



Special Feature: Company-wide Efforts to Change the Culture

Becoming a Company Open to New Ideas

Our mid-term management vision STEP, which was published in July 2018, established reforms of our corporate culture as a priority theme under the slogan “Change the Culture.” As part of these efforts, we have made a commitment to promote activities aimed at becoming a company that truly does the right thing in the right way.

Over the last year, we have conducted general self-inspections, with cross-divisional issues and problems that are difficult for individual divisions to resolve being designated company-wide issues. Following several rounds of discussion and deliberation concerning ways of tackling those issues, the management team has set to work on improvements. On April 1, 2019, the functions of the “Tadashii-Kaisha” Promotion Department (Tadashii-Kaisha: A company doing the right thing in the right way), which had been at the heart of activities aimed at becoming a company that truly does the right thing in the right way, were transferred to the company’s nerve center, the Corporate Planning Department. With this change, we have laid the foundations for constantly promoting reforms of the culture throughout the company.

First, to bring the senior executive management closer to the shop floor, it is vital for everyone to cultivate an interest in the shop floor, ensuring that they spend time there and acquire the habit of considering things from a shop-floor perspective. Furthermore, when we encounter obstacles to solving problems, we believe that it is important not only to discuss them within the company, but also to learn from others, including case studies from other companies.

To change the corporate culture, the entire management team from the executives needs to change its ways of thinking and acting. We believe that we can create a company that is more open to new ideas and where people can say what they want by enhancing communication and ensuring that senior staff and their subordinates properly engage with each other. We will continue to resolutely promote initiatives aimed at creating a company that does the right thing in the right way in the true sense.

Our Ambition

We aspire to become a company that is trusted by our stakeholders, including customers, society, and employees. Three things are essential to achieving this: engaging in the right business, the right operations and the right actions in the right way; ensuring that our activities as a company are accepted and supported by society; and enabling all employees to feel pride in their work and to grow. At the same time, we will reform the corporate culture to create one with good communication in all directions, in which each and every employee can readily and cheerfully speak their mind.

Main Activities in FYE2019

To enable us to become the company that we aspire to be, we set the following two goals in FYE2019 and have been working to achieve them since then.

(1) To create a situation in which issues are identified as a company, so that we can execute our business in the right way

(2) To ensure that all employees feel that the workplace culture has changed, so that we become a company that is more open to new ideas and where people can say what they want

Company-wide Initiatives

Initiative	Details
Activities by each business division to build a company that does the right thing in the right way	Directors of all business divisions draw up a list of issues and improvement measures for their division and serve as leaders in promoting those activities
Simultaneous company-wide general self-inspection	Every employee identifies issues in their own work and discusses improvement measures with other members of their workplace
Simultaneous company-wide legal compliance violation survey	Each workplace summarizes its compliance issues, assigns an order of priority to them, and works on achieving improvements
Periodic publication of the "Doing the Right Thing in the Right Way" newsletter as a supplement to the company's in-house magazine "Shuho"	Increases the visibility of each business division's activities and shares them with others throughout the company, while helping to revitalize activities and foster awareness
Establishment of the Employee Compliance Advice Line	Name changed to increase recognition and reduce psychological hurdles to its use
Publication of "Compliance Manual-Essential Version"	Distributed to all Group employees to ensure that awareness of compliance permeates the whole organization
Compliance Awareness Training	Training is provided for all managers in the automotive business as part of measures to prevent recurrence
Company-wide compliance training led by an executive	Executives give a lecture on "My Perspective on Compliance"
Discussion of "Change the Culture" at an executive camp	All executives engage in exhaustive discussion of changing the culture. The executives transform themselves to transform their business divisions
Making effective use of the results of the employee attitudes survey	Introduces additional questions and operates the PDCA cycle for the activity as a whole

Main Initiatives by Each Business Division

Division	Details of Initiative
Japan Sales and Marketing Division	<ul style="list-style-type: none"> • All general managers operate the PDCA cycle monthly regarding activities to build a company that does the right thing in the right way and the general self-inspection, thereby steadily promoting these initiatives
Overseas Sales and Marketing Division 2	<ul style="list-style-type: none"> • Enhancing and expanding divisional training sessions to remind all staff of the practical knowledge needed to underpin their thinking skills, as well as increasing this knowledge -Reminding staff of important points concerning export operations and dealing with overseas dealerships -Fostering proficiency in the Subaru Way of Sales & Marketing
Cost Planning and Management Division	<ul style="list-style-type: none"> • Encouraging the sharing of information and greater operational efficiency within the division
Product and Portfolio Planning Division	<ul style="list-style-type: none"> • Review of regulations with the participation of all staff • Optimization of business processes • Revising the system for managing administrative duties within the division
Purchasing Division	<ul style="list-style-type: none"> • Holding communication workshops involving all division staff



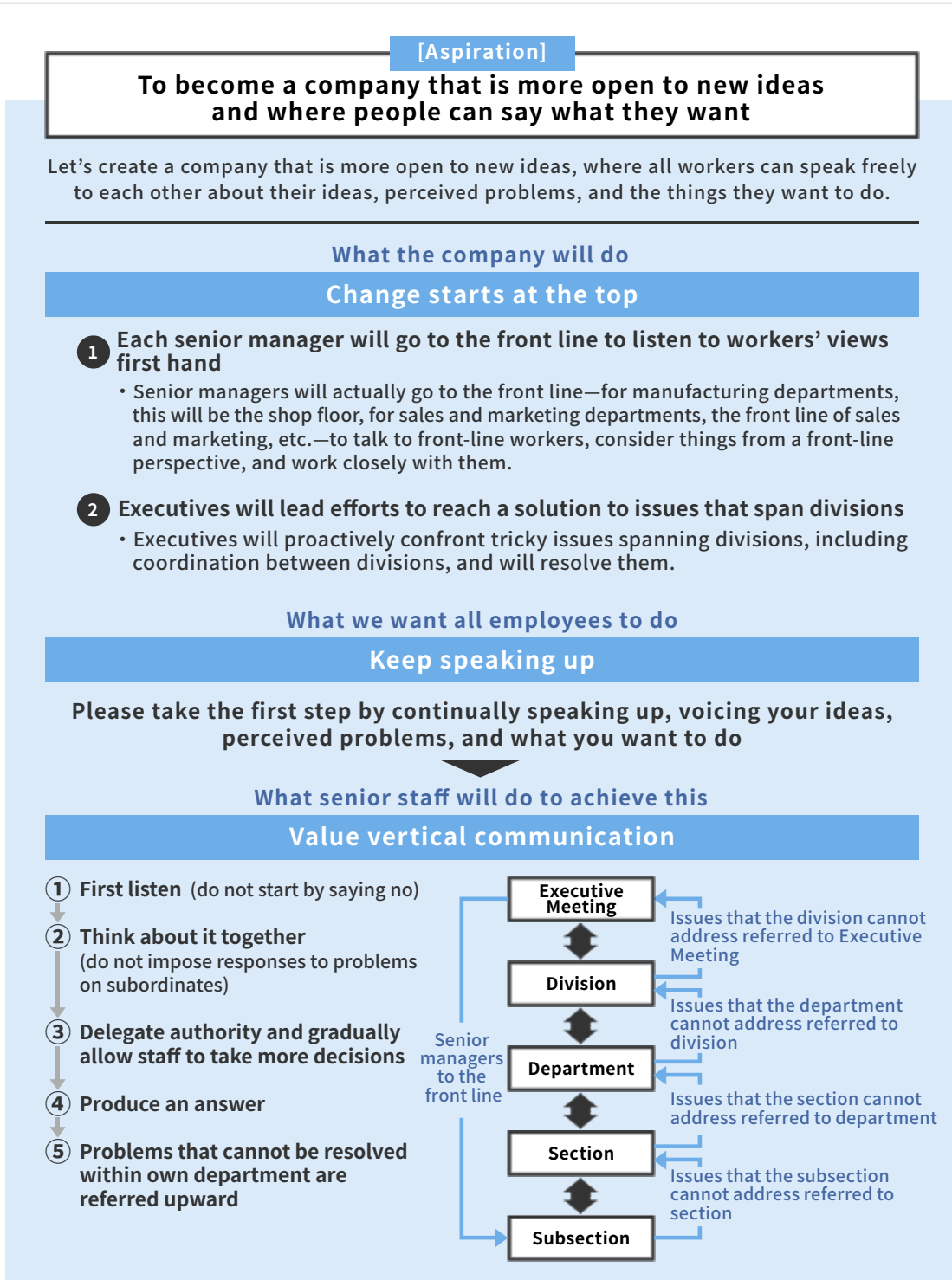
Working group
(Product and Portfolio Planning Division)



Communication workshop involving all staff
(Purchasing Division)

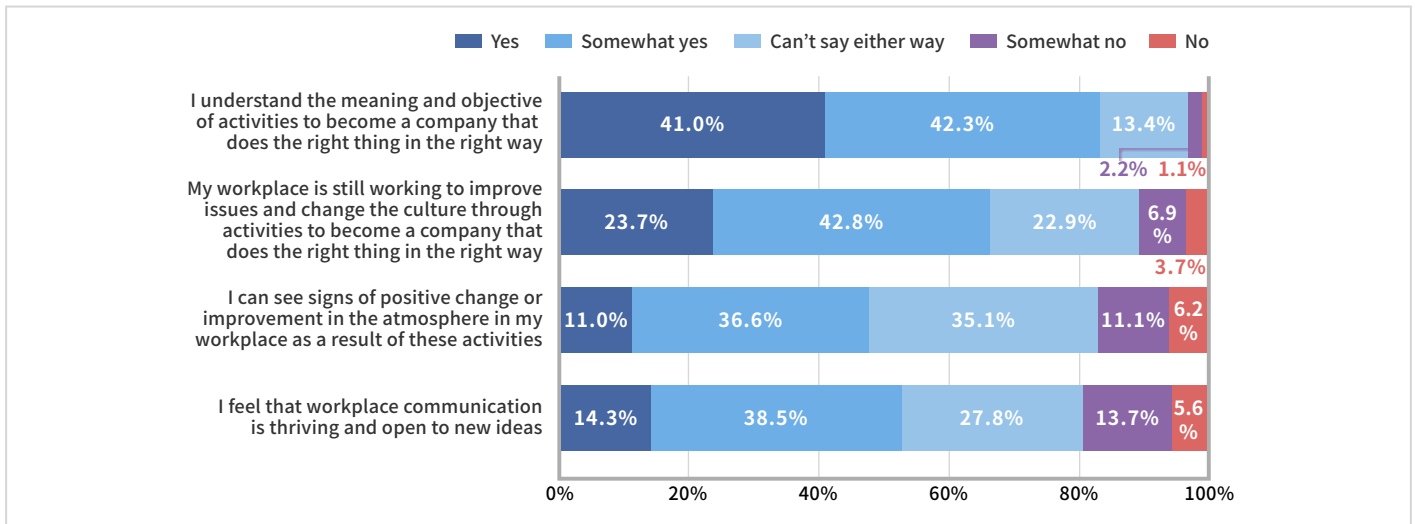
Change the Culture

We declared to all employees that change starts at the top in our mission to create a company that is more open to new ideas and where employees can speak freely to each other, including voicing their ideas, perceived problems, and the things they want to do. We then told each and every employee that they need to make their voices heard and stated again that we will aim to create a company that is more open to new ideas, in which all employees value vertical communication.



Results of the Employee Attitudes Survey

We conduct an annual survey of attitudes among all regular employees, to which we have added questions about activities to become a company that truly does the right thing in the right way and creating a company that is more open to new ideas. These questions have given us an insight into employees' understanding of the promotion of activities, the status of initiatives, and the effects thereof. While understanding of the meaning and objective of activities has steadily grown over the last year, not so many employees report actually having felt that changes have resulted from these activities. We will continue these activities and step them up going forward.



Executives Give Serious Consideration to “Change the Culture”

In March 2019, 28 new and existing executives got together for a workshop on changing the culture. With an external facilitator leading proceedings, the executives shared the issues that they face and discussed the importance of changing the culture once more. In addition, they learned about ways of creating an atmosphere in which people can freely speak to each other, which is a role that only senior management can fulfill. The participating executives then split up into groups and engaged in spirited discussions.

Declaration of Conduct by Every Executive

To close the workshop, each and every executive made a declaration concerning what they themselves were determined to do to change the culture. After returning to their divisions and workplaces, the executives shared this declaration with their staff and began putting it into action. Adopting the slogan “Progressive change starts from the top,” all executives will play their part to change the culture in earnest.



Scene from the executive workshop

Overview of FYE2019 Activities to Become a Company That Truly Does the Right Thing in the Right Way

In FYE2019, the whole company engaged in activities to become a company that truly does the right thing in the right way, in order to fulfill our aspiration of being a company that is trusted by our stakeholders, including customers, society, and employees. After a year, we looked back and gained an overview of the activities, which we used to identify issues that would form the basis for the next year's activities.

Overview (perception of the current situation)

1 Improvement activities aimed at doing business in the right way

- We have more or less finished identifying current company-wide issues through our general self-inspection and legal compliance violation survey. We divided the issues that emerged into issues that individual divisions should resolve and cross-divisional, company-wide issues. We then implemented systematic improvements while assigning an order of priority to the issues.

△ There are differences between divisions in terms of the initiatives implemented and status of improvements (and also differences in the status of feedback to division members). While repeated rounds of deliberation aimed at improving company-wide issues have achieved progress, they have not yet resulted in any concrete improvements, so employees do not feel that the company has changed.

2 Changing the culture to become a company that is more open to new ideas and where people can say what they want

- Opportunities for communication have increased through general self-inspection activities. In addition, actions aimed at stimulating vertical communication have gradually begun in each workplace. Change is starting to occur at some workplaces, with large numbers of employees stating that senior staff speak to them more often and that communication has become easier than before.

△ There are major differences between workplaces in terms of whether individuals feel that the culture has changed, which means that the activities have not yet led to the whole workforce feeling a change.

△ Along with the difficulty of changing attitudes and behavior among the management team, structural issues are a major factor behind the failure of vertical communication to result in improvement. Specifically, these issues are the expanded span of management and the heavy workload of the management team.

Facing the Future

In FYE2019, the whole company engaged in activities to become a company that does the right thing in the right way, to fulfill our aspiration of being a company that is trusted by our stakeholders, including customers, society, and employees. While the company has steadily changed, we still need to continue and sustain this process of change; in addition, we are still only halfway through our efforts to change the culture.

In FYE2020, as the department with direct links to senior executive management under the president, the Corporate Planning Department will take the lead in changing the culture, which is a key theme in the mid-term management vision, and will spare no effort in promoting this change throughout the company to be a company that is always trusted.

Based on the motto "Don't leave anything incomplete; don't let the memory fade," executives and employees alike will work together in conjunction with other company-wide activities to ensure that all employees can feel that this is a company more open to new ideas, by ensuring that we maintain the best parts of last year's activities, while improving on the weaknesses.

Quality Reform Initiatives

Initiatives to improve quality are the most important theme in the mid-term management vision STEP. To regain the trust of our customers and other stakeholders, we are promoting quality reforms in which we will review all processes in which quality is built into Subaru cars, from product planning to production, to underpin efforts to change the culture and foster quality consciousness.

Message from the CQO



Atsushi Osaki
Executive Vice President and
CQO

Quality is the foundation of “Enjoyment and Peace of Mind,” SUBARU’s core value, and delivering quality is one of our most fundamental responsibilities to our customers. Quality can be broadly defined to include everything from product quality to customer service quality, the quality of the day-to-day work of individual employees, and the quality of corporate activities, and it is important to steadily improve these dimensions of quality. To ensure that SUBARU moves forward with the creation of high-quality products that are attuned to customer lifestyles and further enriches people’s lives and with improvement of service quality, I intend to play a leading role in instilling a standard so that SUBARU Group employees make quality the highest priority above all else.

Airbag defects and other problems that lead to recalls and service campaigns have continued to occur, and I deeply regret that we have caused concern and inconvenience to our shareholders, customers, and many other stakeholders. Although we have seen steady improvement in the results of third-party quality assessments for the U.S. market, our relative quality ratings in comparison with other automakers are regrettably declining, and I consider this a critical issue.

In response to these problems and issues, in new vehicle development we aim to eliminate recalls and service campaigns by further reinforcing milestone management at each stage of development and systematically working to prevent any reoccurrence of past defects. We will make high-quality products that are easy for customers to understand and use, taking into account customer usage conditions, and simultaneously work to minimize vehicle downtime and increase customer satisfaction by undertaking call center expansion, building a system for the smooth provision of replacement parts and repair parts, and improving efficiency in service operations.

Quality reforms are a top priority in STEP, SUBARU’s mid-term management vision. For this reason, we are reviewing all business processes, from product planning and parts procurement by supplier to production and shipping at our plants, and implementing reforms. To ensure that the departments involved in these processes do not waver in the philosophy that quality is key, we will also strengthen the authority of the CQO and rigorously reinforce quality management systems across all product development and manufacturing functions.

In addition, we will invest in facilities for quality-related technology development, in simulators and other control-related evaluation facilities, and in facilities with modifiable temperature and atmospheric pressure control for environmental and durability evaluation. In manufacturing, whereas until now we have made capital expenditures mainly for the purpose of increasing capacity, from now on we will invest heavily in the renewal of aging facilities and the enhancement of traceability to raise the level of quality, while also utilizing IoT. We will actively invest in areas that contribute to quality improvement, including human resources investment, and aim to be No. 1 in the kind of quality that makes our products suitable for long-term use with peace of mind.

Initiatives to Ensure a Quality-first Mentality

We continue to implement various initiatives aimed at encouraging a change in both mentality and behavior among each and every employee, to ensure that they put quality first. A leading example of these initiatives is the April 2019 revision of our Quality Policy.

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 the voice of our customers.
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.

Revised in April 2019

In revising the Quality Policy, we attached importance to (1) communicating a strong message about valuing quality above all else; (2) aligning the focus of all our activities toward the customer; (3) encouraging a change in both mentality and behavior among each and every employee in a manner that is easy to understand; and (4) explicitly emphasizing compliance. The whole workforce will tap into this policy in their day-to-day work, under the leadership of senior management.

In addition to this revision of the Quality Policy, we will continue the following activities to support our quality reforms.

1. Awareness activities focused on regular publication of articles about quality reforms in the company's in-house magazine "Shuho"
2. Organization of the Quality Caravan, an initiative taking place during Quality Month in November and launched in FYE 2019, to inform employees at all of our business sites and our suppliers about quality at Subaru and feedback from our customers
3. Addition of a workshop to foster quality consciousness to rank-specific training for employees, starting in FYE 2020

We are striving to cultivate a quality-first mentality among employees through these activities. We believe that such initiatives have gradually increased awareness among employees and plan to ensure that they become firmly established, rather than being a temporary measure.

Putting Quality First

In June 2019, we set up a special section on the Subaru website, entitled “Putting Quality First.” This section provides a detailed timeline and facts concerning the final vehicle inspection problems and explains the current situation, as well as offering information about changes to equipment and systems at our sites and other measures that we have taken to prevent a repeat of such problems. It also describes our efforts to change the culture and implement other company-wide initiatives to prevent recurrence and put quality first.



Subaru Website:
Putting Quality First

› [Putting Quality First \(Japanese version only\)](#)

● We Will Transform Manufacturing Sites!



Kazuo Hosoya
Representative Director of
the Board, Deputy President
Chief General Manager of
Manufacturing Division and
Gunma Plant

For the Subaru Group, as an automobile manufacturer, manufacturing is one of the three key pillars of our business, alongside development and sales. We believe that the Subaru Group cannot achieve growth unless our Manufacturing Division undergoes transformation for the future.

With this understanding, we believe that the key points in this will be as follows.

1. Implementing initiatives that get to the heart of the issue through a precise understanding of sites, products, and facts under all circumstances.
2. Continuing to challenge things at all times, rather than being defensive. But ensuring that such challenges are appropriate and never superficial or reckless.
3. Not only completing each individual task appropriately, but also formulating proper plans and putting them into action after gaining an overview of the whole.
4. Drawing up a vision of what we aspire to be and then stepping up the pace while determining what work is truly necessary.

As transformation is accomplished from the top, we in the management team must first change ourselves with this in mind. We believe that we can harness the power of the whole organization if we then demonstrate leadership and involve the entire workforce.

This is not something that can be done overnight, of course. However, if we unfailingly move forward with our initiatives behind the scenes, major changes will result once they germinate. Bearing this in mind, we will continue to implement initiatives to transform both the Manufacturing Division and the Group as a whole.

●Working to Regain the Trust of Customers and Society



Yoichi Sato
Corporate Vice President,
Chief General Manager
Japan Sales and Marketing
Division

The final vehicle inspection problems have been causing not only our customers, but also our suppliers and the public as a whole anxiety and concern for some time.

As the closest part of the company to the customer, the Japan Sales and Marketing Division has always relayed customer feedback to the rest of the company, as well as rigorously carrying out our customer-facing work. We are also doing our utmost to promote the creation of a workplace that is more open to new ideas and where people can frankly express their opinions to each other, using the question “Does this really benefit the customer?” as our yardstick for decision making.

Meanwhile, our sales dealerships are the front-line sites that come into direct contact with the customer. We will develop an even closer relationship with these front-line sites, promoting deeper communication with our sales dealerships and provide the support they require from the manufacturer to enable them to provide proper customer service. This year, we have organized tours of Subaru plants for around 250 executives and managers from sales dealerships across Japan. We have also begun holding training courses that offer dealership service staff the chance to experience vehicle development process at an automaker, as we believe that such initiatives help to enhance the customer service provided at dealerships.

All employees at Subaru and our sales dealerships will work together as one, sparing no effort to ensure that we offer customers enjoyment and peace of mind and meet their expectations.