Editorial Policy

This Report, which introduces the outcome of efforts by Fuji Heavy Industries Ltd. (FHI) with its domestic and overseas affiliates in Corporate Social Responsibilities (CSR), has been released to promote communication with stakeholders, including customers, shareholders, business associates, local communities, and employees, aiming to further strengthen our commitments.

Specifically, in the feature article, we introduce the FHI Group’s unique initiatives that we particularly want to highlight to our stakeholders, while in the section describing the Group’s CSR activities, we report on our CSR measures focusing on eight areas: customers and products; employees; the environment; compliance; information disclosure; procurement; social contributions; and corporate governance.

Approach to Report Media

To facilitate understanding of the company’s affairs by all stakeholders, from the 2013 edition, CSR activity information in the FHI’s CSR Report will be integrated with the Annual Report, and the publishing media has been transferred to the website in an effort to alleviate the burden on the environment. Further, the website information is available as a PDF file, which is stored in the Library. Please use according to your purpose.

Significance of CSR activities to FHI

Report Cycle

The CSR activities reports for Fuji Heavy Industries Group in the previous fiscal year are compiled and released annually.

Subjects of Reports

Reported Organizations

The report covers Fuji Heavy Industries, Ltd., together with its Group member companies both domestic and overseas.

Guidelines Referenced

- ISO26000

Period Covered

- The report covers performance for the period of FY2015 (from April 2014 to March 2015) and a number of undertakings before and up to the release of the report.
- The departments and titles etc. of the people introduced in this report are correct as of the time of writing.

Special Notice on Prospects

This report includes a variety of information on the prospects, plans, forecasts, etc., for the future of Fuji Heavy Industries, Ltd., and Fuji Heavy Industries Group member companies, although this information is based on past facts and currently available material, which may differ markedly depending on future economic trends, the company’s business environment and other factors. We therefore request your understanding in this matter.
**Issue Periods**
- Previous issue: August 2014
- Current issue: August 2015
- Next scheduled issue: July 2016

**Miscellaneous**
- Fuji Heavy Industries Ltd. Website Top page
- Corporate Profile
- Investor Relations
- Financial Results
- Annual Report

**CSR Report 2015 Improvements**
- We were given the observation that even information that is “obvious” to people inside the company should be reported, and we covered our commitment to safety and external assessments of safety in FY2015.
- We were given the observation that the overall organization of automobile recycling should be made easier to understand, and we have used clearer diagrams to explain it.
- With regard to biodiversity, we reported on the specific activities of the working group inaugurated in FY2015.

The Fuji Heavy Industries Group will execute CSR activities as a corporate citizen based on the important issue of “contributing solutions to social issues” by providing “Enjoyment and Peace of Mind” to customers. Further, FHI believes that communicating with all stakeholders through this Report is crucial and we look forward to receiving more opinions from everyone in the future.

Environmental Affairs Promotion Office
General Administration Department
Corporate Planning Department
Fuji Heavy Industries Ltd.
Message from the President

Promoting a strategy of thorough differentiation as we strive to realize sustainable growth as a compelling company with strong market presence.

Yasuyuki Yoshinaga
Representative Director of the Board, President and CEO

Becoming a “Prominent” Presence in the Minds of Our Customers

In order for FHI, which is a smaller automaker, to survive in this market, it is indispensable for us to focus our business resources on specific markets and products, while clearly standing apart from other companies. This strategy of “differentiation” forms the core of our business strategy and is the principle behind our concept of “prominence,” which is the key word in the title of our mid-term management vision guiding us to stand above the crowd. The concept is not simply prominence with respect to other companies; the simple word encapsulates our aim for “Subaru to have a prominent presence in the minds of our customers,” which makes it a very high hurdle indeed. This objective does not stop where the slogan ends. Each and every member of our divisions is called upon to thoroughly consider what it means to be “prominent in the minds of our customers” and how to implement that in their work.

A specific approach to this is embodied in our efforts to focus on the two key activities of “Enhancing the Subaru brand” and “Building a strong business structure.” In order for the Subaru brand to be prominent in the hearts and minds of our customers, we must continue to stay one step ahead of other companies with respect to our greatest strengths: safety features and drivability. Also, in order to increase our market competitiveness and continue to meet the expectations of our customers, it is absolutely necessary to take cost reductions to a new level, push operating efficiencies forward, and strengthen our business platform.

With business results as favorable as they are, now is the very time for all FHI employees to redouble our efforts and continue to have a positive sense of urgency and even anxiety as we work to further strengthen our brand and our business competitiveness.

Striving to Train Candidates for Next-Generation Leaders and Support Active Participation by Women

Needless to say, it is important to continually train employees who will be potential candidates for next-generation leaders, and to also ensure smooth transitions from one leadership generation to the next, so that our business can realize sustainable growth. Consequently, FHI will foster not just one or two employees, but a sizeable group, whose members are candidates for next-generation leaders, while we select exceptional employees from the ranks of middle managers to assume executive roles so that the management can stay fresh and nimble. One link in this approach is to actively implement job rotation across divisions for mid-career employees and middle managers, where they are moved from domestic positions to overseas positions, or from technical positions to sales positions, and so on. We are striving to train a team of employees with a broad range of work skills and business instincts.

Moreover, in order for our Company to maintain a robust level of business going forward, diversity promotion, in addition to our training of next-generation leaders, is indispensable. FHI established a Diversity Promotion Office in 2014 and is chiefly devoting effort to establishing an environment supportive of female employees’ contribution to the company, while also providing training support for female managers. Also, since April 2015, a career-long FHI female executive has served as director of the Human Resources Department, which is in charge of the Diversity Promotion Office. As we continue into the future, we hope to actively promote excellent human capital regardless of age, gender, or nationality, so that we will be able to grow as an organization with an even higher level of active employee involvement.
Focusing on Appropriate Information Disclosure and Further Enhancing Transparency in Management

FHI has followed a practice of appointing professionals and experts with business experience as outside directors and auditors, and accepting valuable advice and instruction from external perspectives. Going forward, we will implement measures, including increasing our number of outside directors and auditors, to strive to more conscientiously incorporate outside opinions and community input in our business decisions. Additionally, we will devote effort to prompt and appropriate information disclosure and further business transparency following the content of each provision of the Tokyo Stock Exchange’s Corporate Governance Code taking effect from June 1, 2015.

At present, we are putting particular effort into more extreme quality control as one of our thematic focuses regarding governance and CSR management. Amid continuing robust sales, each of our production sites has been operating at near-maximum capacity in recent years. However, it is absolutely inexcusable for quality control to suffer as production excels. Our Production units are being made thoroughly aware of their responsibility to stop the line if they are not absolutely confident in the quality of products.

Securing High Ranking Profitability in Industry While Aiming for Sustained Growth

Aiming to be “A Compelling Company with Strong Market Presence” - that is the management philosophy of FHI. In order to realize this goal, we will continue to follow our “Customers Come First” principle, demonstrate thorough and reliable automobile development and manufacturing, and deliver enjoyment and peace of mind to customers. At the same time, we will continue to earn the trust of our stakeholders by bringing about sustainable growth while securing our industry-leading high operating margin. Thank you for your ongoing support and feedback going forward.

July 2015

Representative Director of the Board, President and CEO

[Signature]
About Fuji Heavy Industries Group

Business Overview

Our Products Represent Our Commitment to Helping as Many Customers as Possible Lead More Fulfilling Lives

FHI is a transportation manufacturer, with automobiles—under the SUBARU brand—as core products, and operates the following three business units.

SUBARU Automotive Business

Leveraging Original Technology to Deliver Cars that Realize “Enjoyment and Peace of Mind”

Since we released the SUBARU 360 in 1958, we have been contributing to the development of Japan’s automobile industry. We adopted a horizontally opposed engine for the SUBARU 1000, launched in 1966, and released the world’s first-ever 4-wheel drive passenger car in 1972. Since then we have produced unique cars equipped with original technology, including the establishment of a symmetrical power train featuring a horizontally opposed engine as the “Symmetrical AWD.” Moreover, we have developed the advanced driving support system “EyeSight” and a new generation transmission, the “Lineartronic CVT.” We are thus constantly taking on new challenges in pursuit of “Enjoyment and Peace of Mind.”

Location

- Gunma Manufacturing Division (Ota City, Isesaki City, and Oizumi Town, Oura District, Gunma Prefecture)
- Tokyo Office (Mitaka City)

Brand Statement

Through “Confidence in Motion,” SUBARU aims to meet customer expectations for the freedom and fulfillment enabled by SUBARU’s uniquely satisfying driving experience.
**Leveraging Tradition and Innovative Technology to Develop and Manufacture a Range of Aircraft**

Aerospace Company inherits its technologies and spirit of aircraft manufacturing from its predecessor, Nakajima Aircraft. Now, it has established unparalleled technologies in many categories, such as its expertise in developing aircraft structures, including composite materials for main wings, IT technology for unmanned aircraft, and sophisticated system integration combined with flight control technology. In addition to developing and manufacturing helicopters, fixed-wing aircraft, and unmanned aircraft, this in-house company also participates in development and production of large passenger aircraft. Based on the original technology cultivated to date, the Aerospace Company constantly takes on challenges in new fields aiming to develop into an aircraft manufacturer with a global presence.

**Location**
- Utsunomiya Manufacturing Division
  (Utsunomiya City, Tochigi Prefecture)

**Mass Production of General-Purpose Engines That Can Be Used under Any Conditions on Earth**

The Industrial Products Company develops, manufactures, and markets ROBIN general-purpose engines used in construction and industrial machines as well as products incorporating these engines. It also supplies high-performance engines used in snowmobiles and buggies, construction machinery for building social infrastructure and agricultural machinery, snow ploughs and generators to help with life in harsh natural environments, and leisure equipment to add color to affluent lifestyles in diverse countries around the world. In the field of general-purpose engines, it has the leading share of the Japanese market and ranks third in the global market, exporting to nearly 100 countries with a high reputation for reliability and durability.

**Location**
- Saitama Manufacturing Division
  (Kitamoto City, Saitama Prefecture)
Corporate Overview (As of March 31, 2015)

Name: Fuji Heavy Industries Ltd.

Established: July 15, 1953

Paid-in Capital: 153.8 billion yen

Employees: 29,774 (Consolidated)
13,883 (Non-consolidated)

Head Office: (Relocated to the address below from August 18, 2014)
Ebisu Subaru Building, 1-20-8, Ebisu,
Shibuya-ku,
Tokyo 150-8554, Japan
Phone: +81-3-6447-8000

Sales: 2,877.9 billion yen (Consolidated)
1,910.7 billion yen (Non-consolidated)

Operating Income: 423.0 billion yen (Consolidated)
318.4 billion yen (Non-consolidated)

Ordinary Income: 393.6 billion yen (Consolidated)
314.8 billion yen (Non-consolidated)

Net Income: 261.9 billion yen (Consolidated)
219.7 billion yen (Non-consolidated)

*The figures for Sales through Net Income are for FY2015.

FY2015 Sales Ratio by Business Unit

Others: 7.1 billion yen (0.2%)
Industrial Products Company: 29.0 billion yen (10.0%)
Aerospace Company: 142.8 billion yen (5.6%)

SUBARU Automotive Business: 2,699.0 billion yen (93.8%)

Trends in Sales

(100 million yen) Domestics sales Overseas sales
2011: 4,673 15,806
2012: 4,985 15,171
2013: 6,718 19,130
2014: 6,721 24,081
2015: 6,529 22,250

Trends in the Number of Car Sales

(1,000 units) Domestics sales Overseas sales
2011: 499 657
2012: 468 640
2013: 561 724
2014: 643 825
2015: 748 911

Trends in the Number of Employees

(employees) Non-consolidated Consolodated
2011: 12,429 12,359
2012: 12,717 12,717
2013: 13,034 13,034
2014: 13,883 13,883
2015: 29,774

* Due to rounding off, the figure in the graph may not match up with the sum of the ratios.
Business Sites

FHI and Domestic Subsidiary Companies

- Fuji Machinery Co., Ltd.
- Iseaki Plant, Gunma Manufacturing Division
- Kiryu Industrial Co., Ltd.
- Ichitan Co., Ltd.
- Utsunomiya Manufacturing Division*
- Subaru Logistics Co., Ltd.
- Gunma Manufacturing Division
- Saitama Manufacturing Division*
- Head Office
- Tokyo Office
- Yusoki Kogyo K.K.
- Handa Plant, Utsunomiya Manufacturing Division

Overseas Subsidiary Companies

- SCI: Subaru Canada, Inc.
- SRD: Subaru Research & Development, Inc.
- SOA: Subaru of America, Inc.
- SIA: Subaru of Indiana Automotive, Inc.

*In this report we introduce the producing districts of Aerospace Company as “Utsunomiya Manufacturing Division” and Eco Technologies Company as “Saitama Manufacturing Division” according to circumstances.
The Fuji Heavy Industries Group’s CSR

The Fuji Heavy Industries Group engages in CSR activities aimed at contributing to the creation of a better society and environment through our core business to achieve a sustainable society.

We practice CSR activities that are based on our management strategy under our business philosophy of aiming to become “a compelling company with strong market presence” to deliver the values of “Enjoyment and Peace of Mind” to all of our stakeholders, including our customers. We also seek the realization of a sustainable society by reflecting opinions from all of our stakeholders in our management strategy.
Corporate Philosophy

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

Corporate Code of Conduct

Fuji Heavy Industries, Ltd. (FHI) sets down a corporate code of conduct to comply with laws and regulations and to fulfill its social responsibilities based on its 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.

CSR Policy

The CSR Policy was revised with the approval of committees related to CSR to clearly indicate 1) the fundamental aspect of CSR focused on observance of the Corporate Code of Conduct and other vital rules, and 2) the strategic aspect of CSR focused on contribution to solving social issues as a corporate citizen through business activities, which requires the involvement of the whole corporate organization for a company which makes goods favored by customers.

Our CSR activities are the mission of the FHI Group to contribute to the sustainable development of society through global business activities with the focus on the relationships with our various stakeholders.

Corporate Code of Conduct

1. We develop and provide creative products and services while paying sufficient attention to the environment and safety.
2. We respect the rights and characteristics of individuals.
3. We promote harmony with society and contribute to the prosperity of society.
4. We maintain global perspective and aim to be in harmony with international society.

CSR Policy (Revised in June 2009)

1. We respect the laws and regulations, human rights, international standards of behavior and the rights and morals of stakeholders under the “Corporate Code of Conduct” of Fuji Heavy Industries
2. We become involved as a corporate citizen in addressing social issues facing society today.
The Eight CSR Action Items

FHI has set eight CSR action items to encourage individual employees to conduct CSR activities in an organizational manner as part of their business operations. For each of the eight categories, we have defined the specific CSR activities to be conducted by employees to meet requests from society.

**FHI’s Eight CSR Action Items**

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers and Products</td>
<td>Provide society useful and optimally safe products and services that earn customers' satisfaction and confidence.</td>
</tr>
<tr>
<td>Employees</td>
<td>Respect the diversity, individuality, and personality of employees and ensure that work environments are as safe and comfortable as possible.</td>
</tr>
<tr>
<td>Environment</td>
<td>Address environmental issues proactively in recognition of their importance for all mankind.</td>
</tr>
<tr>
<td>Compliance</td>
<td>Respect laws and moral standards; engage in fair, transparent, and free competition; and conduct business equitably. Honor confidentiality, carefully protecting and managing data, particularly personal information.</td>
</tr>
<tr>
<td>Information Disclosure</td>
<td>Communicate transparently with stockholders and other stakeholders, disclosing corporate information proactively and fairly.</td>
</tr>
<tr>
<td>Social Contribution</td>
<td>Maintain proactive social action programs as a good corporate citizen.</td>
</tr>
<tr>
<td>Procurement</td>
<td>Conduct procurement appropriately and work with suppliers to promote corporate social responsibility.</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>Make it a key responsibility of management to ensure that appropriate CSR policies are adopted throughout the corporate group, and undertake appropriate initiatives to address any emergencies that may arise.</td>
</tr>
</tbody>
</table>

*The ideas of the CSR activities are drawn from the “Charter of Corporate Behavior” issued by the Japan Business Federation.*
CSR Promotion System

We set up a CSR and Environmental Committee and promoted CSR activities. In FY2011, the CSR Committee was newly established headed by top management to more clearly identify such activities in eight CSR-related categories and promote them more systematically. The CSR Committee consists of specialized committees and existing organizational units, each of which is closely linked to any one of the eight CSR-related categories, and all organizational units are engaged in these activities acting on their own initiatives under company-wide control. The CSR Committee also has the North American CSR Committee as its component for global promotion of CSR activities.
Relationship to Stakeholders

In our mid-term management plan announced in FY2012, we uphold the themes of making our company “a company to provide products and services that contribute to the resolution of social issues” and “a company to value its relationship with various stakeholders” as the basic requirements to attain our long-term vision of becoming “A Compelling Company with a Strong Market Presence.” Based on this vision, we will continue to make efforts to gain even more trust from our stakeholders, continue to make useful social contributions while at the same time increasing our corporate value.
Efforts to Raise Customer Satisfaction Levels

Putting Customers First with the SUBARU Declaration

The Fuji Heavy Industries Group strives to put customers first in all business activities. In October 2011, SUBARU issued the SUBARU “Declaration, which specified the goal of being chosen by customers for “Enjoyment and Peace of Mind” and summarized the attitude and actions needed for sales divisions in Japan to achieve this goal. Sharing the same goal, our dealers in Japan have also posted their own SUBARU Declaration and are engaging in initiatives to implement them.

Establishment of SUBARU Customer Center

To receive inquiries, conduct consultations and handle requests and comments from our customers, we have established the SUBARU Customer Center. We respond to our customers under a simple code of conduct: “accurate, prompt, appropriate, equitable, fair, and courteous” aiming to provide “Enjoyment and Peace of Mind.” The valuable comments and requests received from customers are passed on to the relevant departments so that suggestions can be reflected in making future improvements and in product planning, quality, sales, and after-sales services.

Breakdown of Number of Requests for Assistance from Customers

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Requests</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questions and inquiries</td>
<td>21,489</td>
<td>61.4%</td>
</tr>
<tr>
<td>Change of address inquiries</td>
<td>2,946</td>
<td>8.6%</td>
</tr>
<tr>
<td>Catalog requests</td>
<td>1,673</td>
<td>4.8%</td>
</tr>
<tr>
<td>Observations</td>
<td>5,083</td>
<td>16.3%</td>
</tr>
<tr>
<td>Suggestions and requests</td>
<td>1,070</td>
<td>3.1%</td>
</tr>
<tr>
<td>Other</td>
<td>1,922</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

Total: 34,992 requests for assistance

Note: The number of cases does not include inquiries about grades from automotive-related companies.
Customer Satisfaction Survey

Evaluation through In-house Survey: SUBARU Customer Questionnaire

Our goal is to build up relationships with our customers by offering the “Enjoyment and Peace of Mind” stated in the SUBARU Declaration so that they continue to choose SUBARU over the long-term. We conduct the SUBARU Questionnaire directed at customers who bought a vehicle at one of our dealers. At SUBARU, we take the comments and requests of customers that we learn from the results of the survey seriously, and we have continued to make improvements at each of our dealers.

In FY2015, we achieved a certain measure of success with the positive opinions “Extremely satisfied” and “Satisfied” accounting for 82.1% of responses on the “Overall satisfaction” item for comprehensive evaluation of dealers used. This included 84.4% of responses expressing the positive opinions “Extremely satisfied” or “Satisfied” in the questionnaire conducted three months following the purchase of a new car, which is a very high percentage.

Furthermore, the positive opinions “Strongly agree” and “Agree” accounted for 83.3% of responses on the “Overall reliability” indicator for showing whether a dealer is one that can continue to be entrusted with automotive matters in the future.

By supporting mobility that is fun and safe for our customers, and realizing the tenets of the SUBARU Declaration going forward, we aim to build up relationships whereby customers continue to choose SUBARU over the long term.

Number of valid response to the SUBARU Questionnaire

FY 2015: 84,090 responses/year
FY 2014: 80,362 responses/year
FY 2013: 67,383 responses/year

Results of External Customer Satisfaction Survey

In the second Japanese Customer Service Index (JCSI) survey conducted by Service Productivity & Innovation for Growth (SPRING) in FY2015, SUBARU won the No.8 rating for customer satisfaction among the 13 automotive companies and brands included in the Automobile Dealership Division of the survey.

FHI also ranked 5th in the Automobile Division (New Cars and Own Dealer Certified Used Cars) of the 2014 After-Sale Service Rankings announced in the November 3, 2014 edition of Nikkei Business.

We will continue striving to improve service in order to raise customer satisfaction levels.

Customer Satisfaction (CS) Activities Focusing on Dealers

We support and promote customer satisfaction activities focusing on dealers in order to remain the brand chosen by customers with the aim of achieving Prominence 2020, our new Mid-Term Management Vision.

In addition to our usual activities in which we provide feedback on customer opinions and requests obtained from past “SUBARU Customer Questionnaires” to SUBARU dealers and related divisions paving the way to enhancements in products, quality, sales and after-sales service, we are prioritizing activities that include making customers comfortable in showrooms and not making customers wait. To promote these activities, we provide support such as human resource development and deployment of best practices from other sites. We also actively promote the refurbishment of showrooms and service garages. In this way, we are promoting increased customer satisfaction from both aspects of facilities and management to expand customer satisfaction activities suited to the SUBARU’s product characteristics.
Training Human Resources at Dealerships to Deliver “Enjoyment and Peace of Mind”

We work to develop human resources through a range of training programs so that all staff at SUBARU dealerships in Japan put the SUBARU Declaration into practice and can perform in a way that gives satisfaction to customers.

We also work to train staff outside of Japan, making use of in-country training, training in Japan and online learning.

<table>
<thead>
<tr>
<th>Number of Trainees Enrolled in Dealer Education Program in Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2015 (first half)</td>
</tr>
<tr>
<td>----------------------</td>
</tr>
<tr>
<td>Manager, sales</td>
</tr>
<tr>
<td>Service staff and other</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

*Includes business trip training, etc.

SUBARU Academy

SUBARU has established the SUBARU Academy as a dedicated organization in the development of human resources for dealerships inside and outside Japan.

The SUBARU Academy provides occupation-specific training for sales and service staff at dealerships inside and outside Japan as well as job grade-specific training for employees ranging from newly recruits through to dealership managers and management officers.

The SUBARU Training Center, where the SUBARU Academy is located, opened in 2005 in Hachioji City, Tokyo. In addition to various training rooms, it also houses a test course, servicing and training equipment and accommodation facilities which consist of 133 rooms with a maximum capacity of 165 people.

STARS Sales Professional Certification Program

We established the SUBARU STAFF TRAINING AND RATING SYSTEM (STARS)* sales professional certification program in FY2013 as recognition of staff with the ability to provide customers with “Enjoyment and Peace of Mind” and support. We run tests covering areas such as knowledge about automobiles, ability to make proposals and customer service skills to determine the level of a salesperson’s certification.

Starting in FY2015, in addition to salespeople, we have also made technical staff and service advisors eligible for certification under STARS as we aim to reinforce our system for giving customers an even greater sense of “Enjoyment and Pease of Mind.”

* STARS: Rating system to help salespersons develop themselves through repeated Off-JT (study), OJT (practice) and qualification tests (challenge).
International CS Initiatives

With the goal of achieving uniformly high after-sales service around the world and helping SUBARU customers drive with peace of mind, the SUBARU Customer Center works with distributors around the world to help them and their dealers enhance their educational systems and overall structures.

We are building a corporate structure that can deliver customers service that meets their needs while ensuring that our importers and dealers worldwide offer service worthy of SUBARU’s “Confidence in Motion.”

Technical Training

Improving the technical skills of our technical staff is essential to delivering service that gives our customers peace of mind.

Consequently, SUBARU offers the Advanced Technical Training (ATT) and STEP Trainer Training (STT) as technical training curriculums for the development of the instructors who provide tuition for our technical staff worldwide and to train technical staff to be able to handle increasingly sophisticated automobile technology. In addition, we work to improve technical capabilities by using skill certification testing to provide motivation for training.

Topics

Holding sales training events for dealers (SCI)

Subaru Impreza sales training events were held in Vancouver, Montreal and Toronto in November 2014 with approximately 400 participants from dealers in attendance. The events included not only product information that is invaluable in sales but also EyeSight test drive experiences and demonstration of the Subaru STARLINK, an in-car system, and Aha apps, an application to provide content.

Organizational Reinforcement

The SUBARU Customer Center works in partnership with dealerships outside Japan to improve their technical and customer service skills so that customers continue to choose SUBARU. We seek close communication to speed up the resolution of problems through such means as the regional meetings we hold in addition to twice-yearly conferences for leading overseas dealerships held in Japan.

Topics

Reinforcing customer service through telephone support and website (SOA)

In our desire to provide exceptional customer service, SOA enhanced its customer program to include Saturday call hours, a customer contact web page for greater access to information and self-service options, and the creation of a special team to personally respond to customer comments.
Quality Management

Our Approach to Quality

We actively deliver high quality products and services to impress customers through the establishment of quality policy in line with our customer first policy and a high level of integration of safety, enjoyment and environmental performance.

<table>
<thead>
<tr>
<th>Quality Policy (Established November, 1994)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FHI considers customer satisfaction as the first priority, and works constantly to improve products and services to provide world-class quality.</td>
</tr>
</tbody>
</table>

Product Quality Management System

1. Establish Quality Management System (QMS) based on the Quality Policy and ISO 9001 Standard and put it into practice for orderly and effective operations.
2. Clarify the quality targets acceptable to customers at the planning stage.
3. Realize the quality targets through quality assurance activities at each stage from development to sales and service.
4. Attend to complaints and requests from the market quickly and appropriately to live up to the trust of customers.

Operation of Quality Management Cycle

Based on the Quality Management System, FHI works to assure quality in each process from design and development through to sales as well as creating a cycle to create even higher quality products. In addition, FHI strives to work through this cycle swiftly in order to meet customer needs without any delay.

**Quality Management Cycle**

- **Design and development**
  - Consideration given to preventing variability and standardization of tasks from the blueprint creation stage through to production processes

- **Production (mass production)**
  - Establishment of process management aimed at preventing quality defects and variability as well as implementation of strict quality inspection and testing

- **Distribution and sales**
  - Establishment of quality management system after shipment from production plant as well as system for dealerships and implementation of inspections

**Collection and analysis of after-sales information and quality improvements**

Collection and analysis of information on quality defects and requests sent to dealerships and SUBARU Customer Center and prompt implementation of quality improvements
Creating a System Aimed at Improving Quality

At SUBARU, we have established a quality improvement system centered on the Quality Assurance Division in order to analyze after-sales quality defects and customer requests to develop and produce even higher quality. We collect customers’ opinions from around the world and identify quality issues. In addition to investigating the cause of the quality issues, we frame countermeasures, which we deploy to the relevant in-house department and/or supplier.

Quality Improvement System

Implementing Quality Control Training

We have developed a curriculum around quality control as part of employee education with the aim of upgrading the level of quality assurance and control. We not only provide education in line with the job grade of employees, but also training to develop quality control experts, individual programs for each business site and other educational programs.

Main curriculum around quality control

- Introductory quality training: Quality Control Training (Introduction)
- Education for instructors: Quality Control Training (Foreman)
- Education for skilled occupations: Quality Control Training (Introduction/Foreman)
- Other employees: open classes at each workplace
Efforts at the Aerospace Company

Quality Management System Based on Aerospace Industry Standards

FHI's Aerospace Company has established a policy of promoting production activities that are focused on a thorough commitment to safety and quality. Based on this policy, we have built and act under a quality management system that conforms to the JIS Q9100 quality management system standard for the aerospace industry. The International Aerospace Quality Group (IAQG), to which the world's aircraft manufacturers belong, formulated this management standard.

FHI is one of the Council members of the Japan Aerospace Quality Group (JAQG) to which Japan's aerospace companies belong. Through IAQG activities, we have contributed to the creation of management standards, the preparation of various guidance materials aimed at improving quality, and the establishment of operating regulations for the management system certification program.

Efforts Aimed at Improving Quality

FHI's Aerospace Company engages in a range of activities aimed at improving quality and preventing errors.

In addition to examining customer satisfaction and product quality from diverse angles at regular “Quality Meetings,” the Aerospace Company has designated November as the “Quality Month” for each year, engaging in activities that include lectures and distribution of educational pamphlets to all employees. The lecture for FY2015 was entitled The Science of Failure for Risk Management: Prevention of Recurrence and Proactive Prevention and was presented by Tetsuya Hamaguchi, Project Professor, Department of Mechanical Engineering, Graduate School of Engineering, The University of Tokyo. More than 500 people were involved including employees from assistant manager level and above, the company president and suppliers.

The Aerospace Company has also established an Improvement Suggestion System that aims to foster a year-round climate that allows employees to demonstrate their creativity independently and quality to be improved.

Efforts at the Industrial Products Company

Compliance with International Standard for Quality Management System

Since obtaining ISO 09001 (JISQ9001) certification, the international standard in quality management systems, in 1996, the Industrial Products Company has constantly complied in accordance with revisions to the standard.

Starting in 2014, the Industrial Products Company has taken the proper steps to adopt the requirements of ISO/TSI 16949, the international standard for quality management systems in the automobile industry, in order to respond even more precisely to customers’ quality demands and expectations, and we are striving to reinforce the quality base.

Efforts Aimed at Improving Quality

At the Industrial Products Company, the Quality Management Committee, composed of all departments, manages progress toward quality targets on a quarterly basis.

In a year-round effort, we regularly conduct customer satisfaction surveys to collect opinions from customers and identify issues in areas ranging from manufacturing through to sales, paving the way to KAIZEN (improvement) activities. The Industrial Products Company has designated November as the “Quality Reinforcement Month” for each year in an effort to raise consciousness through such means as soliciting quality management slogans from all employees as an awareness activity. In addition, we have also developed grade-specific quality training programs in our efforts to upgrade quality.
Response to Recalls

We are taking measures in response to recalls* in order to prevent accidents and protect customers.

In the event of product defects, not only do we respond properly based on the laws and regulations of each country, but we also determine the specific details of our response by promptly establishing a committee structure for staff from departments involved in quality, including those outside of Japan, to investigate. Moreover, we send direct mail outs from our dealerships to affected customers to inform them that they can have their cars repaired free of charge.

*Recall: A system under which when an automobile might not or does not conform to road vehicle safety standards and the cause lies in the design or manufacturing process, the manufacturer notifies the Ministry of Land, Infrastructure, Transport and Tourism to that effect, recalls the automobiles and repairs them free of charge.

Please refer to the FHI website for the details of our response to recalls.
(In Japanese only)

http://www.fhi.co.jp/recall/
Making Safe Vehicles

Pursuing Safety Based on the Concept of ALL-AROUND SAFETY

SUBARU has worked to build cars with the concept that everyone should enjoy comfortable mobility with peace of mind all the time. The pursuit of safety is one important theme in achieving this. SUBARU ALL-AROUND SAFETY, the basic concept for this, means that we aim for safety under all environments. SUBARU people are working to improve all aspects of safety under a variety of conditions, including Active Safety that assumes accidents may occur and prevents them, Pre-crash Safety that supports the driver's driving operations and includes hazard avoidance by the vehicle itself if needed to avoid a collision with the aim of helping reduce damage in the event of a collision, and Passive Safety to minimize damage in the event of an accident.

Thoughts on Primary Safety

We are continuing to evolve automobile safety technology on various fronts. However, the ideal is that no danger should be encountered, and the basis of this is correct judgment and operation by the driver. Primary Safety is based on an approach that enhances safety through initial and basic design techniques for the automobile form and interface. To realize safe, concentrated driving without distraction, SUBARU pays meticulous attention to details of the instrument panel and seat design, including visibility design.

Click here for more details.

http://www.subaru-global.com/safety.html

Thoughts on Active Safety

Active Safety is an approach to safety based on preventing accidents, assuming that accidents may occur. In the event of an accident, for safe avoidance it is important to maintain vehicle stability no different from normal, under a variety of weather and road conditions.

Based on the idea that the ultimate drive fosters safety, the exceptional fundamental performance delivered by our horizontally-opposed SUBARU BOXER engine and Symmetrical All-Wheel Drive are the basis for refinement of vehicle performance that enables users to drive with confidence in all kinds of environment and climate.

Click here for more details.

http://www.subaru-global.com/safety.html
Thoughts on Pre-crash Safety

Pre-crash Safety is an approach to safety that supports the driver’s driving operations and predicts hazards with the aim of helping reduce damage in the event of a collision.

SUBARU was quick to become involved in pre-crash safety, and has promoted its development. EyeSight (Ver.2) adopts a stereo camera for judging conditions in front of the vehicle as well as linkage to the engine, transmission and brakes for hazard avoidance, and has been highly evaluated as an advanced driving support system. Moreover, in June 2014, in addition to substantially upgrading the stereo camera with a complete redesign, including its recognition performance, we launched the new model WRX and Levorg equipped with EyeSight (Ver.3) with added steering assist control. Legacy and Impreza/XV have also been equipped with EyeSight (Ver.3), and we are working to increase the models fitted with the system.

Click here for more details. (Available only in Japanese)

http://www.subaru.jp/about/technology/spirit/safety/pcsafety01.html

Thoughts on Passive Safety

Passive Safety is an approach to safety technology that aims to minimize damage in the event of an accident.

SUBARU promotes development informed by safety ideas that take in all aspects of the vehicle. With an original crash safety body featuring a new Ring-Shaped Reinforcement Frame Body Structure, and engine layout, etc., for mitigating collision impact on vehicle occupants, cabin occupants are, of course, protected. But SUBARU also considers collision with pedestrians in its safety system, for which it is highly acclaimed, not only in Japan but also throughout the world.

Click here for more details.

http://www.subaru-global.com/safety.html

FY 2015 Car Assessment Results

SUBARU undergoes safety performance testing and assessment by JNCAP\(^1\) in Japan, IIHS\(^2\) in the U.S., EuroCAP\(^3\) in Europe and ANCAP\(^4\) in Australia, public organizations inside and outside Japan, and gains the highest rank of assessment in many of them.

In FY2015, all the models assessed in the new preventative safety performance assessment carried out in Japan by JNCAP (Japan New Car Assessment Program) received the top rating of Advanced Safety Vehicle - Plus (ASV+).

*1 Japan New Car Assessment Program: testing and assessment of vehicle safety performance conducted by the Ministry of Land, Infrastructure, and Transport (MLIT) and the National Agency for Automotive Safety & Victims’ Aid (NASVA).
*2 Insurance Institute for Highway Safety.
*3 European New Car Assessment Programme: a program for publishing vehicle safety information conducted in Europe.
*4 ANCAP is an independent organization composed of the transportation authority of Australia and New Zealand that has been providing safety assessments since 1993.
### FY 2015 Commendations

<table>
<thead>
<tr>
<th>Japan JNCAP</th>
<th>U.S. IIHS</th>
<th>Europe EuroNCAP</th>
<th>AustraliaANCAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASV+: EyeSight-equipped Legacy/Outback, Levorg/WRX, Impreza/XV/XV Hybrid, Forester</td>
<td>2015 TOP SAFETY PICK awards: WRX, BRZ</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*5 In its publication of vehicle safety information, the IIHS designates a vehicle as TOP SAFETY PICK (TSP) if it received the rating of “Good” in all test results for the Offset Frontal Test, Rear Crash Test, Side Crash Test, Roof Strength Test and at least Acceptable in the Small Overlap Front Test. In addition to these conditions, a vehicle that is rated Advanced or higher in the Front Crash Prevention Test is awarded TOP SAFETY PICK+ (TSP+).
Approaches to Welfare Vehicles

Approach to Welfare Vehicles

SUBARU aspires toward sharing the happiness and freedom of living through cars for everybody. We are working to develop and increase the popularity of welfare vehicles so that people with physical handicaps and the elderly can travel by car in comfort and with peace of mind.

“TRANSCARE Series” – from Standard-sized Cars to Mini Cars

SUBARU started producing and selling welfare vehicles for the disabled in 1980 and now is well known for the “TRANSCARE series.”

The TRANSCARE series offers a wide range of options, from standard-sized cars to mini cars. We aim to develop vehicles that provide comfortable driving for both people who are in care and for care providers.

In FY2015, we added the Levorg to the TRANSCARE series. Moreover, in October 2014, we exhibited at the 41st International Home Care & Rehabilitation Exhibition, Japan’s largest comprehensive exhibition of welfare equipment, presenting the Legacy and the Forester based around the theme: “You’ll like getting out.” Our booth was visited by many people.

We also plan to expand the lineup in FY2016 to the Crossover 7, the Impreza Sports Hybrid and the Legacy. Furthermore, in addition to putting the TRANSCARE series on display in SUBARU STAR SQUARE, SUBARU’s head office showroom in FY2016, we plan to expand the opportunities to view the TRANSCARE series, including distributing videos showing the lift action and other features to distributors. Going forward, we will continue promoting a range of efforts to enable even more customers to feel the “enjoyment and peace of mind” of SUBARU cars.

Number of TRANSCARE Series Sold

<table>
<thead>
<tr>
<th>(Unit)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mini cars</td>
<td>242</td>
<td>175</td>
<td>182</td>
<td>233</td>
<td>253</td>
</tr>
<tr>
<td>Standard-sized cars</td>
<td>67</td>
<td>143</td>
<td>93</td>
<td>106</td>
<td>95</td>
</tr>
</tbody>
</table>

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Human Resource Development (HRD) Philosophy

We provide support for skill development through a variety of training programs centered on on-the-job training forms, aiming to develop highly engaged, autonomous employees, which are the human resources ideal based on our HRD Philosophy.

HRD Philosophy

We seek to realize the SUBARU human resources ideal of highly engaged and autonomous employees by helping employees develop the ability to identify and solve problems themselves.

A Scene from grade-specific training
Establishing the Training System

We have established diverse grade-specific and skill-specific training programs. Among our level-based training programs, the Startup Program helps all employees who have risen to a higher level adapt to their new responsibilities and focuses on logical problem solving. In FY2015, approximately 1,500 employees took and completed training. With the goal of helping employees obtain and enhance business skills, we also offer training programs for each type of position within the company. We offer support for employees to attend business school.

With a view to accelerating our global HRD, we have also established programs to facilitate foreign language acquisition and training in companies overseas.

Educational Organization Chart

<table>
<thead>
<tr>
<th>Ability-based Grade</th>
<th>Company-wide Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Education by Grade</td>
</tr>
<tr>
<td>Manager Class</td>
<td>New training at the time of promotion</td>
</tr>
<tr>
<td>Regular Employee</td>
<td>Performance review training</td>
</tr>
</tbody>
</table>

Initiatives to Transmit Skills

We opened the SUBARU Technical School (STS) in 2006 with the goal of training young technicians to become future leaders. By transmitting to the next generation technical expertise and work methods that are tailored to all skill levels and reflect the highest standards of safety and excellence, STS is helping to ensure the high quality of SUBARU products going forward.

We provide training that matches the skill levels of trainees, who consist of employees ranging from new graduates to those in their mid-twenties. In FY2015, 395 students took and completed courses, bringing the cumulative number of successful trainees to 2,472.

Basic Skills Training at STS
Utilizing knowledge, skills and experience acquired in the workplace

The instructors, who are experienced technicians, taught us knowledge that is useful in the workplace and skills that you cannot learn from textbooks alone. I want to utilize the knowledge, skills and valuable experience I acquired at the SUBARU Technical School in the workplace to play an active role as an FHI employee.

Yusuke Zenyoji, No. 3 Trim Section, No. 2 Manufacturing Department, SUBARU Manufacturing Division

Fair Evaluations and Support for Development of Skills

Mechanisms for the upgrading of skills aimed at growth based on fair personnel evaluations are essential to develop the autonomous human resources that FHI is aiming for.

To this end, FHI positions and utilizes its personnel system which is made up of occupational skill certification programs, performance assessment system, goal management system, personnel rotations, and the education and training systems as a tool for the development of human resources. In addition to objectively evaluating job outcomes and performance levels for skills through the operation of the personnel system, supervisors and their subordinates share the challenges necessary for growth. Under the goal management system, all FHI employees have an interview with their supervisors three times a year (goal setting, interim confirmation, outcome confirmation).
Work-Life Balance Initiatives

Promoting Work-Life Balance (Work-Life Balance Approach)
FHI aims to create a group of highly engaged, autonomous human resources, and we believe that it is important to establish an environment that allows each individual among our diverse employees to fully express their unique abilities. We work on promoting diversity in work styles as well as enhancing our schemes in order to respect the diversity of our employees and achieve Work-Life Balance.

Supporting Each Employee’s Work and Household

To support employees both at work and at home, we established our leave and short work-time systems, including the childcare leave system that can be extended to the first April after the child becomes two years old, the short work-time system available until children commence 4th grade in elementary school, and the leave or short-work time system for elderly care.

In addition, in accordance with the Next Generation Education and Support Promotion Act, we formulated and implemented our corporate voluntary action plan. We achieved the targets for both the first phase (April 2005 through March 2007) and the second phase (April 2007 through March 2010) of the action plan, which led to the acquisition of Certification by the Minister of Health, Labor and Welfare (the Kurumin Mark) twice. We applied for certification in June 2015 with regard to the activity performance of the third phase of the action plan (April 2010 through March 2015). We also finished formulating our fourth phase of the action plan (April 2015 through March 2017), and published it in June. Under the fourth phase of the action plan, we will promote efforts aimed at the newly introduced Platinum Kurumin Mark certification.

In the past, we have concentrated our efforts on establishing and enhancing a range of systems aimed at balancing child care and nursing responsibilities with work. However, as our systems are equal to or greater than statutory requirements, going forward we will step up to providing support for career development while balancing childcare responsibilities with work.

Comment from an Employee Taking Advantage of the Short Work-Time System
When I returned to work from childcare leave, there was some anxiety and stress. However, thanks to understanding and support from the people around me, including my boss, colleagues and friends, I feel comfortable taking advantage of the short work-time system. I also believed that it would be possible to do satisfactory work if I manage my own time and tasks efficiently.

You cannot do overtime with short work-time, so it is essential to make various adjustments, which includes scheduling. I am conscious of how I can complete the task at hand in a satisfactory way within a limited time. I am constantly trying to make innovations that raise efficiency and quality.

Female employee
Corporate Communications Department
<table>
<thead>
<tr>
<th>Implementation</th>
<th>Overview</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Childcare leave (persons)</td>
<td>System that enables employees to obtain leave for childcare</td>
<td>Male</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Female</td>
<td>90</td>
<td>68</td>
<td>124</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>92</td>
<td>71</td>
<td>130</td>
<td>71</td>
</tr>
<tr>
<td></td>
<td>Rate of returning to work after childcare leave</td>
<td>Male</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Female</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Retention rate one year after returning to work</td>
<td>Male</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>98.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Female</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>98.9</td>
</tr>
<tr>
<td>Care leave (persons)</td>
<td>System that enables employees to obtain leave for family care with the necessary care conditions</td>
<td>5</td>
<td>6</td>
<td>3</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Paid vacation acquisition rate</td>
<td>Promotion of once per month</td>
<td>86.6%</td>
<td>88.2%</td>
<td>85.7%</td>
<td>86.9%</td>
<td>88.7%</td>
</tr>
<tr>
<td>No overtime day</td>
<td>Two days set in the week for increasing work efficiency and fulfillment of private life</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Implemented continually</td>
</tr>
</tbody>
</table>
Diversity Initiatives

Promoting Diversity

For our company to continue offering customers value not found in competing products, each FHI employee needs to be able express his or her abilities as an individual with unique values. For this reason, FHI values differences in gender, nationality, culture, and lifestyles of employees and strives to create workplace environments in which everyone finds it easy to work.

The main building at the Gunma Main Plant provides accessibility with wheelchair ramps
Creating workplace environments in which diverse employees find it easy to work, regardless of gender, nationality or lifestyle

Establishment of Diversity Promotion Office

We established the Diversity Promotion Office in January 2015 in order to promote diversity at FHI even more proactively.

Under the Diversity Promotion Office, we have designated “promoting active roles for female employees,” “employing people with disabilities,” “planning and promoting employment of non-Japanese,” and “promoting employment of the elderly” as priority themes. Among these themes, we have placed particular emphasis on efforts to promote active roles for female employees. Our goal is a five-fold increase in the number of women in management positions in 2020 compared to FY2015. In addition, we will comply with the legally mandated rate of 2.0% as a social responsibility in the employment of people with disabilities.

In our efforts for FY2016, we will focus on career development support for female employees and support for balancing work and household responsibilities. In support for career development, workplaces and human resources departments will work together to create training plans, and we also plan to gradually introduce a mentor system for each qualification. In terms of support for balancing work and household responsibilities, we intend to promote the establishment of an environment that encourages career development aspirations while balancing work and household responsibilities.

Activities to Raise Awareness of Human Rights

FHI’s Conduct Guidelines clearly state that we do not unfairly discriminate on grounds of gender, age, nationality, race, ethnicity, beliefs, religion, social status, physical disability or any other pretext.

In order to raise awareness of our respect for human rights, we have introduced lectures on the importance of diversity and FHI’s efforts into training for new recruits and managers from FY2016.

In addition, we have compiled rules and guidelines aimed at preventing all kinds of harassment and established the Compliance Hotline and Sexual Harassment Helpline as points of contact for inquiries.
Employees from various locations participating in harassment prevention training (SRD)

SRD held harassment prevention training in January 2015. Employees participated from the California, New Jersey and Indiana locations.

Employees being refreshed on Hostile Work Environments.

Supporting Employees with Disabilities

At FHI, we strive to create workplace environments in which people with disabilities can truly shine. To achieve this goal, we leverage the ideas and opinions of our employees with disabilities and their family members.

In FY2015, SUBARU Bloom Co., Ltd. (SBC), established to increase the employment of people with disabilities, gained accreditation as a special subsidiary under the Act on Employment Promotion, etc., of Persons with Disabilities. SBC, which covers cleaning operations for FHI’s dormitories and plants, is making efforts to employ and retain human resources in partnership with special-needs schools and employment and living support centers for people with disabilities in Gunma, Tochigi, and Saitama prefectures. SBC also runs employment training and hosted trainees from seven schools in nearby prefectures in FY2015. In addition, SBC is involved in extensive activities, including visits by six groups from other companies and regions and government-organized training.

As of March 31, 2015, FHI employed 209 persons with disabilities, mainly in manufacturing work. The percentage of employees with disabilities for FY2015 was 1.84%, which was below the legally mandated rate of 2.0%. However, we are continuing to offer employment to new graduates and people with experience with the aim of achieving the 2.0% target in December 2015.

Employees of SUBARU Bloom

The height of automatic door switches and work stations is set at a level that is convenient for those using wheelchairs.

Senior Partner Program: Reemployment for Employees Over 60-year-old

We introduced the “Senior Partner Program” in 2003 to rehire employees after the 60-year-old retirement age. This reemploys the aged and better strengthens our human resources. In addition to meeting the demands of the “Revised Law Concerning Stabilization of Employment of Older Persons” since April 2013, we have revised the existing system so that retired workers can put their experience and skills to further use, and have devised a system whereby those who wish to work beyond retirement age can do so at FHI and at our associated group companies.

We have been improving the work environment so that the reemployed will be able to work more comfortably. We will promote re-hiring senior people after their retirement at 60 to use their experience and abilities for fostering a new generation of workers.

Number of Workers Over the Age of 60

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of People</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>295</td>
</tr>
<tr>
<td>2012</td>
<td>321</td>
</tr>
<tr>
<td>2013</td>
<td>352</td>
</tr>
<tr>
<td>2014</td>
<td>386</td>
</tr>
<tr>
<td>2015</td>
<td>377</td>
</tr>
</tbody>
</table>
Global Human Resource Development Initiatives

FHI recruits both new graduates and mid-career employees regardless of their nationality, and we employ non-Japanese nationals as permanent and temporary employees.

We also provide employees opportunities to receive language training and engage in extended training programs overseas, helping them enhance their communication with people from other countries and understand cultures different from their own. The interaction of international human resources also paves the way to the internal revitalization of FHI and stable supply of human resources.

Our overseas sites and affiliates each recruit human resources independently and make efforts to secure human resources that match the policies and business at each site.

International Contribution through Skill Transfer (Gunma Manufacturing Division)

People from various countries, including Brazil, Peru, and China, work at the Gunma Manufacturing Division. As it can be difficult even for people who can converse in Japanese to understanding detailed manufacturing instructions and terminology accurately, we accommodate them by providing foreign-language manuals and interpreting.

In addition, we are promoting the use and consolidation of the Foreign Trainee Internship Program with the aim of making an international contribution in terms of human resources development through skills transfer. When hosting interns, FHI respects human rights and is promoting the appropriate use of the program in accordance with legislation. As of the end of FY2015, there were approximately 350 interns, and we plan to maintain this number in FY2016 and beyond.

Program for Appointment of Contract Employees to Regular Employment

FHI has a program for appointing contract employees to regular employment. In the three years FY2013 through FY2015, 419 contract employees have been appointed to regular employment.

We offer opportunities to take qualifying examinations based on comprehensive consideration of the individual’s wishes, workplace recommendations and other factors, which leads to enhanced motivation and engagement among our contract employees.
Universal Design Initiatives

With the goal of achieving the guidelines for a comfortable working environment,* we systematically plan continuous workplace improvements in the areas of work environment, work methods, and environmentally responsible facilities, among others. We practice universal design in our facilities, aiming to make break areas, toilets, smoking areas, and cafeterias as barrier-free as possible.

In addition, we have made universal design a reality for entry and exit gates, toilets, and other features at our new office building in Ebisu, Tokyo completed in August 2014.

*Guidelines for a comfortable working environment: “guidelines for measures to be taken by employers for the creation of a comfortable working environment” in the Industrial Safety and Health Act.

Employee Data (FHI non-consolidated)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of employees</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>11,942</td>
<td>11,740</td>
<td>12,451</td>
<td>12,784</td>
<td>13,511</td>
</tr>
<tr>
<td>Female</td>
<td>875</td>
<td>834</td>
<td>861</td>
<td>871</td>
<td>901</td>
</tr>
<tr>
<td>Total</td>
<td>12,817</td>
<td>12,574</td>
<td>13,312</td>
<td>13,655</td>
<td>14,412</td>
</tr>
<tr>
<td><strong>Male to female ratio (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>93</td>
<td>93</td>
<td>94</td>
<td>94</td>
<td>94</td>
</tr>
<tr>
<td>Female</td>
<td>7</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td><strong>Average age</strong></td>
<td>38.8</td>
<td>38.6</td>
<td>38.9</td>
<td>38.8</td>
<td>38.4</td>
</tr>
<tr>
<td><strong>Average length of continuous employment (years)</strong></td>
<td>17.7</td>
<td>18.0</td>
<td>17.3</td>
<td>16.6</td>
<td>16.0</td>
</tr>
<tr>
<td><strong>Number of managers (persons)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>1.047</td>
<td>1.043</td>
<td>1.044</td>
<td>1.029</td>
<td>1.028</td>
</tr>
<tr>
<td>Female</td>
<td>3</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td><strong>Number of new graduate recruits (persons)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>207</td>
<td>262</td>
<td>418</td>
<td>418</td>
<td>426</td>
</tr>
<tr>
<td>Female</td>
<td>12</td>
<td>14</td>
<td>40</td>
<td>30</td>
<td>41</td>
</tr>
<tr>
<td><strong>Number of mid-career recruits (persons)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>106</td>
<td>210</td>
<td>487</td>
<td>303</td>
<td>620</td>
</tr>
<tr>
<td>Female</td>
<td>2</td>
<td>0</td>
<td>5</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total number of separated employees (persons/%)</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>159/1.1</td>
</tr>
</tbody>
</table>

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Philosophy of Occupational Health and Safety

In line with the Corporate Philosophy, we consider occupational health and safety to be a critical responsibility of management. Our Health and Safety Philosophy is, “We make health and safety the first priority in all of our work.” Based on this philosophy, all managers and employees work to ensure health and safety in their workplaces while continuously striving to make a working environment more pleasant and comfortable for all.

Health and Safety Philosophy

We make health and safety the first priority in all of our work.

Basic Policy of Health and Safety

Aiming for zero incidents of occupational accidents, traffic accidents, diseases, and fire disasters, all employees recognize the importance of health and safety and strive to improve equipment, environments, and work methods, while raising the level of management and awareness in order to create safe and comfortable workplaces.
Health and Safety Management System

FHI established the Central Health and Safety Committee composed of an equal number of members (7 each) from the company and the labor union for the purpose of preventing employee accidents and diseases and improving the working environment. The committee has one chairperson elected from the company and one vice-chairperson elected from the labor union.

The Central Health and Safety Committee engages in extensive discussion on themes that include the basic policy concerning occupational health and safety, investigations into the causes of industrial accidents and diseases and countermeasures to them, improvement of the working environment, health and safety education, road safety, fire prevention and other topics.

In addition, site Health and Safety Committees have been set up at each of the companies to deliberate on the policies issued by the Central Health and Safety Committee as well as basic issues. Furthermore, Health and Safety Committees at plants, departments and section have been established where necessary as sub-organizations.

Health and Safety Organization Chart

Aiming for Zero Industrial Accidents

At the start of each fiscal year, each FHI business site conducts a Health and Safety Kickoff Meeting that aims to raise awareness about preventing industrial accidents, road safety, and health management. With the ultimate goal of zero industrial accidents for the year, the general manager of each site talks to workplace leaders about the health and safety policies and initiatives for the fiscal year.

At the Health and Safety Kickoff Meeting for FY2016, staffs from Labor Standards Inspection Offices were invited to give presentations on the Industrial Safety and Health Act, which was revised in June 2014. While aiming to promote the understanding that our employees have about the legislation, we also intend to draw on these presentations for our FY2016 safety and health activities as a company.

In addition, each site establishes activity targets and plans and promotes initiatives to achieve them so that employees constantly maintain awareness about preventing accidents while going about their day-to-day work. In FY2015, there were 31 incidents of industrial accidents. The lost-worktime injury rate, which indicates
the severity of accidents, was 0.07, equal to the average for the automobile manufacturing industry as a whole.

In FY2016, we are aiming for zero industrial accidents. Employees will wear safety declaration badges in order to further disseminate the focus on “Compliance with rules on standard working hours” and “Implementing hazard prediction for non-routine work.”

Moreover, in a new trial, at some sites we have launched an initiative using drive recorders to identify employees’ driving habits. Through these activities, we are striving for further awareness about safe driving.

### Occurrence of Industrial Accidents and Accident Frequency Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of occupational accidents</th>
<th>Frequency rate (Average in the automobile manufacturing industry)</th>
<th>Frequency rate (Average in the manufacturing industry)</th>
<th>Frequency rate (SUBARU automotive business)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>29</td>
<td>1.04</td>
<td>0.98</td>
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<td>2012</td>
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<tr>
<td>2015</td>
<td>31</td>
<td>1.00</td>
<td>0.61</td>
<td>0.77</td>
</tr>
</tbody>
</table>

### Introducing a program to facilitate identification and sharing of safety concern (SIA)

SIA constantly makes efforts to provide a safe work environment and improve working conditions. Now SIA has implemented a program to allow employees to easily document and track safety concerns. Employees can now write the concern directly on the Concern List posted on their team board or submit it electronically.

The Concern List allows the entire team to post the progress of each concern, and employees can access the status of each concern at any time. With the implementation of this program, employees are now better trained, can identify workplace hazards more specifically and can access a large volume of useful information in the development of countermeasures.

For this outstanding program, in March 2015, SIA received the 2015 Governor’s Safety Award presented by the Commissioner of the Indiana Department of Labor.

### Risk Assessment Activities

In order to create safer workplace environments, FHI carries out risk assessment activities that identify potential risks within the workplace and attempt to prevent them. The results of assessments are reflected in annual health and safety activities in an effort to reduce risk systematically.

### Road Safety Support Activities

In order to prevent all traffic accidents whether they be during work, commuting or private time, twice a year FHI conducts driving aptitude testing that incorporates psychological testing for all employees of the Automotive Business, the Aerospace Company and the Industrial Products Company, in which commuting by car is popular. We inform the employees concerned about the results of aptitude testing and conduct follow-up activities every six months.

Moreover, in a new trial, at some sites we have launched an initiative using drive recorders to identify employees’ driving habits. Through these activities, we are striving for further awareness about safe driving.
Promoting Healthy Bodies and Minds

We are aggressively promoting employee health management. Our approach is not only to prevent health problems, but also to systematically maintain and promote mental and physical health.

Specifically, we are working to prevent diseases and administer healthcare by assigning staff at each division for health checkups and specialized health guidance (e.g. remedies to avoid metabolic syndrome, exercise guidance, mental healthcare, nutritional guidance), health consultations to those diagnosed with a cautionary concern in a medical checkup, counseling and other healthcare services.

Comments from an Industrial Physician

Working to support health as a friendly face

Being healthy is the major precondition for employees to work positively and produce good results. Maintaining health needs to be addressed not only while at work, but also in daily life, and it is not just physical but mental as well.

In the Health Support Office, we carry out an array of activities to support health from a broad perspective. Obviously, we provide advice and guidance on workplace environment management and work management based on the results of workplace inspections and health checkups. We also offer post-checkup health advice, primary medical care for various health conditions, referrals to specialist medical institutions, immunizations for employees assigned overseas, and all kinds of health-related counselling.

From the perspective of preventative healthcare, we provide information and raise awareness about measures to prevent heatstroke, infection, and lifestyle diseases and strategies to address mental health. In particular, we routinely strive to build human relationships to position ourselves as a low-barrier mental refuge for employees, to enable us to be aware of mental disorders at an early stage and provide counselling. As a friendly face for employees, we will fulfill our role in a way that makes us a “family doctor in the workplace.”

Commitment to Mental Health

We work in cooperation with industrial physicians, clinical psychologists and health and safety staff (public health nurses and nurses) attached to the Health Support Office to conduct mental health measures. At the same time we are involved in providing mental health workshops and the like at each division for regular workers and managers. In FY2013, we created the “Mental Health Dealing Manual for Managers” in-house booklet and introduced the “Return to Work Program Schemes” (trial return to work, gradual return to work), a system effective from FY2014 that enables smooth resumption of work after a period of absence, among other measures to create a work environment in which employees are able to work with peace of mind.
Communication with Labor Union

Building Positive Labor–Management Relations

FHI’s employees belong to the Fuji Heavy Industries Labor Union. Out of a total of 14,240 FHI employees, 12,988 employees belonged to the labor union as of October 1, 2014. There are also labor unions at sales companies and affiliates in Japan, and the Confederation of Fuji Heavy Industries Affiliated Labor Unions (Fuji Rouen), which includes these unions, had 23,817 members as of October 1, 2014.

FHI and its labor union hold a Labor and Management Council at least once a month for smooth corporate management and mutual communication, discussing issues such as management policy and overviews of business results, production, matters to do with sales and workers’ conditions, issues concerning work styles and other topics. Changes to operations that will have a significant impact on employees are discussed in advance.

Labor-management relations in recent years have remained positive with the establishment of a relationship based on mutual understanding and trust through close communication.
Environment

Environmental Policy

Based on the corporate philosophy, FHI recognizes the global environmental issue as one of the most important management issues and had set the environmental policy on April 1998. FHI strives to be a socially responsible company for realizing sustainable society.

Environmental Policy (Established in April 1998, revised in March 2010)

In recognition of the close relationship between the global environment and business activities, we will deliver “Green Products” from “Clean Plants and Offices” through “Green Logistics” and “Clean Dealers” to customers in order to ensure the sustainable development of the society.

Also, while strictly observing laws and regulations, local agreements and industrial codes, we will commit ourselves to contributing to society and local communities, voluntary ongoing improvement and the prevention of pollution.

- Green Products…Design and R&D of environment-friendly SUBARU brand products written CSR Policy
- Clean Plants…Reduction of environmental burden in the production process
- Clean Offices…Reduction of environmental burden through our business operations
- Green Logistics…Reduction of environmental burden in the distribution of products
- Clean Dealers…Support to dealerships in their environmental preservation activities
- Upgrading of Management…Contribution to the society, information disclosure and stepped up environmental activities by the whole SUBARU Group
Established to implement the Environmental Policy and Voluntary Plan for the Environment, FHI’s environmental management organization comprises two main entities that cross corporate divisions: the Company-wide Environmental Management System (EMS) and the Environmental Committee.

Serving as the head of the Company-wide EMS and the chairperson of the Environmental Committee, the director responsible for environmental issues conducts environmental reviews twice a year. We proactively implement environmental protection activities, comprehensively managing our progress and continuously revising the direction of future efforts.

**FHI Group Environmental Management Organization (as of June 2015)**

- **FHI Company-wide EMS**
  - Manufacturing Division
  - Tokyo Office
  - Sales and Service Division
  - Overseas Division
  - Headquarters

- **5 Subsidiaries in Japan**
  - Yusoki Kogyo K.K.
  - Fuji Machinery Co., Ltd.
  - Ishitan Co., Ltd.
  - Kiryu Industrial Co., Ltd.
  - Subaru Logistics Co., Ltd.

- **4 North American Subsidiaries**
  - Subaru of Indiana Automotive, Inc. (SIA)
  - Subaru of America, Inc. (SOA)
  - Subaru Canada, Inc. (SIC)
  - Subaru Research & Development, Inc. (SRD)

- **Domestic Affiliated Companies Division**

- **Sales, Service, and Distribution Division**
  - Distribution Division
  - Sales and Service Division
The 5th Voluntary Plan for the Environment (FY2013 to FY2017)

FHI has established the 5th Voluntary Plan for the Environment for the period FY2013 to FY2017. Based on our Environmental Policy, we have set even higher environmental protection targets while adding new environmental measures to ensure compliance with laws and regulations and to foster cooperation on environmental issues within the automobile industry. Based on this plan, we will contribute to society through our products, striving always to produce even greener products at green plants and offices and delivering them to customers via green logistics and green dealers.

Our entire Group shares this plan and works together to ameliorate and eliminate environmental problems on a continuous basis. Our environmental initiatives introduced here are categorized into four groups: global warming countermeasures, resource recycling, pollution prevention and reduction of hazardous chemical usage, and environmental management.
FHI’s Voluntary Plan for the Environment (FY2013 to FY2017)

Environmental Data Highlights

Fuel Economy Standards

- Japan: Meeting the 2015 Fuel Economy Standards in 7 of the 9 weight categories
- U.S.: Meeting the 2014 Model Year Corporate Average Fuel Economy (CAFE) Standards and Greenhouse Gas (GHG) Standards

Status of Achievements for the 2015 Fuel Economy Standards

Increases in the Number of Models Certified to be Low-Emission Vehicles

- Cars with 75% reduction from the 2005 emissions standards increased to account for 98% of car production quantity
- All vehicles certified as low-emission vehicles (certified to have achieved at least a 50% reduction from the 2005 emissions standards)

Percentage of Low-Emission Gasoline-Powered Passenger Cars

- Certified to have achieved a 75% reduction from the 2005 regulatory values
- Certified to have achieved a 50% reduction from the 2005 regulatory values
Automotive Recycling

- Automotive Shredder Residue (ASR) recycling rate was 97.4% (compared with the FY2015 legal standard of 70%).
- Monthly record on zero landfill, achieved in May 2011, maintained.
- Airbag recycling rate of 94.1% achieved (compared with legal standard of 85%).
- Entire amount of recovered CFCs suitably treated.

Overall Environmental Burden for the Automotive Business

- Energy Use
  - 136 thousand kl
  - Electricity, Natural Gas, etc.
- Raw Materials
  - 706 thousand tons
  - Iron, aluminum, etc.
- Water Usage
  - 2,979 million m³
  - Water supply, Industrial water
- Amount of PRTR substances
  - 3,374 tons
  - Toluene, xyline, etc.

INPUT

Subaru Business Activities

- Procurement
  - Green procurement
- R&D
  - Improve fuel economy
  - Reduce gas emissions
  - Clean energy automobiles
- Production
  - Reduce energy
  - Reduce water
  - Reduce waste
- Distribution
  - CO2 reduction
  - Packaging reduction
- Sales and Repairs
  - EA21
  - Collect and recycle used bumpers, batteries, and tires.
- Consumer Use
  - Assist Eco drive
- Automobiles after use
  - Collect used cars and recycle resources

OUTPUT

RECYCLE

- CO2 Emissions
  - 205 thousand tons-CO2
- Generated Waste
  - 112 thousand tons
  - Metal scraps, waste plastics, etc.
- PRTR substance emissions
  - 1,357 tons
  - Toluene, xyline, etc.

This shows the principal environmental burdens relating to FHI’s automobile manufacturing, sales and other activities. LCA and Scope 3 are calculated separately.
CO₂ emissions and waste generation increased from the previous fiscal year due to higher production volumes.

* Sites covered: Gunma Manufacturing Division, Tokyo Office, Saitama Manufacturing Division and Utsunomiya Manufacturing Division
Visiting nature reserves with customers in 31 Forest Stars Tour activities

Subaru of China, Ltd. (SOC) launched the SUBARU Forest Ecology Conservation Project in partnership with the State Forestry Administration and the China Wildlife Conservation Association at the end of 2012. Through the project, Subaru is growing forests to protect the ecosystem in China’s 31 nature reserves as well as providing vehicles for the nature reserves. Since 2013, Subaru has continuously held 31 Forest Star Tours aimed at conserving forest ecosystems. In these events, dealers from each area of China accompany customers on excursions that give them an interest in preserving forest ecosystems through contact with nature.

In April 2014, Subaru announced The Second Season of 31 Forest Stars Tours at the Beijing Motor Show, and held events in the period from April to December. SOC conducted environmental conservation activities that included visits to places such as nature reserves and sanctuaries for pandas, ibises, and deer around China by dealers accompanied by customers, installation of signs on public roads and eco-signs, and donations of environmental conservation goods. This second season of activities attracted interest in ecosystem conservation, and the number of applicants reached 200,000.

SOC’s contributions to raising awareness of environmental conservation and promoting the development of environmental conservation projects through these kinds of long-term activities has been recognized. In June 2015, SOC received a Public Service Alliance Partner award at the China Forests First China Eco-Hero awards organized by Guangming Daily, a Chinese newspaper. Going forward, SOC will promote the project and the events to provide support for improving the environment and protecting forest ecosystems in China.
Thorough Implementation of Compliance Activities

Basic Compliance Policy
FHI views compliance to be a key responsibility of management and firmly believes that only through company-wide implementation of compliance can our business have a strong foundation. FHI strives to engage in fair and just corporate activities that comply with laws and regulations, our own internal rules, and the standards of society.

Corporate Code of Conduct and Conduct Guidelines
FHI has established a Corporate Code of Conduct and Conduct Guidelines as standards to help ensure compliance with laws and regulations. They are explained in detail in the Compliance Manual, which is given to all FHI executives and employees to help them maintain compliance in their daily actions. Furthermore, we have produced and distributed a Compliance Handbook in order to promote thorough compliance at affiliated companies in Japan.

In addition, in FY2015, we produced bribery prevention guidelines in Japanese and English with the aim of preventing corruption, which we deployed group-wide, including affiliates in and outside Japan. Our prohibition of bribery and commitment to fair transactions are also stated in our in-house Compliance Manual and the Compliance Handbook for Affiliated Companies in Japan.

About the Corporate Code of Conduct
On the basis of our corporate philosophy, we established the basic guidelines that officers and employees must observe with regard to stakeholders such as customers, business partners, shareholders and society.

About the Conduct Guidelines
The basic guidelines listed in the Corporate Code of Conduct specifically determine the standards of conduct for all officers and employees to practice in our daily business activities.

Corporate Code of Conduct

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

Compliance Regulations
We 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.
Compliance System and Administration

Compliance System/Organization and Administration

A company-wide committee established to promote corporate compliance, the Compliance Committee conducts deliberations and discussions, renders determinations, and encourages the exchange of information on key compliance issues. Every year, each department plans its own compliance program, continuously and autonomously implementing compliance initiatives.

Compliance Hotline

In addition to discussing with their supervisors any compliance issues they encounter, FHI Group employees and temporary employees have the option of using the Compliance Hotline and reporting issues directly to the Hotline Desk located within FHI.

After receiving information via mail, telephone, or email, employees assigned to the Hotline Desk research situations and take appropriate actions based on FHI’s internal rules. The names and departments of those making reports are kept strictly confidential to prevent reprisals. Since April 2008, a company external to the FHI Group has provided services to the Hotline Desk, allowing the Compliance Hotline to extend its hours and helping to ensure the confidentiality of the names and departments of those making reports. The result has been greater ease of use for all employees making use of the hotline. In FY2015, there were 55 consultations with the Compliance Hotline.

Furthermore, to publicize the hotline system, we have distributed cards which display the workings of the system and the contact details for the hotlines to FHI Group employees while at the same time putting up posters in workplaces.

Compliance Hotline (Flow from consultation to solution)

Compliance Hotline Card
**Personal Information Protection Initiatives**

To comply with the Personal Information Protection Act, FHI has reviewed its internal systems and rules and publicly disclosed its privacy policy.

Since Subaru dealers in Japan handle a wide range of customer information, we have reviewed the compliance of each of the 44 dealers, including affiliated companies, with our rules and created a Personal Information Protection Handbook for Subaru Dealers. In this way, we are working to ensure that all employees understand the importance of protecting personal information.

Handbook for SUBARU Dealer Staff

**Compliance Activity Achievements**

Based on the belief that FHI and all our group companies need to join forces and work in harmony to ensure thorough implementation of compliance, we provide compliance training and practical legal training for employees of all group companies. This training is hosted by the Legal Department and education sections of the Human Resources Department and slightly fewer than 4,000 people took part in FY2015. In addition, each department and group company has their own unique education programs built into their compliance action programs and complements the above seminars by holding study meetings on legal matters required in their jobs and compliance motivation training. Staffs are sent as lecturers to these meetings and training from our Legal Department to make such events even more fruitful.

We also prepare and provide various support tools, including ones specially intended for affiliated companies and domestic SUBARU dealers, to promote compliance in day-to-day operations. Urgent information is released on a timely basis in our “Compliance Information” to alert the entire group.

Left: Compliance Handbook for Affiliated Companies
Right: 100 Case Studies of Compliance Issues

Compliance training (Head Office)
Compliance training (Tokyo Office)
Information Disclosure Philosophy

By disclosing information about our corporate strategy and activities in a fair, proper, and timely manner, FHI seeks to increase the transparency of management and increases the understanding of FHI on the part of our stakeholders, thereby building with them a relationship of trust.

Fuji Heavy Industries Ltd. Top Page
http://www.fhi.co.jp/english/

Information Publication for Employees

Every month a monthly in-house magazine is published for the purpose of sharing information on corporate policies and initiatives as well as lifting the motivation of employees and promoting communication. So far, we have published over 700 issues since the first printing in April 1956. In February 2014, we began posting internal information on our intranet in an effort to provide information to employees on a broader and timely basis.

FHI also has a means to promote direct communication with employees through periodical visits by management to each place of business and workplace.

In-house magazine “Shuho”
IR Information Disclosure on Our Website

FHI is committed to timely and appropriate disclosure of business information to deepen the understanding of our shareholders and investors. We announce efforts and other measures aimed at increasing corporate value. This includes holding general meetings of shareholders, issuing reports for shareholders, and running briefing sessions for the media and analysts for each quarterly settlement. At the same time, we strive for fair disclosure of information by promptly publishing all kinds of information on our website.

Also, our IR site was ranked 1st in the industry in the “Listed Company Website Quality Ranking” hosted by Nikko Investor Relations Co., Ltd. for seven years in a row (about 3,600 companies evaluated), and also positioned 1st in the industry in the “Investor Relations Site Ranking” by Gomez Consulting Co., Ltd. for eight consecutive years.

We also offer an IR newsletter service to distribute the latest IR information such as settlement details by email to those who register. Approximately 1,500 people are currently registered for the free IR newsletter service.

Follow this link for the latest IR information.
http://www.fhi.co.jp/english/ir/index.html

Plant Tours for Shareholders

We hold plant tours for shareholders every year to allow them to experience our actual production workplaces and gain a deeper understanding of our production policies and activities.

We also hold Q&A sessions after the tours to facilitate communication between our executives and shareholders and to receive our shareholders’ valuable opinions and insights, which we feed back into our continuous improvement efforts.

For FY2015, which was the 12th year of the tours, 45 groups with 69 individuals participated at the Yajima Plant on the grounds of our Gunma Manufacturing Division in March 2015. Some of the comments we received from participating investors include “It was great to have this valuable experience” and “I became even more of a SUBARU fan.”
Gratitude for the Local Communities

FHI Group has focused on CSR activities with environmental, traffic safety and social contribution activities. We have established the Social Contribution Policy to promote social contribution activities more actively.

System for Promoting Social Contribution Activities

The FHI Group has established the Social Contribution Committee as a body to actively promote and maintain social contribution activities leveraging our technology and expertise.

The Social Contribution Committee is composed of the managers of each site and the executive in charge of FHI’s General Administration Department serves as the chairperson. The committee meets every six months to compile activity results and issues and report to the CSR Committee. FHI’s President, who also serves as chairperson of the CSR Committee, evaluates the reports, and the Social Contribution Committee strives to make further improvements accordingly.

Social Contribution Policy

- We contribute to the development of science and technology and automobile culture and to the promotion of road safety.
- We contribute to the fostering of human resources who understand the pleasure, importance and preciousness of creative manufacturing.
- We contribute to the development of the communities in which we operate.
- We support each other in contributing to society as good citizens.

Social Contribution Committee

- We contribute to the development of science and technology and automobile culture and to the promotion of road safety.
- We contribute to the fostering of human resources who understand the pleasure, importance and preciousness of creative manufacturing.
- We contribute to the development of the communities in which we operate.
- We support each other in contributing to society as good citizens.
**Efforts in Japan**

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### Development of Automobile Culture and Road Safety

#### Traffic Safety Campaign

Each of our business sites cooperates with the police and the Safe Driving Supervisor Association and hosts driving training sessions, such as a safe motorbike driving demonstration by police motorcyclists for employees and the general public.

We raise awareness of traffic safety and road accident prevention through activities that include sticking reflective materials that help prevent nighttime traffic accidents to utility poles and events such as offering traffic safety guidance services in the school zones around the business sites.

#### Traffic Safety Awareness Campaign

FHI has begun operating our “SUBARU Kids” to promote awareness of traffic safety among young people.

As a member of the traffic society we actively promote awareness among employees at each of our offices and plants by providing accident prevention meetings before long holiday seasons and other occasions.

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### SUBARU Visitor Center

First open to the public on July 15, 2003, the Subaru Visitor Center welcomes people who visit the Yajima Plant for tours of the facility and other reasons. Inside, visitors can view historic SUBARU models and cars that set world records, as well as learn more about SUBARU’s unique technologies and environmental initiatives. In FY2015, 97,617 people came to see the facilities, and the cumulative number of visitors since the center opened exceeded one million.

**For a Plant Tour application (10 to 200 people) and detailed information on the Visitor Center, please refer to the link below. (Available only in Japanese)**

[http://www.subaru.co.jp/about/showroom/vc/](http://www.subaru.co.jp/about/showroom/vc/)
Holding a Charity Auction at a Fan Meeting

In March 2015, we held the 2015 SUBARU Motor Sports Fan Meeting to deepen interaction with SUBARU fans as a project immediately prior to the opening of the motor sports season. Two hundred forty-five people attended the meeting, and we also provided a live webcast. We ran a variety of events including displays of the vehicles competing in 2015 Japanese Rally Championship, team introductions and Q&A session with the drivers and coaches.

We also auctioned items such as the suits worn by drivers, wheels and steering gear for charity. We plan to combine the money raised with proceeds from the FY2016 charity events scheduled for later and donate it to social welfare groups.

Donating to the Foundation for Orphans from Automobile Accident

In March 2015, we donated approximately ¥460,000 to the Foundation for Orphans from Automobile Accident. Our donation will be mainly used to support the healthy development and education of children orphaned by automobile accidents.

Making Things, Fostering Human Resources

Visiting Environmental Classes

Utsunomiya Manufacturing Division offers visiting environmental classes to local elementary schools to deepen pupils’ understanding of the environment. The classes target grade 5 pupils in the elementary school, and our employees visit the class as teachers to raise awareness about global warming and other environmental issues through experiments and talks. In FY2015, classes for 834 pupils were held at 13 schools.

In addition, starting in FY2014, we have widened the activities to elementary schools in Handa, Aichi Prefecture, where the Handa Plant is located. We held classes at nine schools for 455 pupils in FY2015 that included environmental workshops, lectures on how aircraft fly, FH’s aircraft manufacturing history, introductions to products, and hands-on experience of aircraft materials.

Since commencing in 2006, the activities have been held at a cumulative total of 147 schools in the Utsunomiya and Handa areas for 10,286 pupils, becoming firmly established in the regions.
Special “Let’s Learn from the Way We Live” Classes for Children

Since 2006, students at elementary, junior high and high schools have been hearing about the hands-on experience of SUBARU developers and rally drivers whose messages convey the importance of looking to the future and striving to realize their own dreams.

In June 2014, rally driver Toshihiro Arai was invited as guest speaker to Ota Municipal Ikushina Junior High School in Gunma prefecture, where he delivered a special class on the theme, “Let’s learn from the way we live, the things we can do.” After his speech, he offered rally car inspections and demonstration drives.

SUBARU’s Contribution in the Local Area

SUBARU Community Exchange Association

SUBARU Community Exchange Association is an organization which consists of our Gunma Manufacturing Division and its business associates with the purpose of promoting communication with Ota City and local residents to make the community a better place to live through local development.

In August 2014, SUBARU Community Exchange Association celebrated the 20th anniversary of its inauguration, and a commemoration ceremony and concert were held at Ota City’s Nitta Bunka Kaikan AIRYS Hall.

Charity Concert

At the “Friendship Concert” sponsored by the SUBARU Community Exchange Association, customers bring in their unneeded towels, soaps and other daily necessities for donations to the Welfare Council in the region.

FY2015 Major Activities

- At “Flower-full Activity,” flower saplings were distributed (June, September, December)
- Charity Concert (August, December)
- Charity and Friendship Golf Competition (November)
- Elementary school flowerbed contest (January)

For details, please access the website of the SUBARU Community Exchange Association. Ichitan Co., Ltd., Kiryu Industrial Co., Ltd. and Subaru Logistics Co., Ltd. are the member of the Association. (Available only in Japanese)

http://www.chiliki-kouryuukai.com/
Local Area Cleaning

FHI is conducting clean-and-beautify your neighborhood activities by employees in the vicinity of each of our offices and plants. We plan to continue these clean-and-beautify activities from now on.

In FY2015, a cumulative total of approximately 4,000 employees took part.

Holding Youth Baseball Workshops

FHI’s hardball baseball club holds baseball workshops at baseball grounds in Gunma Prefecture and Musashino City, Tokyo. With elementary school and junior high school students taking part, these workshops provide opportunities for the youngsters to learn the enjoyment and basics of sport from active players.

Supporting Activities to Maintain the Environment

Cooperating in environmental maintenance activities around the Fuji Subaru Line

FHI presented the Mt. Fuji Toll Road Management Office of the Yamanashi Prefecture Public Roads Authority (in Fujikawaguchiko-machi, Minamitsuru-gun, Yamanashi Prefecture), which operates the Fuji Subaru Line, with a SUBARU XV Hybrid. The vehicle will be used as a patrol car for the Subaru Line. We also donated ¥500,000 to the Mt. Fuji Beautification Foundation (in Kofu City, Yamanashi Prefecture), which works to clean up the Mt. Fuji and Fuji Hokuroku area and to raise awareness about beautification. A presentation ceremony was held in front of the Fuji Subaru Line tollgate in September 2014.
Support of Volunteer Activities

The social contribution policy sets forth clearly the participation of each employee in social action programs as a citizen. The policy is intended to make employees conscious of the need for their proactive social contributions so that a culture to do something for society remains firmly rooted in the entire company.

As a specific example, an award system to honor employees who contribute to the community and society by actively volunteering was established in 2006. The 10th award ceremony was held in June 2015 and three employees were honored with the volunteer award.

The three employees who received the award (front row) and FHI executives (back row)
Efforts Outside of Japan

Efforts by Subaru of America Inc. (SOA)

Supporting student spaceflight experiments

SOA is a national sponsor of the Student Spaceflight Experiment Program, hosted through the National Center for Earth and Space Science Education. This STEM (science, technology, engineering and math) initiative allows students in communities across the U.S. to design and propose science experiments in each of these fields using professional research processes. Selected experiments then go to the International Space Station where they are conducted by astronauts according to the students’ design. Subaru has helped to support more than 3,500 young people in this unique educational initiative.

Efforts by Subaru of Indiana Automotive, Inc. (SIA)

Refurbishing a local playground into a park

SIA, which has a site in Lafayette, Indiana, in conjunction with Lafayette Parks & Recreation Department and the Lafayette Parks Foundation celebrated the ribbon cutting of Subaru South Tipp Park in October 2014. With the support of local businesses, SIA converted the previously deteriorating playground into a safe, welcoming and accessible community park.

Efforts by Subaru Canada, Inc. (SCI)

Supporting breast cancer patients through golf events

Golf Fore the Cure, sponsored by SCI and supported by Golf Canada and the Canadian Cancer Society, is a program to get more women playing golf. The September 2014 national event was held with more than 100 participants. Approximately $300,000 raised during the 2014 campaign is helping to support breast cancer patients. The program, which is run by volunteer, has held approximately 200 events across Canada to date, introducing over 100,000 women to the game of golf and raising over $5.3 million.
Donating to Ronald McDonald House

In June 2014, the Ontario Subaru Dealers Association held its Charity Golf Tournament for the second year with participation from 76 dealers and vendors. The $21,000 raised through the event was used to support the Toronto Ronald McDonald House, which provides accommodation for family members accompanying children who are hospitalized due to illness. In August 2014, the Quebec Subaru Dealers Association also held a charity golf tournament with participation from more than 80 people. The $50,000 raised by the event was donated to the Quebec Ronald McDonald House and is helping with activities to enrich the lives of people with intellectual disabilities through sport.

Shiro Ohta, SCI Chairman & President, and Don Durst, Senior Vice-President, presenting a check to the Toronto Ronald McDonald House

Various Quebec dealers presenting a check to the Quebec Ronald McDonald House
Procurement

Our Approach to Procurement

In keeping with our Corporate Philosophy, FHI strives to procure parts, materials, and equipment that offer excellent quality, environmental performance, and cost performance. To realize this goal, it is necessary for us to establish relationships with our business partners based on equality, trust, mutual benefit, and dedication to continuous improvement.

Fundamental Procurement Policy

FHI has been promoting procurement activities under the following basic policy.

1. Compliance & Green Procurement
   We engage in procurement activities in a way to harmonize man, society and the environment and conduct transactions paying due care to observe legal and societal rules and to protect the environment.

2. Establish Best Partnership
   We establish "WIN-WIN" relationships with suppliers through transactions based on mutual trust under the doctrine of good faith.

3. Fair and Open Way of Selecting Suppliers
   In selecting suppliers, the door is wide-open to all firms, domestic and overseas, for fair and equitable business to procure goods and services most excellent from six perspectives: quality, cost, delivery, technical development, management and environment.

Promotional System for Appropriate Business Practices and CSR Procurement

In the past, the procurement departments of the Subaru Automobile Business, Aerospace Company, and Industrial Products Company participated in the Procurement Environmental Committee, which strived to solve environmental issues that arose in the area of procurement. In FY2012, the committee changed its name to the Purchasing Committee and expanded its mission to include both environmental and CSR issues.

The policy of the Purchasing Committee is to facilitate fair procurement practices and encourage CSR at suppliers, thereby helping to ensure fair trade with business partners and cooperative CSR-based procurement throughout the FHI supply chain.
Promoting Fair Trade

FHI strictly observes the Antimonopoly Act, the Act against Delay in Payment of Subcontract Proceeds, Etc., to Subcontractors, and other laws and regulations related to procurement. We are also engaged in fair trade programs in support of the Fair Trade Guidelines for the Automotive Industry issued by the Ministry of Economy, Trade and Industry in June 2007. As part of these efforts, we offer a hotline for business partners in our supply chain to call in should they have any questions or concerns about FHI’s fair trade practices.

Even for employees, FHI provides legal and regulatory training for those in charge of procurement and transmits alerts on our intranet to ensure that business is conducted properly.

Consultation service for promoting fair-trade [PDF: 381KB] (Japanese version only)

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Employee Training on Fair Trade in FY2015

### SUBARU Automotive Business
- Reception training for transferees (13 employees)
- Bribery prevention email dissemination (164 employees)
- Legal information email dissemination (328 employees)
- Subcontract Act compliance cards read through (held for 142 employees every month)

### Aerospace Company
- Reception training for transferees (5 employees)
- Procurement process training (232 employees)
- Material department EMS* promotion staff training (11 employees)
- Briefings on status of purchasing reforms (92 employees)

*EMS: an acronym for Environmental Management System

### Industrial Products Company
- Reception training for new recruits (2 employees)
- Attendance at external lecture on purchasing strategy (1 employee)
- Attendance at external lecture on Subcontract Act (3 employees)
- Training on security exports (2 employees)
- External lecture on consumption tax (1 employee)
- Environmental training (16 employees)
- Training for business in China (1 employee)

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Revision of CSR Guidelines for Suppliers

Based on the CSR Guidelines for Suppliers issued by Japan Automobile Manufacturers Association, Inc. (JAMA), we have created the SUBARU Supplier CSR Guidelines by incorporating our CSR policy for the business partners of SUBARU Automotive Business. We expect these guidelines will help our partners to conduct further CSR activities and expand such activities jointly with their own business partners.

In FY2014, these guidelines were made company-wide to cover all suppliers of the SUBARU Automotive Business, the Industrial Products Company and the Aerospace Company. In FY2015, we revised the content to incorporate the non-use of raw materials that engender social problems, such as conflict minerals.* We are also conducting supplier surveys related to conflict minerals.

Compliance with the guidelines is one of the conditions for the selection of suppliers, and FHI obviously expects not only our own business partners but also their suppliers to deploy and promote CSR. Going forward, FHI will continue to promote CSR procurement efforts.

*Conflict minerals: Minerals produced as a source of funding for the activities of armed insurgents in the Democratic Republic of the Congo and surrounding countries.

SUBARU Supplier CSR Guidelines [PDF: 2.23MB]
SUBARU Green Procurement Guidelines* [PDF: 2.22MB]
Green Procurement Guidelines Industrial Products Company* [PDF: 2.15MB]
Green Procurement Guidelines Aerospace Company* [PDF: 1.09MB]

*The SUBARU Green Procurement Guidelines and Green Procurement are embodiments of the SUBARU Supplier CSR Guidelines. *(3) Environment.*
Five Topics in the SUBARU Supplier CSR Guidelines

FHI promotes supplier activities based on the following approach.

1. **Safety and Quality**
   - Providing products and services that meet consumer and customer needs
   - Providing appropriate information concerning products and services
   - Ensuring safety of products and services
   - Ensuring quality of products and services

2. **Human Rights and Labor Issues**
   - Striving to avoid discrimination
   - Respecting human rights
   - Prohibiting child labor
   - Prohibiting forced labor
   - Non-use of raw materials that engender social problems
   - Compliance with the law on working hours
   - Practicing dialogue and consultation with employees
   - Ensuring a safe and healthy working environment
   - Providing human resource training

3. **Environment**
   - Implementing environmental management
   - Reducing greenhouse gas emissions
   - Preventing air, water, and soil pollution
   - Saving resources and reducing waste
   - Managing chemical substances
   - Conservation of the eco system

4. **Compliance**
   - Compliance with laws
   - Compliance with competition laws
   - Preventing corruption
   - Managing and protecting confidential information
   - Managing export trading
   - Protecting intellectual property

5. **Information Disclosure**
   - Disclosing information to stakeholders

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**Basic Policy on Conflict Minerals**

Some of the minerals (tin, tantalum, tungsten, and gold) produced in the Democratic Republic of the Congo and surrounding countries are said to provide a source of funding for armed insurgents engaged in the infringement of human rights and environmental destruction in the region. As there are concerns that they assist conflict, they are termed conflict minerals.

The FHI Group has no intention of colluding in the infringement of human rights and environmental destruction by procuring and using conflict minerals. Going forward, we will address the issue of conflict minerals in partnership with our customers and suppliers as our social responsibility in procurement activities.

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**Communication with Partners**

In an effort to communalize with partners our mid- to long-term management strategies and our sales, production and procurement policies, FHI has been hosting “Purchasing Policy Briefings” every spring. We also periodically exchange information by participating in “Cooperation Meetings” comprised of our partners.

Once a year, FHI awards those partners that have particularly contributed to technology and quality.

“General Cooperation Meeting” for SUBARU Automotive Business suppliers

Plant tour for Aerospace Company suppliers conducted through a “Cooperation Meeting”
Corporate Governance

Corporate Governance System

Since June 1999, FHI has employed an executive officer system that clarifies the managerial responsibilities of executives in each division. In June 2003, we reduced the term of directors and executive officers from two years to one. Moreover, since June 2004, based on a decision of the Board of Directors, the Executive Nomination Meeting is responsible for the selection of corporate officer candidates, and the Executive Compensation Meeting is responsible for evaluating the performance and determining the compensation of executives.

Also, the execution of important business operations is decided and supervised by the board of directors and audited by the board of corporate auditors. The board of directors consists of eight members with two of them invited from the outside as an independent member to enhance governance. The board of corporate auditors consists of four members with three of them invited from the outside for higher objectivity to monitor business management. In addition, we will take various measures to further strengthen internal control, and will also disclose information fairly and in a timely manner in order to increase management transparency. (As of July 31, 2015)

System of Corporate Governance

Internal Controls System

Internal controls are an indispensable mechanism for achieving corporate objectives, and management is responsible for establishing them and maintaining their effectiveness and efficiency. At FHI, the Corporate Planning Department (which plays a central role in the common functions of each business) and other company-wide departments maintain close links with other departments and companies to enhance risk management.

In addition, the Audit Department performs planned audits of each department and Group company. To support internal controls, FHI has created a system and organization to ensure compliance, which is the foundation of risk management. Further, in compliance with the Standards for Management Assessment and Audit Concerning Internal Control Over Financial Reporting issued by the Business Accounting Deliberation Council of the Financial Services Agency on February 15, 2007, we work to continuously strengthen the internal controls system of the entire Group so as to achieve the following:

1. Effective and efficient operations
2. Reliable financial reporting
3. Compliance with laws and regulations in all business activities
4. Safeguarding of assets
Risk Management

We define risk as uncertain elements with the potential for negative impact on our business operations. While there are many types of risk, we call those risks that are particularly dangerous to our business operations and that we cannot handle through regular decision-making channels “crisis-level risks” and categorize them as follows: natural disaster, accident, internal human factors, external human factors, social factors (domestic, overseas), and compliance.

We have created manuals for dealing with each type of emergency, which delineate what communication channels are to be used once a risk is recognized, how to form crisis management headquarters, and other methods to follow to respond optimally to the situation.

Location-specific Business Continuity Plans (BCPs)

With the goal of minimizing any reduction of service to customers and preventing loss of market share and corporate value, we have created a BCP for each business unit to maintain business operations or restore them as quickly as possible in the event of an emergency. Should our resources (employees, physical assets, monetary assets) be affected by an emergency, we will leverage our remaining resources to minimize the shutdown of priority operations and restore all operations to their original state as quickly as possible. We have also established an Emergency Response Policy, in accordance with which we strive to maintain operations in the event of an emergency.

Emergency Response Policy

1. Give first priority to people's survival and physical safety.
2. Minimize loss of stakeholder interests and corporate value.
3. Act always with honesty, fairness, and transparency, even in an emergency.