

Corporate Social Responsibility (CSR)

CSR Policy

As a corporate entity that carries out *monozukuri* (“manufacturing products”) to bring enjoyment to its customers, the FHI Group has revised its CSR policy. The purpose of the revision, which has received the approval of the CSR and Environmental Committee, was to clarify the requirements for approaches at the corporate organizational level: (1) CSR centered on upholding the Corporate Code of Conduct and respect of critical items, and (2) aggressive CSR centered on contributing to social issues through business activities as a good corporate citizen.

1. Based on FHI’s Corporate Code of Conduct, we shall respect the law, human rights, international codes of conduct and stakeholder rights as well as uphold standards of moral behavior.
2. As a good corporate citizen, the FHI Group shall work toward rectifying the global social problems facing modern society.

In addition to focusing on relationships with various stakeholders, our CSR activities emphasize the FHI Group’s mission, which is to contribute to society’s ongoing development through our global business activities.

CSR Management

One aspect of our management vision in the medium-term management plan is stated as: “A corporation that fulfills its social responsibility.” In conjunction with the basic “customers come first” philosophy that represents our indispensable policy in realizing our long-term vision of becoming “a compelling company with a strong market presence,” this plan aims for FHI to retain the trust of each and every stakeholder, to contribute to the development of a sustainable society and to improve FHI’s corporate value.

Environmental Initiatives

FHI regards global environmental matters as one of its most pressing management issues. On that basis, FHI has established an “Environmental Policy,” formulated “Operating Criteria for Environmental Conservation” for specific actions to achieve that policy and encourages environmental activities.

Environmental Policy

Subaru recognizes the integral relationship between the environment and its business activities and strives to provide products that are friendly to the earth, society, and people. Subaru is protecting the environment to ensure our future.

Corporate Activities and Environmental Impacts

Subaru is a transportation manufacturer focusing on automobiles. Automobiles, which are a convenient and comfortable form of transportation, are now indispensable for living in a modern society. On the other hand, however, automobiles require limited global resources as materials and fuels. Consequently, they emit carbon dioxide (CO₂), which causes global warming, as well as other air pollutants. Profoundly aware of these two sides to the automobile, Subaru accepts the task to aim for fusion of the global environment response (drastically improving fuel economy and reducing gas emissions) and the benefits of automobiles (pleasant driving, comfort and reliance).

Improving Fuel Economy

While utilizing the advantages of AWD and high-power engines, Subaru has been working to first achieve fuel economy improvements in gasoline-engine vehicles and then to bring those vehicles to market. Subaru will make those advances in technological development by such means as fuel efficiency gains through engine

improvements, reducing transfer loss in the drivetrain and reducing vehicle weight and running resistance. The new Legacy, which was on the global market in 2009, is equipped with the world’s first chain-type CVT developed for AWD vehicles, “Lineartronic”; this feature will enhance the superior power output characteristics and environmental performance of Subaru’s proprietary horizontally opposed engine.

Clean Energy Vehicles

Clean energy vehicles have such features as emitting fewer global warming substances (CO₂) and air pollutants (carbon monoxides, hydrocarbons, nitrogen oxides, etc.) and have less environmental impact than gasoline-engine vehicles.

Subaru launched its Subaru Plug-in STELLA electric vehicle (EV) in July 2009. Equipped with highly efficient lithium-ion batteries that provide sufficient power for a city commuter car, the vehicle achieves a range of 90km (Subaru figure) when driven in 10-15 mode, the standard emission certification and fuel economy test for a vehicle in its class. The EV can be recharged up to 80% of its capacity in 15 minutes using a quick-charging system and is fully rechargeable in eight hours with an AC100V household power outlet or five hours with AC200V.

FHI positions the EV as one of the viable solutions and key technologies for environmental preservation and will conduct further R&D to address pricing issues and technical problems with respect to per-charge driving distance.

Safety Performance

As well as naturally striving to ensure that the driver and passengers in a Subaru vehicle enjoy a safe and comfortable ride from a variety of driving scenarios, Subaru aims to improve the overall safety of the mobility society from such perspectives as the surrounding

environments and people's safety. Therefore, Subaru is working on the development of vehicle safety technologies such as "Active Safety," which prevents accidents, and "Passive Safety," which minimizes damage if an accident should occur. Furthermore, Subaru is actively participating in such projects as an Intelligent Traffic System (ITS, for use on highways) and the Advanced Safety Vehicle (ASV), which are being promoted by collaboration between industry, government and academia.

Active Safety

The Legacy announced in May 2008 is equipped with the "Eyesight" Active Driving Assist system. By means of a stereo camera and a newly developed 3-D graphic processing engine, the Eyesight driving assist system brings to fruition superior pre-crash safety for pedestrians and cyclists too. The Eyesight system, which supports such functions as "lane departure warning," "shaking alarms" and "cruise control for all speed ranges," was the first in the world to include a "low-speed range (below 15km/h) pre-crash system for when in traffic" and a "creep suppression and control system for automatic vehicles."



Passive Safety

Subaru cars possess superior ability with respect to "safety from any direction" thanks to their safety body, a new, proprietary, ring-shaped reinforcement frame structure. To ensure the compatible co-existence that will reduce damage to other vehicles and pedestrians, Subaru is also addressing comprehensive collision safety performance.

The Forester and Exiga, which were selected by the Japan New Car Assessment Program (JNCAP) in fiscal 2008, were given the highest assessments in both collision safety performance test (full-wrap frontal, offset frontal and side collision tests) and pedestrian head protection performance tests, winning the "JAPAN EXCELLENT CAR 2008/9."

The new Legacy represents a quantum leap not only in terms of comfort and driving qualities, but also in its collision safety performance. In the event of a head-on collision, the cradle mount structure adopted to support its horizontally opposed engine is designed to fold, forcing the power unit obliquely downward and thereby protecting the cabin.

Advanced Safety Vehicle (ASV)

In addition to functions that are designed to enable drivers to avoid vehicle collisions by exchanging location and direction information when on the move by vehicle-to-vehicle communications, Subaru has developed the Subaru ASV-4 (the fourth-generation Advanced Safety Vehicle). The ASV-4 is equipped with a system that is fed traffic data via links to traffic infrastructure, for example, sensors built on the road.

This vehicle participated in evaluation trials on public roads in the Tochigi area in September 2008 and in the Tokyo waterfront subcenter area in January 2009. In addition to being geared toward assessing its commercial feasibility, these trials made progress in evaluating its effectiveness in reducing accidents.



Subaru Plug-in STELLA

Subaru Plug-in STELLA Major Specifications

Length × Width × Height :	3,395mm×1,475mm×1,660mm
Curb weight :	1,010kg
Passenger seating :	4
Maximum speed :	100km/h
Per-charge driving distance :	90km (10-15 mode)
Electric motor :	Permanent magnet synchronous system
Maximum power output :	47kW
Maximum torque :	170N/m
Drive train :	Front-wheel drive
Battery type :	Lithium-ion batteries
Total voltage :	346V
Total energy :	9kWh

Corporate Governance

Basic Approach to Corporate Governance

In line with its Corporate Philosophy, FHI views the strengthening of corporate governance as one of management's highest priorities, so that it can measure up to the trust and confidence placed in the Company by all of its shareholders, customers and other stakeholders. In the pursuit of more efficient management, FHI is working to clarify management and execution functions to enhance decision-making speed. Ensuring proper management and business execution through a well developed auditing system, the Company works to augment both its compliance and risk management frameworks. Fair and timely information disclosure is also leading to more transparent management.

An Overview of Internal Organizations and Status of Internal Control System Development

FHI adopts an audit system, which encompasses the decision-making process as well as the audit of matters of importance to business execution made by the Board of Directors and Board of Corporate Auditors. Comprising seven members, the Board of Directors works to make decisions related to business affairs speedier and more streamlined. The Board of Corporate Auditors is currently made up of four auditors. Objectivity in the oversight of management is enhanced by the appointment of two outside corporate auditors.

With regard to the business execution system, an Executive Management Board was established to serve as an entity engaged in preliminary deliberations, performing initial reviews of issues before they are presented to the Board of Directors and deliberating on companywide management strategies and the execution of important business operations. In addition to utilizing an executive officer system, an internal company system was introduced—centered around the core Automobile, Aerospace, Industrial Products and Eco technology divisions—as a means of making clearer the

responsibility of each division and accelerating business execution.

With a view to ensuring that executive officers comply with the law and with the Company's Articles of Incorporation in the execution of their duties, the Board of Directors decided on a basic policy concerning upgrades to the system necessary to ensure the adequacy of business operations of other companies in May 2006.

Internal Audits and Status of Audits Performed by Corporate Auditors

In keeping with auditing policies and plans formulated by the Board of Corporate Auditors, corporate auditors attend Board of Directors' meetings. In addition to attending the important meetings of other bodies, performing on-site audits at Company business premises, conducting oversight of subsidiaries and Internal Audit Department hearings, they audit directors' business execution. Furthermore, the Internal Audit Department, comprising seven members, is established as an internal audit organization to be in charge with the responsibility of auditing the business operations of each department as well as domestic and overseas Group companies on a systematic basis. At the beginning of each financial period the Internal Audit Department coordinates the internal audit plan for the full fiscal year as well as Board of Corporate Auditors' meeting policies and works toward further collaboration, while communicating with corporate auditors regarding all information such as the results of internal audits, monthly reports on the status of internal audit activities and engaging in exchanges of opinions. Moreover, FHI goes to great lengths to strengthen its audit functions in accordance with audits performed by its independent auditors.

Status of Heightened Risk Management System

Spearheaded by its Strategy Development Division, which maintains a cross-function over each business, the FHI Group is strengthening risk management through close cooperation across

all relevant departments and Group companies. In addition, the Internal Audit Department conducts regular audits of the business execution of each department and Group company.

To facilitate the establishment of internal control systems, the Company is setting up and operating compliance systems and infrastructure, positioning compliance as the most fundamental element of proper risk management. To promote compliance-oriented practices across the entire Group, we established the Compliance Committee, which discusses and makes decisions on important compliance issues and exchanges and communicates relevant information. We have also assigned compliance managers and compliance officers in each department and Group company, providing a system in which compliance is practiced rigorously in each workplace. In addition, for some time we have conducted regular educational and training programs for executives and employees, and we promote compliance-related awareness through internal magazines and other means.

Internal Control System Upgraded

Having formulated a basic policy for the maintenance of an internal control system, which has since been launched and fully implemented, FHI has made further headway in setting up a project team. This team is tasked with maintaining an internal control information system for financial reporting in accordance with the Japanese Financial Instruments and Exchange Law, which has been in force since April 2008. As a result, following recent upgrade of the internal control system at the end of March 2009, the Chief Executive Officer (CEO) and Chief Finance Officer (CFO) assess and confirm proper system maintenance and effective functioning, obtaining internal control audit reports and audits to that effect from the independent auditor. These audits and reports were published as the Securities Report and Internal Control System Report for the fiscal year ended March 31, 2009.