



Social Report

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

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

Compliance

In order to become a company trusted and respected by society, FHI makes group-wide efforts to ensure compliance with laws and regulations. Our basic compliance policy is provided for by the Compliance Regulations as follows.

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

Fundamental Philosophy

Corporate Code of Conduct and Conduct Guidelines

FHI has established a Corporate Code of Conduct (see page. 7) and Conduct Guidelines (23 items in total) as the standards to ensure compliance with laws and regulations. These are described



Compliance Manual

in detail in the Compliance Manual, which all officials and employees carry in order to ensure legal and regulatory compliance in their daily actions.

Compliance Declaration

In order to maintain strict compliance, it is essential for corporate leaders to declare the stance personally. In May 2003 FHI's president, Kyoji Takenaka, issued a declaration entitled “Toward further enhancement of company-wide compliance activities.” In the message, he declared that he would take the initiative to ensure that he and all officials and employees comply with laws and regulations in order that FHI will continuously grow to become a company that has earned society's trust.

System and Administration

Compliance Regulations

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

FHI's Compliance System/Organization and Administration

A Compliance Committee has been established as a company-wide committee organization to promote corporate

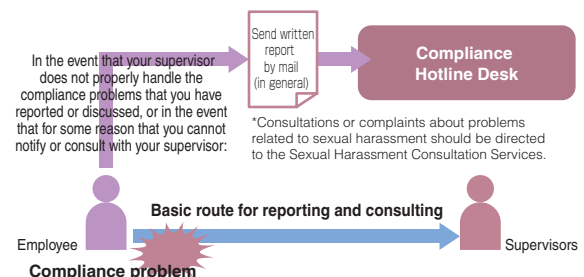
compliance. The committee conducts deliberations and discussions, renders determinations, and exchanges information on key compliance issues. The Senior Executive Vice President, Mr. Suzuki, who is responsible for the Legal Affairs Department serves as chairperson of the committee, and the committee members are essentially officials with executive power, responsible for management of the respective departments. Every year, each department devises a compliance implementation plan (compliance program) to enhance corporate compliance and takes the initiative to advance continuous and systematic implementation activities.

Compliance Hotline System

FHI established the Compliance Hotline System as a communication route bypass, providing employees with a direct route for reporting any detected problems with compliance, in February 2003. Within the organizations, the basic flow for reporting, communications, and consultations is supposed to be from the bottom up. However, if the communication flow does not work well under some circumstances, the Hotline System can be used as a supplementary communication route.

The Compliance Hotline Desk that was set up in the company receives the report directly from the employee and then investigates and handles the matter. The name and department of the employee who reported the matter are processed under strict rules of confidentiality, unless the employee agrees otherwise. Due consideration is given to ensure that the employee does not suffer any disadvantage by reporting compliance problems.

Compliance Hotline



Fiscal 2004 Results of Compliance Activities

Examples of FHI Efforts to Entrench Corporate Compliance

Providing Compliance Education and Training Programs

Compliance education and training must be provided continuously and systematically so that each official and management-level employee maintains a high level of awareness of compliance and ensures compliance with laws and regulations in his or her daily actions.

In fiscal 2004, we offered an educational program of compliance and legal training through a variety of educational courses organized by our legal and personnel and training departments. More than 4,000 officials and employees in our group companies took these courses throughout the year.

In addition, as voluntary activities for each department, we provided workshops on laws and regulations with deep repercussions for each respective department, such as labor laws, the Antimonopoly Act, and the Road Trucking Vehicle Law, as well as compliance workshops using the booklet titled "100 Case Studies of Compliance Issues." The booklet presents easy-to-understand questions and answers for cases that could be happening around employees, such as issues that must be handled carefully, issues that are difficult to judge, and matters that employees should be aware of as individuals and as members of society in their everyday work situations. These booklets were distributed to officials and employees of the group companies. The 100 Case Studies have also been introduced to companies outside our group companies as requested, in an effort to make a contribution to raising the awareness of compliance with laws and regulations in society.



100 Case Studies of Compliance Issues

Providing Compliance Information and Educational Activities

Our legal, environmental, and personnel departments actively distribute a wide variety of information to help raise awareness of corporate compliance. Such information includes an explanation of laws and rules and information on revised rules, as well as examples of incidents and accidents involving corporate ethics either within or outside the company.



Compliance Card

We continued to provide information in more accessible ways, e.g. via company newsletters and e-mails entitled "Compliance Information" and Legal Information E-mail Magazine, in a continued effort to educate our employees.

From 2004, we have designated

October as the company-wide Compliance Month in response to guidelines for the Corporate Ethics Month specified by the Japan Federation of Economic Organizations. During the compliance month in 2004, we distributed portable cards containing a message from the compliance committee chairperson to our officials and employees, introduced e-learning over the intranet, and invited presentations from lecturers so that we could entrench the awareness regarding compliance.

Our efforts for Personal Information Protection

In fiscal 2004, we made preparations for the Personal Information Protection Act, which came into full force from April 2005. In response to enforcement of the act, we enhanced our previous efforts to protect personal information under our codes of conduct by reviewing our internal system and regulations and announcing our personal information protection policy (privacy policy). For domestic Subaru dealerships, because they directly handle a large amount of our customers' personal information, we managed to thoroughly overhaul our internal system for each dealer and prepared and made use of the Personal Information Protection Handbook for Subaru Dealer Staff to help each staff member properly understand personal information protection.



Personal Information Protection Handbook for Subaru Dealer Staff
Compliance with Antimonopoly Act

Compliance with Antimonopoly Act

We provided workshops to pursue strict compliance with the Antimonopoly Act by publicizing the Antimonopoly Act Handbook that we newly prepared to explain instructions for business operations in detailed and concrete manner, in addition to the Antimonopoly Act Compliance Manual that we revised in fiscal 2003. On top of this, we expanded the scope of our workshops on the Act against Delay in Payment of Subcontracts, which was revised in April 2004, to include other companies in our group in an effort to ensure and preserve fair trade.

Activities toward Group Compliance

In order to ensure compliance with laws and regulations, not just FHI but also all the other companies in our group must join forces and work in harmony. For this reason, we sponsor compliance training at each of our affiliated companies and domestic Subaru dealers and provide handbooks and textbooks in an effort to promote group-wide compliance with laws and regulations.