

Social Report



FHI has the philosophy that we must be responsible for not only directly meeting customer needs in our operations by providing products and services but also that we must take responsibility throughout all our corporate activities, which includes compliance with laws and regulations, environmental protection, human rights protection, and consumer protection.

In addition, we think that the economic and social/human aspects of corporate activities cannot be separated, and thus taking social responsibility should be fundamental to our operations. So we would like to be a better corporate citizen who continuously contributes to the sound, sustainable development of our society, which includes customers, local communities, shareholders and investors, affiliate companies, stakeholders, and employees.

Corporate Philosophy

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The manufacturing principles of Fuji Heavy Industries Ltd. are built on the tradition of aircraft manufacture established by Nakajima Aircraft, the predecessor of FHI. The DNA of our company consists of *pursuit of the best performance*, the fundamental concepts for designing aircraft, *a concentrated, lean package* to materialize it, and *thorough implementation of safe operations under*

all environments. While maintaining an emphasis on these principles, we will strive to develop new values and actively work on environmental problems and compliance issues while treasuring our tradition, so that FHI will be able to provide customers and other stakeholders with more satisfaction and reliance, and subsequently coexist in harmony with society.

- (1) We will strive to create advanced technology on an ongoing basis and provide consumers with distinctive products with the highest level of quality and customers satisfaction.**
- (2) We will aim to continuously promote harmony between people, society, and the environment while contributing to the prosperity of society.**
- (3) We will look to the future with a global perspective and aim to foster a vibrant, progressive company.**

Subaru: Aiming to Transform into the Shape We Want to Be

We have established a new medium-term management plan for fiscal 2007 to 2010 and have been proceeding in our efforts to transform into our desired shape: to be a compelling company with strong market presence.

In some respects, we have been apt to attach too much importance to technology, but as we were preparing the new medium-term management plan we reviewed every aspect of our operations and ultimately returned to our most basic rule: *customers come first*. As for products, we will develop technologies which, in addition to delivering a new driving experience that not only drivers but all passengers can enjoy, also respond to environmental and CO₂ problems on a global scale. With respect to customer satisfaction, we will improve our system so that our products are created with the customer's view in mind, and enhance the ser-

vice quality at our sales and service organizations both in Japan and abroad. Furthermore, we will exert our utmost efforts to comply with the J-SOX Act^{*1}, and at the same time, strive to nurture corporate vitality, which is essential for our company's continued growth, through active communication throughout the entire corporate group including group companies, and by strengthening human resource development through such means as providing employee education.

By continuing our steady forward-facing progress and evolution with every step of these activities, it is our dream and our desire to establish a Subaru brand loved and supported by customers all around the world and to become a model company where employees can work with pride in each and every business area.

Corporate Code of Conduct

FHI set down a corporate code of conduct to comply with laws and regulations and to fulfill its social responsibilities, based on our corporate philosophy. We will continue to strive to become a

company loved by all and contribute to making society more affluent by respecting individuals and the corporate code of conduct and acting on the same sense of values.

- (1) We will develop and provide creative products and services while paying sufficient attention to the environment and safety.**
- (2) We will respect the rights and characteristics of individuals.**
- (3) We will promote harmony with society and contribute to the prosperity of society.**
- (4) We will meet social norms and act honestly and fairly.**
- (5) We will maintain global perspective and aim to be in harmony with international society.**

^{*1} J-SOX Act: A common name for the Financial Products Exchange Law, enacted in July 2006, which contains regulations mandating listed companies to strengthen their internal control measures and to submit internal control reports, in order to guarantee the appropriateness of the financial reports submitted by listed companies.

CSR

Subaru Believes CSR Is Fundamental to Its Business Activities

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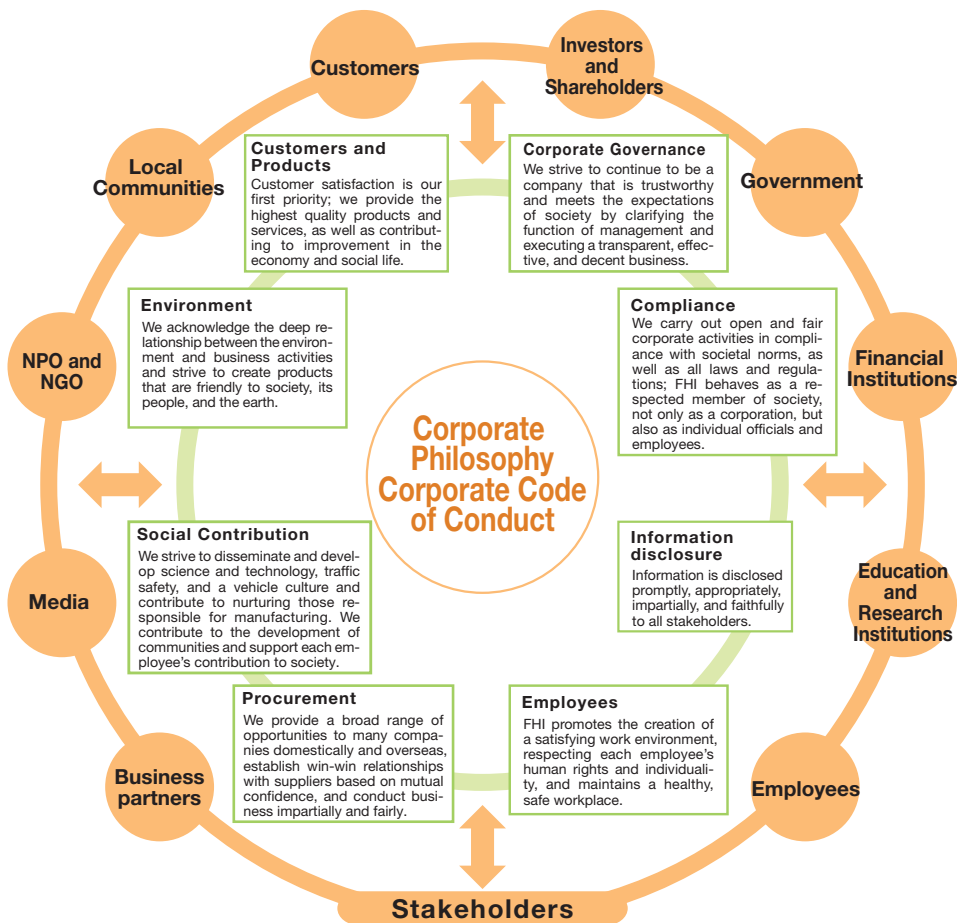
- (1) We have included the idea of “being a company fulfilling its social responsibilities” in the business vision of our new medium-term management plan.
- (2) We will have our senior management establish a PDCA (plan-do-check-act) cycle at the CSR and Environment Committee meeting in order to take a comprehensive approach to both CSR and environmental issues
- (3) We will work to make our employees fully aware that our social responsibilities impact all aspects of our business activities.

CSR: Corporate Social Responsibility

CSR Policies

FHI believes that “Our Corporate Philosophy=Our CSR Policies”, or in other words, we affirm that CSR is a reflection of our corporate philosophy and fundamental to our business activities. Based on this philosophy, we have established a Corporate Code of Conduct, and conduct our CSR activities accordingly.

We place great importance on our relationship with our stakeholders as we proceed with our CSR activities. We believe that our mission, as a good corporate citizen, is to tackle a variety of social problems and make social contributions through our business activities.



Business Visions and CSR

One of our business visions outlined in the new medium-term management plan for fiscal 2007 thru 2010 released to the public on February 28, 2007 is to become a company fulfilling all its social responsibilities. This is a basic ideal, and is indispensable to us realizing our long term business vision of becoming a compel-

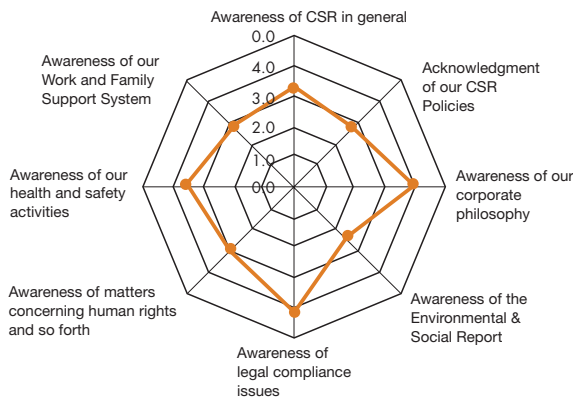
ling company with strong market presence. In order to become a company worthy of our stakeholders' trust, we will make efforts to contribute to the continuous development of society and to heighten the corporate value of our company, in accordance with such business visions under our basic policy of *everything we do is for our customers*.

Reviewing Fiscal 2006

In the process of creating a new management organization in June 2006 and preparing the new medium-term management plan, we conducted an in-house survey as well as interviews (with employees) on CSR to get a feel for the level of CSR activities being carried out within the company. The survey and interviews revealed that the following improvements need be made to our CSR activities:

1. Enhance awareness among employees that every individual employee's actions are linked to CSR.
2. Strengthen the system through which information on CSR can be shared, adjusted, developed and accumulated effectively and rationally.

Results of the In-House Survey on CSR



Activities in Fiscal 2007

In order to enhance our CSR activities, we will realize the idea of becoming a company fulfilling its social responsibilities and the business vision of our new medium-term management plan, as well as work to implement the improvements suggested in fiscal 2006.

1. Responding to the Improvements Suggested in Fiscal 2006

(1) In order to strengthen the conventional functions of the CSR Committee and promote a comprehensive approach for both CSR and environmental issues, or in other words, to take on the most important challenge of our CSR activities, we will form the CSR and Environmental Committee by extending the functions of the FHI Corporate Environment Committee, and achieve PDCA by the senior management for each activity.

(2) In order to enhance awareness among employees that the actions of each individual employee are linked to CSR, we will enhance cooperation among our companies and at all business sites, bringing them under one direction and visualizing our CSR activities.

2. Disseminating CSR Activities to Make Our Business Vision,

“Being a Company Fulfilling Its Social Responsibilities”, a Reality

(1) Our CSR Philosophy at FHI:

Responding to social problems through main business activities, and enhancing corporate value by building a sustainable environment, economy and society.

Entrenching the awareness of aggressive CSR (social contributions through our main business activities) and defensive CSR (compliance with laws and regulations) among employees.

(2) The Meaning of CSR at FHI:

Making our employees fully aware that we have social responsibilities in all aspects of our corporate activities.

Making our employees fully aware that CSR is a process that generates profit which is fundamental for our business activities.

Corporate Governance

Fundamental Philosophy

In order to provide both customers and stakeholders with even more satisfaction and reliance, we are striving to strengthen our corporate governance, which is the most important task for our business based on our corporate philosophy.

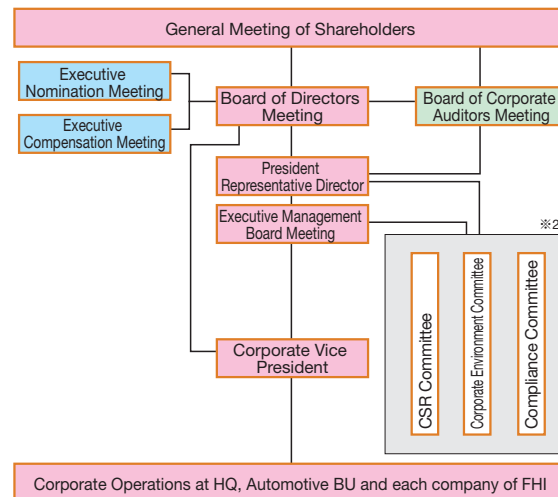
Since June 1999, we have employed an executive officer system that helps clarify responsibilities to carry out operations in each division.

In addition, since June 2003, the terms of directors and executive officers have been reduced from two years to one. Also, since June 2004, according to the decision of the Board of Directors^{*1}, we have given responsibility for the nomination of corporate officers to the Executive Nomination Meeting and given responsibility for evaluating performance and determining the remuneration of corporate officers to the Executive Compensation Meeting.

All these measures are designed to clarify management decision-making and operational functions, increase decision-making speed and enhance the effectiveness of business operations.

The Board of Corporate Auditors Meeting consists of four corporate auditors^{*1}, and is responsible for receiving reports on important auditing issues and deliberating accordingly.

We will take various measures, such as recruiting outside directors to further strengthen internal control, and will also disclose information fairly and in a timely manner in order to increase management transparency.



Establishment of an Internal Control System

Internal control is a mechanism which is indispensable for achieving business objectives, and management is responsible for establishing an internal control system and keeping it functioning effectively and efficiently. In response to the “Standards for Management Assessment and the Audit concerning Internal Control over Financial Reporting” published by the Business Accounting Council of the Accounting Standards Board of the Financial Services Agency on February 15, 2007, we are working to organize and strengthen our internal control system within the entire group, aiming at: 1) effectiveness and efficiency of operations, 2) reliability of our financial report, 3) compliance with laws, etc. in our business activities and 4) safeguarding of our assets.

*1 The Board of Directors Meeting consists of 8 executives. The board of Corporate Auditors Meeting consists of 4 auditors, including two outside corporate auditors, to observe the corporate management objectively (as of June 26, 2007).

*2 Other than CSR Committee, Corporate Environment Committee, and Compliance Committee, we have Recall Committee, and Export Control Committee.

Compliance

We Regard Legal Compliance as a Vital Foundation of Our Business Management

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- (1) Approximately 3,800 employees took compliance and legal training courses in fiscal 2006.
- (2) We enhanced employees' understanding of legal compliance by utilizing the Personal Information Protection Handbook, which is distributed to all Subaru dealers.
- (3) We supported our affiliated companies and Subaru dealers through several measures, such as dispatching compliance training instructors.

Fundamental Philosophy

FHI's basic compliance policy is provided for by the Compliance Regulations as follows.

"We regard corporate compliance as one of the most important tasks for management. We strongly recognize that our company-wide efforts toward regulatory compliance make for a solid management foundation, and therefore, we carry out open and fair corporate activities in compliance with social norms, as well as all laws and regulatory requirements and internal regulations for corporate activities.

Corporate Code of Conduct and Conduct Guidelines

FHI has established a Corporate Code of Conduct and Conduct Guidelines as the standards to ensure compliance with laws and regulations. These are described in detail in the Compliance Manual, which all officials and employees carry in order to ensure legal and regulatory compliance in their daily actions.



Compliance Manual

System and Administration

Compliance Regulations

FHI established the Compliance Regulations in 2001 after approval of the board of directors. These regulations contain basic compliance policies, which provide for the system, organization, and operational methods related to corporate compliance.

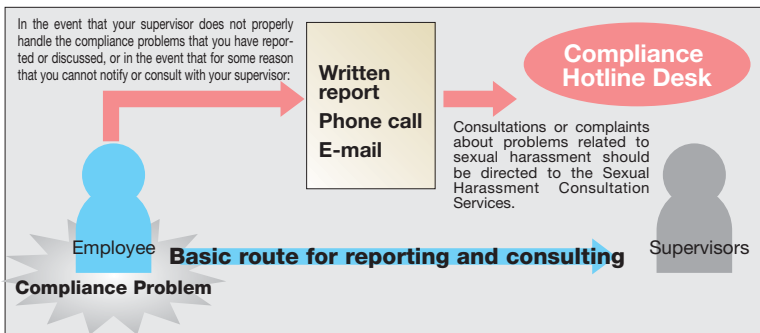
FHI's Compliance System/Organization and Administration

A Compliance Committee has been established as a company-wide committee organization to promote corporate compliance. The committee conducts deliberations and discussions, renders determinations, and exchanges information on key compliance issues. Every year, each department devises a compliance implementation plan (compliance program) to enhance corporate compliance and takes the initiative to advance continuous and systematic implementation activities.

Compliance Hotline System

FHI has established the Compliance Hotline System as an alternative communication route, providing workers of our group companies with a direct route to report any problems detected concerning compliance in the group. The Compliance Hotline Desk is set up in our company and the employees appointed as the desk under the regulations receive reports directly from the employees involved by mailing a written report, phone calling, or e-mailing and then investigate and deal with the matter. The name and department of the employee who reports the matter are kept under strict rules of confidentiality, unless the employee agrees otherwise. Due consideration is given to ensure that the employee does not suffer any disadvantage as a result of reporting a compliance problem.

Compliance Hotline



Fiscal 2006 Results of Compliance Activities

Providing Compliance Education and Training Programs

In fiscal 2006, we offered an educational program of compliance and legal training through a variety of educational courses organized by our Legal and our Personnel & Training departments, and approximately 3,800 officials and employees, including many from our group companies, took these courses during fiscal 2006. We introduced Case Study Training, whereby employees

actively discuss familiar issues and share opinions, and about 250 employees improved their understanding on compliance through this training. Furthermore, each division and group company holds workshops on laws and regulations which are important to conducting their business, as well as training to promote compliance, according to their respective action plans, which utilize the booklet entitled "100 Case Studies of Compliance Issues" as texts.

In 2004 and thereafter, we designated October as Compliance Month, and during that month we conduct special activities, such as inviting outside lecturers to give presentations, so that we can entrench awareness regarding compliance.



100 Case Studies of Compliance Issues



Training for Case Study of Compliance

Our efforts for Personal Information Protection

In response to enforcement of the Personal Information Protection Act, we have reviewed our internal system and regulations and announced privacy policy. Especially for domestic Subaru dealers, because they directly handle a large amount of our customers' personal information, we managed to thoroughly overhaul our internal system for each dealer and prepared and made use of the Personal Information Protection Handbook for Subaru Dealer Staff to help each staff member properly understand personal information protection.

However, an unfortunate incident occurred on July 8, 2006 when one of our employees was on board a train. His briefcase, containing documents, a laptop computer and an external storage unit which held personal information on 199 Subaru customers (their names, addresses, data on their cars, etc.) and on 54 Subaru employees, was stolen. As a general rule, we prohibit the taking of any personal information off our premises, and we have instructed our employees that any person who is required to take out any personal information must first obtain the approval of



Personal Information Protection Handbook for Subaru Dealer Staff

his/her superior and must take all designated security measures, and must always keep the information on hand. Despite our efforts, this incident has caused tremendous trouble and anxiety among our customers and those concerned, and we would like to extend our sincere apologies. Immediately after this incident, we directly contacted all the customers involved and offered a personal apology to each one of them, and publicized the facts of the incident on July 18^{*1}. In addition, in order to prevent a reoccurrence of such an incident, we redoubled our efforts to ensure that all employees are aware of the key principles of protecting personal information, and re-educated the employees within the related divisions and departments through group training and e-learning. We will continue to strive to strengthen our security systems and raise employees' awareness, so that the entire group can protect personal information appropriately and continually.

The stolen personal computer was protected by a password, and the data stored on it was encrypted. As of April 2007, no incidents of unauthorized use of personal information have been confirmed.

Activities toward Group Compliance

In order to ensure compliance with laws and regulations, not only FHI but also all our group companies must join forces and work in harmony. For this reason, we dispatch lawyers and our employees as compliance training instructors to each of our affiliated companies as well as domestic Subaru dealers and also provide textbooks in an effort to promote group-wide compliance with laws and regulations.



Compliance Training at Yusoki Kogyo K.K.

*1 http://www.fhi.co.jp/news/06_07_09/06_07_18.html