policy

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

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

### For Other Compliance Information

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