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Reinvestigation of fuel economy and emissions measurement issues and changes to the top management of the company

(Remarks delivered at the start of the company's press conference on June 5, 2018)

On April 27 of this year we published a report on our investigation into certain incidents of fuel economy and emissions data alteration at our Gunma Manufacturing Division. With deep regret, today I must report that we have identified two further cases of fuel economy and emissions data measurement nonconformance. I would like to share what we know at present and how we plan to address these issues going forward.

First, since discovering these final vehicle inspection issues last year, we have been acutely aware that such issues stemmed from deep-seated issues related to our corporate culture, and we have strived to reform that culture. It is extremely regrettable that, despite these efforts, further cases of nonconformance have come to light following an inspection by the Ministry of Land, Infrastructure, and Transport (MLIT). I sincerely apologize for the additional concern this may cause to our customers, business partners, and other stakeholders.

Now I would like to briefly outline the facts known at present.

We identified certain instances of nonconforming fuel economy and emissions data measurements in the sampling inspections carried out during the final vehicle inspection process. The details are as follows.

In sampling fuel economy and emissions data, vehicles are run for approximately 20 minutes in accordance with a government-specified speed pattern called "JC08 mode." During that time, inspectors measure emissions and calculate fuel economy.

On the screen you can see how the factory measurement room is prepared to conduct such testing, and vehicles are placed on a piece of equipment called a chassis dynamometer, which integrates measurement devices and rollers. Specialist inspectors operate the accelerator, brakes, and gears to increase and decrease speed according to the JC08 pattern and replicate actual driving conditions.

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The graph on the next slide shows the speed pattern in JC08 mode. The vertical axis indicates speed and the horizontal axis indicates time in seconds. For about 1,200 seconds, in other words around 20 minutes, inspectors repeatedly speed up, slow down, and stop in small increments, just as people do when actually driving. By reproducing conditions similar to actual driving in circumstances ranging from urban to suburban driving environments, inspectors aim to measure fuel economy in situations similar to actual use.

During sampling there is a tolerance of ± 2 km/h compared to the speeds prescribed by the JC08 mode. On the graph, the blue line shows the upper limit, the green line shows the lower limit, and the red line shows actual vehicle speed, in other words the data that was measured. During the vehicle running time of approximately 20 minutes, if the measured data deviates beyond the upper and lower limits as indicated by the arrow in the enlarged portion of the graph for a total of two seconds or more, or continuously for one second or more during a single deviation, the scope of tolerance permitted in JC08 mode will be exceeded and such data cannot be used as measurement data. This is called a “trace error.”

Similarly, if humidity in the inspection room is outside the range of 30 to 75%, JC08 mode conditions are not satisfied, and the data is likewise unusable. This is called a “humidity error.”

However, among the final vehicle inspectors who performed the sampling inspections at our Gunma Manufacturing Division, some disregarded trace errors and humidity errors that occurred, or altered data and treated such data as valid measurement results. We have confirmed that since December 2012, which is the earliest time for which such data is available, there have been at least 927 such cases occurring. We reported the details of our findings to MLIT today.

Today MLIT has instructed us to conduct an investigation into these issues and work conducted in carrying out the final inspections in general, and to provide a report on our findings in one month’s time. We will announce the findings of this investigation to the media upon submitting same to MLIT.

At this point in time, through the progressive measures that have been taken since December last year to prevent any recurrence of data alterations, we have been able to prevent any inappropriate handling of trace errors and humidity errors, and I believe there is no possibility of these issues recurring.

Our investigation will clarify the detailed causes and motivations of the conduct I have described. I recognize that treating measurements that deviate from specified inspection

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methods and conditions as valid results is a compliance problem that is totally unacceptable. Based on this recognition, we plan to commission independent specialists to conduct a rigorous investigation of not only these cases, but also our entire final inspection operations.

In my previous press conference on April 27 I stated that “Subaru’s management and employees will work collectively to restore lost trust and ensure that such circumstances do not recur.” Driven by a more acute sense of urgency, in addition to extending our previous measures to prevent recurrence, we will use the results of the independent investigation to be conducted by third party specialists to review our organizational systems relating to inspections from the ground up and examine all measures including upgrading final inspection facilities.

Finally, I have outlined my thoughts on management’s responsibility for this series of problems in previous press conferences and other announcements, but given the current circumstances, I believe that the most pressing issue is to rid the company of the “sore” that has been festering within it. To make certain this happens, I have decided that in addition to resigning from the post of president, I will cease to be representative director and will also transfer the role of CEO to Mr. Tomomi Nakamura with effect from the next General Meeting of Shareholders. I will then devote all my efforts to corporate reforms, including the matters I have mentioned today, and enhancing compliance and corporate social responsibility within the company. I believe that by explicitly concentrating on these tasks I will fulfill our responsibilities to our customers, business partners, and other stakeholders.

Once again, I sincerely apologize for all the concern and inconvenience caused to our customers and other stakeholders.

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