



## Message



**Shunsuke Takagi**

Representative Director of the Board  
Corporate Executive Vice President  
Chairman of the CSR and Environmental Committee

We have set a “Company Fulfilling its Social Responsibilities” as the business vision in the ongoing new medium-term management plan.

To embody its business vision, we formed anew the CSR<sup>\*1</sup> and Environmental Committee as a stepped-up management mechanism by rotating a company-wide PDCA circle of CSR as practiced in the Environment Management System since FY2007.

This CSR and Environmental Committee is a company-wide committee where CSR activities will be reviewed by the top management as well as environment-related activities which had been duly subject to such reviews.

In FY2007, activities promoted so far at each manufacturing plant and business unit were reviewed and streamlined for systematization. Subaru’s CSR action programs were also assessed from stakeholders’ points of view for visualization.

Following FY2006, we conducted the second in-house survey on CSR consciousness, based on which issues for CSR improvement were identified. In FY2008, we will work to get the idea of CSR sink deep into people’s mind for their better understanding of related activities. Meanwhile, we set the group-common three pillars of CSR activities: 1. environment, 2. traffic safety and 3. contribution to communities. Then, they will be broken down into specifics for individual’s day-do-day actions.

In addition, we will gear up for global activities involving the whole Subaru group.

## Corporate Philosophy

The manufacturing principles of Subaru are built on the tradition of aircraft manufacture established by Nakajima Aircraft, the predecessor of Subaru. The DNA of our company consists of pursuit of the best performance, the fundamental concepts for designing aircraft, a concentrated, lean package to materialize it, and thorough implementation of safe operations under all environments. While maintaining an emphasis on these principles, we will strive to develop new values and actively work on environmental problems and compliance issues while treasuring our tradition, so that Subaru will be able to provide customers and other stakeholders with more satisfaction and reliance, and subsequently coexist in harmony with society.

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

## In Pursuit of Aspired Self-image

We are taking steps along the new medium-term management plan covering the FY2007-to-FY2010 period to pursue our aspired self-image to be a “compelling company with strong market presence.”

The new medium-term management plan has reshaped our cornerstone by getting back to the original “Customers Come First” by modifying our occasional tendency to be too engineering-oriented. In product development with boxer-engine equipped vehicles as the core, we will focus on global environmental issues including CO<sub>2</sub> emission while offering new driving performance to be enjoyed by not only drivers, but also by all the other passengers. We will also work to enhance our systems to have customers’ demands better reflected in our products and

upgrade operations in sales and services in both domestic and overseas markets. By making use of synergy of alliance with the Toyota group, the model lineup will be bolstered for higher customers’ satisfaction. Furthermore, while revitalizing discussions based on the “New Three Guidelines”<sup>\*2</sup> inside and within the whole group, we will foster corporate vitality, a source of continuous growth, by cultivating human resources through employees’ training and other means.

It is our dream and sincere hope to be a model company where employees work with pride in all the business fields and build a brand image supported by customers around the world by pushing these activities forward for constant evolution.

\*1 CSR: Corporate Social Responsibility

\*2 “New Three Guidelines”: The three criteria in making judgments, namely “Good for customers?”, “Good for group’s development?” and “Good for Employees’ growth?”

# Overview of Approaches to CSR



## Corporate Code of Conduct

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

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

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

## CSR Policies and Business Visions

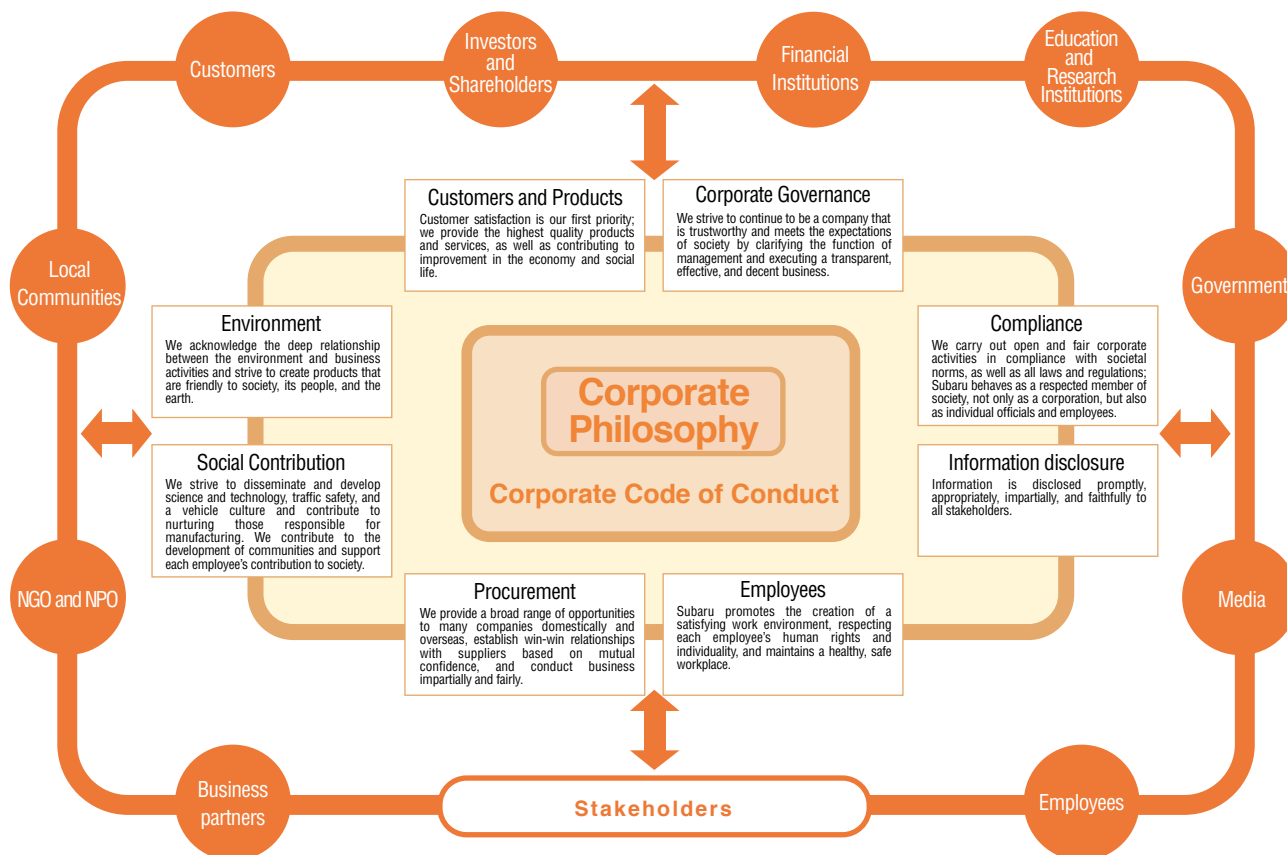
Subaru believes that “Our Corporate Philosophy=Our CSR Policies”, or in other words, we affirm that CSR is a reflection of our corporate philosophy and fundamental to our business activities.

One of our business visions outlined in the new medium-term management plan is to become a “Company Fulfilling its Social Responsibilities”. This is a basic ideal, and is indispensable to us realizing our long term business vision of becoming a “Compelling

Company with Strong Market Presence”. In order to become a company worthy of our stakeholders’ trust, we will make efforts to contribute to the continuous development of society and to heighten the corporate value of our company, in accordance with such business visions under our basic policy of “Everything We Do Is for Our Customers”.

Social Report  
Corporate Philosophy  
Overview of Approaches to CSR

### Relationship to Stakeholders



# Overview of Approaches to CSR

## Striving for Becoming a Compelling Company with Strong Market Presence

**2007  
POINT**

1. Established the CSR and Environmental Committee where the top management deliberates CSR.
2. Activities in three areas of environment, traffic safety and cleaning were set as the pillars of CSR activities.
3. Based on the results of FY2007 activities and the in-house questionnaire survey, we will promote activities by incorporating the action items for improvements.

## Review of FY2007 and Plan for FY2008

Systematic CSR activities have been staged since FY2006 in three phases: identifying the current status and issues, streamlining activities and implementing new programs, and their promotion.

### Outline of Activities

Regarding the issues in in-house activities for CSR improvements in FY2006: ①Raise awareness of links of individual's behaviors with CSR and ②Build system to efficiently and reasonably share, adjust, cascade and summarize CSR-related information, trainings were held more often and existing activities at each manufacturing and business unit were streamlined. Meanwhile, action programs were reviewed from stakeholders point of view for visualization. In addition, the Corporate Environment Committee was reorganized as the CSR and Environmental Committee where the top management deliberates CSR- as well as EMS-related matters.

### In-house Survey

Following FY2006, we conducted an in-house questionnaire survey and hearings and identified what need be improved in our CSR activities as follows:

1. Analysis: Awareness level almost the same, unfortunately not much different from the preceding year.
  - Low infiltration of the idea, "Corporate Philosophy" equates with "CSR Policy".
  - Comprehension level not high enough to explain CSR activities (49% of managers and 19% of subordinate managers pointed a need for improvement.)
2. Issues: Further infiltration of the idea that "corporate activities themselves constitute CSR activities" is required.
  - Employees will be reminded to deepen their understanding on and interest in the CSR Policy through more accessible education and training programs.
  - Company-wide CSR programs will be hammered out and broken down into individuals' day-to-day operations.

### Approaches in FY2008

Activities in three areas of environment, traffic safety and cleaning were set as the common pillars of CSR activities for the Subaru group to make each employee realize the importance of CSR and contribute to the society as a corporate citizen.

Based on the results of FY2007 activities and the in-house questionnaire survey, we will promote CSR activities by incorporating the action items in the FY2008 programs for improvements.

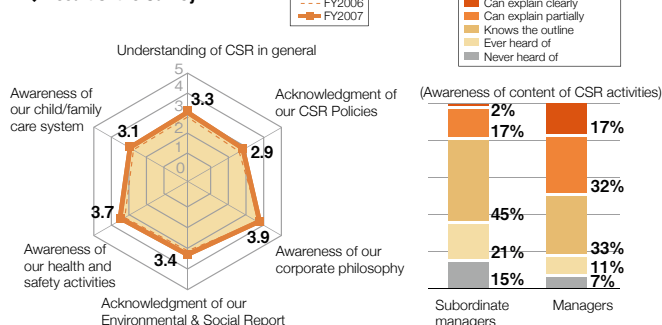
### Three Pillars of CSR Activities of Subaru Group

Common Item	Idea	Content
Environment	First grasp impacts of daily business and household activities on environment, then take actions starting from where we can. Promote awareness for energy saving at home against global warming.	Participation in Team Minus 6% (a national campaign against global warming) Promotion of eco-minded actions at home
Traffic Safety	Strive conscientiously to reduce traffic accidents as transport equipment maker. Work for zero traffic violations and accidents.	Open safe-driving classes Tie-up with local governments Promote public transports
Cleaning	Strive to contribute to local communities who are vital partners in conducting business.	Clean around plants Tie-up with local governments Support local events

### CSR Action Plans

Phase	Current Issue	Overhaul and Startup	Specific Actions
FY	FY2006	FY2007(Actual)	FY2008(Plan)
Action Item	Raise awareness of links of individual's behaviors with CSR	1.CSR class added in training programs for new managers 2.CSR concept introduced to affiliates in North America as group activities 3.CSR activities promoted on trial using EMS's procedures (at head office)	1.To be build in skill-specific trainings practiced at each manufacturing division 2.To promote systematic CSR actions at affiliates in North America 3.To promote Subaru group-common programs
	Build system to efficiently and reasonably share, adjust, cascade and summarize CSR-related information	1.Corporate Environment Committee reorganized as CSR and Environmental Committee to review both CSR and EMS by top management 2.Company-wide cross functional organization built by assigning members who represent each manufacturing division 3.Company-wide CSR activities reviewed and new action programs mapped out	1.CSR and EMS matters to be closely reviewed by top management at CSR and Environmental Committee 2.Company-wide cross functional organization to be revitalized by members who represent each manufacturing division 3.Besides group-common 3 pillars, CSR activities to be promoted by manufacturing divisions for community contributions

### Result of the Survey





## To Secure Satisfaction and Trust of Stakeholders

**2007  
POINT**

1. We will take various measures to strengthen internal control, and will disclose information fairly and in a timely manner in order to increase management transparency.
2. The internal control system of the whole group has been overhauled and reinforced.

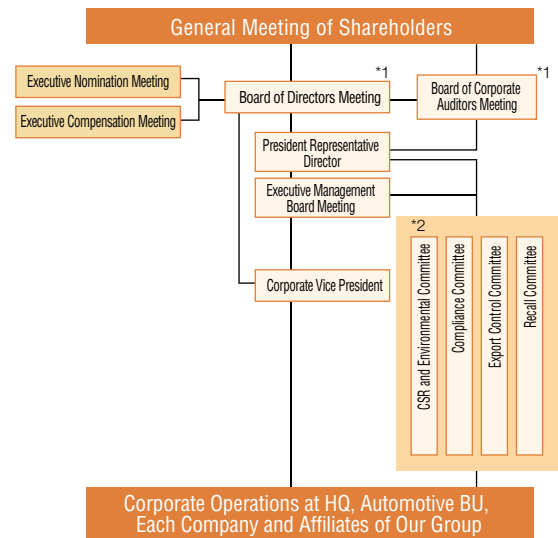
## Fundamental Philosophy

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

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

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

All these measures are designed to clarify management decision-making and operational functions, increase decision-making speed and enhance the effectiveness of business operations. The Board of Corporate Auditors Meeting consists of four corporate auditors, and is responsible for receiving reports on important auditing issues and deliberating accordingly. 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.



## Establishment of Internal Control System

### ■ Enhancement of Risk Management

### Streamlining and Enhancement in the Whole Subaru Group in Progress

Internal control is an indispensable mechanism to achieve corporate objectives, and the top management is responsible to establish it and maintain its effectiveness and efficiency. In our case, common departments with Strategy Development Division with its cross-business unit functions as king pin work closely with other departments and Companies to step up the risk management. Internal Audit Department audits systematically group companies for their operations. In addition, to regulate the internal control system, there are systems and organizations to promote compliance, which is positioned as the most vital element in risk management. Also, the internal control system of the whole group has been overhauled and reinforced to comply with the “Standards

for Management Assessment and Audit concerning Internal Control Over Financial Reporting” which was released to the public on February 15, 2007 by Business Accounting Council of Financial Service Agency, in the following areas:

1. Effectiveness and efficiency of business operations
2. Reliability of financial reporting
3. Compliance with applicable laws and regulations related to business activities
4. Safeguarding of assets

\*1 The Board of Directors Meeting consists of 8 executives. The board of Corporate Auditors Meeting consists of 4 auditors, including two outside corporate auditors, to observe the corporate management objectively (as of June 25, 2008).

\*2 CSR Committee and Corporate Environment Committee have been integrated into CSR and Environmental Committee, which have been operated since May 5, 2007.  
CSR and Environmental Committee ▶ See p. 36

## Foundation of Management and One of Most Important Issues

**2007  
POINT**

1. We have advanced Compliance Hotline System to use more easily.
2. In FY2007, about 2,700 employees took part in compliance and practical legal trainings.
3. We dispatch our employees as training instructor to our affiliated companies as well as Subaru dealers in an effort to promote group-wide compliance.

## Fundamental Philosophy

### Basic Policy

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

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

#### ■ Corporate Code of Conduct and Conduct Guidelines

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



Compliance Manual

## System and Administration

#### ■ Compliance Regulations

Subaru 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.

#### ■ Subaru's Compliance System/Organization and Administration Continuous and Systematic Implementation Activities

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

#### ■ Compliance Hotline System

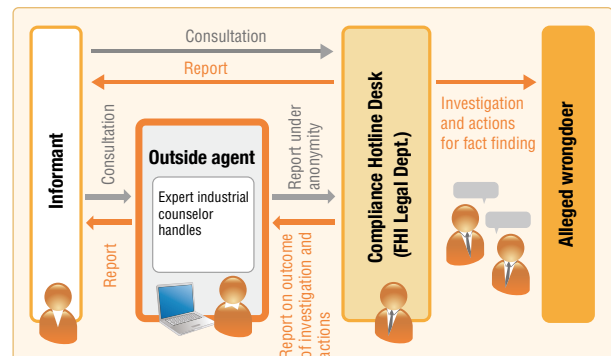
#### Outside Hotline Reception Desk Added for More Convenient Access

We have a "Compliance Hotline" as a by-pass communication channel which can be used by people who work in the Subaru group and others to report any dubious compliance-related acts or practices they have found inside the group directly to the Hotline Desk.

The Hotline Desk is located inside and assigned employees receive directly reports or information by mail, phone or e-mail and then investigate allegation and take appropriate actions according to rules. The names and sections of informants are kept confidential without their consent to protect them with utmost care from any disadvantages or inconveniences.

Starting from April, 2008, an outside compliance hotline reception desk has been in operation to extend the time for receiving hotline service and to enhance confidential treatment of names and sections of informants in an effort to make the hotline system easier to use.

#### ◆ Compliance Hotline (Flow from consultation to solution)



Compliance Hotline Card



## FY2007 Compliance Activity Achievements Overview

### Education and Trainings on Compliance Trainings with Case Studies Ongoing

In FY2007, about 2,700 people including employees of group companies took part in compliance and practical legal trainings which were hosted by Legal Dept. and personnel and education departments. Case-study trainings introduced in FY2006 were attended by about 260 people to deepen their understanding through thinking for themselves and discussing immediate issues. Also at divisions and group affiliate, they give trainings to their members to study important laws and regulations related to day-to-day work and to foster understanding on compliance under their own programs, using such text books as "100 Case Studies of Compliance Issues".

Furthermore, for promotion of practical compliance activities, we have offered education and trainings to group affiliates, provided information through in-house publications, and encouraged their participation in our Compliance Hotline system to produce effective results.



100 Case Studies of Compliance Issues



Training for Case Study of Compliance

### Activities toward Group Compliance Dispatch Our Employees as Training Instructor to Our Affiliated Companies and Domestic Dealers

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



Training at Fuji Machinery with two outside lawyers as instructor

### Our efforts for Personal Information Protection Prepared and Made Use of the Personal Information Protection Handbook

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



Personal Information Protection Handbook