

CSR Report
Corporate Social Responsibility Report
2015

Contents

2 | Editorial Policy

Editorial Policy
Subjects of Reports
Miscellaneous
Thoughts on the Third-Party Opinion

5 | Message from the President

7 | About Fuji Heavy Industries Group

11 | Feature

Introduction
Project General Manager (PGM) Interview
Leveraging Production to Stand Above the Crowd
Leveraging Marketing to Stand Above the Crowd

22 | The Fuji Heavy Industries Group's CSR

Corporate Philosophy
Corporate Code of Conduct
CSR Policy
The Eight CSR Action Items
CSR Promotion System
Relationship to Stakeholders
Safety is our DNA

30 | Customers and Products

Efforts to Raise Customer Satisfaction Levels
Quality Management
Making Safe Vehicles
Approaches to Welfare Vehicles

42 | Employees

Human Resource Development
Work-life Balance Initiatives
Diversity Initiatives
Occupational Health and Safety
Healthcare
Communication with Labor Union

56 | Environment

63 | Compliance

Thorough Implementation of Compliance Activities
Compliance System and Administration

66 | Information Disclosure

68 | Social Contribution

Social Contribution Policy
Efforts in Japan
Efforts Outside of Japan

76 | Procurement

79 | Corporate Governance

113 | Third-Party Opinion

115 | Comparison with ISO26000

Environmental Report

Environmental Vision
Environmental Management
Environmentally Friendly Automobiles
Plant and Office Initiatives
Initiatives for Distribution
Initiatives for Sales
Automobile Recycling
Environmental Communication
Overseas Initiatives
Environmental Data

Editorial Policy

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.

Regarding 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.



Report Cycle

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

Subjects of Reports

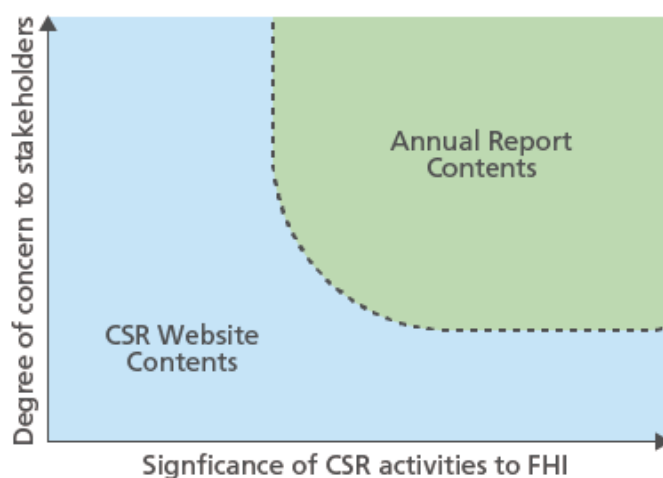
Reported Organizations

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

Guidelines Referenced

- ISO26000
- Environmental Report Guidelines (2012) by the Japanese Ministry of the Environment
- Environmental Report Guidelines (2005) by the Japanese Ministry of the Environment

Approach to Report Media



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: August 2016

Miscellaneous

- [Fuji Heavy Industries Ltd. Website Top page](#)
- [Corporate Profile](#)
- [Investor Relations](#)
- [Financial Results](#)
- [Annual Report](#)

Thoughts on the Third-Party Opinion

1. CSR Activities Overall

We would like to express our gratitude for the valuable opinions about CSR at FHI conferred by Professor Oku following on from last year. We seriously took in all of your opinions and suggestions and will utilize them in our activities in the future.

This fiscal year, we added the origins of FHI's current safety technologies and our thoughts on safety, and we published Subaru's safety performance and customer- first initiatives as special features.

2. Response to Previous Observations

(1) Biodiversity

The praise for biodiversity this time is very encouraging.

In the future, we will continually evolve and make progress to be able to offer enhanced information to all.

(2) Opinions from Outside the Company and Conducting Surveys

We believe that listening to opinions, which are sometimes critical, from various stakeholders, and utilizing these opinions in our management and marketing activities and other operations is a key project for FHI.

In the Subaru Automobile Division, we carry out customer questionnaires and have achieved some results in raising satisfaction and trust levels, but FHI and Subaru dealerships are also asked for improvements. We will continually implement and utilize these kinds of surveys in the future in order to listen to such critical opinions and analyze the causes properly and be the company chosen by customers.

3. Fostering Mutual Understanding between Departments and Related Parties

The safety performance of Subaru cars receives high ratings in safety testing not only in Japan, but also around the world. Based on the concept of ALL-AROUND SAFETY, which pursues all aspects of safety, this is the fruit of various technologies starting with basic design that allows good visibility and comfortable operation and including driving assistance technologies that increase preventive safety performance, installation of EyeSight, and collision safe bodies that protect occupants in the event of a crash.

However, the more advanced these technologies have become, the more complex they are, and, in fact, it is now difficult for even employees to understand all of them. First, in order to help customers to understand the technology, we have strengthened and provided education for dealership staff at Subaru Academy.

A variety of training is also held at FHI. We hope to examine content to deepen understanding of the safety technologies that are the pride of FHI through these kinds of training forums.

4. Reviewing Introduction of Environmental Management Systems and Horizontal Deployment of Outstanding Initiatives

In addition to reviewing the outcomes and challenges in the operation of EcoAction 21 (EA21) at all dealerships, we share important initiative outcomes and examples and provide support for initiatives at dealerships in order to pave the way to substantial and ongoing improvements, including reductions in waste and energy conservation. In particular, under the dealership zero emission activity operated since fiscal 2013, we are continuing wide-ranging resource recycling that includes used batteries, waste oil, and end-of-life tires in partnership and cooperation with industry bodies and corporations.

We hope to make further innovations in the content of the report so that there is a deeper understanding of these kinds of initiatives.

5. Definite Link Between Information Published in the CSR Report and Information on the Website

We are committed to reexamining the online environment of the CSR Report and maintaining and updating it promptly to allow us to provide information to all in an easy-to-understand manner.

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.

Finally, FHI believes that communicating with all stakeholders through this Report is important, and we look forward to receiving more frank opinions and impressions 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



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.”



SUBARU

Confidence in Motion

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.

Location

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

Aerospace Company



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)

Industrial Products Company



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)

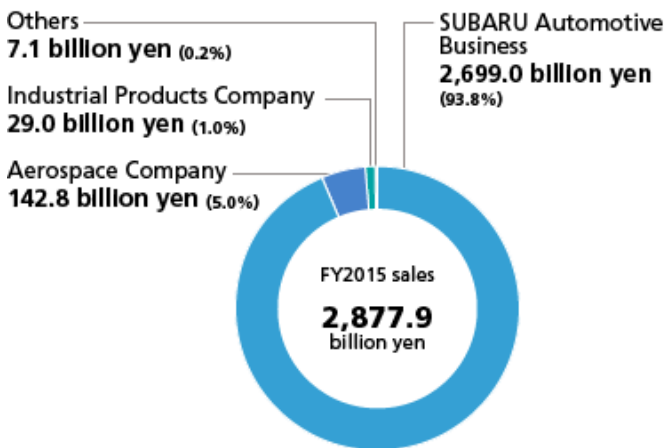
Operating Income 423.0 billion yen (Consolidated)
318.4 billion yen (Non-consolidated)

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

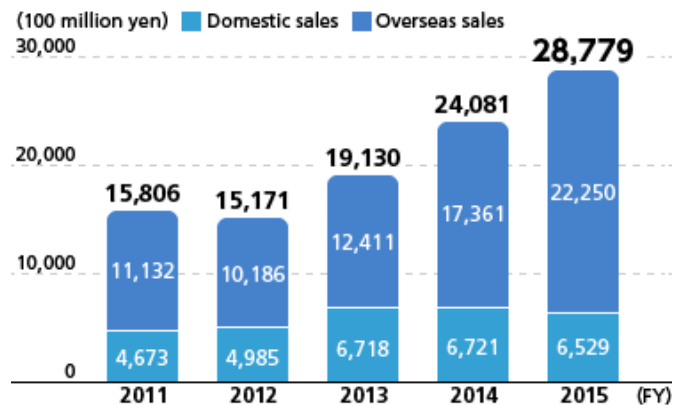
Net income 261.9 billion yen (Consolidated)
219.7 billion yen (Non-consolidated)

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

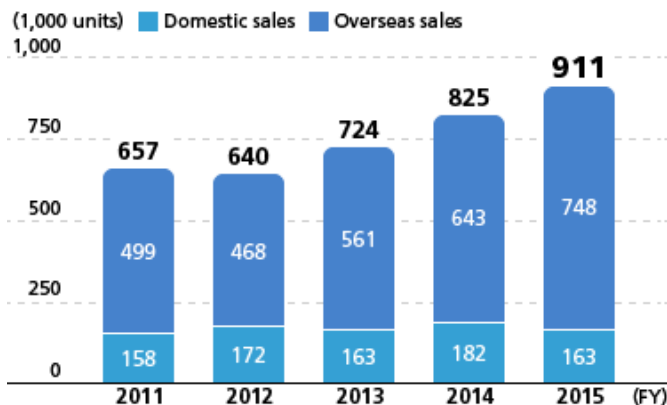
FY2015 Sales Ratio by Business Unit



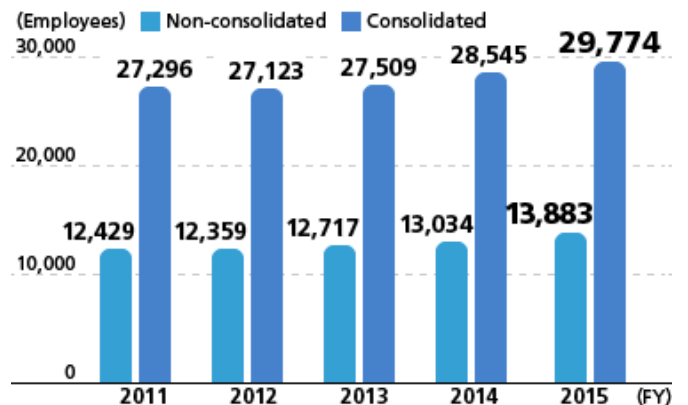
Trends in Sales



Trends in the Number of Car Sales

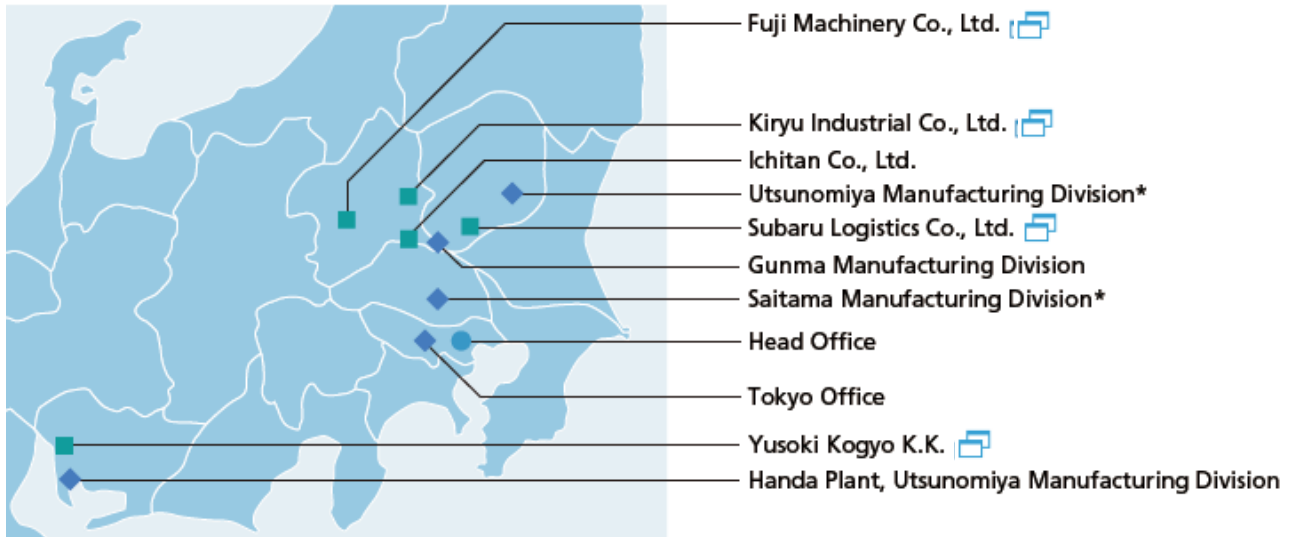


Trends in the Number of Employees



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

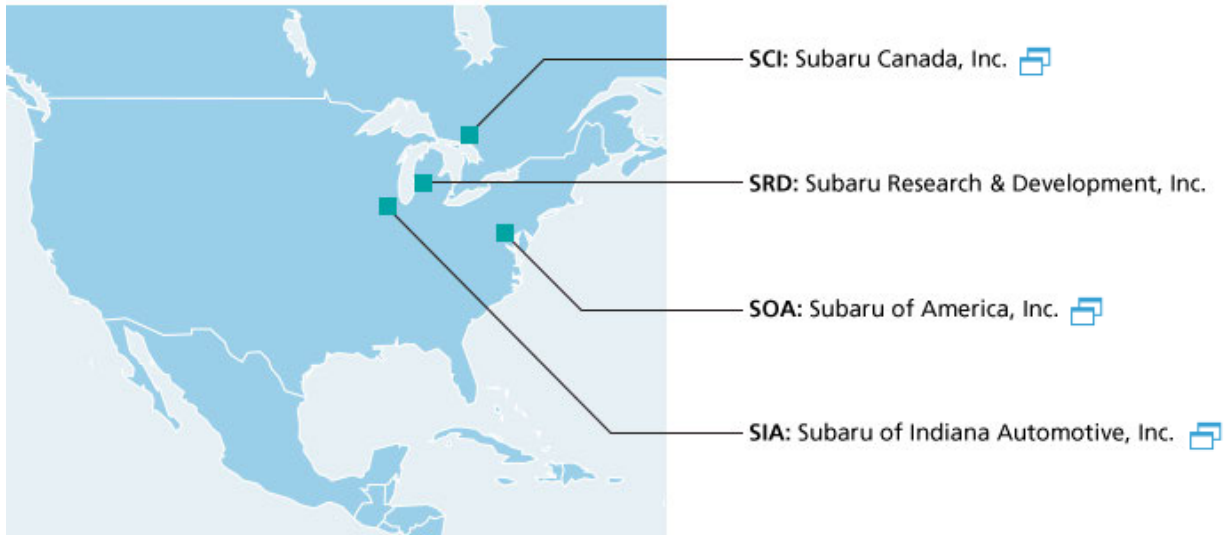
FHI and Domestic Subsidiary Companies



For details about domestic subsidiary companies, please click on the link below.




 <http://www.fhi.co.jp/english/outline/inoutline/domestic/index.html>

Overseas Subsidiary Companies



For details about overseas subsidiary companies, please click on the link below.

 <http://www.fhi.co.jp/english/outline/inoutline/overseas/index.html>

 Head Office
  FHI Business Sites
  Affiliated Companies

*In this report we introduce the producing districts of Aerospace Company as "Utsunomiya Manufacturing Division" and Industrial Products Company as "Saitama Manufacturing Division" according to circumstances.

Feature

PROMINENCE BY LEGACY

Leveraging Safety to Stand Out in the World



Introduction

Subaru pushes the evolution of its safety performance from all directions and continues to devote effort to reliable automobile manufacturing that delivers enjoyment and peace of mind to our customers.



The new Legacy/Outback models garnered the highest performance ratings in Japanese, U.S., and European safety tests

Under its brand statement of “Confidence in Motion,” FHI is committed to reliable automobile manufacturing that delivers enjoyment and peace of mind to our customers. In order to spur the evolution of the vehicle safety features that support this “enjoyment and peace of mind,” we follow a philosophy of “All-Around Safety” and strive for revolutionary safety technology from all fronts: active safety, passive safety, and pre-crash safety.

Amongst these technologies, the state-of-the-art EyeSight on board new Legacy/Outback earned full marks in preventative safety performance assessments conducted by NASVA*¹ and the Ministry of Land, Infrastructure, Transport and Tourism. Like Levorg, Forester, and Subaru XV Hybrid, these new models were selected to receive the top JNCAP ASV+ rating. In addition, new Outback outfitted with EyeSight earned the highest marks in the 2014 European New Car Assessment Program. Furthermore, all five models with EyeSight on board sold in the U.S. market received 2015 Top Safety Pick+ awards, the highest evaluation possible by the IIHS.*² These industry-leading safety features recognized and awarded by ratings agencies throughout the world are what bring the Subaru brand the trust and support of its customers.

*¹ NASVA = National Agency for Automobile Safety and Victims' Aid

*² IIHS = Insurance Institute for Highway Safety





Project General Manager (PGM) Interview

Development of the new Legacy/Outback started with careful consideration of what kind of vehicle will bring more fulfillment to our customers' lifestyles.

Masayuki Uchida

Corporate Vice President, Senior General Manager of the Subaru Engineering Division
(Previously Senior Project General Manager of the Subaru Product & Portfolio Planning Division)

Professional Background

April 1981:	Joined Fuji Heavy Industries Ltd.
November 2003:	General Manager, Body Design Department, Subaru Engineering Division
April 2005:	General Manager, Exterior Design Department, Subaru Engineering Division
March 2008:	General Manager, Subaru Engineering Division
April 2010:	PGM, Subaru Product & Portfolio Planning Division
April 2011:	Senior PGM, Subaru Product & Portfolio Planning Division
April 2015:	Corporate Vice President, Senior General Manager, Subaru Engineering Division

We have thoroughly pursued safety performance more than anything else in order to support fulfilling lifestyles for our customers

After taking charge of development for the new Legacy/Outback, I first dedicated effort to incorporating customer feedback as completely as possible. Part of that process was visiting the homes of owners, mainly in the U.S. market, which has shown the strongest demand for these models. I also considered how to gain further support for Legacy/Outback and how to provide a reliable vehicle of course for the U.S. market, but also globally. While lending an ear to a variety of opinions and requests, we thoroughly researched, and implemented the results, regarding what kind of vehicle would bring the most enjoyment and fulfillment to our customers' lifestyles.

Of the stories that I learned from customers, I was particularly impressed by those regarding safety, including comments like, "Although the car was badly damaged in an accident, I avoided serious harm thanks to the reliable collision safety performance." Every time that I came in contact with these examples of customer gratitude and appreciation, it reaffirmed my awareness of the importance of safety performance and of our great social responsibility as an automaker.

There are two pillars to Subaru's safety performance initiatives. The first is our policy for "achieving a high level of safety performance for all vehicle models." In actual practice, the driving force behind our growth has been trust in our brand, such that "Subaru = a vehicle with outstanding safety performance," which comes from Subaru safety features being highly rated in safety assessments in countries throughout the world. The second pillar is our pursuit of advanced safety technologies, as exemplified by EyeSight. At present, automakers have brought vehicles to market with various kinds of driver support technologies, such as brake assist. Despite the crowded field, EyeSight has garnered the highest level of assessments in various safety tests.

Needless to say, we continued our pursuit of safety performance from every angle in the development of the new Legacy/Outback, including the adoption of the most up to date EyeSight ver. 3. If our cars are not reassuring enough so that anyone can ride in them with peace of mind, they will not be able to act as a partner for supporting enjoyable and fulfilling lives for our customers.

Our development staff, to the person, have endeavored to improve and refine designs and the quality of drivability from our customers' point of view

Development of the new Legacy/Outback strove for “emotional value” in the new design and driving experience, in addition to Subaru's already established competence in functional value from safety performance, drivability, and user friendliness. The concept of “emphasizing function and performance for a real-world tool, with the design representing the results of that emphasis” was dominant in the minds of our development team. Our recent approach has gone one step further by envisioning a design that positively presents the vehicle's achievement of high functionality and performance while keeping the importance of emphasizing functional aesthetics. As our flagship models, the new Legacy/Outback feature superior drivability, safety, and reliability expressed in the dynamic and powerful body, and emphasize quality that appeals to all five senses. We have thoroughly polished every small detail, from the feel of the interior and other tactile surfaces, to the sounds of the engine and the various moving parts.

In terms of the driving experience, our work did not stop at physical driving performance, but extended to “dynamic feel” that would stimulate drivers to notice the comfort and smoothness of the ride, hopefully reacting with the sentiment, “I would like to keep driving this forever.” Hence, our work on both the design and the driving experience pursued a high level of quality venturing into the domain of human sensibilities, or “emotional value” in other words. We strove for a vehicle that would heighten satisfaction for drivers and act as a partner for supporting their fulfilling lifestyle.

Of course, aspects such as dynamic feel and inspirational value differ from a vehicle's physical performance and cannot be captured in numbers or figures. Our development process had to use repeated road tests with prototypes to verify the finer points of the driving feel, including steering and braking response, as well as running noise and vibration, etc. There were moments in the process when we were stuck and unable to attain our target results, but never once did members of the development team argue that “we can settle for this level.” The entire team was committed to thoroughly pursuing the performance customers demand, which is the Subaru way that development is done.



We strove toward the dual goals of environmental performance and a comfortable driving experience, and were able to achieve high fuel efficiency in an AWD vehicle

Subaru's commitment to automobile manufacturing from the customer's perspective is also present in our approach to fuel efficiency. To be sure, it is important to improve the advertised catalog value for fuel efficiency, but we also emphasize the actual mileage that customers will attain in normal driving circumstances.



Our way of thinking with regard to an environmentally conscious driving experience is not to impose restrictions on the driver, but rather to achieve both efficiency and comfortable drivability. Therefore, we have adopted an AWD system in order to deliver safety and comfort under a wide variety of road surfaces, even though it is disadvantageous for fuel efficiency due to increased weight and mechanical loss compared with FWD vehicles. To compensate, we improved engine and transmission efficiency, boosted aerodynamic performance, and introduced "idling stop" features to achieve best-in-class results for actual fuel efficiency even compared to FWD vehicles. Indeed, customers of the new Legacy/Outback have approved by remarking, "The fuel efficiency is so good in actual use that it's hard to believe it's AWD."



We will continue to work as a team with our subsidiaries, affiliated companies, and local partners to deliver vehicles that exceed the expectations of customers



When building our production facilities in the U.S., we dispatched a large number of engineers to our local production subsidiary, Subaru of Indiana Automotive, Inc. (SIA), and cooperated across divisions, from development, to production and quality control, in our efforts preparing for mass production. Local employees were also proactive in providing ideas, which helped everyone work as a team to achieve high quality and high value for our users. In addition, expectations were very high from Subaru of America Inc. (SOA), our U.S. sales subsidiary, and from local dealers. During development,

key persons from SOA and local dealers reviewed the design, were actively involved in test drives, and helped us toward the final product with their candid input.

This demonstrates the comprehensive and collective effort that went into developing the new Legacy/Outback, which have garnered very high praise for their safety and driving performance, as well as their design and overall feel. Consequently, since the models debuted, strong sales numbers have outstripped our expectations not only in the U.S. and Japan, but in other parts of the world as well. To our delight, a considerable number of buyers have chosen the new Legacy/Outback over premium European brands.

In response to this trust, and in order to further solidify Subaru's brand strength in the global car market, we will continue our quest to develop high quality vehicles that exceed customers' expectations.



Imperatives to consider during design and development

- Following the quality management cycle
- Handling recalls
- Pursuing safety features with our concept of "ALL-AROUND SAFETY"
- Addressing fuel efficiency standards
- Improving and proliferating certified low-emission vehicles
- Recycling vehicles

Leveraging Production to Stand Above the Crowd

Dedicating effort toward expanding capacity and ensuring efficient operations to meet continually growing North American demand.

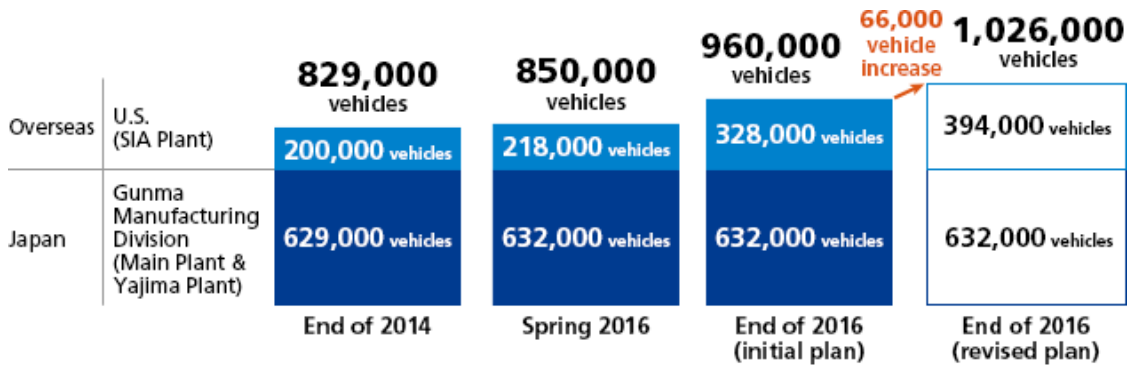
Gunma Manufacturing Division (Main Plant & Yajima Plant)



U.S. (SIA Plant)



After the launch of new Legacy/Outback in 2014, sales of Subaru vehicles in the North American market jumped to a new level. In order to meet this increased demand in North America, we decided to move forward plans for expanding capacity at our local production subsidiary Subaru of Indiana Automotive, Inc. (SIA), whose facilities will be built out to handle some 390,000 vehicles annually by the end of 2016. Moving into the future, we will also efficiently run our production lines, a total of five in the U.S. and Japan, to meet demand in the global marketplace.



In addition to popular new models, strong sales continue for existing models

Subaru sales in the U.S. in 2014 posted a year-on-year gain of 21.0%, reaching approximately 510,000 vehicles. In addition to seeing record high unit sales for six years running, Subaru is the only automaker to beat previous-year U.S. results for seven years in a row. On top of this, sales in Canada, with approximately 42,000 vehicles (up 14.3% year on year), have seen record highs for three years in a row. Proof that the Subaru brand is maintaining high approval in the North American market lies not only in the strong sales growth for Legacy/Outback—last year's recipients of a full model change—but also in the steady sales of Impreza and Forester, which have not been revamped as recently.



Bringing SIA expansion plans ahead by four years and building capacity for some 390,000 vehicles by the end of 2016

In FHI's mid-term management vision, announced in May 2014, we explained plans to expand capacity at our U.S. production subsidiary Subaru of Indiana Automotive, Inc. (SIA), in order to meet growing demand in North America. Originally, we had targeted staggered increases, starting from approximately 170,000 units initially and moving toward 310,000 in FY2017, then 400,000 in FY2021. Increasingly robust North American sales buoyed by the subsequent launch of new models, however, led us to greatly expedite plans and announce a target of 394,000 units by the end of 2016. Simultaneous with this capacity expansion will be the shift of production of Impreza vehicles for North America from Japan-based production to production on a newly built line at SIA.

Our plans for boosting production will give us, by the end of 2016, a total of five production lines: three in Japan and two at SIA. Going forward, we will continue to dedicate effort to flexible operations so that each plant will be able to promptly handle increased sales of any of our models, and so that we can efficiently run these five production lines at their maximum capacity.



Imperatives to consider during production

- Following the quality management cycle
- Aiming for zero disasters and accidents (holding a Health and Safety Kickoff Meeting at each business site at the beginning of each fiscal year)
- Risk assessment activities
- 5th Voluntary Plan for the Environment (FY2012-16)
- Primary environmental performance (amounts of CO₂ emission, waste generation (including scrap metal sold for profit) and PRTR materials)
- Communication with business partners (holding Purchasing Policy Briefings every spring; collaborating with Cooperation Meetings composed of our business partners)

Leveraging Marketing to Stand Above the Crowd
Following a marketing strategy localized for Subaru of America, and communicating the appeal of the Subaru brand from a thoroughly customer-centric standpoint



Sales of Subaru vehicles in the U.S. market have continued to grow well above the demand for new vehicles and Subaru has continued to increase its brand presence since 2008. One of the approaches that played a key role in enabling this rapid progress in the U.S. was the LOVE Campaign, a marketing strategy started in 2007 by local subsidiary Subaru of America, Inc. (SOA).

Focusing on the inspirational and emotional value of cars supported by exceptional utility and safety

Subaru is esteemed in the global automobile market as a company with distinct individuality. Part of that is our use of proprietary technologies such as the horizontally-opposed engine and Symmetrical All-Wheel Drive, which stem from our pursuit of stability and control under a variety of road conditions. Additionally, a significant Subaru characteristic is our thorough effort to build cars that prioritize safety from every angle, from primary safety (such as visibility) to collision safety. This reliability with regard to safety and basic driving performance had previously won Subaru acclaim from U.S. customers who value cars as practical driving machines.

Furthermore, results of SOA's surveys of owner awareness and behavior have shown strong trust and affection from many owners toward the Subaru brand and cars. Survey results indicated that Subaru vehicles are actively utilized not only in daily life, but also as part of owners' lifestyles, be it through hobbies, sports, leisure, or other pursuits. Amidst this context, SOA started, from 2007, the LOVE Campaign to showcase owners' enjoyment of the inspirational and emotional value, over and above the functions and performance, of our cars. The campaign seeks to effectively convey Subaru's characteristic individuality to a wide range of customers.

Marketing a fulfilling lifestyle achieved by driving a subaru

Prior to 2007, Subaru advertising in the U.S. had been short-term in focus, targeting groups of prospective buyers by showing the specific functions and performance of each model—such as price or fuel economy. Consequently, the overall brand image was vague and market awareness of Subaru idled at a low level. To address this, the LOVE Campaign chose a unique marketing strategy to express the brand value from an owner's standpoint, including the owner's trust and love of their Subaru and the fulfilling lifestyle they are able to create with their family because they drive a Subaru.

The campaign struck a chord with U.S. buyers and successfully expanded the customer demographic of the Subaru brand. Furthermore, the revolutionary EyeSight advanced driving support system made its debut, while at the same time all Subaru models garnered the highest approval ratings from U.S. safety agencies. These awards allowed us to further prove the high level of safety that underscores owners' "love for Subaru," boosting the campaign's persuasiveness in the process.



Devoting effort to social contribution activities while aiming to be the most loved company in local communities

As part of the LOVE Campaign, SOA inaugurated "Share the Love," a program through which \$250 is donated to a charitable organization for each Subaru vehicle sold. The program was very well received by customers, with many voicing opinions such as, "I am glad that I can support society by purchasing a Subaru."

Furthermore, SOA is currently rolling out a project called "The Subaru Love Promise," and is being run in collaboration with dealers all across the U.S. Specifically, The Subaru Love Promise is a variety of initiatives to contribute to local communities and societies through activities and charitable causes such as environmental conservation, education, animal protection, and similar activities.

Through these types of activities, SOA and Subaru dealers in each part of the U.S. hope to become objects of trust and love in the eyes of owners and local communities, much the same as the Subaru brand and cars. To that end, we are striving to further increase the number of devotees to vehicles under the Subaru brand, while also helping each dealer grow toward being No. 1 in their region.

Providing cars that precisely reflect market demands, while continuing to build relationships of long-term trust with customers



Thomas J. Doll

President
Chief Operating Officer

Subaru has won trust from its customers by continuing to provide vehicles to the U.S. market with superior quality and the industry's most advanced safety features.

Additionally, by becoming a partner in the active lifestyles of owners, including responding to diverse customer demands such as “wanting to safely navigate snowy roads” and “wanting to enjoy long-distance family road trips,” the Subaru brand has come to enjoy devotion and love from its owners.

Of course, it is indispensable to introduce models that deftly perceive the needs of the marketplace in order to keep customers choosing Subaru. This is why the Subaru models in our current lineup are all situated in growth segments of the U.S. marketplace and reflect customer demands in terms of size, price point, etc. We are proud to declare that our success today in the U.S. is the result of collaboration utilizing Fuji Heavy Industries' advanced technological development plus SOA's market analysis and marketing acumen.

Going forward, we will continue to build long-term relationships of trust with owners by providing them with special experiences that are part of what make a Subaru a Subaru.

SOA Initiatives

- Strengthening customer service through telephone support and through the website.

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.

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.

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.

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



Customers and Products

Provide society useful and optimally safe products and services that earn customers' satisfaction and confidence.



Employees

Respect the diversity, individuality, and personality of employees and ensure that work environments are as safe and comfortable as possible.



Environment

Address environmental issues proactively in recognition of their importance for all mankind.



Compliance

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.



Information Disclosure

Communicate transparently with stockholders and other stakeholders, disclosing corporate information proactively and fairly.



Social Contribution

Maintain proactive social action programs as a good corporate citizen.



Procurement

Conduct procurement appropriately and work with suppliers to promote corporate social responsibility.



Corporate Governance

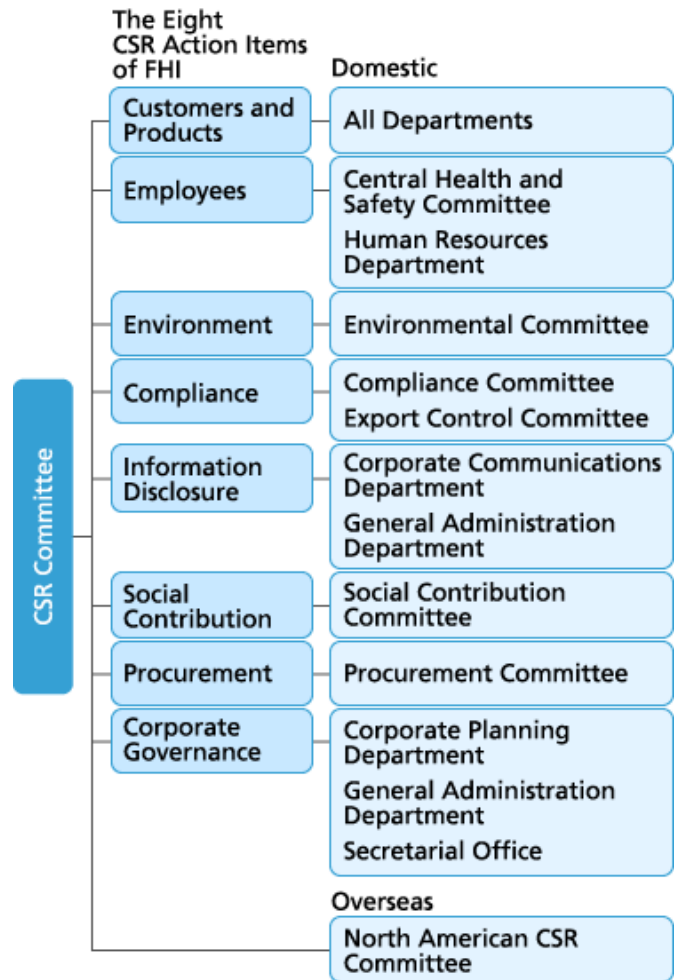
Make it a key responsibility of management to ensure that appropriate CSR policies are adopted throughout the corporate group, and undertake appropriate initiatives to address any emergencies that may arise.

*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.

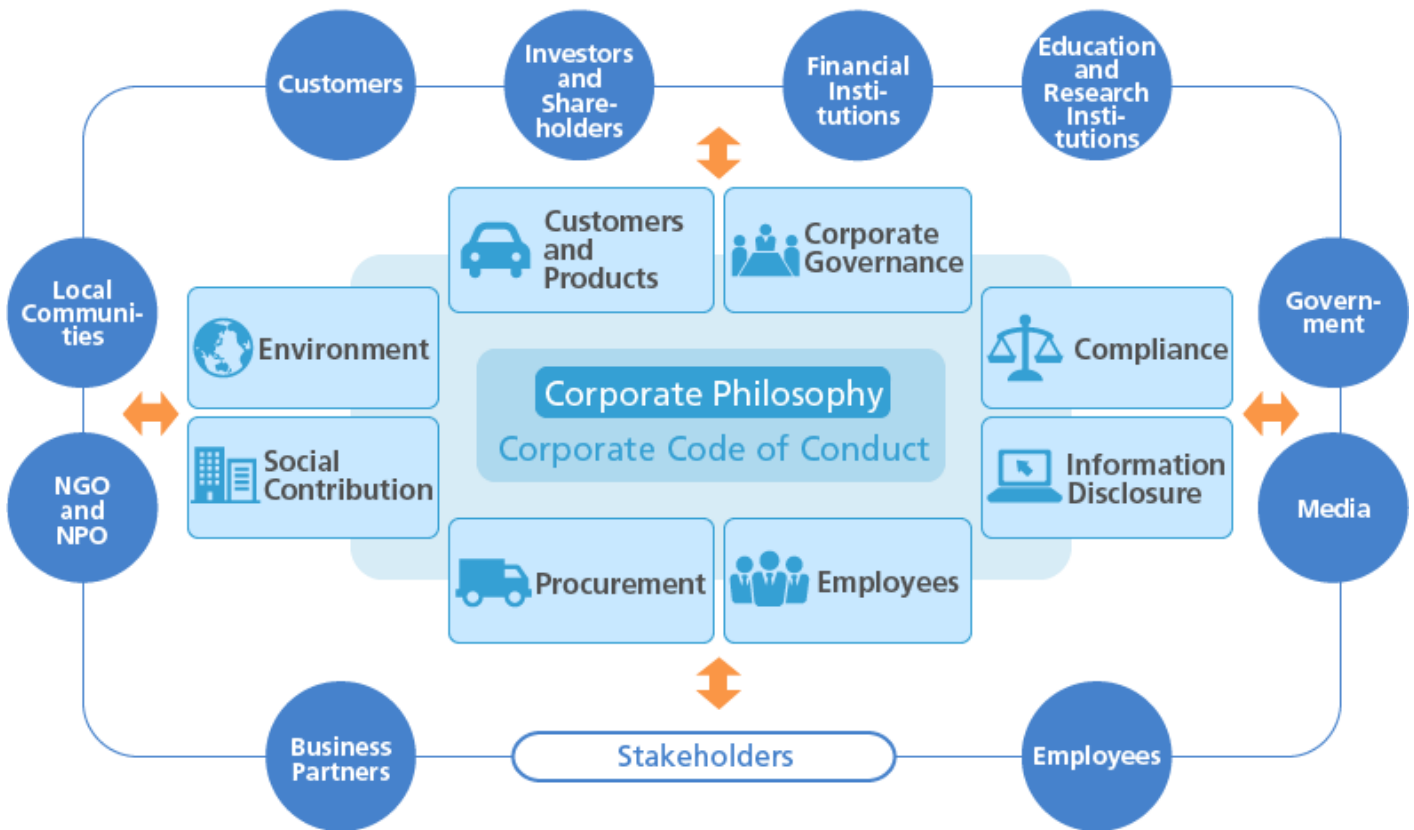
Organization Chart



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.

Relationship to Stakeholders



Safety is our DNA

Having roots in the aircraft industry, FHI considers safety to be the most important feature underpinning automobiles. Since we launched the Subaru 360 over a half-century ago, we have engaged in automotive manufacturing to this day with a philosophy of “All-Around Safety” and maximum emphasis on safety performance.

SINCE 1917

Ensuring safety for pilots

Our DNA of safety is inherited from aircraft development.

At the core of Subaru's safety development expertise lies traits acquired from developing aircrafts. Given the lethal ramifications of a crash, aircraft development requires designs that consider all manner of possible emergency situations, hence the implementation of ideas and countermeasures within the aircraft's basic structure to prevent the onset of danger. In addition, one of the indispensable safety features of smaller aircraft is the ability for the pilot to be able to secure an all-around unobstructed line of sight. This approach to safety has not diminished after we moved into automobile manufacturing. Since we released the Subaru 360, all of our vehicles have been developed with an emphasis on safety features, starting with unobstructed visibility.



Subaru 360

SINCE 1960

Ensuring safety for drivers

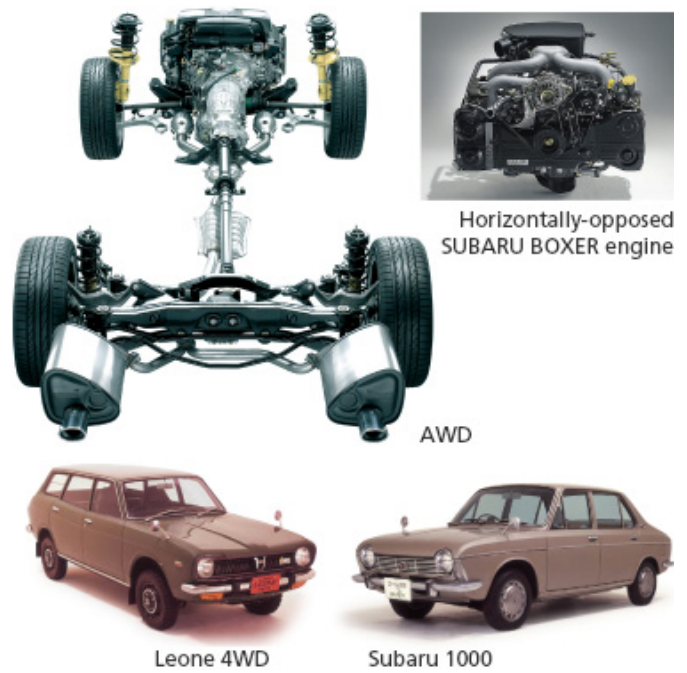
Developing a vehicle body for collision safety based on All-Around Safety that is ahead of the times.

The Subaru 360, launched in 1958, fulfilled a key role in helping the spread of automobiles during Japan's high growth period. Since that period, Subaru has dedicated itself to developing vehicle bodies for collision safety following our principle of All-Around Safety—effectively absorbing shock from collisions in all directions and protecting passengers with a cabin structure of robust strength. Early on, safety was not yet emphasized as part of the value of vehicles and there were no crash test dummies in existence. Subaru's development team, however, pushed forward independent research on car body structure and how it affects human passengers. Through trial and error, we pursued superior collision safety technologies ahead of their time.

Ensuring safe driving, turning, and braking

Developing proprietary technologies for enhanced driving safety, such as the horizontally-opposed engine and AWD.

Fundamental automobile performance in terms of driving, turning, and braking differs depending on the vehicle's structure. In particular, the location of the center of gravity and the type of drive train have a significant effect. The lower the center of gravity, the more stable the cornering, while a drive train that delivers power to all of the wheels gives constant stability when driving. This is the perspective that led Subaru, in 1966, to launch the Subaru 1000—a FWD vehicle with a horizontally-opposed engine—and, in 1972, the 4WD Subaru Leone. Since that time, we have further honed our proprietary technologies and continued to pursue safe and stable driving performance.



IN THE 1980s & 1990s

Ensuring safety for drivers and passengers

Launching our flagship Legacy. Embarking on development of driving support systems.

Our flagship Legacy model, launched in 1989, demonstrated both reliable driving performance and mechanical endurance when it set a world speed record in January of that same year for 100,000 km of continuous driving. Furthermore, around this period, we started development of a driving support system using stereo cameras. In 1999, we commercialized ADA, Active Driving Assist, which was the predecessor of our current EyeSight technology.

Ensuring safety for everyone

Commercializing EyeSight—Levorg with the latest EyeSight (ver. 3) technology earns the highest ratings in preventative safety tests.

In 2008, we commercialized our EyeSight technology with stereo cameras constantly surveying the area forward of the vehicle, and warnings and pre-crash braking functions for preventing accidents or mitigating damage from accidents. Furthermore, in 2014, we achieved a new level of high performance and function with the launch of EyeSight Ver. 3. The Levorg with this latest EyeSight technology has garnered the highest ratings in a host of preventative safety performance tests.



INTO THE FUTURE

Working toward achieving a safer society

The future of safety according to Subaru.

Going forward, Subaru is working on development themes, including heavy traffic autopilot and automated freeway driving, as we further evolve the EyeSight technology. Under our philosophy of All-Around Safety, we will continue to pursue safety from many diverse perspectives and contribute to realizing a society with automobiles that anyone can drive with peace of mind.



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.

SUBARU Declaration

- We aim to be **No. 1** by being the automobile brand that offers customers "Enjoyment and Peace of Mind."
- All SUBARU employees will present "Enjoyment and Peace of Mind." as brand values to customers and offer them the **highest level of service.**



Establishment of SUBARU Customer Center

To receive enquiries, 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.

SUBARU Customer Center



(Note that your call will be recorded to confirm the content)

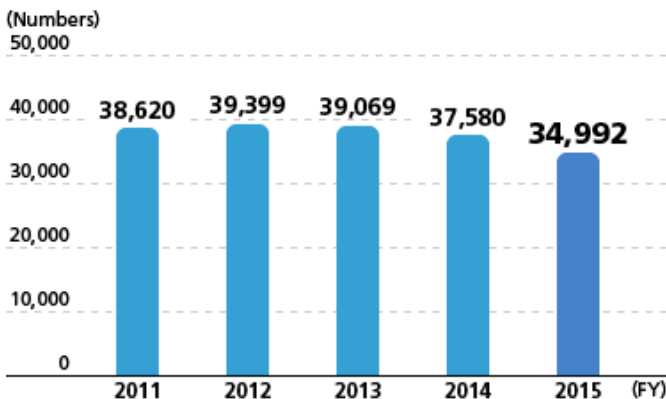
Please contact SUBARU Customer Center if you have any inquiries as below,

- 1 Opinions/Comments/Guidance (catalog, dealership, changing address, etc.)
- 2 Inquiries/Request for assistance

Office Hours 9:00am – 5:00pm (Weekdays)*
(Japan Time) 9:00am – 12:00am/1:00pm – 5:00pm
 (Saturdays, Sundays and Public holidays)

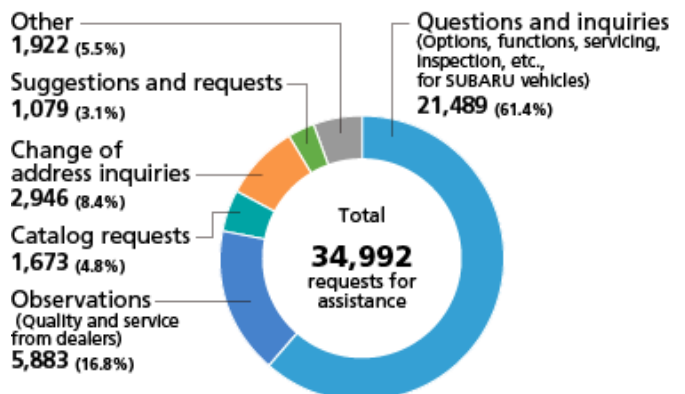
*Information service only for Opinions/Comments/Guidance is available on weekdays 12:00am – 1:00pm, and on Saturdays, Sundays and public holidays

Trends in the Number of Inquiries from Customers



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

Breakdown of Number of Requests for Assistance from Customers



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.

Number of Trainees Enrolled in Dealer Education Program in Japan

	FY 2015 (first half)	FY 2015 (second half)	Total
Manager, sales	954	1,453	2,407
Service staff and other	1,187	1,070	2,257
Total	2,141	2,523	4,664

*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.



Training program for SUBARU staff



SUBARU Training Center

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 Peace of Mind.”

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



Training provided under the STARS program

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.



Service Advisor Education Program material (extract)



A scene from Service Advisor Education

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.



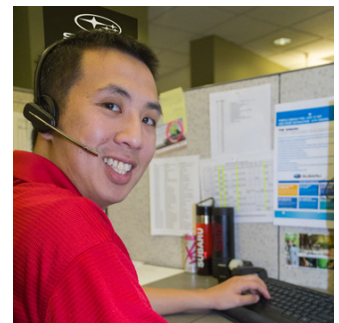
Organizational Reinforcement

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.

Quality Policy (Established November, 1994)

FHI considers customer satisfaction as the first priority, and works constantly to improve products and services to provide world-class quality.

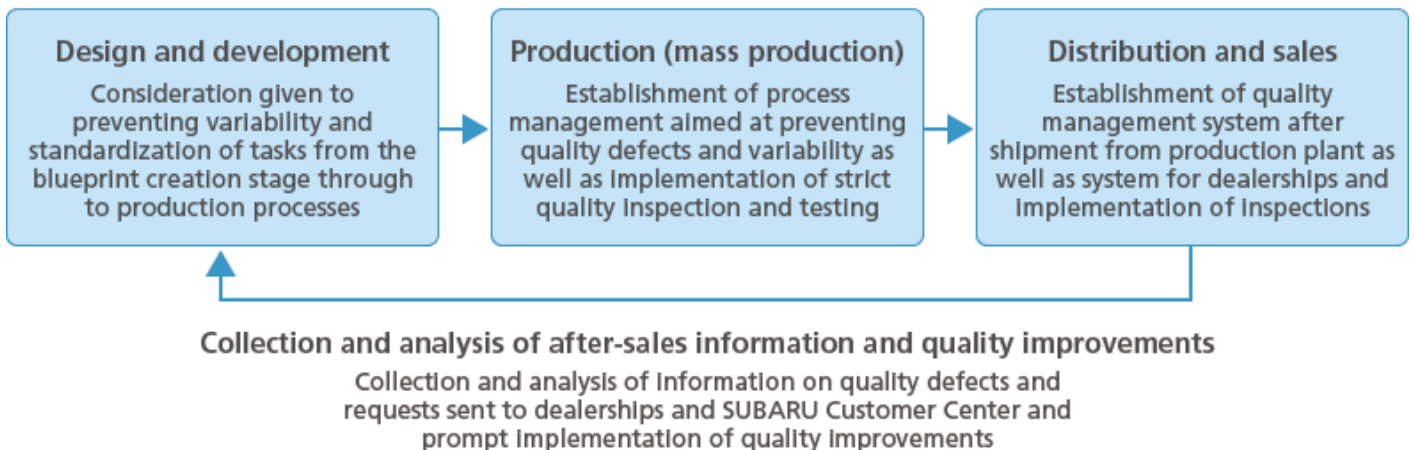
Product Quality Management System

- 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.

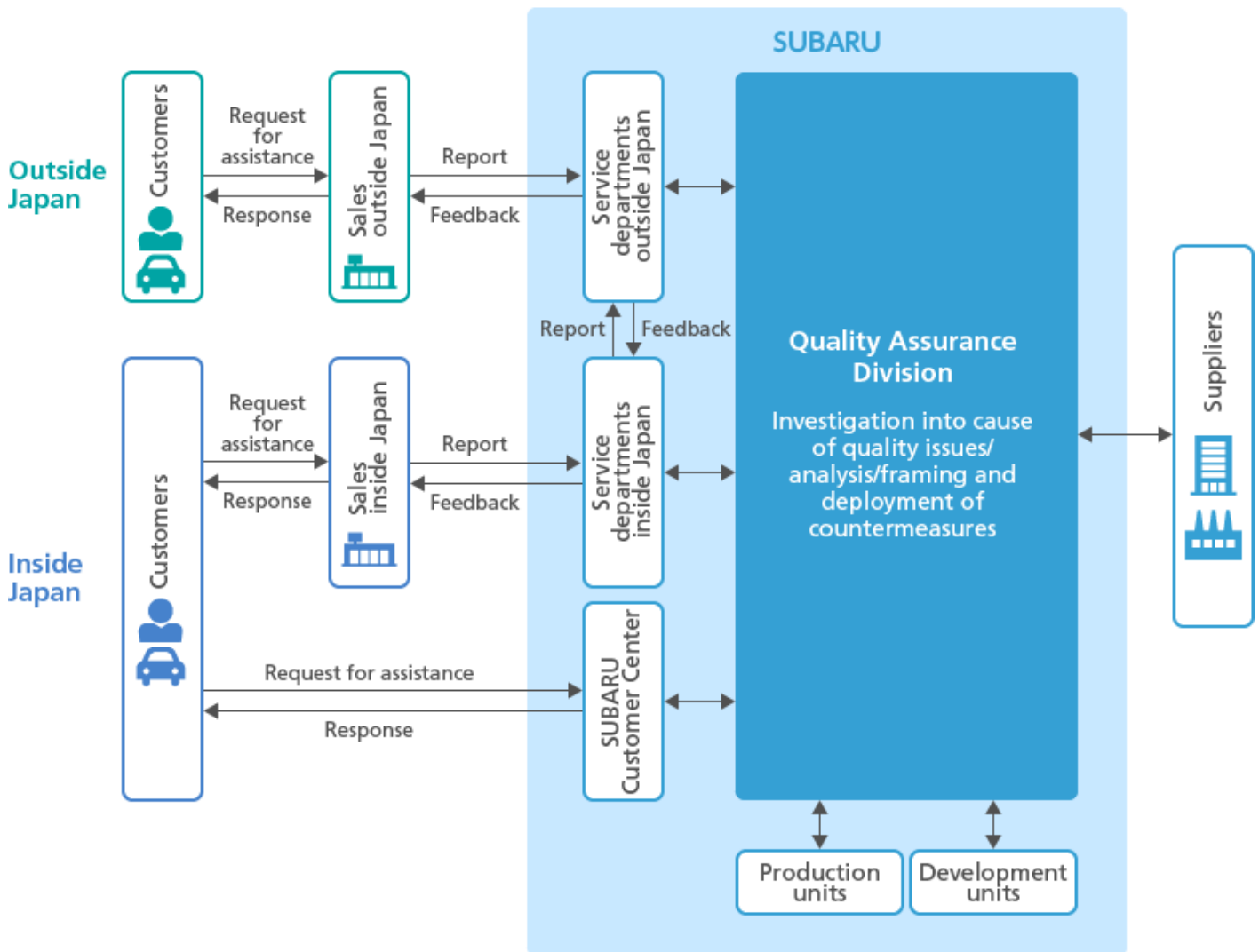
Quality Management Cycle



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.



Lecture on quality

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 9001 (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/TS16949, 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/>



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>



Horizontally-opposed engine

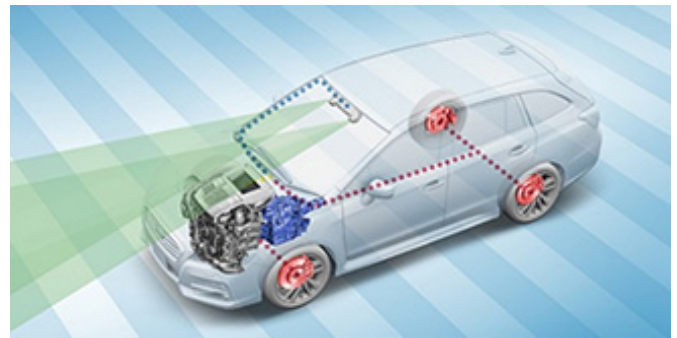


Symmetrical All-Wheel Drive

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.



EyeSight (Ver.3) system illustration

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.



Image of Legacy Outback JNCAP Frontal Offset Crash Test
Photo courtesy of the National Agency for Automotive Safety & Victim' s Aid (NASVA)

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

Japan JNCAP

- Five star awards:
Legacy/Outback,
Levorg/WRX, Forester
- ASV+:
EyeSight-equipped
Legacy/Outback,
Levorg/WRX,
Impreza/XV/XV Hybrid,
Forester



U.S. IIHS

- 2015 TOP SAFETY PICK+ awards*5:
EyeSight-equipped
Legacy, Outback,
Impreza, XV Crosstrek,
Forester
- 2015 TOP SAFETY PICK awards:
WRX, BRZ



Europe EuroNCAP

- 2014 standard Five Stars: Outback



Australia ANCAP

- Five Stars: Liberty, Outback



*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+).

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.

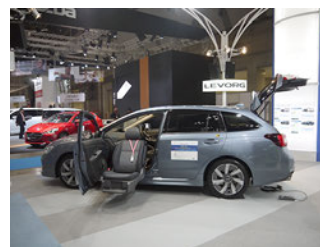
“TRANSCARE Series” – from Standard-sized Cars to Mini Cars

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.



SUBARU Exhibit Booth at the 40th International Home Care & Rehabilitation Exhibition

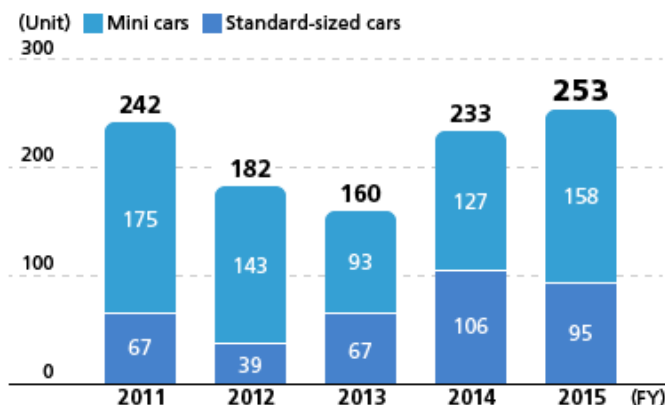


Providing customers with explanations



Levorg TRANSCARE Wing Seat (Lift type)

Number of TRANSCARE Series Sold





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

Ability-based Grade	Company-wide Programs					Individual Programs at Each Site	
	Education by Grade		Education by Job Skill		Global-talent Development		Self-development Support
Manager Class	New training at the time of promotion	Career plan training for manager class	Professional program Examples: -Logical thinking -Leadership -Presentation -Financial accounting, etc. -Support for attending business school	Education by job skill Examples: -Intellectual property -Financial accounting -Legal work	Educational program Variety of programs is available according to employees' level. STEP 0-6	Correspondence education, etc.	Training at each business site Official certification support, etc.
Regular Employee		Performance review training					
New employees training							
New recruits training							

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, 385 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.



The Kurumin Mark

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

Work-life Balance Recommended Performance (FHI non-consolidated)

Implementation	Overview	FY2011	FY2012	FY2013	FY2014	FY2015	
Childcare leave (persons)	System that enables employees to obtain leave for childcare	Male	2	3	6	3	2
		Female	90	68	124	68	91
		Total	92	71	130	71	93
	Rate of returning to work after childcare leave	Male	—	—	—	100	100
		Female	—	—	—		100
	Retention rate one year after returning to work	Male	—	—	—	98.5	100
Female		—	—	—	98.9		
Care leave (persons)	System that enables employees to obtain leave for family care with the necessary care conditions	5	6	3	5	5	
Paid vacation acquisition rate	Promotion of once per month rate	86.6%	88.2%	85.7%	86.9%	88.7%	
No overtime day	Two days set in the week for increasing work efficiency and fulfillment of private life	Implemented continually					



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



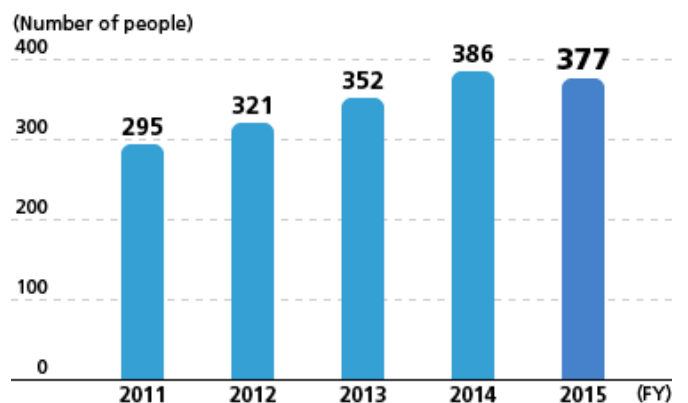
The height of automatic door switches and work stations is set at a level that is convenient for those using wheelchairs.

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

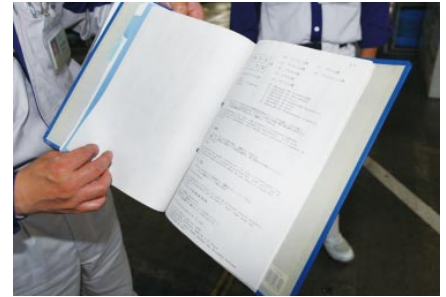


Global Human Resource Development Initiatives

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.



Manual written in Portuguese

TOPICS

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 understand 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.



Wheelchair ramp installed in the entrance of the main building of the Gunma Main Plant



People in wheelchairs can also pass through the 1st floor entry and exit gates at the Ebisu head office building

Employee Data (FHI non-consolidated)

		FY2011	FY2012	FY2013	FY2014	FY2015
Number of employees	Male	11,942	11,740	12,451	12,784	13,511
	Female	875	834	861	871	901
	Total	12,817	12,574	13,312	13,655	14,412
Male to female ratio (%)	Male	93	93	94	94	94
	Female	7	7	6	6	6
Average age		38.8	38.6	38.9	38.8	38.4
Average length of continuous employment (years)		17.7	18.0	17.3	16.6	16.0
Number of managers (persons)	Male	1,047	1,043	1,044	1,029	1,028
	Female	3	5	5	4	4
Number of new graduate recruits (persons)	Male	207	262	418	418	426
	Female	12	14	40	30	41
Number of mid-career recruits (persons)	Male	106	210	487	303	620
	Female	2	0	5	8	10
Total number of separated employees (persons/%)		-	-	-	-	159/1.1



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.



Yajima Plant, Gunma Manufacturing Division

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.

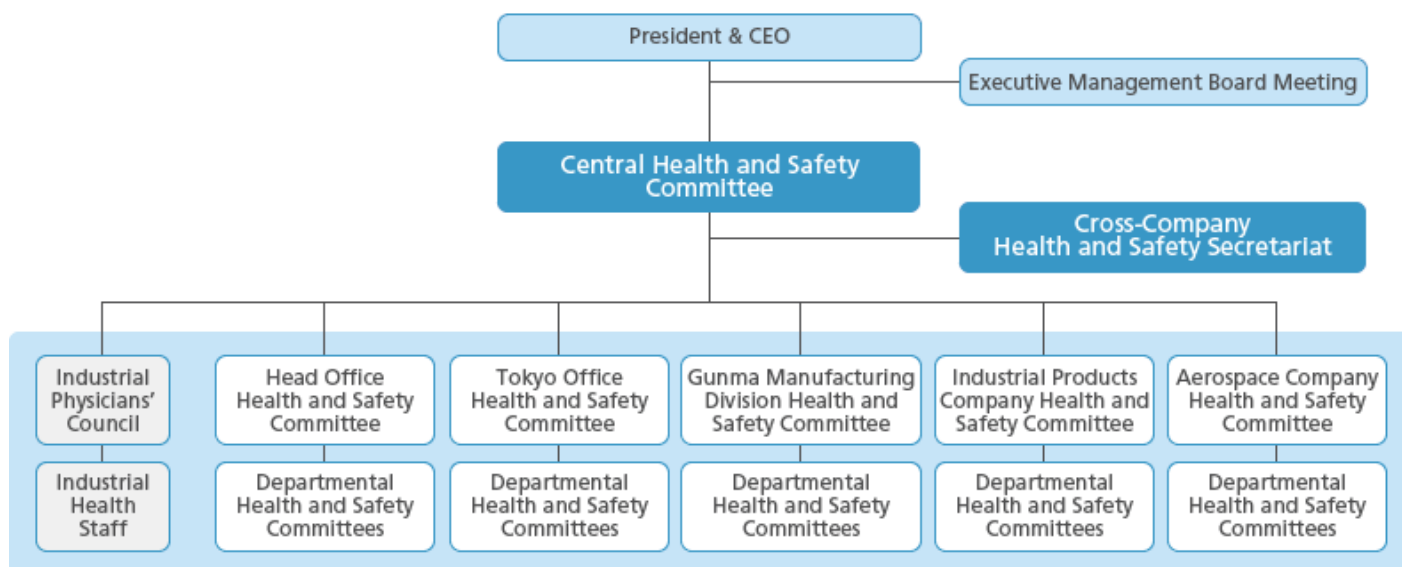
Health and Safety Management System

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

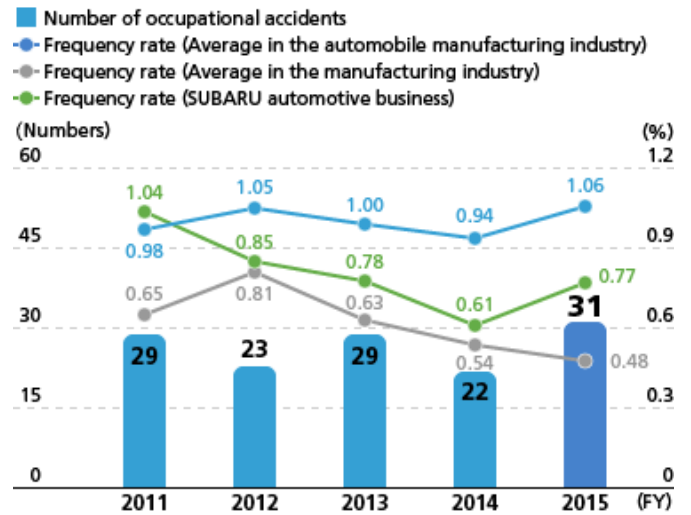


FY2015 Safety and Health Kick Off Meeting held at Saitama Manufacturing Division

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."

Occurrence of Industrial Accidents and Accident Frequency Rate



* The number of accidents is calculated based on fiscal year while the frequency of accidents is calculated based on calendar year.

TOPICS

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.”



Tomoyuki Morooka
Industrial physician, Head
Office

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.



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 Rouren), 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.



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.

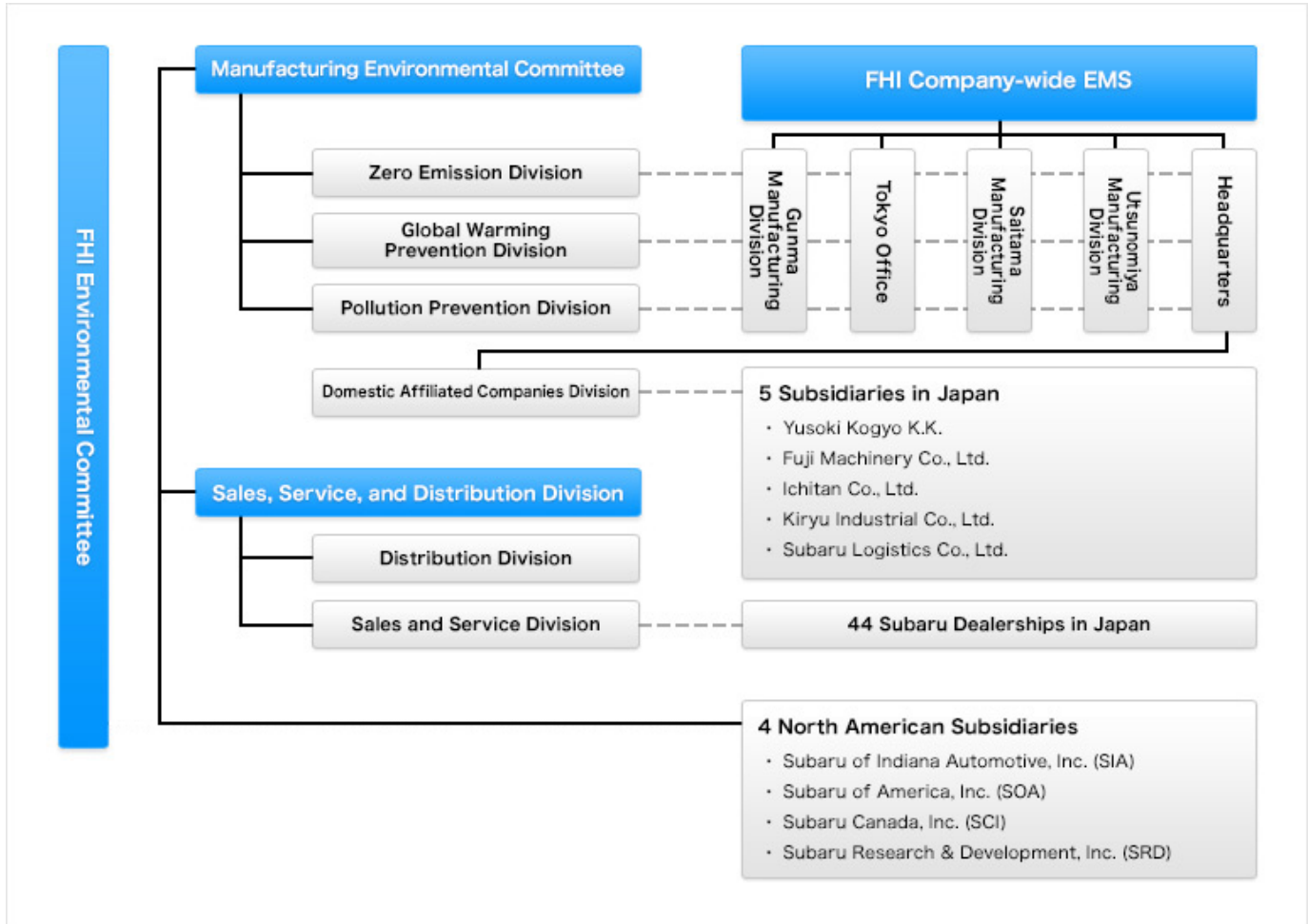
- Green Products...Design and R&D of environment-friendly SUBARU brand products written CSR Policy
- Clean Plants...Reduction of environmental burden in the production process
- Clean Offices...Reduction of environmental burden through our business operations
- Green Logistics...Reduction of environmental 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

Organization

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)



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.

The 5th Voluntary Plan for the Environment



FHI's Voluntary Plan for the Environment (FY2013 to FY2017)

 [PDF 301KB] [1] Global Warming Countermeasures

 [PDF 281KB] [2] Resource Recycling

 [PDF 318KB] [3] Pollution Prevention and Reduction of Hazardous Chemical Substance Usage

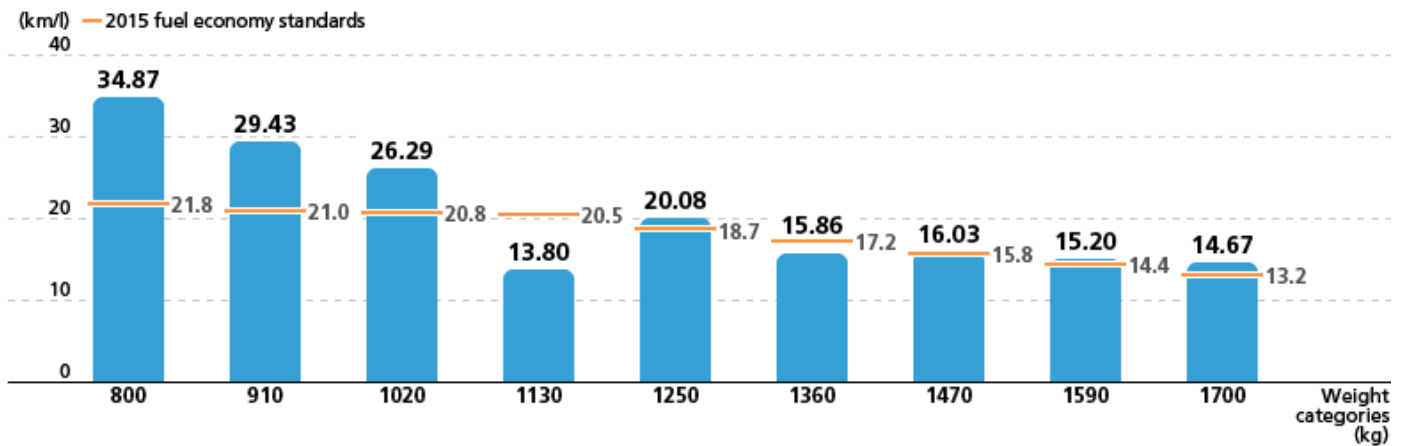
 [PDF 535KB] [4] Environmental Management

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

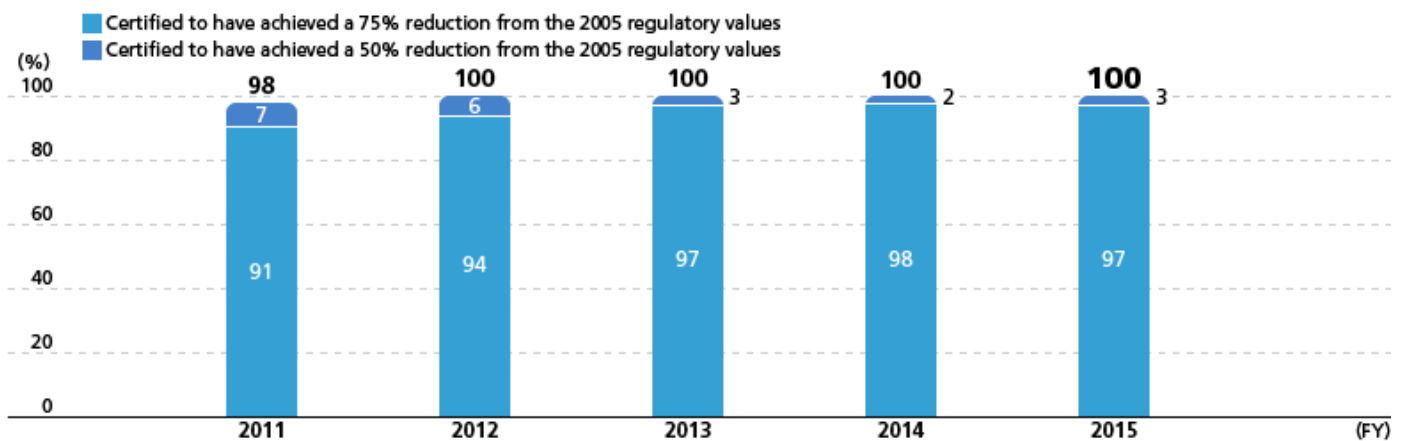
Status of Achievements for the 2015 Fuel Economy Standards



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)

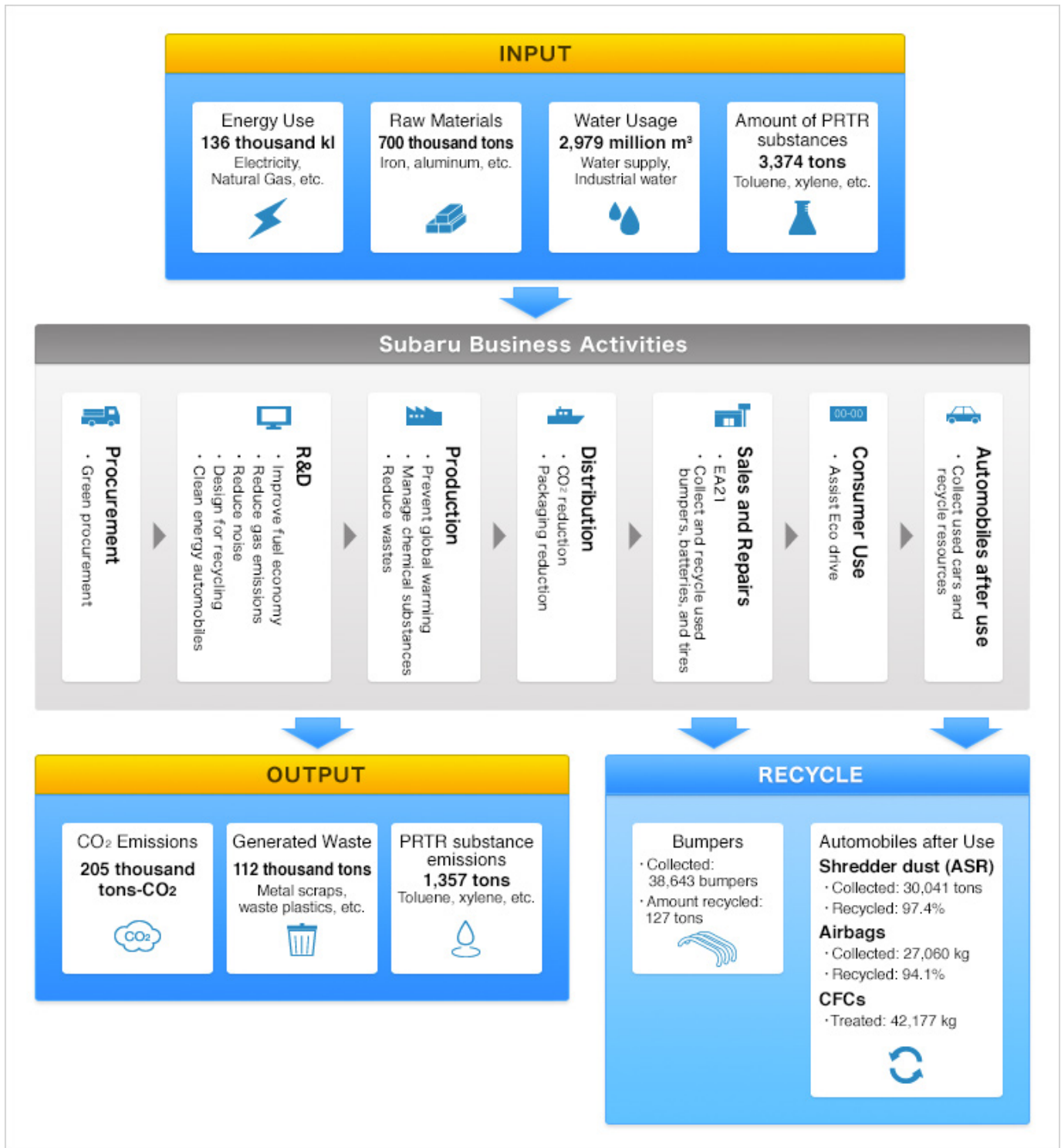
Percentage of Low-Emission Gasoline-Powered Passenger Cars



Automobile 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 Automobile Business



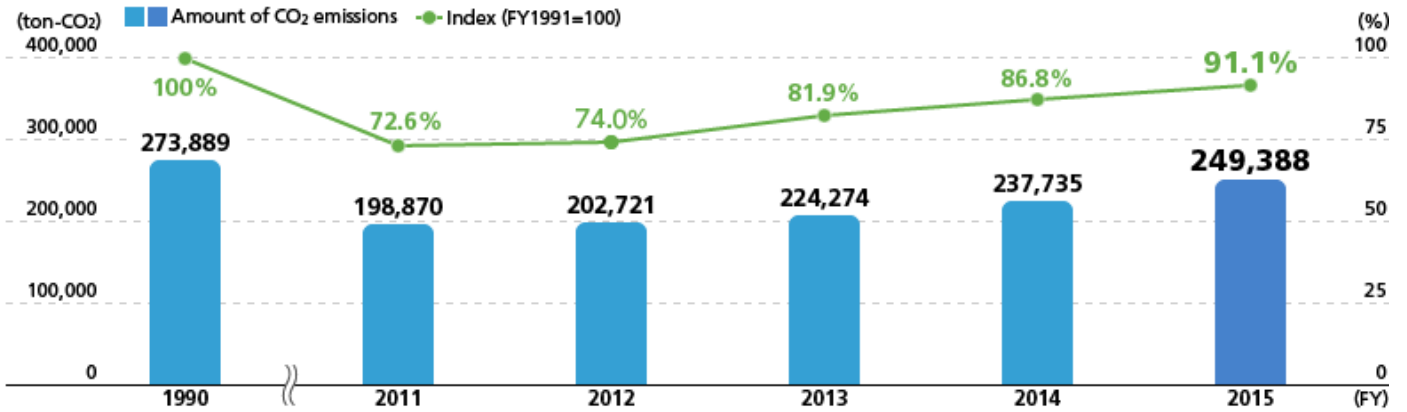
This shows the principal environmental burdens relating to FHI's automobile manufacturing, sales and other activities. LCA and Scope 3 are calculated separately.

FY2015 Environmental Performance

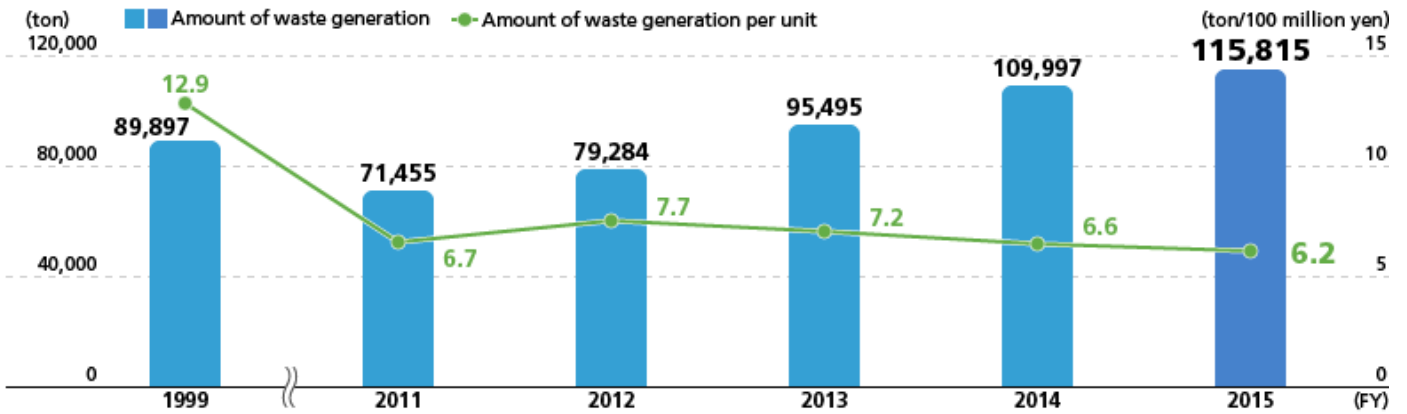
● CO₂ emissions and waste generation increased from the previous fiscal year due to higher production volumes.

* Sites covered: Gunma Manufacturing Division, Tokyo Office, Saitama Manufacturing Division and Utsunomiya Manufacturing Division

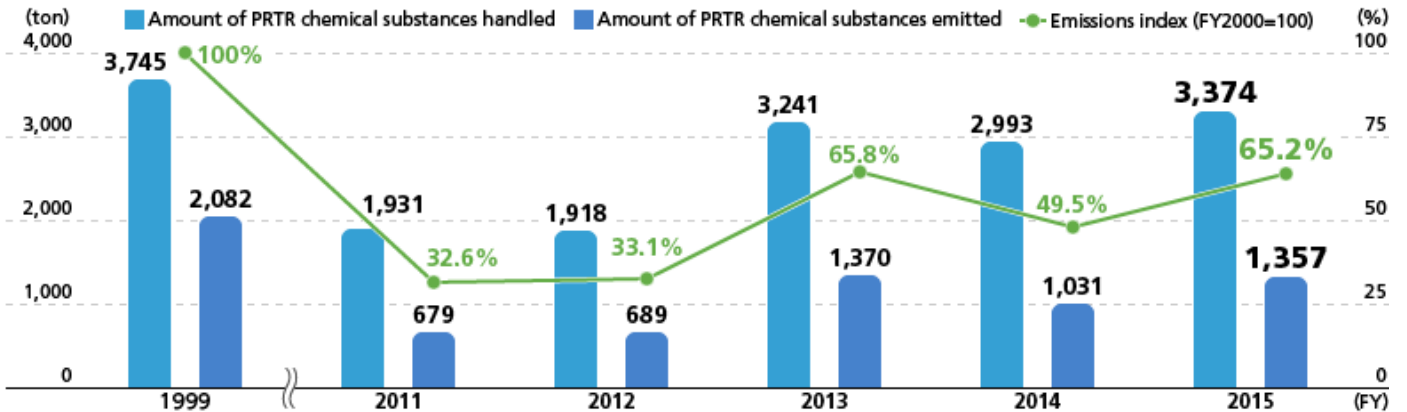
CO₂ Emissions



Waste Generation (includes scrap metal sold)



PRTR Chemical Substances



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.



Installing signs and collecting ecological specimens



The award ceremony



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.



Compliance Manual

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/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.

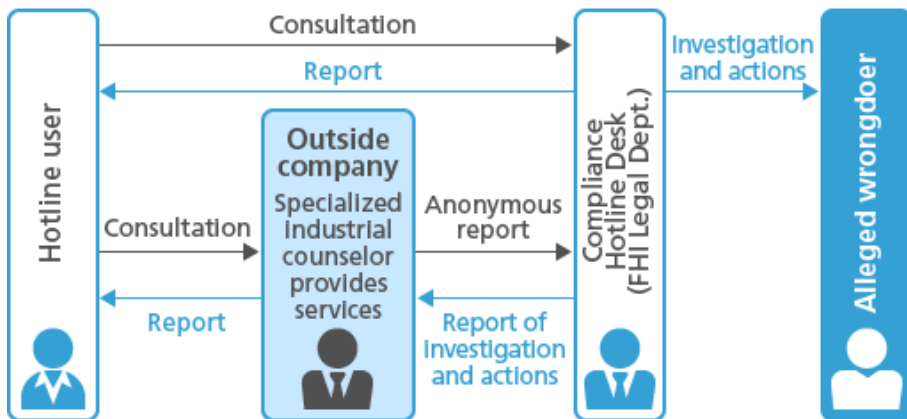
Compliance Hotline

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)



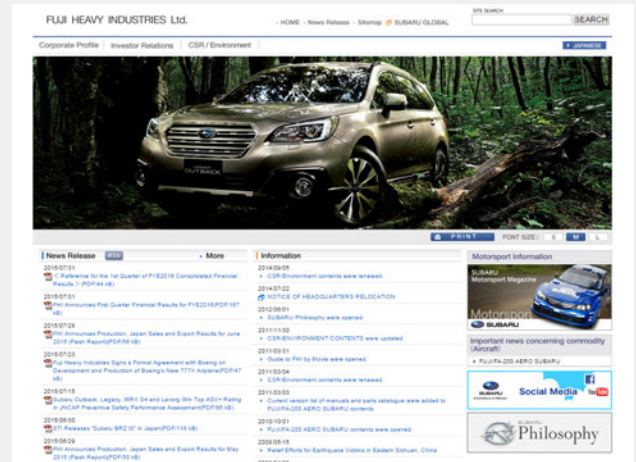
Compliance training (Tokyo Office)

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>



Webpage "Investor Relations"

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."



Plant tour for shareholders in FY2015



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.

Social Contribution Policy

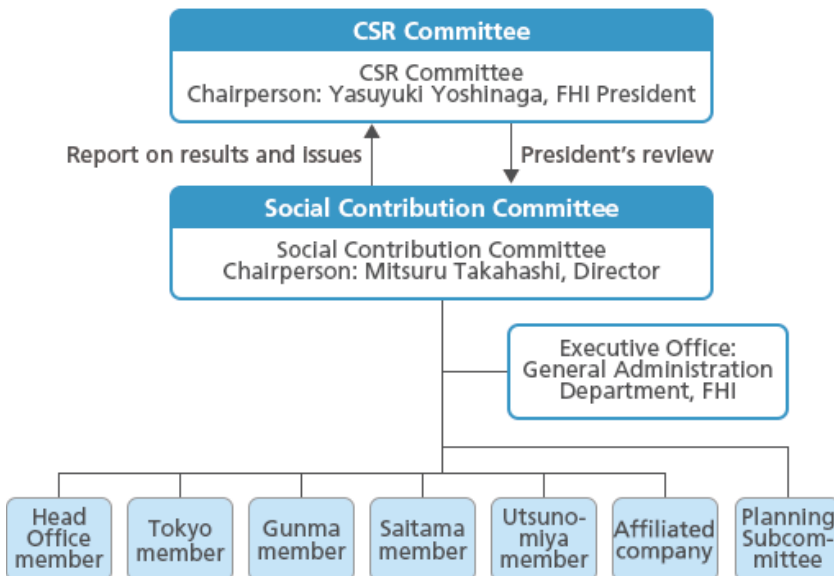
- We contribute to the development of science and technology and automobile culture and to the promotion of road safety.
- We contribute to the fostering of human resources who understand the pleasure, importance and preciousness of creative manufacturing.
- We contribute to the development of the communities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

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 Committee Organization Chart



Social Contribution Committee



Efforts in Japan

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.



Left: Activity to stick reflective materials that help prevent nighttime traffic accidents to utility poles
Right: Traffic safety support near schools

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.



“SUBARU Kids” site for children (Available only in Japanese)

<http://www.fhi.co.jp/kids/>

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.



SUBARU Visitor Center

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/>

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.



Scene at the charity auction



Suits on show at the auction

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, FHI'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.



A class on the environment at an elementary school in Utsunomiya

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.



Toshihiro Arai (left) and FHI employee (right) giving presentations



The children were also excited about the powerful rally car driving

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.



Scene at the commemoration ceremony

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.



Charity concert

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.chiiki-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.



Left: Utsunomiya Manufacturing Division "Clean Campaign"
Right: Saitama Manufacturing Division "Fresh-clean Kitamoto, Leave It to Us" program

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.



Scene at a baseball workshop

Supporting Activities to Maintain the Environment

TOPICS

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, Minamitsurugun, 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.



The presented SUBARU XV Hybrid



Scene at the presentation ceremony

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

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)

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)

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.

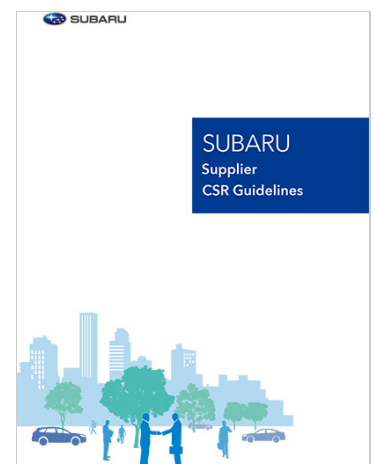
 [SUBARU Supplier CSR Guidelines \[PDF: 2.23MB\]](#)

 [SUBARU Green Procurement Guidelines* \[PDF: 2.26MB\]](#)

 [Green Procurement Guidelines Industrial Products Company* \[PDF: 2.22MB\]](#)

 [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."



SUBARU Supplier CSR Guidelines

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

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.

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



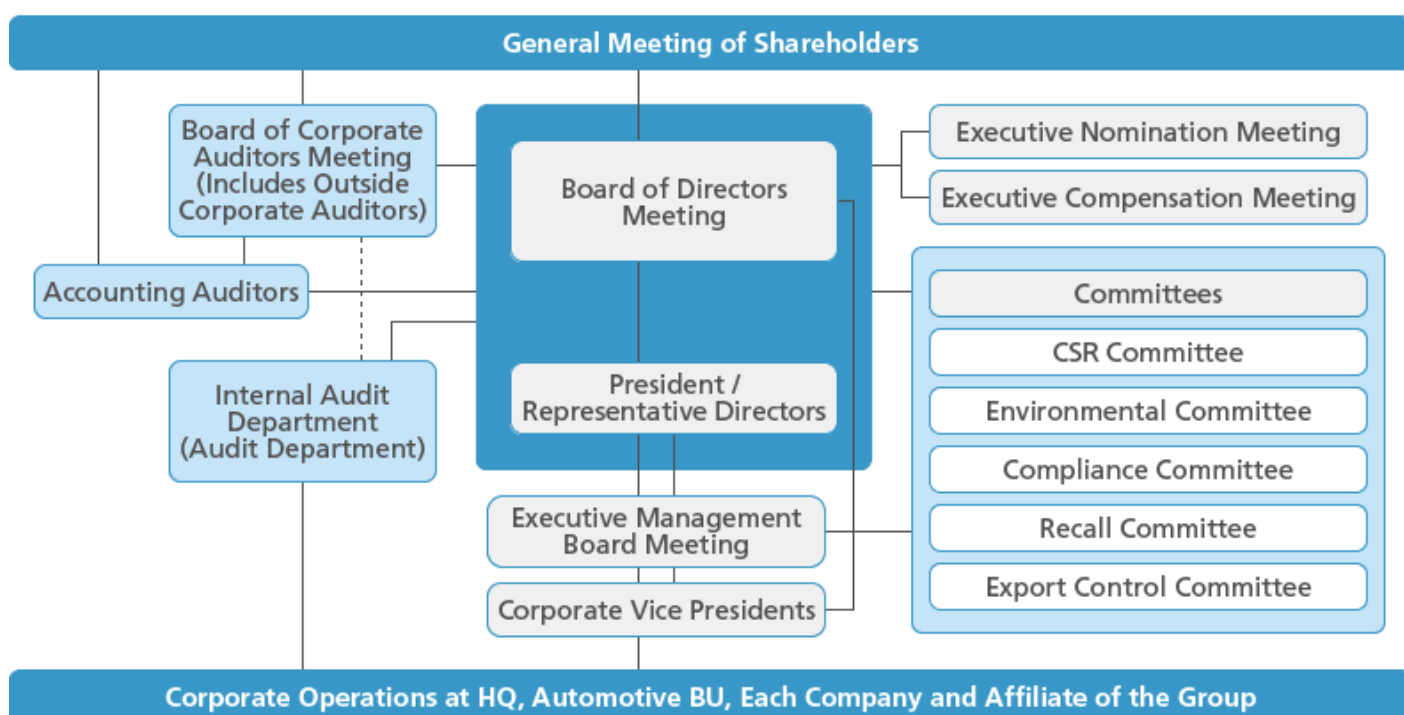
Plant tour for Aerospace Company suppliers conducted through a "Cooperation Meeting"

Corporate Governance 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.



FHI emergency response procedure manual and crisis management (disaster prevention) guidelines

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.



2015 Environmental Report





Environmental Vision

Message from the Chairman of the Environmental Committee

Aiming at Achieving a “Sustainable Society”

◎ The relationship between the global environment and business activities

Recognizing that our business activities in the manufacturing and sales of automobiles, aircraft, aerospace equipment, and engines have a close connection to the global environment through global warming and resource recycling, we are striving to solve environmental problems through our business activities.

◎ Looking back on 2014

The Environmental Committee started working with the mindset that environmental initiatives are important for “Refining the Subaru Brand” and “Building a Strong Business Structure,” the pillars of our new medium-term management vision “Prominence 2020” announced in May 2014.

The specific activities are, as described in our Voluntary Plan for the Environment, global warming countermeasures, resource recycling, pollution prevention and hazardous chemical substance handling, and environmental management plan execution, as well as reaching the targets for these efforts. In FY2014, we were able to reach our targets for all 38 categories.

◎ Aiming at achieving a “Sustainable Society”

Our goal is to continue to execute the Voluntary Plan for the Environment and to work toward achieving a sustainable society while responding to changes in the environment both inside and outside of our corporation.



Mitsuru Takahashi

Director and Corporate
Executive Vice President

Chairman of the Environmental
Committee

Environmental Policy

Environmental Policy [Established in April 1998, revised in March 2010]

Recognizing the close connection between the global environment and our business activities, we strive to work towards the sustainable development of society by bringing "Green Products" from "Green Factories and Offices" through "Green Distribution and Retail" to the customers.

In addition to observing laws and regulations, global conventions, and industrial standards, we intend to work towards social and global contributions, independent and sustainable improvements, and pollution prevention.

- Green Products: Research and development (R&D) and product design of environmentally friendly Subaru brand products
- Green Factory: Reduction of environmental impact in the manufacturing phase
- Green Office: Reduction of environmental impact, primarily focusing on office work
- Green Distribution: Reduction of environmental impact in the distribution phase
- Green Retail: Support for environmental conservation activities of dealerships
- Enhanced Management: Enhancement of Subaru group environmental activities such as social contributions and information disclosure

Summary of the 5th Voluntary Plan for the Environment (FY2013-FY2017)

As the 5th Voluntary Plan for the Environment, we created a voluntary environmental conservation plan for the period from FY2013 to FY2017. This plan is based on our Environmental Policy, and we have set even higher environmental conservation targets and are incorporating precise environmental measures so as to contribute to society with our products by delivering green products from green factories and offices through green distribution and retail to the customer.

This idea is held in common among all group companies, not just our company, as a guideline, and the entire group is proactively involved in improving environmental problems on a continuous basis. Our environmental initiatives introduced here are categorized into four groups: global warming measures, resource recycling, pollution prevention and reduction of hazardous chemical use, and environmental management.

The 5th Voluntary Plan for the Environment (FY2012-2016)

Global Warming Measures

Launched hybrid cars in the market in 2013

Launch horizontally-opposed direct injection turbo engines

Make horizontally-opposed diesel engines Euro 6 compatible

Achieve fuel economy and GHG standards globally

Promote activities to reduce CO2 emissions from production facilities in Japan and overseas

Improved fuel economy by 30% over older models

Promoted eco drive assist

Resource Recycling

Continue collection of used bumpers

Promote new car design to focus on recyclability and contribute to a 95% recycle rate targeted in 2015

Continue zero emissions at production facilities in Japan and overseas

Pollution Prevention and Reduction of Hazardous Chemical Usage

Expand vehicles achieving a 75% reduction from the 2005 regulatory values

Reduce VOC and PRTR substances

Promote development of noise reduction technology that is also capable of improving fuel economy and reducing emissions

Observe laws and regulations for each country and region such as EU directives

Continue initiatives to keep environmental accidents or claims from exceeding regulatory standards

Environmental Management

Deploy EyeSight (ver.3) that makes major advancement in driving safety features

Disseminate supplier CSR guidelines to vendors (Aerospace and Industrial Products Companies)

Promote ISO 14001 integrated certification including affiliates

Promote release of a wide range of environmental information

Support domestic dealerships in maintaining Eco Action 21 certification

Promote disclosing Life Cycle Assessment (LCA) data

Set up a biodiversity working group

Fuji Heavy Industries Voluntary Plan for the Environment (FY2013-FY2017)

 [1. Global Warming Measures \[PDF\]](#)

 [2. Resource Recycling \[PDF\]](#)

 [3. Pollution Prevention and Reduction of Hazardous Chemical Use \[PDF\]](#)

 [4. Environmental Management \[PDF\]](#)

■The 5th Voluntary Plan for the Environment (FY2013 to FY2017)

【1】Global Warming Measures

Field	Item	Target/Initiative (Up to FY2016)	FY2015			FY2016
			Target	Results	Evaluation	Target
A. Green Products	Fuel economy improvement	<ul style="list-style-type: none"> ◆ Continue to improve fuel economy through full model changes and annual improvements. ◇ Improve fuel economy by 30% over older models through innovations to environmental engines/CVTs. ◇ Introduce horizontally opposed direct-injection turbo engines to the market. 	Promote the development to improve fuel economy for full model changes.	Using the fuel improvement technology introduced in the new-type LEGACY, made minor changes to the IMPREZA and completed development for annual improvements to the FORESTER.	○	Complete development of the next-term IMPREZA that incorporates the environmental engine and CVT.
		<ul style="list-style-type: none"> ◆ Promote fuel economy improvements to conform to fuel economy/GHG emissions standards in each country/region. ◇ Japan: Meet the 2015 Fuel Economy Standards. ◇ Overseas: Meet the fuel economy/GHG emissions standards in each region. 	Conduct fuel economy monitoring in China in addition to continuing monitoring in Japan and Europe.	Japan: Met the FY2015 Fuel Economy Standards in seven of the nine categories, and made it possible to compensate with credit for the remaining two categories. Europe: Exceeded regulatory values by 3g-CO2/km China: Met the 2014 Fuel Economy Standards, and is at a level to meet regulatory values ahead of schedule without a phase-in in 2015.	○	Continue to conduct monitoring in each country/region.
	Clean energy use	<ul style="list-style-type: none"> ◆ Introduce hybrid cars into the market. ◇ Introduced hybrid cars into the Japanese market in 2013. 	Promote further performance improvements to the hybrid system.	Implemented verification testing of the actual next-generation hybrid automobile.	○	Continue development toward introducing the next-generation hybrid automobile into the market.
		<ul style="list-style-type: none"> ◆ Conduct research aimed at the launch of electric vehicles in the market. ◇ Promote electric vehicle research. 	Continue to promote research for introducing electric vehicles and PHEVs into the market.	Using a vehicle for checking functions, performed verification of performance and product appeal, and started detailed design considerations.	○	Continue to promote research for introducing electric vehicles and PHEVs to the market.
B. Green Factories, Distribution, and Offices	Production facilities	<ul style="list-style-type: none"> ◆ Reduce CO₂ emissions per unit of production at domestic production facilities. ◇ Reduce CO₂ emissions per unit of production by 10% from FY2006 level by FY2016 at domestic production facilities. 	Reduce CO ₂ emissions per unit of production at domestic production facilities by 7% from FY2006 level.	Reduced CO ₂ emissions per unit of production by 43% from FY2006 levels at domestic production facilities.	○	Reduce CO ₂ emissions per unit of production at domestic production facilities by 8% from FY2006 level.
		<ul style="list-style-type: none"> ◆ Promote activities to reduce CO₂ emissions at overseas production facilities*1. ◇ For overseas production facilities, set medium term CO₂ emissions targets and conduct activities to attain them. 	Set targets up to FY2014.	Set target values for CO ₂ emissions and base units, and reduced per base unit emission by 6% from the prior year through ISO5001 energy management.	○	Reduce CO ₂ emissions by 1% from FY2014.
	Distribution	<ul style="list-style-type: none"> ◆ Promote CO₂ emissions reduction activities synchronized with the Energy Saving Law. ◇ Use FY2006 per unit of CO₂ emission as BM, and reduce emission by 1% every year. 	Aim for a 7% reduction of per unit of CO ₂ emissions using FY2006 as BM.	Reached the FY2014 target of a base unit of 31.57 kg/unit by achieving 27.0 kg/unit for the FY2014 results.	○	Aim for a 9% reduction of per unit of CO ₂ emissions using FY2006 as BM. (FY2015 target for completed cars: base unit of 31.25 kg/unit)
	Offices	<ul style="list-style-type: none"> ◆ Ensure compliance with the Energy Saving Law. ◇ Use FY2009 per unit of energy use as BM, and reduce energy use by 1% every year (across the company including offices). 	Aim for a 4% reduction from BM (FY2009 results). Target per base unit = 13.32 kL/100 million yen.	Achieved a 10.6% reduction per base unit from the previous year.	○	Achieve average annual reduction of 1% per base unit.
Control of global warming from air conditioning refrigerants	<ul style="list-style-type: none"> ◆ Promote the development of air conditioners that use low global warming potential refrigerants. ◇ Further promote the development of low global warming potential air conditioners. 	Promote development of low global warming potential air conditioners.	Continued development of low global warming potential air conditioners.	○	Promote development of low global warming potential air conditioners.	

*1 SIA: Subaru of Indiana Automotive, Inc.

■The 5th Voluntary Plan for the Environment (FY2013 to FY2017)

【2】Resource Recycling

Field	Item	Target/Initiative (Up to FY2016)	FY2015			FY2016
			Target	Results	Evaluation	Target
A. Green Products	Recyclability improvement	<ul style="list-style-type: none"> ◆ Continue to implement measures to comply with the Automobile Recycling Law. ◇ Promote new model designs that consider recycling, and contribute to an actual recycling rate of 95% by 2015. 	Maintain an actual recycling rate of 95% or greater.	(FY2014 results) Achieved a recycling rate of 95% or greater. Promoting designs that consider recycling.	○	Continue to promote designs that consider recycling.
B. Green Factories and Offices (Dealerships)	Production facilities	<ul style="list-style-type: none"> ◆ Continue the appropriate disposal of waste and reducing waste generation. ◇ Continue the appropriate management of waste and reducing waste generation by improving yield and packaging. 	Reduce the volume of waste generation to 17.045 tons*2 or less. Continue to charge, to identify generated volumes after production changes and to carry out maintenance operation.	Reached the target of 16,517.6 tons of waste generation. Reviewed the definition of generated waste volume.*2	○	Suppress waste generation to 18,121 tons or less. Continue the maintenance and clarification of generated volumes through fees and production changes the suppression of waste generation.
		<ul style="list-style-type: none"> ◆ Continue zero emission (zero landfill waste either directly or indirectly) at both domestic and overseas production facilities. ◇ Continue zero emission at both domestic and overseas production facilities. 	Japan: Continue to maintain zero landfill waste. Overseas: Continue to maintain zero landfill waste.	Japan: Continued maintaining zero landfill waste. Overseas: SIA continued maintaining zero landfill waste.	○	Japan: Continue to maintain zero landfill waste. Overseas: SIA to continue maintaining zero landfill waste.
		<ul style="list-style-type: none"> ◆ Reduce water use at both domestic and overseas production facilities. ◇ Reduce water use at production facilities across Group companies in and outside Japan. 	Reduced water use per unit of production at domestic production facilities by 2% from FY2011 level.	Reduced water use per unit of production at domestic production facilities by 32% from FY2011 level.	○	Reduce water use per unit of production at domestic production facilities by 3% from FY2011 level.
	Offices (Domestic dealerships)	<ul style="list-style-type: none"> ◆ Continue the collection of used bumpers. ◇ Continue the collection of used bumpers. 	Continue to operate and improve the new scheme, and promote resource recycling of exchanged bumpers after repairs at dealerships.	38,843 repair-replacement bumpers were collected and recycled for use, such as an undercover for the FORESTER.	○	Continue the collection scheme and promote recycling of repair-exchanged bumpers.

*2 Definition of FY2014 generated waste volumes was changed to remove the in-house recycled volumes from the generated volumes. (Original target value: 18,122 tons → Revised target value: 15,217 tons)

■The 5th Voluntary Plan for the Environment (FY2013 to FY2017)

3 Pollution Prevention and Reduction of Hazardous Chemical Use

Field	Item	Target/Initiative (Up to FY2016)	FY2015			FY2016 Target	
			Target	Results	Evaluation		
A. Green Products	Reduction in emissions	<ul style="list-style-type: none"> Promote the introduction of low-emission vehicles to improve air quality. 	<ul style="list-style-type: none"> Japan: Increase the number of models (produced by FHI) achieving a 75% reduction from the 2005 regulatory values Overseas: Promote the introduction of low-emission vehicles to improve air quality in each country and region. 	<ul style="list-style-type: none"> Japan: Continue to increase the number of models achieving a 75% reduction from the 2005 regulatory values. Overseas: Promote the introduction of low-emission vehicles in each country and region. 	<ul style="list-style-type: none"> Japan: Six models that were approved and introduced to market were either U-LEV (1) or SU-LEV (5). Overseas: Completed development of exhaust performance in compliance with each country' regulations while improving fuel efficiency, as planned. 	○	In order to reduce emissions on a global scale, promote development in compliance with the latest emission exhaust regulations and low-emission systems of each country and region.
	Reduction in noise	<ul style="list-style-type: none"> Promote the development of technologies for noise reduction that can also improve fuel economy and reduce emissions. 	<ul style="list-style-type: none"> Promote the development of noise reduction technologies that consider driving conditions on urban roads. 	<ul style="list-style-type: none"> Promote the development of technologies that reduce environmental noise and provide driving enjoyment. 	<ul style="list-style-type: none"> Expanded CVT vehicle driving method improvements globally aiming at establishing both environmental consideration and driving enjoyment. 	○	By increasing torque in the lower RPM range for NA cars, suppress unnecessary EG rotation increase in the city in order to reduce environmental noise.
	Reduction in the use of environmentally hazardous substances	<ul style="list-style-type: none"> Promote the management and reduction in the use of environmentally hazardous substances. Overseas: Comply with related laws and regulations, including the EU directives. 	<ul style="list-style-type: none"> Improve management of chemical substances contained in products. Promote the development of technologies to switch to substances with lower environmental impact. 	<ul style="list-style-type: none"> Promote improved management of chemical substances using the International Material Data System (IMDS). Promote switching to substances with lower environmental impact. 	<ul style="list-style-type: none"> Improved IMDS management in NA America starting with the new LEGACY model. *Finished replacing the deca-BDE brominated flame retardants. Also promoted switching using lead and mercury to substances with a lower environmental impact. 	○	*Promote improved management of chemical substances using IMDS. *Promote switching to substances with lower environmental impact.
B. Green Factories	Management and emission reduction of environmentally hazardous substances at production facilities	<ul style="list-style-type: none"> Continue to reduce emissions of PRTR substances into the environment. 	<ul style="list-style-type: none"> Identify and manage the chemical substances regulated by the PRTR law and promote further reduction in the use of these substances. 	<ul style="list-style-type: none"> Improve accuracy in identifying and managing specified chemical substances, and enhance initiatives for emission reduction. 	<ul style="list-style-type: none"> Proposed a new accounting system to the Information and Planning Division's medium-term management plan in order to improve management and accounting precision of handled substances. Currently working to start operations in April 2017. 	○	In addition to continuing to perform accounting management for PRTR substances, support proposals, etc. for the approval of the new accounting system plan to improve management precision.
		<ul style="list-style-type: none"> Further reduce per unit of VOC emissions (g/m²) at production lines. 	<ul style="list-style-type: none"> Reduce per unit of VOC emissions to below 49.3 g/m² (a 46.1% reduction from the FY2000 level). 	<ul style="list-style-type: none"> Reduce per unit of VOC emissions to below 49.3 g/m². 	<ul style="list-style-type: none"> Updating the thinner recovery devices brought about a result of 47.7 g/m², meeting the goal of 48.8 g/m². 	○	Continue improving thinner recovery devices, and set target to 48.3 g/m ² or less.
		<ul style="list-style-type: none"> Promote activities targeting the elimination of occurrences of hazardous substances leaking off site, complaints, and exceeding legal standards. 	<ul style="list-style-type: none"> Promote activities targeting the elimination of occurrences of hazardous substances leaking off site, complaints, and exceeding legal standards through environmental risk reduction activities. Set stricter voluntary standards and conduct small-risk elimination activities. 	<ul style="list-style-type: none"> Eliminate the occurrences of hazardous substances leaking off site, complaints, and exceeding legal standards. *Complete corrective action of two on-site accidents that occurred the previous fiscal year, deploy measures horizontally, and complete prevention of off-site leaking incidents. 	<ul style="list-style-type: none"> Eliminated all occurrences of hazardous substances leaking off site, complaints, and exceeding legal standards. Completed a minor on-site spill and another incident of exceeding our voluntary standards, which are stricter than legal standards, had occurred. Corrective action has been taken for both incidents. Various exhaust countermeasures at the paint shop have been taken as measures to reduce odor. 	○	To prevent environmental accidents and complaints, improve communication with regional and local residents, and work towards raising their awareness aimed at thorough understanding of laws and regulations.

*As for VOC emission targets after FY2014, the annual targets were revised due to changes in production volume. (FY2014: revised to 47.2 g/m² from 48.8 g/m²; FY2016: revised to 47.4 g/m² from 47.8 g/m²).

■The 5th Voluntary Plan for the Environment (FY2013 to FY2017)

4 Environmental Management

Field	Item	Target/Initiative (Up to FY2016)	FY2015			FY2016 Target	
			Target	Results	Evaluation		
A. Green Products	Research on traffic environments	<ul style="list-style-type: none"> Work further on Intelligent Transport System (ITS) and the development of traffic accident prevention technologies in order to realize a safer and more comfortable motorized society. 	<ul style="list-style-type: none"> Promote efforts to develop an Advanced Safety Vehicle (ASV). Promote efforts to develop a safe driving support system that is in coordination with infrastructure. 	<ul style="list-style-type: none"> Conduct activities based on the 5th Advanced Safety Vehicle (ASV) promotion plan. Promote development and industry-wide feasibility study of the Cooperative Adaptive Cruise Control (CACC) system. Present demonstrations of accident prevention support by inter-vehicle communications and a CACC test bed at the Tokyo ITS World Congress 2015. 	<ul style="list-style-type: none"> Continued activities based on the 5th ASV promotion plan, and promoted development for practical application of advanced safety systems that inter-vehicle communications and CACC (Cooperative Adaptive Cruise Control) into practical use. Participated in SIP automated travel system initiatives. Promoted the public-private partnership efforts as well as technological development for practical use of automated driving. 	○	Continue to promote activities based on the 5th ASV promotion plan. Promote development to put accident prevention support by inter-vehicle communications and CACC (Cooperative Adaptive Cruise Control) into practical use. Continue to promote development to expand advanced safety systems and advance systems focusing on automated driving.
		<ul style="list-style-type: none"> Expand deployment of an advanced safe driving system and promote the development of technologies for further enhancement. 	<ul style="list-style-type: none"> Further promote technological development to expand deployment of "EyeSight (ver. 2)", advanced safe driving assist system. 	<ul style="list-style-type: none"> Continue the global deployment plan for "EyeSight (ver. 2)" and promote compatibility with prevention safety assessment of each country. 	<ul style="list-style-type: none"> In line with the deployment plans for EyeSight version 3, promoted development that meets a Preventive Safety Performance Assessment for Japan, the US, and Europe, each country obtaining the highest evaluation in the assessment. Clarified the need for E-NCAP after FY2016 and started development accordingly. 	○	Continue to identify assessment trends of each country. Promote rolling out of deployment plans and technological development to remain top class.
	Promotion of lifecycle assessment	<ul style="list-style-type: none"> Promote disclosure of lifecycle assessment (LCA) data. 	<ul style="list-style-type: none"> Promote disclosure of LCA data starting with cars that have undergone full model changes. 	<ul style="list-style-type: none"> Continue to calculate and disclose LCA data for cars that have undergone full model changes. 	<ul style="list-style-type: none"> Computed LCA for the LCV08G in July and the new-type LEGACY OUTBACK in January 2015, and announced the data. 	○	Continue to calculate and disclose the LCA data for models that have undergone full model changes.
Green procurement activities	<ul style="list-style-type: none"> Request both domestic and overseas suppliers to maintain the structure to establish environmental management systems (EMS). Reduce environmentally hazardous substances. 	<ul style="list-style-type: none"> Maintain the structure to establish EMS including new suppliers. Review the green procurement guidelines and revise as necessary. 	<ul style="list-style-type: none"> Maintain the structure to establish EMS. 	<ul style="list-style-type: none"> Performed an investigation based on chemical substance use standards (Automobile) 364 companies established (100%) (Aerospace C/P) 79 companies established (100%) (Industrial Products C/P) 138 companies established (100%) 	<ul style="list-style-type: none"> Continued to maintain the structure to establish EMS. 	○	Continue to maintain the structure to establish EMS.
		<ul style="list-style-type: none"> Encourage suppliers to further improve management of and reduce the use of environmentally hazardous substances contained in parts and materials. 	<ul style="list-style-type: none"> Encourage suppliers to further improve management of and reduce the use of environmentally hazardous substances contained in parts and materials. 	<ul style="list-style-type: none"> Promote environmentally hazardous substance reduction. (Automobile) 1. Investigate contents of outsourced parts. 2. Investigate contents and replacement of environmentally hazardous substances. 3. Confirm compliance to laws and regulations related to reduction of environmentally hazardous substances. (Aerospace C/P) Continue non-use of regulated parts/substances. (Industrial Products C/P) Continue to investigate the environmentally hazardous substance content and formulate a plan to replace them. 	<ul style="list-style-type: none"> Promoted environmentally hazardous substance reduction. (Automobile) 1. Investigated using IMDS. 2. Implemented investigations for EU-ELV directives. 3. Collected and checked compliance confirmation documentation. (Aerospace C/P) Performed an investigation based on chemical substance use standards. (Industrial Products) 1. Investigated content of environmentally hazardous substances. 2. Started reporting environmentally hazardous substances with alternatives. 	○	Continue to investigate content of environmentally hazardous substances. Reduce environmentally hazardous substances by using alternatives.
	<ul style="list-style-type: none"> Set supplier CSR guidelines and deploy them to suppliers. (Aerospace and Industrial Products Companies) Automobile Division has already finished setting and deployment. 	<ul style="list-style-type: none"> Set guidelines and promote deployment and awareness raising of the guidelines to the suppliers. 	<ul style="list-style-type: none"> Promote CSR procurement activities based on guidelines. Study making the guidelines' company-wide version. (Aerospace C/P) Disseminate guidelines. (Industrial Products C/P) Disseminate guidelines. 	<ul style="list-style-type: none"> Promoted CSR procurement activities based on the guidelines. *Thoroughly explained the guidelines at the Purchasing Policy Briefing. *Reviewed activities as members of the Biodiversity WG. 	○	Promote CSR procurement activities based on the guidelines. Review and disseminate the guidelines that include a response to conflict minerals. Continue to study biodiversity conservation.	
C. Expanding Environmental Management	Promotion of environmental conservation activities among dealerships (Green Retail)	<ul style="list-style-type: none"> Support dealerships' environmental activities. 	<ul style="list-style-type: none"> Support all dealerships maintain "Eco Action 21" certification. 	<ul style="list-style-type: none"> Confirm continuation of "Eco Action 21" certification. 	<ul style="list-style-type: none"> Continued EA21 certification of all dealerships. 	○	Sequentially verify progress status of mid-term evaluation and EA21 recertification audit at all dealerships. Support them to maintain the certification.
		<ul style="list-style-type: none"> Support voluntary implementation of environmental measures, such as energy conservation and waste reduction measures, under "Eco Action 21". 	<ul style="list-style-type: none"> Support voluntary implementation of environmental measures, such as energy conservation and waste reduction measures, under "Eco Action 21". 	<ul style="list-style-type: none"> Continue to propose recovery of different wastes and work toward energy conservation, particularly electricity and gas, using Eco Action 21 tools in order to reduce costs and improve the environmental awareness of dealerships. 	<ul style="list-style-type: none"> Clarified energy use results for FY2014 and distributed the results to the dealerships. 	○	Continue D-SPECS system utilization, support quantity management to be established, and help reduction activities at the dealerships.
	<ul style="list-style-type: none"> Continue to participate in environmental events, and make friendly exchanges with and support factory tours of residents near factories. Continue to conduct cleanup and greening activities, including biodiversity conservation efforts, near factories. Support activities of and work with environmental organizations. 	<ul style="list-style-type: none"> Continue to give factory tours, hold on-site events, and carry out environmental exchange classes. Continue cleanup activities around factories and offices. Promote greening activities taking biodiversity conservation into consideration. 	<ul style="list-style-type: none"> Continue to implement teacher training, environmental education at elementary schools, and on-site middle school students training. Disclose biodiversity initiatives in the 2013 CSR report. Continue to identify the connection between biodiversity and our business activities. 	<ul style="list-style-type: none"> Carried out the environmental class visit program at elementary schools in Handa and Utsunomiya. (Retail: 21 schools, 1,293 students) The Gunma Visitor's Center reopened in August, and received 97,617 visitors and 1,602 groups during the fiscal year, and on September 4, welcomed the one million visitor since the 2003 opening. Continued clean-up activities around office buildings, including the newly built Headquarters Ehasu Subaru Bldg. One-by-one relationship with environmental and business activities, and started creating and advancing a road map for future initiatives. 	○	Continue environmental class visits. Continue to welcome visitors to the Gunma Visitor's Center. Continue to implement clean-up activities around each business site. Advance the biodiversity initiatives road map and promote the initiatives.	
Disclosure of environmental information	<ul style="list-style-type: none"> Disclose environmental information through regular publication of environmental reports and other documents in a timely manner. 	<ul style="list-style-type: none"> Provide environmental report in the form of CSR report and provide updated information on the website. 	<ul style="list-style-type: none"> Issue the 2013 CSR report. Create a new Environmental Top Page in our website, and provide information effectively. 	<ul style="list-style-type: none"> Created and made public the 2014 Environmental website. 	○	Create a 2014 environmental website and provide information there.	
	<ul style="list-style-type: none"> Improve and enhance the contents of environmental reports. (Compliance with environmental reporting guidelines, inclusion of Group companies in the scope of reporting) 	<ul style="list-style-type: none"> Improve compliance to environmental reporting guidelines of the Ministry of the Environment, and improve the content of environmental reporting. 	<ul style="list-style-type: none"> Improve compliance with the 2012 environmental reporting guidelines, and promote enhanced report content. 	<ul style="list-style-type: none"> Held the "CSR Report Reading Workshop." Received opinions on the items related to enriching the report content. 	○	Enrich the content of the report.	
Promotion of environmental education and awareness activities	<ul style="list-style-type: none"> Participate in environmental events and publicize corporate environmental efforts. 	<ul style="list-style-type: none"> Continue to participate in Eco-Products Exhibitions to widely publicize the company's eco-friendly products and efforts. 	<ul style="list-style-type: none"> Participate in the 2013 Eco-Products Exhibition and widely publicize the company's eco-friendly products and efforts. 	<ul style="list-style-type: none"> Exhibited the new-type LEGACY OUTBACK, promoted environmental technology and the environmental initiatives of the Subaru Group. 	○	Participate in the 2014 Eco-Products Exhibition to widely appeal our eco-friendly products and efforts.	
	<ul style="list-style-type: none"> Continue environmental and social education under the in-house education system. Continue employee education through in-house magazines and other media. Continue to hold lectures and workplace meetings to present improvement examples. 	<ul style="list-style-type: none"> Hold more environmental education, enlightenment and presentation events. 	<ul style="list-style-type: none"> Using a variety of opportunities, proactively implement environmental education and educational activities. 	<ul style="list-style-type: none"> Implemented environmental education at headquarters and each business site for 467 new employees in FY2014. As part of the environmental management system, implemented environmental education for all employees. 	○	Using a variety of opportunities, proactively implement environmental education and educational activities.	
	<ul style="list-style-type: none"> Maintain ISO 14001 integrated certification of all company outlets. 	<ul style="list-style-type: none"> Promote sharing the internal auditing and environmental education systems for most practical EMS activities. 	<ul style="list-style-type: none"> Continue mutual internal auditing and aim at improving the system overall by sharing forms, etc. 	<ul style="list-style-type: none"> In November/December, an ISO14001 surveillance audit was performed, and certification was renewed with ongoing conformity. Unified the formats for the Site Inter-Office Internal Audit Checklist and the Audit Result Report. 	○	Renew certification through an ISO14001 recertification audit in November/December. Make adjustments for the 2015 revision of the ISO14001 standards.	
Establishment of an Environmental Management System	<ul style="list-style-type: none"> Make continuous improvements to the Environmental Management System. Increase cooperation with subsidiaries and maintain and improve the Environmental Management System structure. 	<ul style="list-style-type: none"> Encourage more subsidiaries to acquire the ISO 14001 integrated certification in order to improve the system. 	<ul style="list-style-type: none"> Promote group-wide integrated certification focused on domestic affiliated companies that are the members of Domestic Affiliated Companies Division. 	<ul style="list-style-type: none"> Adjustments were made with affiliate companies for group-wide integration certification. 	○	Proceed with adjustments for a specific time period and method for integrating affiliate companies.	

*Eco Action 21: An environmental management system developed by the Ministry of the Environment based on ISO 14001, aiming at easy implementation by small-to-medium sized corporations.

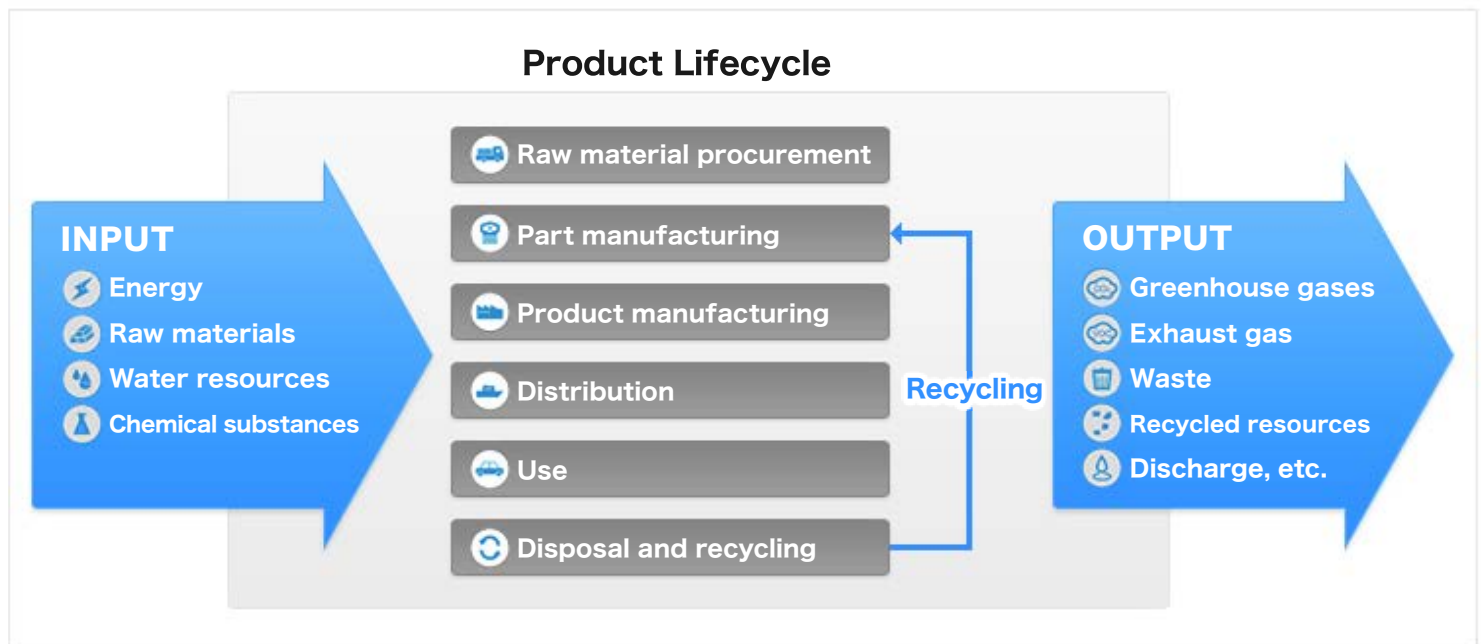


Environmental Management

Connection between Global Environment and Business Activities

At the Fuji Heavy Industries Ltd. (FHI) Group, the life cycle of a product, from the procurement of raw materials to manufacture, use, and disposal, involves INPUT of energy, raw materials, etc. and OUTPUT of greenhouse gases, waste, etc. FHI is working to reduce the environmental impact in the life cycle of products and in the supply chain.

Business Activities and Environmental Impact



Building a Low Carbon Society

In the Fifth Assessment Report by the Intergovernmental Panel on Climate Change (IPCC), the scenario for which there is a high likelihood of keeping temperature increases to less than 2° C by the year 2100 compared to before the Industrial Revolution anticipates that 2050 greenhouse gas emissions will be reduced 40–70% compared to 2010 and that they will be virtually zero or negative by 2100. Toward this goal, we consider major improvement in energy efficiency in addition to increasing renewable energy such as solar or wind power to be key technologies for low carbon conversion.

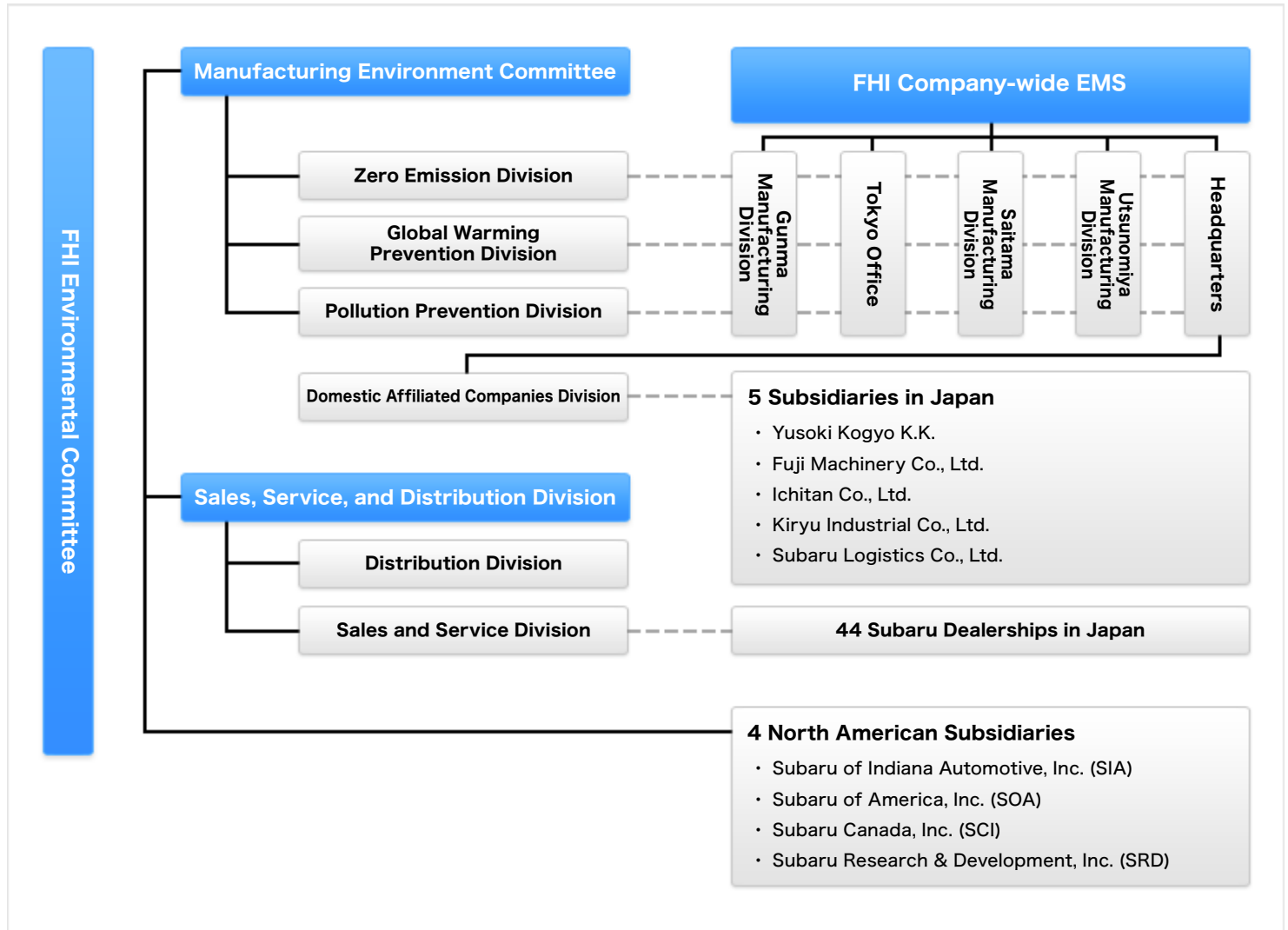
FHI believes that research and development and market introduction of fuel-efficient automobiles and eco-cars, improving the fuel economy of general engines, reducing the weight of aircraft through composite material technology, and reducing the energy use and CO₂ emissions related to business activities can contribute to building a low-carbon society.

Organization

We established an environmental management structure across the organization with two pillars of the Company-wide Environmental Management System (EMS) and the Environmental Committee in order to reach the goals of our Environmental Policy and Voluntary Plan.

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. The director proactively promotes environmental conservation activities, comprehensively managing the progress and the direction of our efforts.

FHI Group Environmental Management Organization (as of June 2015)



Status of Establishing the Environmental Management System

We are also actively engaged in building a group-wide environmental management structure, and have established an EMS at our offices, vendors, domestic and overseas consolidated manufacturing companies, and Subaru dealerships at home and abroad, and have acquired external certifications.

In March 2011, all of our 44 domestic dealerships and their 670 outlets obtained Eco Action 21 (EA21) certification, which was the first in Japan among all automobile manufactures.

In May 2012, SIA, the center of production in North America, also became the first automobile production facility in the United States to obtain ISO 50001 certification, the international standard for energy management systems (EnMS), and continues to actively promote these activities.

Further, in March 2013, Subaru Logistics Co., Ltd., received ISO 14001 certification.

In addition to these achievements, through global business activities as the FHI Group, we continue to promote green procurement in the supply chain, establishment of a company-wide environmental management system covering nine company offices, and green procurement in the group to reduce environmentally hazardous substances.

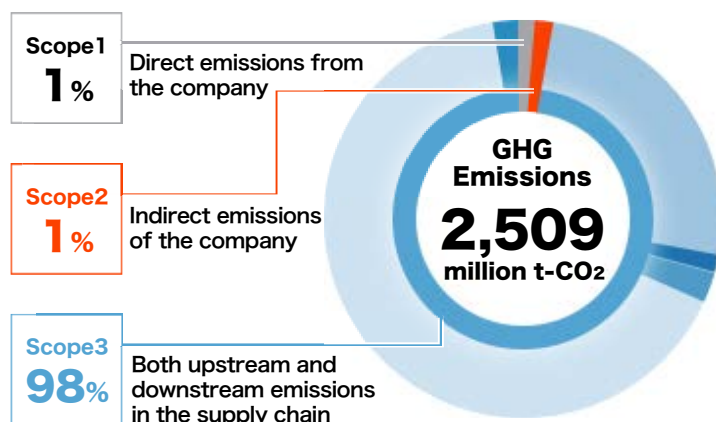
Status of Establishing EMS/EnMS in the FHI Group

Category	Factories and Offices				Dealerships	Distributors
	FHI	Vendor	Domestic Consolidated Production and Distribution Companies	Overseas Consolidated Production Company	Domestic Consolidated Dealerships	Overseas Consolidated Distributors
Divisions	Company-wide EMS Gunma Manufacturing Division Tokyo Office Utsunomiya Manufacturing Division Handa Plant West Handa Plant Headquarters Yusoki Kogyo K.K. F.A.S. Co., Ltd.	Green procurement Raw material procurement vendors	Fuji Machinery Co., Ltd. Kiryu Industrial Co., Ltd. Ichitan Co., Ltd. Yusoki Kogyo K.K. Subaru Logistics Co., Ltd. Total: 5 companies	SIA	All domestic Subaru dealerships Total: 44 dealerships	SOA SCI Total: 2 distributors
Acquired EMS/EnMS	ISO14001	Either ISO 14001 or Eco Action 21	ISO14001	ISO14001 ISO50001	Eco Action 21	ISO14001

Green house Gas Emissions in the Supply Chain

Green house gas (GHG) emissions in the supply chain for FY2013 was 212.74 million t-CO₂. We participated in the Ministry of the Environment "Support for Calculating Supply Chain Green house Gas Emissions toward an Environmental Information Disclosure Infrastructure," and received assistance from NTT Data Institute of Management Consulting, Inc. in Scope 3 calculations.

We will continue to promote identifying and managing GHG emissions.



Scope 3 Breakdown

Division	Category	Greenhouse Gas Emissions (t-CO ₂)	Calculation Scope, etc.
Upstream	1 Purchased goods and services	6,474,715	Consolidated
	2 Capital goods	309,498	Consolidated
	3 Fuel and energy related activities not included in Scopes 1 or 2	6,515	Those businesses subject to Energy Saving Law
	4 Transportation and delivery (upstream)	695,394	Those businesses subject to Energy Saving Law + non-consolidated domestic automobile division
	5 Waste generated in operations	13,581	Major domestic and foreign outlets consolidated
	6 Business travel	3,871	Consolidated
	7 Employee commuting	10,443	Consolidated
	8 Leased assets (upstream)	-	N/A
Downstream	9 Transportation and delivery (downstream)	-	N/A
	10 Processing of sold products	3,338	Consolidated domestic automobile divisions
	11 Use of sold products	16,484,960	Domestic and foreign automobiles + domestic general-purpose engines
	12 End-of-life treatment of sold products	506,516	Non-consolidated domestic automobiles
	13 Leased assets (downstream)	-	N/A
	14 Franchises	49,660	Domestic outlets not subject to Energy Saving Law
	15 Investments	-	N/A

Biodiversity conservation activities

Based on our environmental policy, we are involved in biodiversity conservation, referencing to the “Guidelines for Private Sector Engagement in Biodiversity,” “Declaration of Biodiversity – Guide to Action Policy by Keidanren, Federation of Economic Organizations,” etc.

In FY2014, a working group that spanned across all business offices and divisions was established, clarified the relationship between business activities and biodiversity, and created a road map to promote measures, dividing business activities into two aspects of risk and opportunities. We found that even though we do not directly handle biological resources for procurement, we are indirectly receiving the benefits of biodiversity. We conducted a survey for green planting at the Saitama and Utsunomiya Manufacturing Divisions and started efforts to preserve valuable trees and to conserve greenery in the local community.

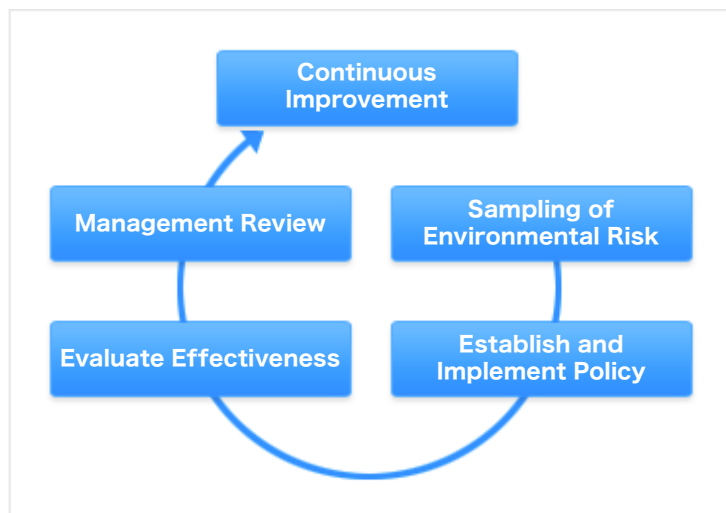
We are also involved in biodiversity conservation overseas. At Subaru of China (SOC), we jointly established the “SUBARU Forest Ecology Conservation Project” with the China Wildlife Conservation Association of the State Forestry Administration at the end of 2012. This project established a “Forest of Subaru” in 31 nature conservation areas in China, and in 2013 started to provide automobiles for the ecosystem conservation activity “31 Forest Star Tours” For 2014, in Spring, Summer, Autumn, and Winter at four conservation areas, Subaru dealers in China and their customers assisted in activities and provided resources for conservation of for the rare species of panda, deer, and crested ibis. In the second year of activities, 2014, they gathered more interest and attracted 200,000 participants. And in June 2015, these activities were recognized, and we were awarded the Public Service Alliance Partner award at an event attended by the State Forestry Administration and the China Wildlife Conservation Association.

We will continue with activities aimed at harmony with the natural environment of the region as we promote global biodiversity conservation initiatives.



Environmental Risk Management

We work to prevent and minimize environmental risk in our business activities (such as environmental accidents, pollution, or non-compliance with laws and regulations) by periodic sampling and management of environmental risks. In addition, we standardize the management flow in case of environmental risk and practice during non-emergency times so that when an environmental risk does occur, emergency response or measures to prevent reoccurrence can be implemented immediately. This also prevents secondary risk due to confusion from occurring.

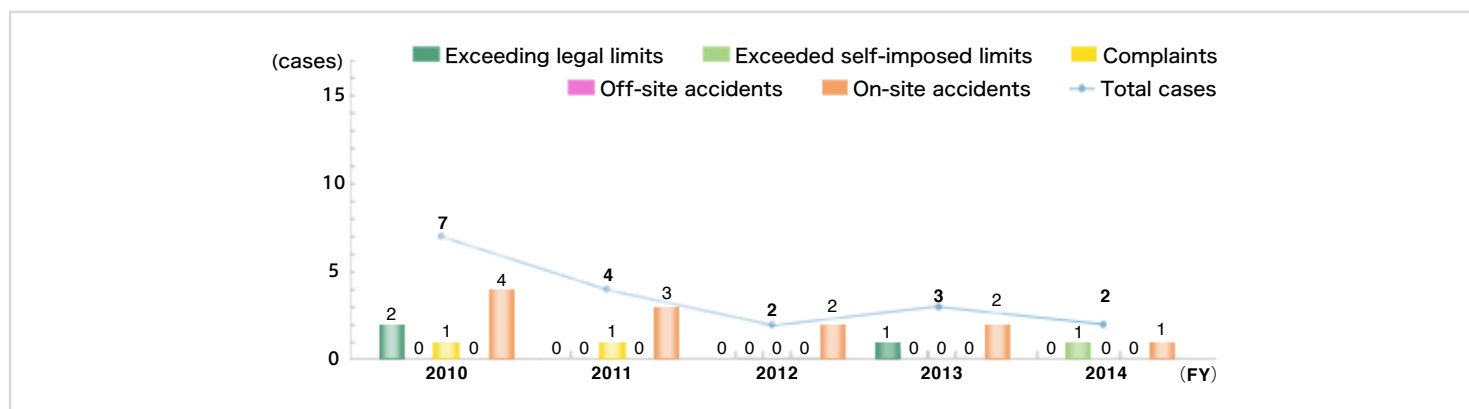


Status of Compliance with Environmental Laws and Regulations

We strive to be in compliance with environmental laws and regulations, and to eliminate environment-related accidents and complaints.

The figure below shows the results of the last five years.

Number of Cases Exceeding Environmental Laws and Regulations, Environmental Accidents, and Complaints



④ Status of Compliance with Environmental Laws and Regulations in FY2014

We have set our voluntary standards, which are 20% stricter than the environmental standards set by law. We are committed to achieving “zero non-compliance” with both the legal and voluntary standards. In FY2014, there were no cases of exceeding legal limits but there was one case of exceeding our voluntary standards so we implemented measures to prevent a recurrence.

Name	Number of Cases	Details	Main Corrective Measures
Gunma Manufacturing Division	1 case for water quality	July 2014: The amount of suspended solids exceeded our voluntary standards.	It was conjectured that the heavy rain the day before had an impact. Water sampling methods and other procedures were confirmed.

④ Environmental Complaints Received in FY2014

No complaints were received.

◎ Status of Environmental Accident Occurrences in FY2014

We are striving to achieve the goal of zero accidents, both on and off site. There was one incident of on-site accident. We made a measure to prevent a recurrence.

Name	Number of Cases	Details	Main Corrective Measures
Gunma Manufacturing Division	1 case for water quality	August 2014: Fuel leaked from parts delivery truck. The leak was contained on-site.	The parts delivery company was instructed to prevent reoccurrence, and other parts delivery companies were asked to prevent occurrences.

Environmental Accounting (FHI Group FY2014 Results)

Environmental Cost Approach and Calculation Method

Referencing to the Guidelines of the Ministry of the Environment, independent guidelines had been established for FHI environmental conservation activity organizations (Calculation methods have been changed partially starting FY2005), and environmental costs are calculated and summarized according to these guidelines. (FHI Group companies use the same guidelines for calculations.)

As for the details of calculation methods, please refer to pages 9-13 of Supplementary Volume for Data related to the 2006 Environmental & Social Report.

Environmental Cost and Capital Investment Calculation Method

Capital investments and related expenses for environmental equipment (investments of 25 million yen or more), and labor costs are calculated on a differential or pro-rata basis.

For example, investments and environmental costs for energy conservation at a production facility are calculated as follows:

$$\text{Capital investment and environmental cost} = \left\{ \frac{\text{Total investment} - \text{Investment not for energy conservation}}{\text{Total investment}} \right\} \times (\text{Capital investments for the production facility, maintenance costs, etc.})$$

In case of smaller facilities with investments of less than 25 million yen, the costs for capital investments and maintenance costs are totaled, as long as they are for environmental purposes.

In addition, depreciation of equipment investment is not included in the environmental cost from the viewpoint of cash flows. Small expenses, such as fixed assets taxes and insurance costs, are also omitted from the total.

Environmental cost and economic effect of environmental facilities are only included for three years starting from the second year after the facilities are put into operation.

FY2014 Calculation Results

Environmental cost came to 29.8 billion yen on a non-consolidated basis, up 8.85 billion yen (42.1%) from the previous fiscal year, and 31 billion yen on a consolidated basis, up 8.84 billion yen (39.9%).

The cost increase was mainly due to an increase in research and development (R&D) costs (8.79 billion yen on a non-consolidated basis).

The ratio of environmental cost to sales, which is one of the environmental management indexes used on a consolidated basis, came to 1.08%.

FY2014 Environmental Costs and Effects Calculation Results

Item	Category	Environmental Cost (Millions of yen)						Environmental Investment (Millions of yen)					
		Non-consolidated			Consolidated			Non-consolidated			Consolidated		
		FY 2014	FY 2013	FY 2012	FY 2014	FY 2013	FY 2012	FY 2014	FY 2013	FY 2012	FY 2014	FY 2013	FY 2012
(1) Cost in the business area	1. Pollution prevention cost	389	340	395	549	489	543	206	167	167	656	215	215
	2. Global environmental conservation cost	21	28	32	142	90	48	39	360	360	93	376	376
	3. Resource recycling cost	540	513	515	1,011	1,098	900	0	0	0	3	0	0
(2) Upstream and downstream costs	Recycling related cost Cost arising from changes in product materials	122	128	163	122	128	163	-	-	-	-	-	-
(3) Administration cost	Cost for monitoring environmental impact Cost for the Environmental management Cost for environmental education	81	86	95	142	137	151	-	-	-	-	-	-
(4)R&D cost	R&D cost for environmental impact reduction	28,462	19,696	17,149	28,786	19,999	17,426	2,302	2,275	1,763	2,324	2,276	1,764
(5) Social activity cost	Cost related to donation, etc. for environmental conservation groups	84	103	91	88	106	93	-	-	-	-	-	-
(6) Environmental remediation cost	Cost to remedy soil and underground pollution	147	103	98	149	103	99	0	6	6	0	6	6
(7) Other cost		0	0	0	0	0	0	-	-	-	-	-	-
Grand Total		29,845	20,997	18,537	30,990	22,150	19,423	2,547	2,807	2,295	3,076	2,874	2,362

ote: Due to rounding, the sum may not exactly match the corresponding total.

FY2014 Economic Effect Calculation Results

Item	Economic effect (Millions of yen)	
	Non-consolidated	Consolidated
Reduction in energy cost from energy conservation	9	28
Sales from recycling (sales of valuable items: metals, waste liquids, and cardboard boxes)	1,835	3,108
Reduction in use of raw materials due to recycling (reduced packaging materials cost)	7.88	10.59

Companies included in the consolidated calculation

Five subsidiaries in Japan: Yusoki Kogyo K.K., Fuji Machinery Co., Ltd., Ichitan Co., Ltd., Kiryu Industrial Co., Ltd., and Subaru Logistics Co., Ltd.

Five subsidiaries outside Japan: SIA, SOA, SRD, SCI and SOMI



Environmentally Friendly Automobiles

Fuel Economy

Approaches and Strategies for Improving Fuel Economy

An automobile releases carbon dioxide (CO₂) in proportion to the fuel consumed.

Traditionally, the focus was on saving as much fuel as possible, but now the issue for companies is how to reduce carbon dioxide emissions and contribute to preventing global warming. In other words, we are now transitioning to an environmental era for total emission control.

Compared with other passenger automobile manufacturers, Subaru is unique in terms of offering a carefully selected limited number of models and of producing cars that embody safe and enjoyable driving by combining a horizontally-opposed engine, symmetrical AWD, and integrated safety performance. In response to the transition to the new environmental era, we believe we can provide customers with products that they want by making the best use of our uniqueness.

In Japan, we continue to expand with models that surpass the 2020 Fuel Economy Standards. Since introducing the new generation Boxer engine in 2010, we have deployed technologies to improve fuel economy such as the new lightweight, high-efficiency Lineartronic CVT, low drag coefficient car bodies with enhanced aerodynamics and an idling stop system in the LEGACY, IMPREZA and FORESTER. In addition, the LEGACY and FORESTER adopt the next-generation Boxer direct injection turbo engine and high-torque-ready Lineartronic CVT, achieving smooth, high performance drive as well as exceptional environmental efficiency.

In 2013, we expanded use of the hybrid system adopted in the SUBARU XV model, which allowed drivers to experience the fun to drive unique to Subaru, to the IMPREZA SPORT to better meet market needs.



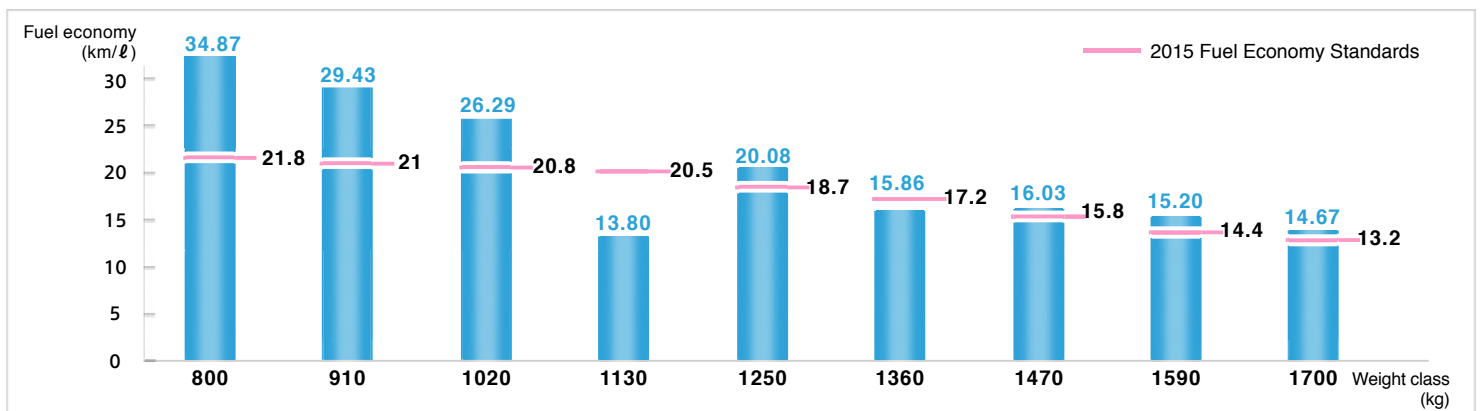
Fuel Economy Standards

Japan: Achieved the FY2016 Fuel Economy Standards in 5 of 9 Weight Classes

Gasoline-powered passenger cars meeting the FY2016 Fuel Economy Standards accounted for about 92% of the total production, and 7 of the 9 weight classes of Subaru vehicles sold cleared the FY2016 Fuel Economy Standards.

Looking toward the FY2021 Fuel Economy Standards, the Subaru XV Hybrid has already achieved the standards for two weight classes, while the proportion of manufactured vehicles that achieved the standard has come to be 6%.

FY2015 Fuel Economy Standards Achievement Status



US: Achieved 2014 Model Year Corporate Average Fuel Economy (CAFE) Standards and Greenhouse Gas (GHG) Standards

While CAFE standards and GHG standards becoming stricter every model year, we met both standards for the 2014 model year. Not only clearing fuel economy and CO₂ regulations that are becoming stricter worldwide, Subaru is also set to further spread vehicles with greater fuel economy in the global market.

Low Exhaust Emissions

Approach to Low Exhaust Emissions

Carbon monoxide (CO), hydrocarbons (HC), nitrogen oxides (NO_x), and particulate matter (PM) emitted from automobiles are a cause of air pollution, particularly in urban areas with a high concentration of automobiles.

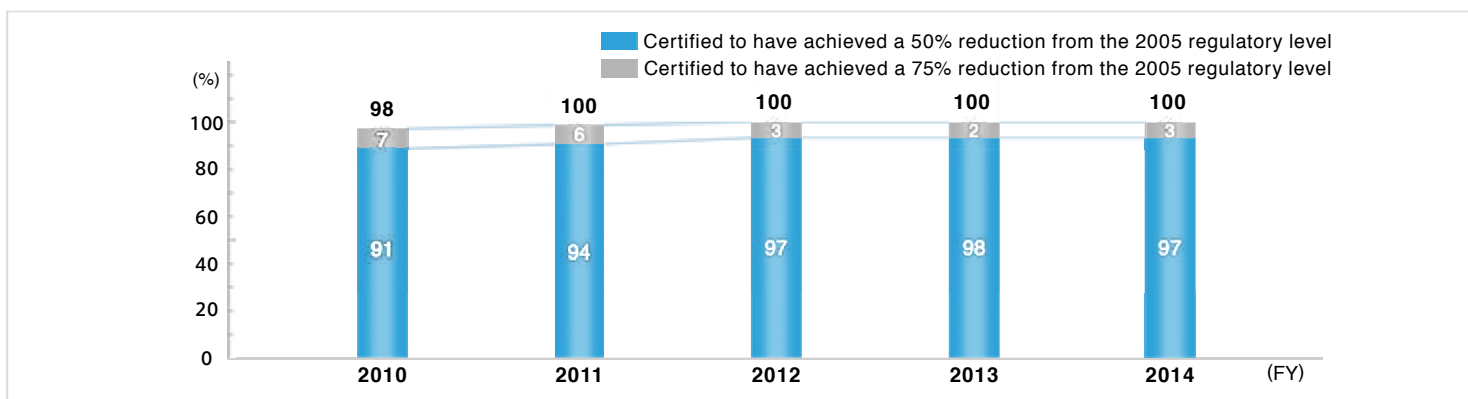
In order to improve the state of air pollution, Subaru introduced low emission vehicles (certified by the Ministry of Land, Infrastructure, Transport and Tourism) that meet standards stricter than the regulations.

We shall strive to conform with exhaust gas standards that are becoming increasingly strict worldwide, and sequentially introduce ever greener automobiles to the market.

Improvement and Popularization of Certified Low Emission Vehicles

All Subaru vehicles equipped with Natural Aspiration (N/A) engines are certified by the Japanese Ministry of Land, Infrastructure, Transport and Tourism to have achieved a 75% reduction from the regulatory values specified in the 2005 emissions standards, and the numbers of vehicles achieving the 75% reduction have remained in the higher 90% range of the total production quantity since FY2012.

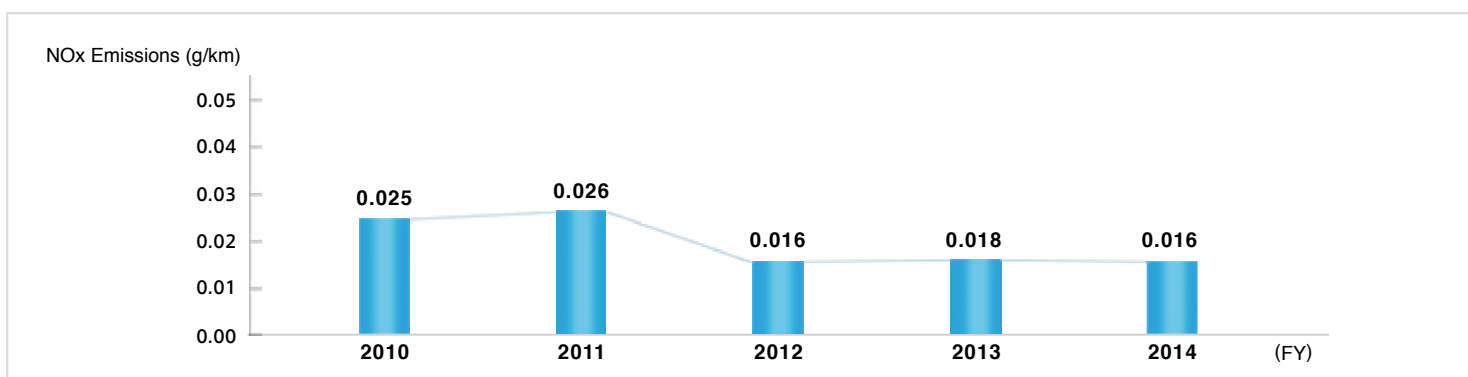
Percentage of Low Emission Gasoline-powered Passenger Vehicles



Year-on-year Reduction of NO_x Emissions by the Release of Low-emission Vehicles

A high concentration of NO_x affects human health and negatively impacts the environment, such as by causing acid rain. The volume of NO_x emissions from Subaru vehicles has been changing over time due to the release of a series of low-emission vehicles, including those meeting the government's certification, as shown in the following figure.

Average NO_x Emissions of Subaru Vehicles^{*1}



*1 Calculated from the values meeting corresponding regulation (JC08CH, 10.15 + JC08C mode) at the time of shipment. In the case of models that do not support the current test mode, calculations were made from the regulation value or conversion value corresponding to the current test mode. The current mode is JC08CH mode for new models, and the combined mode of the 10.15 mode and the JC08C mode for existing models.

◎ Number of Eco Cars* Shipped (FY2015)

Percentage of eco cars shipped now accounts for 92% of all.

		Passenger cars		Trucks	Percentage
		Standard-sized cars	Mini cars	Light trucks	
Certified to have achieved a 75% reduction from the 2005 regulatory values	Hybrids	7,218	0	0	4%
	Internal combustion engines	119,716	20,963	911	85%
Certified to have achieved a 50% reduction from the 2005 regulatory values		3,554	0	25	2%
Total		130,488	20,963	936	92%
Total number of vehicles shipped in FY2015					165,811

* Eco cars: vehicles that achieved both the fuel economy standards based on the Energy Saving Law and low emission vehicle certification based on the low emission vehicle certification procedures.

Noise Countermeasure

We are working to actively reduce road noise from automobiles.

We promote the development of technology that can effectively reduce vehicle noise from primary sources such as tires, engines and intake and exhaust systems.

By adopting auto stepped control for the new-generation Lineartronic CVT, the new model Legacy, which went on sale in October 2014, achieved both high fuel economy and fun-to-derive acceleration at optimal engine speeds while reducing noise level on urban roads.

Management of Chemical Substances (Operation of the IMDS)

Since the enforcement of the Registration, Evaluation and Authorization of Chemicals (REACH) regulations, various chemical substances have been regulated in countries across the world, and at the same time, the automobile industry has been required to disclose information and foster management regarding the use of chemical substances in automobiles.

We are promoting improvement in supply chain management by using the IMDS in order to identify the names and amounts of each chemical substance used in the several tens of thousands of parts that are in our automobiles.

Through these measures, we are discontinuing the use of environmentally hazardous substances (lead, mercury, cadmium, hexavalent chromium, etc.), replacing regulated substances with alternatives, and fostering the disclosure of REACH-related information.

Clean Energy Use

Fossil fuels, which are mainstream fuels for automobiles, are limited resources, and a shift to diverse fuels that are both interchangeable and renewable such as biofuels is now required.

All Subaru gasoline-powered vehicles sold worldwide are compatible (functionality and reliability) with E10 fuel (E3 fuel in Japan) and the diesel-powered vehicles with B7 fuel.

We will continue to promote compatibility with a diversity of automobile fuels for the creation of a sustainable motorized society.



Plant and Office Initiatives

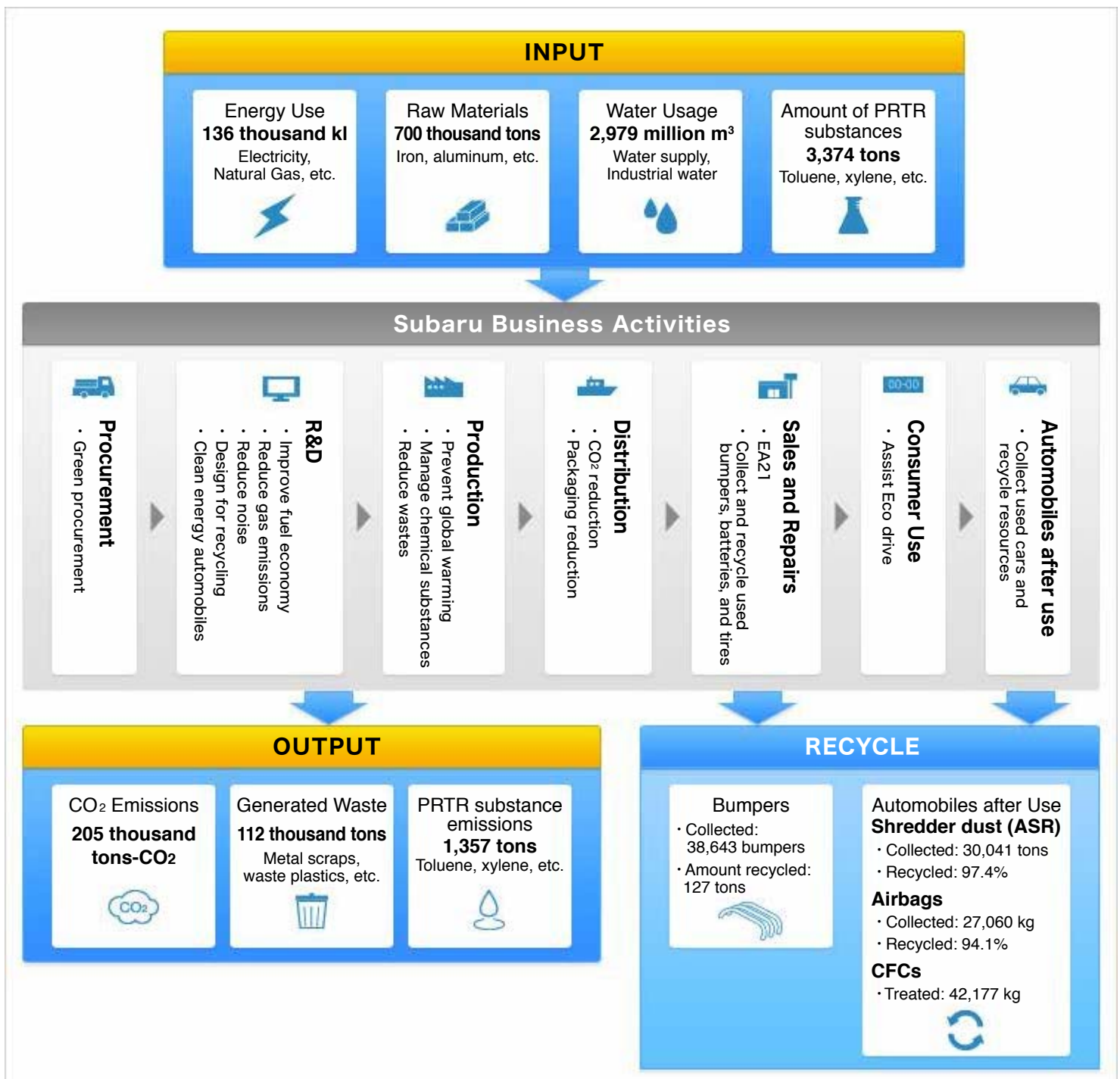
Main Input Resources and Emission Matters in Automobile Manufacturing

We are a transportation machine manufacturer focusing on manufacturing and selling automobiles.

Automobiles have become a convenient and comfortable mode of transportation that are indispensable for our lifestyles. On the other hand, automobiles consume limited global resources and emit CO₂, which causes global warming. We recognize these two sides to the automobile, and based on this recognition we believe that we must work toward an “affluent automobile society.”

We believe that it is our responsibility to work towards a fusion of global environmental support (major improvement in fuel efficiency) with the benefits of automobiles (comfortable ride, convenience, reliability) by considering the impact on the environment and reducing the environmental burden throughout the entire life cycle of our automobiles, including development, production, use, disposal, and recycling.

Our Overall Environmental Burden from Automobiles



Note: These are the main environmental impacts arising from our automobile manufacturing, sales, etc. In addition to this, we carry out LCA and Scope 3 calculations.

Global Warming Prevention Activities

We promote global warming prevention activities by continuing various energy conservation programs such as installing energy conserving equipment, improving productivity, and fuel conversion.

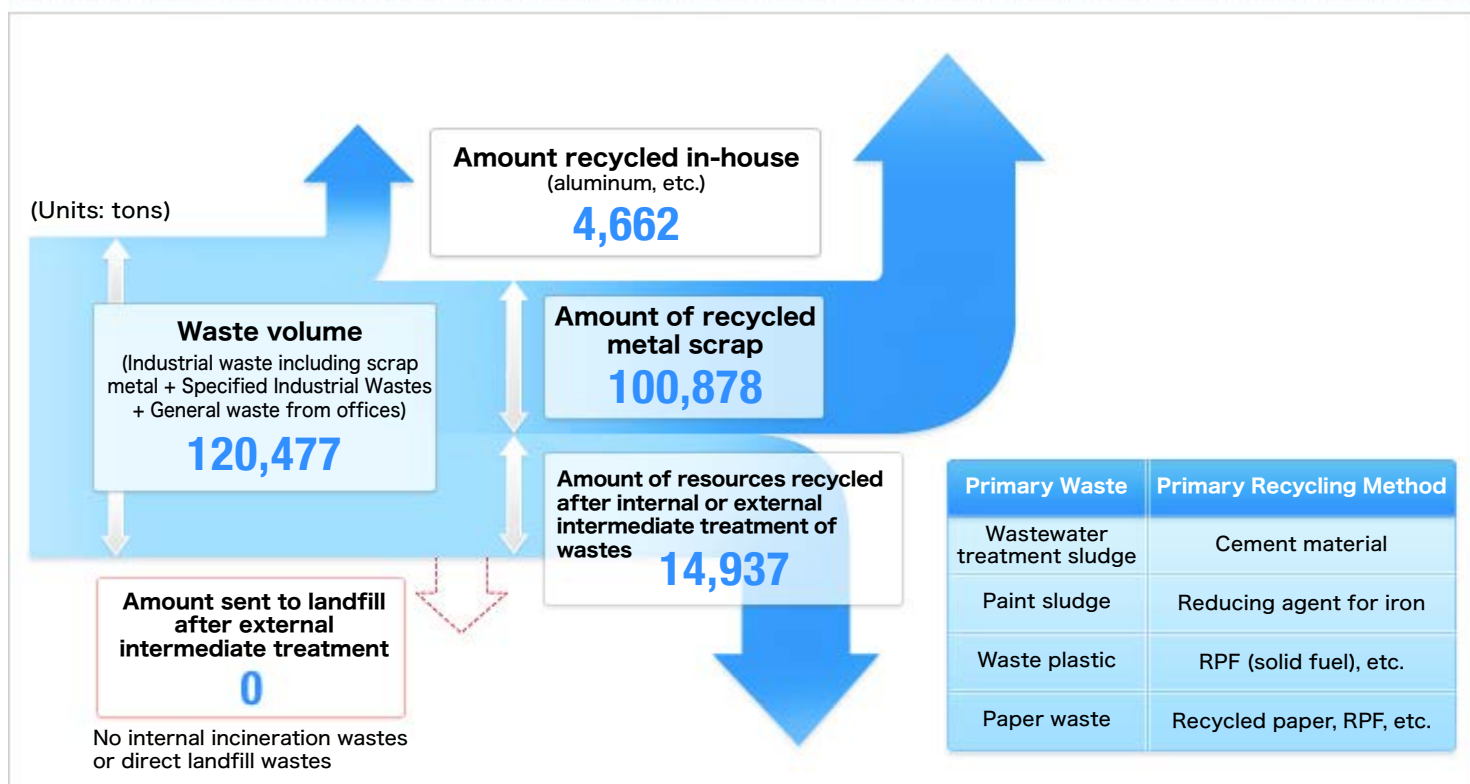
The 5th Voluntary Plan for the Environment called for 43% reduction in CO₂ emissions per unit of sales in FY2015 from FY2007, which was achieved.

Waste Reduction

All our manufacturing plants in Japan and abroad have maintained zero land fill for waste materials since FY2005.

A summary of total waste generated and treated in FY2015 is as follows.

Summary of Total Waste Generated and Treated in FY2015 for All Business Offices and Automobile Manufacturing (Gunma Manufacturing Division)



VOC Reduction

The amount of volatile organic compounds (VOCs) emitted from the automobile coating process was 47.7 g/m² in FY2015, down 47.8% from FY2001 levels.

We continue to decrease the use of cleaning thinners and increase the recovery of used thinner, as well as partial use of water-based coating.

Prevention of Soil and Underground Water Pollution

We have voluntarily performed soil and groundwater tests at our facilities since 1998, and implemented purification measures and groundwater monitoring as required.

Since the 2003 Soil Contamination Countermeasures Act came into effect, we have been filing reports and conducting tests in accordance with the law.

Status of Storage and Management of PCB Wastes

We properly store polychlorinated biphenyl (PCB) waste materials in accordance with the law.

In FY2015, appropriate processing of PCB wastes (condenser) from the Gunma, Iseaki, and Utsunomiya Manufacturing Divisions was contracted out to a professional processor.



PCB waste transportation operation

Eco Initiatives at Headquarters

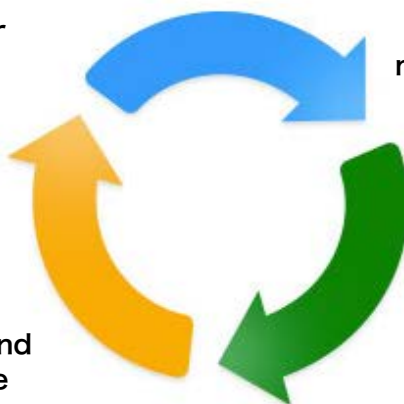
FHI has teamed up with a paper manufacturer to start reprocessing discarded used paper and reuse it as copier paper. Through this, we have established a recycling mechanism in which used paper is recovered from the one-way stream of “production → consumption/use → disposal.” The consumption and use of natural resources is reduced as much as possible by reusing the paper. Also, the supplied copier paper is the one that has received Forest Certification indicating that appropriate forest management is carried out.

Produce copier paper
from recycled paper

Purchase copier paper
made from recycled paper

Collect used paper and
reuse as a resource

Use and consume paper



Introduction of Renewable Energy

A solar power system has been introduced at the Gunma Manufacturing Division, Tokyo Office, and Headquarters. The Tokyo Office generates 33,807 kwh annually with a 27 kw rated output solar power system, which covers a portion of its energy needs.

Also, Subaru Kohsan Co., Ltd. installed a 420 kw rated output (enough for about 100 homes) solar power system in Kiryu, Gunma, and started selling power beginning in FY2015.





Initiatives for Distribution

Reducing the Environmental Impact of Transporting Subaru Automobiles

During the transport of Subaru automobiles, we are contributing to reducing the environmental burden by promoting efficient transport, such as setting optimized transportation routes, promoting modal shifts, and improving loading efficiency.

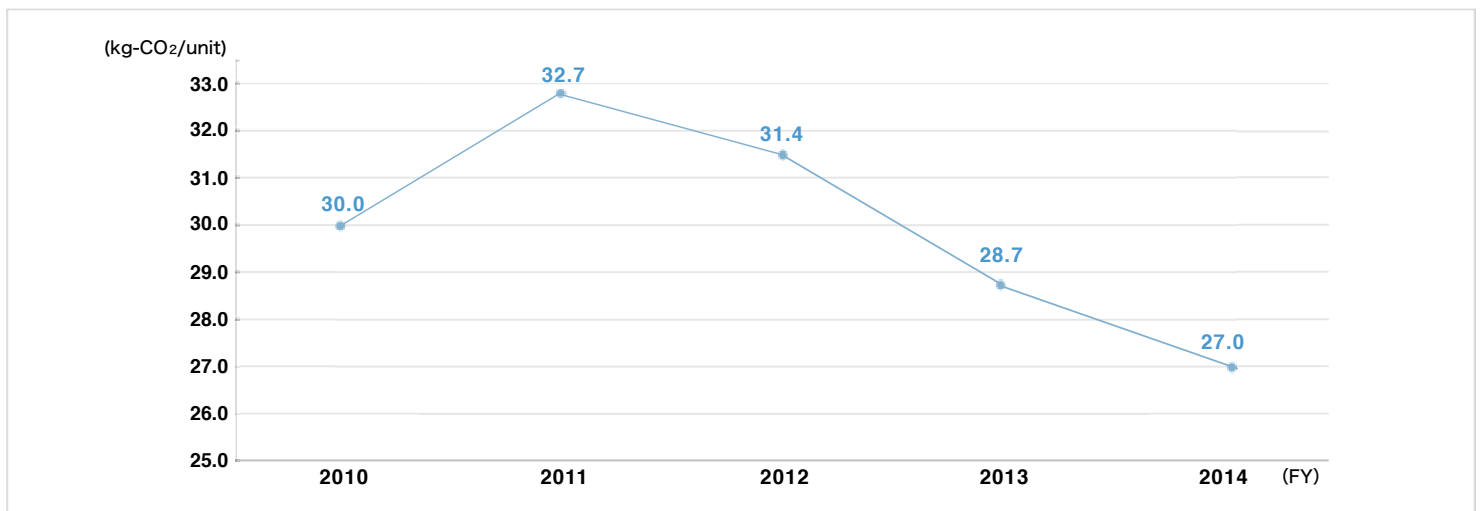
In recent years, we have been able to reduce the amount of fuel use (improved fuel efficiency) and CO2 emissions from completed vehicle transportation by effectively using the improved Tokyo metropolitan highway network.

Also, we have flexibly responded to changes in the completed car model mix and to larger model types to be transported and have reviewed and improved loading and packing, in order to improve loading efficiency and reduce the number of shipments.

In FY2015, the joint transport of finished vehicles together with other companies in the same industry resulted in a 101% increase in the total number (vehicles we contracted to other companies and those to us from other companies) from the previous year.



CO2 Emissions during Transport per Subaru Vehicle



Reuse of Packing Materials

Subaru Logistics Co., Ltd., which handles packaging and transport for complete knock-downs (CKD) parts of Subaru automobiles, has been carrying out activities to reduce environmental impact, focusing on the reuse of packaging materials.

The amount of reused packaging material in FY2015 was 552.7 tons, an increase of 114% over the previous year, and the ratio of newly purchased reused packaging materials was 16.2%, a 26 point increase from the previous year.

The increase was due to a reduction in the percentage of new purchases due to the steady progress of reusing packaging materials in the previous year.



Dunnage for aluminum wheels



Small part packaging

* CKD: Complete knock down



Initiatives for Sales

All Domestic Dealers Obtain “Eco Action 21” Certification

In order to strengthen the environmental conservation efforts by Subaru domestic dealers, we have actively encouraged, as well as provided support for introducing the “Eco Action 21” environmental management system, created by the Ministry of the Environment based on ISO 14001.

Certification was first acquired by Tokyo Subaru Inc. in January 2009, and certification of all dealers and outlets in Japan were completed in March 2011. Since then we are striving to keep up our efforts. We are the only domestic automobile manufacturer to acquire Eco Action 21 certification for all companies, outlets, and offices.

We will continue to support the Subaru team with voluntary environmental conservation activities through Eco Action 21.

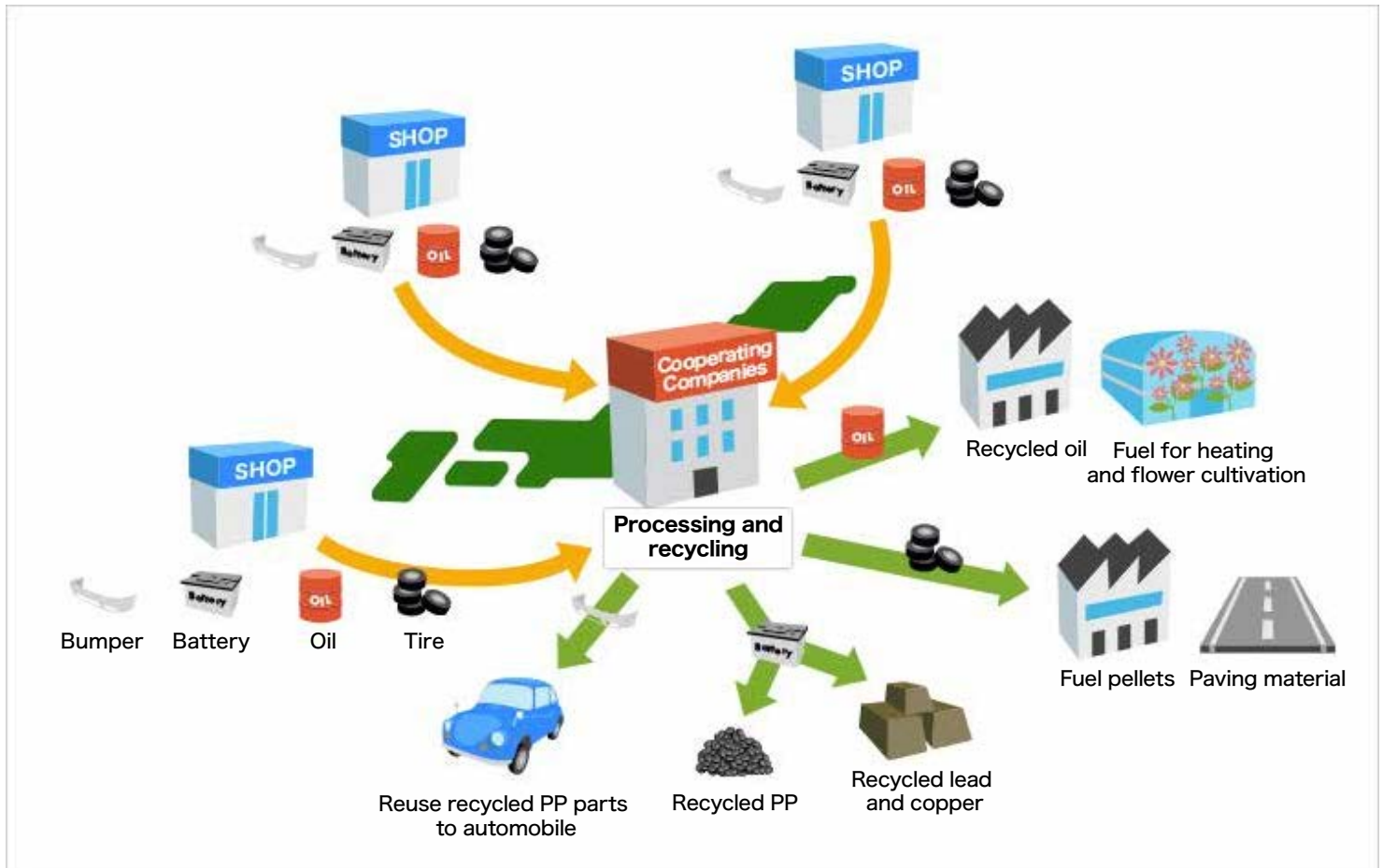
Zero Emission at Domestic Dealers

From April 2012, Subaru dealers began improving appropriate treatment activities for waste generated from their business activities to promote environmental conservation.

Collaboration and cooperation with a body of companies and industrial organizations are being carried out for resource recycling as well as a review of conventional treatment methods, leading to zero emission activities targeting resource recycling within Japan. Various activities are being developed, including recycling of used lead-acid batteries, waste oil, used tires, etc.

The result of these activities in FY2013 was that 1,052 tons of used lead-acid batteries, 1,783 kiloliters of used oil, and 91,134 used tires were collected and recycled.

We believe that the zero emission activities of dealers, who are closest to stakeholders, are environmental conservation activities closer to home. They are also able to provide a safe and secure environment, in addition to products, by promoting more effective use and appropriate processing through defining corporate responsibility and recycling resources.



Energy Saving at Domestic Dealerships

A two-year plan to switch dealership signage to LED lighting was started in FY2015, and nearly half of all dealerships have completed the switch.

Through this policy, power consumption is being reduced by an average of 80% per site compared to conventional fluorescent lighting.

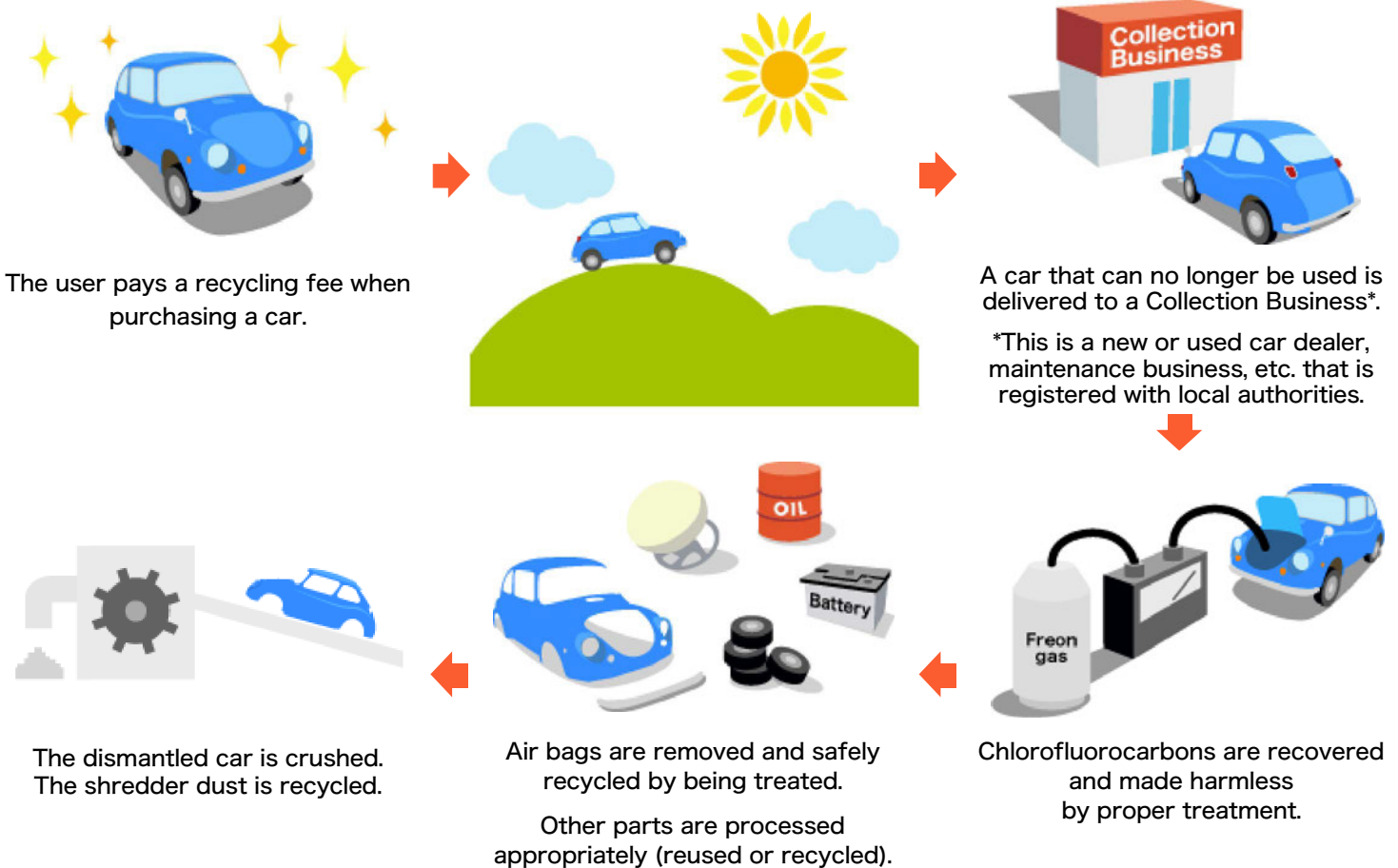




Automobile Recycling

Automobile Recycling Process

The Automobile Recycling Law calls for recycling of shredder dust and airbags and treating Chlorofluorocarbons when an automobile has reached end-of-life.



Promotion of Recycling Conscious Design

In order to use limited resources effectively, we promote recycling conscious design in automobile manufacturing.

Advances in Wiring Harness Dismantling

Since wiring harnesses use a large amount of copper, if harnesses were removed from used cars before shredding, the separation of iron and copper can be improved and the value as resources increased.

We are conducting research into a harness layout and structure that enables efficient retrieval in a shorter time. The results are incorporated into new models subsequent to the 5th generation LEGACY (released in Japan in 2009).



Material Identification Improvement

The verification of materials is important for recycling part materials. We were the first to start the identification of the types of materials used in plastic parts in 1973, before guidelines for the industry were established.

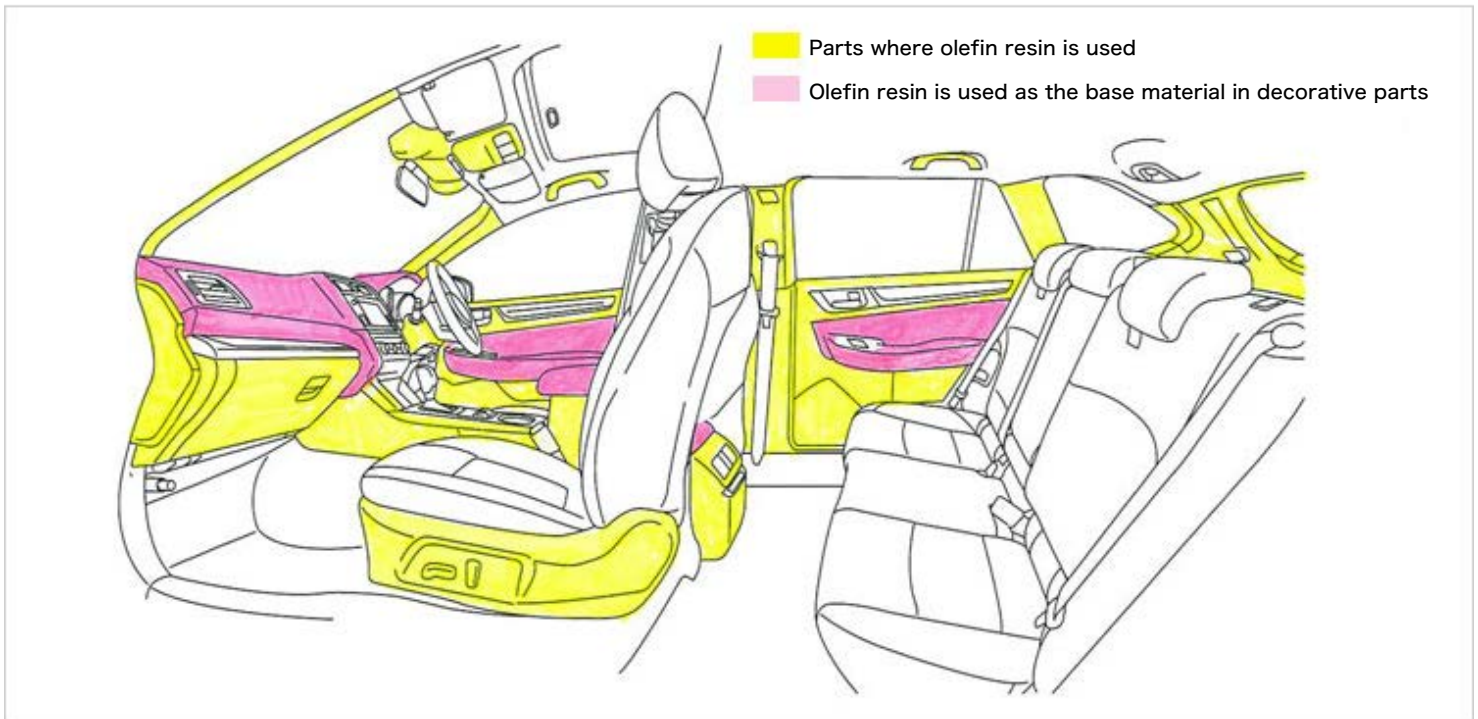
Previously, material identification labels were placed on hard-to-see inner surfaces, so the material could not be verified unless disassembled. Now, the identification location has been changed so that parts can be sorted without disassembly before recycling for more efficient operations. Currently, we implement this labeling for bumpers on all Subaru models.



Use of Easily Recyclable Materials

We use olefin resin, which is extremely easy to recycle, as the resin material for the interiors and exteriors of most FMCs and new models.

We will continue to expand its use.



Reducing Environmentally Hazardous Substances

We are also actively working on reducing the environmentally hazardous substances in automobiles.

We promote achieving the Japan Automobile Manufacturers Association (JAMA) reduction targets for cars in development, further reducing lead and mercury and using alternatives to environmentally hazardous substances such as brominated flame retardants.

Reduction Target and JAMA*s Voluntary Action Program

Substance	Target(Implemented since)	Details of Reduction Efforts
Lead	Since Jan. 2006	Reduce the amount used per vehicle to less than 1/10 of 1996 levels
Mercury	Since Jan. 2005	Use prohibited, with a few exceptions (e.g., minute amounts in discharge headlights, and liquid crystal panels)
Cadmium	Since Jan. 2007	Use prohibited
Hexavalent Chromium	Since Jan. 2008	Use prohibited

* JAMA: Japan Automobile Manufacturers Association, Inc.

Reducing VOCs in Vehicle Interiors

We are reviewing the components and adhesive agents used in vehicle interiors in order to reduce the use of volatile organic compounds (VOCs), such as formaldehyde and toluene, which are said to cause nose and throat irritation.

In the LEGACY, LEVORG, IMPREZA, FORESTER, EXIGA, and BRZ, we achieved the voluntary target by JAMA* by reducing the concentration of the 13 substances defined by the Ministry of Health, Labor and Welfare to levels below the indoor concentration guideline values.

We will continue our efforts to reduce the levels of VOCs and such substances to further make the environment in vehicle interiors comfortable.

* Voluntary target by JAMA: To reduce cabin concentrations of the 13 substances identified by the Ministry of Health, Labor and Welfare to levels equivalent to or lower than the figures stipulated in the guidelines for new models (produced and sold in Japan in 2007 and after) under the Voluntary Approach in Reducing Cabin VOC Concentration Levels initiated by JAMA.

Processing of End-of-Life Vehicles (ELVs)

The Automobile Recycling Law enacted in 2005 obligates automobile manufacturers to fully remove and appropriately treat “Automotive Shredder Residue (ASR),” “Chlorofluorocarbons (CFCs),” and “Airbags.”

The ASR recycling rate for FY2015 was 97.4%, already satisfying the 2015 legal standard of 70%. In addition, we have been keeping our monthly record of zero landfill, which was first attained in May 2011.

As for airbags, we attained a recycling rate of 94.1%, exceeding the legal standard of 85%. Also, the entire amount of recovered CFCs has been appropriately treated.



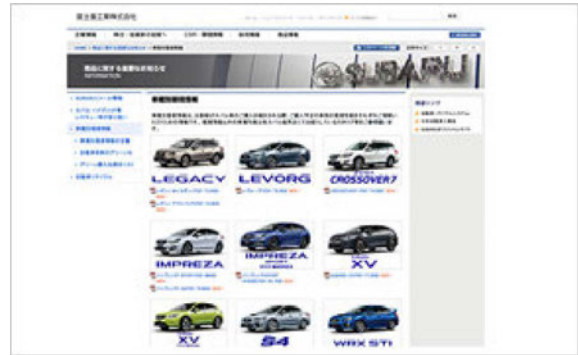
Environmental Communication

Environmental Communication

We value the relations with all our stakeholders, and to become a trustworthy corporation that brings peace of mind to our stakeholders, we widely disseminate environmental information through various media, such as CSR reports and our website. We provide additional environmental information to communities neighboring our factories through a “Site Report” issued for each of our factories.



Homepage of our environment website



Environmental information of each model

Environmental Communication for Children

We promote a variety of activities for children living near our production facilities.

◎ Gunma Manufacturing Division

At the Gunma Manufacturing Division, we continue to welcome study visits to the plant as part of elementary school education. In FY2015, we had around 83 thousand children visit the site.

Also, the on-site Subaru Visitor's Center moved the zone that introduces factory and car recycling to another floor in August.

Here, the displays store actual items to be recycled and those that have been through the recycling process in wall panels and these have become easier for elementary school students to understand.



◎ Utsunomiya Manufacturing Division

We have been carrying out the environmental class visit program, where our employees visit elementary schools in Utsunomiya City and elementary/junior high schools in Handa City, in order to deepen children's understanding of environmental problems. In FY2015, about 1,289 children participated in the program.

It has been said that greenhouse gases (mainly CO₂) contribute to global warming. For the environmental class visit program, we bring two flasks to the classroom, one of which we fill with CO₂ and another with air. We pretend that they are the earth and see how their temperature changes when warmed by an infrared lamp that simulates the sun. We showed that the temperature of the flask filled with CO₂ ends up higher than the flask with normal air and thus the students could see that CO₂ has the greenhouse gas effect.

We will continue to improve our programs on environmental communication for children.



Environmental Education

We regard initiatives for environmental problems as one of our social responsibilities as a corporation, and provide employees at all levels and departments with a range of environmental education programs.

In April 2014, we began implementing “New Employee Environmental Conservation Education” for the 368 new employees of the automotive business division and the 200 new employees at headquarters. The lecturer, the one in charge of the environment, explained to participants, using concrete examples, the importance of individual efforts towards global environmental problems and Subaru’s environmental policy and environmental protection activities.

We also hold an ISO 14001 internal auditors training seminar to enhance the internal auditing system for the ISO 14001 environmental management system and environmental conservation activities conducted at the workplace. In this seminar, an external lecturer was invited for the two-day session, in which participants studied to be internal auditors.

In addition to these courses and workplace education initiatives, we also offer environmental education using an E-learning system.

We believe it is important for employees to be fully aware of environmental problems and environmental efficiency on a daily basis, and to exercise this awareness in business and environmental activities. To this end, we continue to promote environmental education and enlightenment for employees.



Participated in “Eco Products 2014”

In December 2014, we exhibited “SUBARU OUTBACK” that allows drivers to enjoy the richer lifestyle proposed by Subaru at the Eco Products Exhibition, Japan’s largest environmental exhibition. Also, the wide variety of environmental initiatives at SOA, SIA, Subaru of China, the headquarters building, and other domestic and international Subaru sites were introduced.



Overseas Initiatives

Overseas Environmental Initiatives

In May 2012, Subaru of Indiana Automotive, Inc. (SIA) that manufactures Subaru vehicles received ISO 50001 Certification, becoming the first car manufacturing plant in the U.S. to achieve this internationally recognized accreditation. ISO 50001 details the requirements for energy management systems (EnMS). SIA was also the first U.S. car manufacturing plant to achieve ISO 9001 Quality Management System Certification and ISO 14001 Environmental Management System Certification. SIA's accreditation demonstrates its environmental leadership within the automobile industry.

In March 2015, the third year after being certified, SIA renewed the ISO 14001/50001 Certifications.



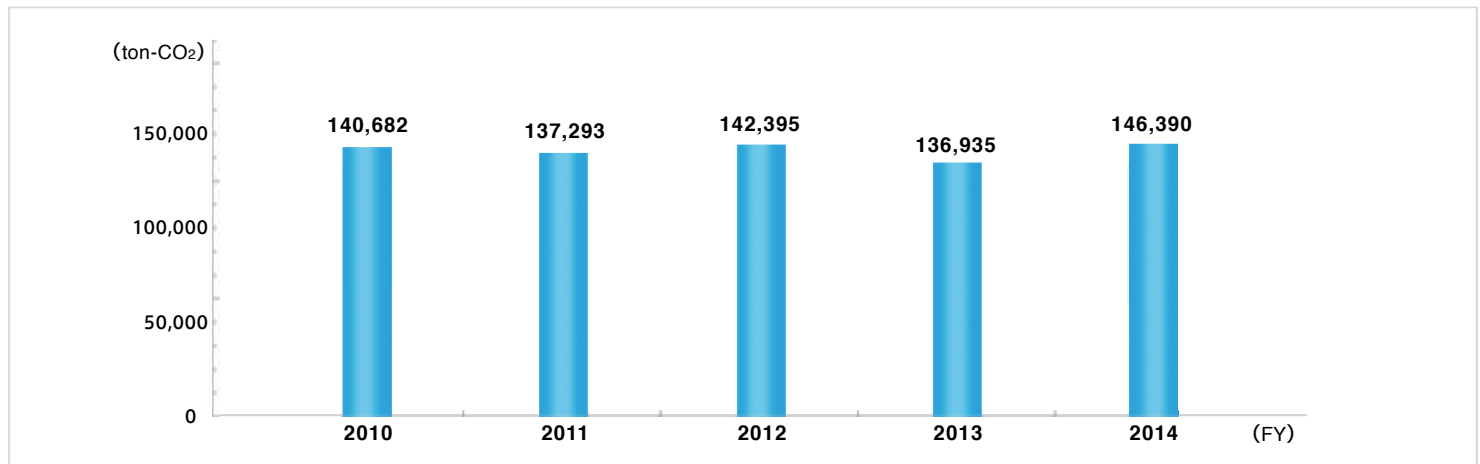
Global Warming Prevention Initiatives

To counter the serious issue of global warming, each of our North American companies is working hard to reduce total CO₂ emissions through various measures. The amount of CO₂ emitted by the four North American companies in FY2015 totaled 146,390 tons- CO₂, a decrease of about 6.9% from FY2013. This is due to SIA's increase in production volume, and CO₂ emission per unit of production has decreased.

As the CO₂ emission volume increases along with the increased production volume, each of our North American companies is making various efforts to reduce CO₂ emissions.

SIA has implemented detailed management of energy usage based on ISO 50001, and Subaru of America, Inc. (SOA), which sells Subaru automobiles, and Subaru Research & Development, Inc. (SRD), which performs research and development, have switched over to LED lighting.

◎ CO₂ Emissions (Total from 4 North American Companies)

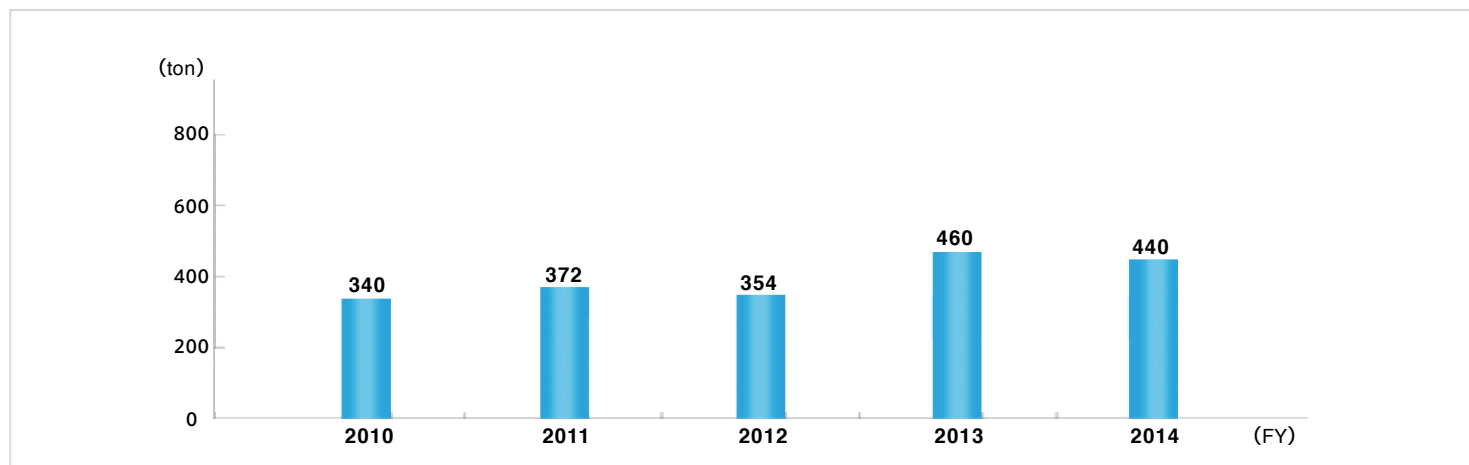


Efforts to Reduce Waste Materials

The amount of waste sent to landfill by the four North American companies in FY2014 was 440 tons, a decrease of about 4.3% from FY2013. However, SIA, where Subaru automobiles are manufactured, has continued to keep all waste from landfills since 2004.

SOA and Subaru Canada, Inc. (SCI), which sell Subaru automobiles, are carrying out various measures to further reduce waste, such as having stopped using paper towels and switching to hand driers.

Waste sent to Landfill (Total from 4 North American Companies)



Other Initiatives

Received the Governor's Award for Environmental Excellence

SIA received the 2014 Governor's Award for Environmental Excellence in the category of Energy/Renewable Resources (Indiana) and was recognized by the Indiana Department of Environmental Management. This award is given to corporations that implement outstanding environmental strategies in Indiana, and this award recognized that the annual energy use at the SIA paint shop decreased by 2.4% (about 4.64 million kwh). This is the third time SIA received such award, following the 2003 award in the Recycling/Reuse category and the 2006 award in the Five Years Continuous Improvement category.



Canadian Environment Week 2014

SCI participates in various environmental activities during Canadian Environment Week every June, recognizing it as a time to reinforce environmental activities. In FY2015, a cleaning reinforcement week was set, during which the use of public transportation or walking to work instead of commuting by automobile or motorcycle was promoted as CO2 reduction activities, and unneeded electronics were collected during E-waste week.



■ Collecting Electrical and Electronic Equipment Waste (E-waste)

SOA actively participates in Earth Day held every April. In FY2015, SOA worked with electronics retailers to collect 104 tons of E-waste and joined forces to recycle the useful metals contained in the electronics.



■ Reducing Water Use

SRD installed a rain sensor to further promote reducing water use. This sensor can control the automatic spraying of watering devices when rain is detected and reduce water use by half.



■ Chemical Substances Management

SIA manages chemical substances in compliance with the regulations of the Environmental Protection Agency (EPA) and the Indiana Department of Environmental Management. In FY2015, a total of 2,339 tons of chemical substances were handled and there were 100 tons of atmospheric emissions.



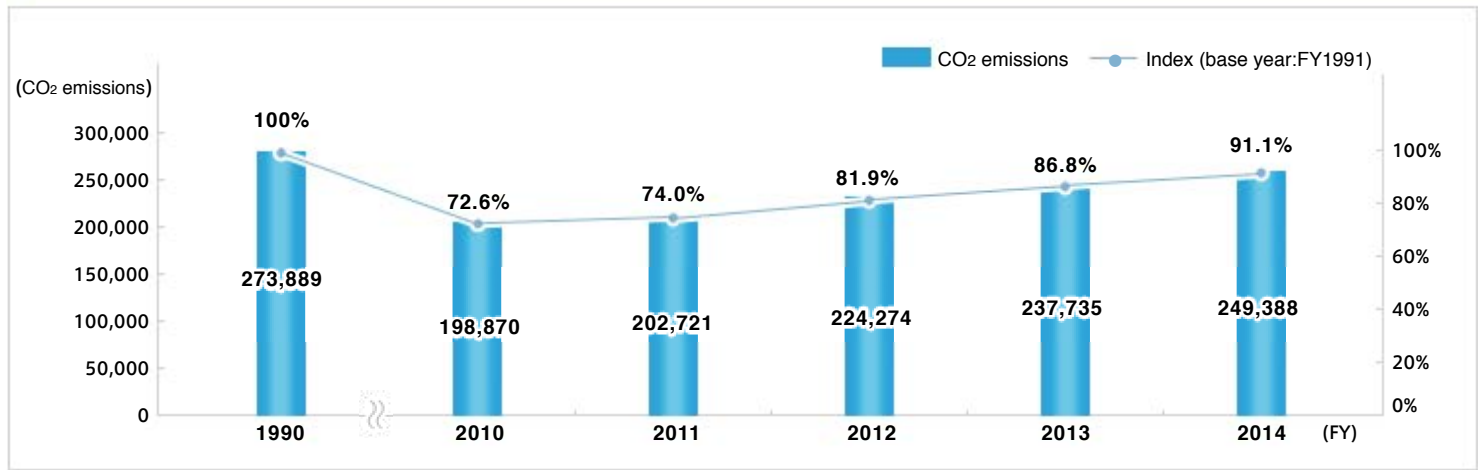
Environmental Data

The main aspects of FHI's environmental performance* in FY2015 are shown in the following figures.

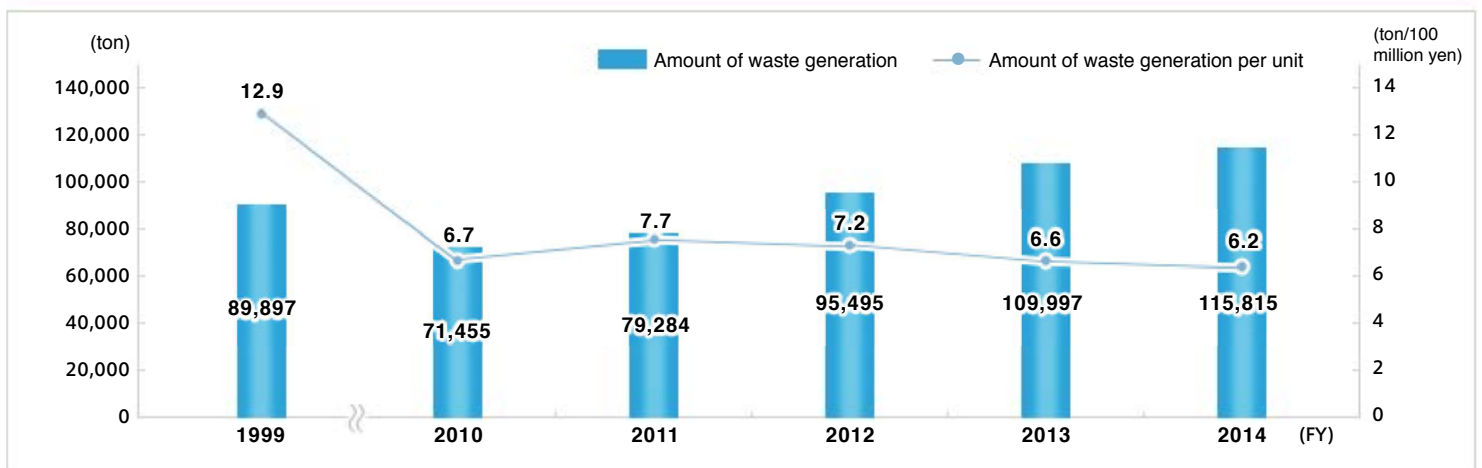
CO2 emissions, waste generation, water usage, etc. have all increased from the previous year due to increased production.

* Manufacturing Divisions covered: Gunma, Utsunomiya, Saitama and Tokyo

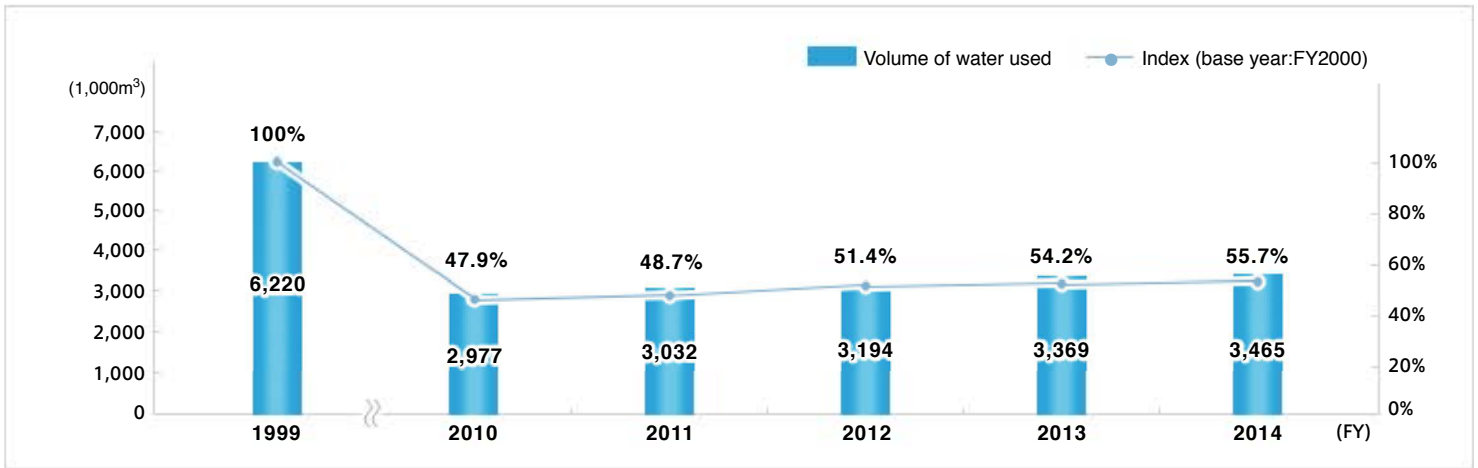
CO2 Emissions



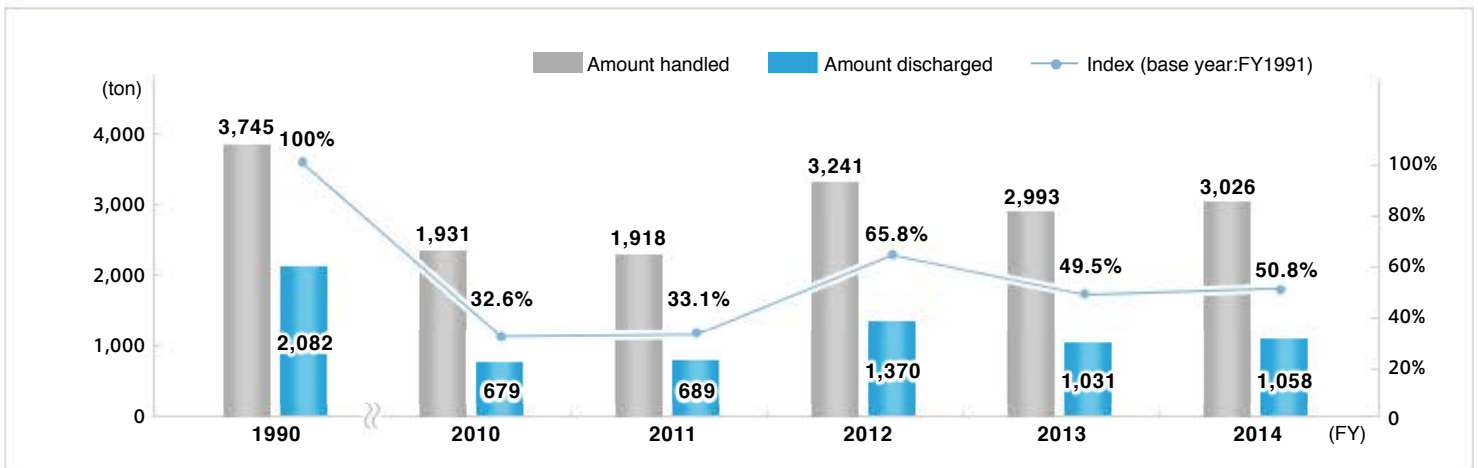
Waste Generation (includes scrap metal sold)



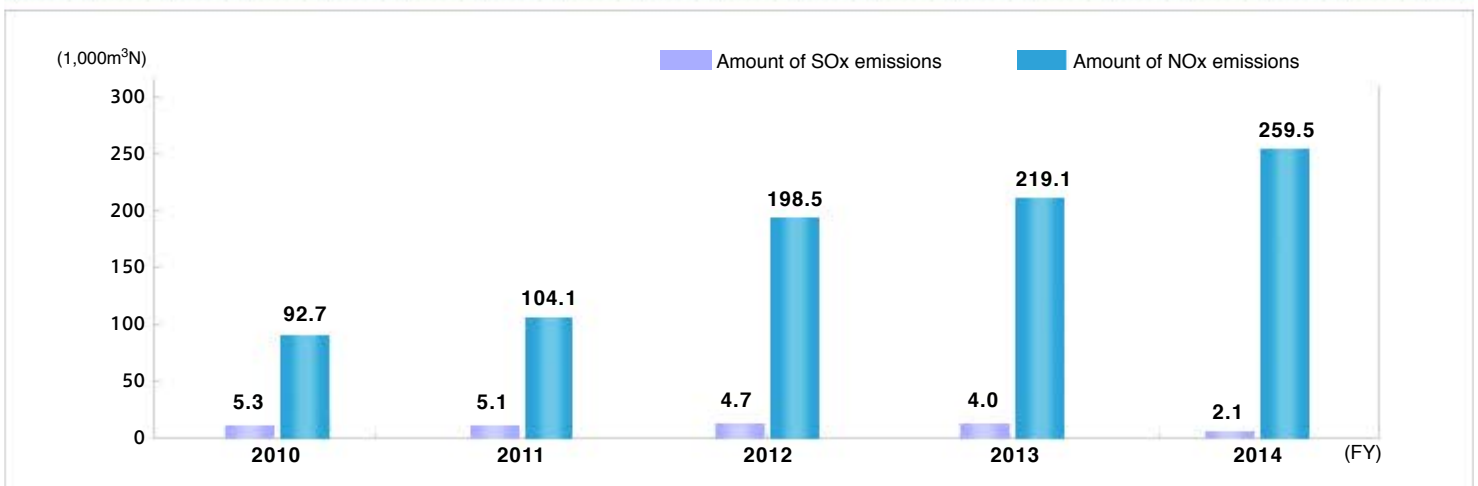
Volume of Water Used



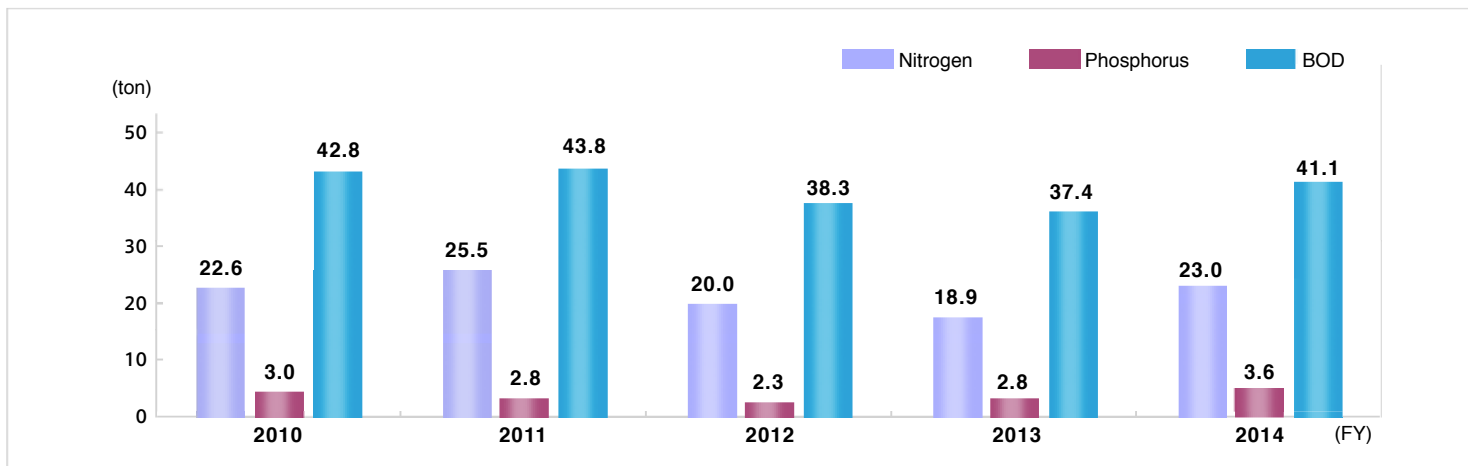
PRTR Chemical Substances Emissions



NOx and SOx Emissions



Nitrogen, Phosphorus, and BOD Emissions



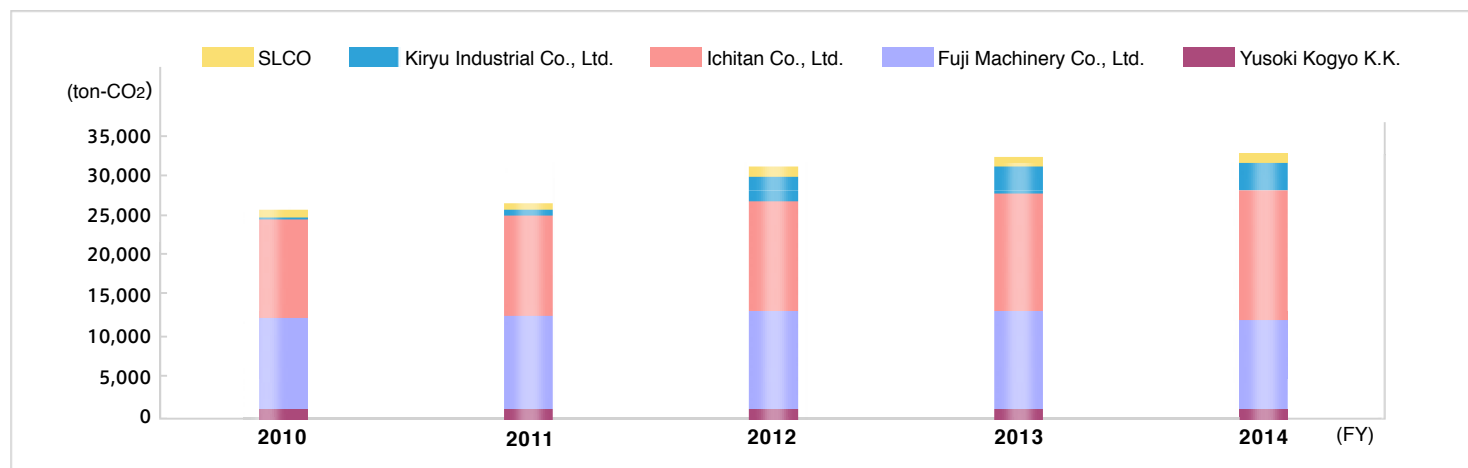
Affiliated Companies in Japan

The main environmental performances of the Domestic Affiliated Companies Division* in FY2015 are shown in the following figures.

Due to increased production, CO₂ emissions and waste generation have increased from the previous year.

* Consists of the following five affiliated companies: Yusoki Kogyo K.K., Fuji Machinery Co., Ltd., Ichitan Co., Ltd., Kiryu Industrial Co., Ltd. and Subaru Logistics Co., Ltd. (SLCO)

CO₂ Emissions



Waste Generation



Third-Party Opinion

Significance of Continuous Follow up by a same Third Party

This is the fifth time that I have been asked to write a third-party opinion on the CSR Report of Fuji Heavy Industries Group. I think there are probably few other companies where the same person follows initiatives of the same corporate group for continuous five years and gives opinions and observations as a third party. The negative side of this might be the loss of the feeling of mutual tension and development of a conspiratorial relationship. However, by being careful not to let that happen while being allowed to continuously watch initiatives at the Fuji Heavy Industries Group, I feel that for me there are significant positive aspects in being able to discover something new every year and identify steady improvements and progress, which ultimately leads to accurate observations.

In writing this year's third-party opinion, I visited the Main Plant in Ota City, Gunma Prefecture at the end of July in addition to reading the content published in the CSR Report and related information on the website. As well as being given explanations on the initiatives at the plant and the revisions to the Green Procurement Guidelines and the CSR Guidelines, I was privileged to enjoy the valuable experiences of a test drive on an EyeSight equipped vehicle, a tour of pre-crash testing, and a passenger test drive of the test course. I also visited Subaru dealer FUJISUBARU Co., Ltd. after a tour of the manufacturing floor of the plant. I summarize my impressions below based on these experiences.

Response to Previous Observations

On page 3 of CSR Report 2015, there is a summary of which points have been improved since the previous fiscal year based on the third-party opinion. This demonstrates FHI's attitude in confronting and trying to respond sincerely to the observations made so far as well as its steady progress.

In particular, in the area of biodiversity, I have pointed out the need to assess the impact of business activities and consider concrete strategies since FY2012. As a result of the steady efforts thus far, the Biodiversity Working Group was launched last fiscal year, and concrete activities have begun to be rolled out with expectations for future development. In addition, with regard to my observation last year that as an automobile manufacturer, the company should explain its responsibilities related to end-of-life vehicles in an easy-to-understand manner, the content has been enhanced with an illustration commentary on the process.

In addition, in FY2014, I pointed out that FHI ought to enhance the publication of negative information and the results of dialogue, including the kind of opinions received from customers and others outside the company and specifically how these opinions were being used as well as the challenges for the future. I was still not able to find sufficient information on this point in the main CSR Report. On the other hand, it is disclosed on page 19 of the CSR Report that positive evaluations accounted for over 80% in the customer satisfaction survey. I think that it is important to properly analyze what the other 20% of opinions that are not positive are like and the reasons for that and to utilize that information. I believe that this would lead to "Enhancing the Subaru brand" as in the Message from the President.



Ms. Mami Oku

**Professor
Tokyo Metropolitan University**

Profile

Graduated from the Faculty of Economics, Yokohama National University. After completing her postgraduate course in the Department of International and Business Law of the said university, she served as researcher at the Tokyo Institute of Municipal Research from 1993 through 1998, and as Assistant Professor at the Faculty of Environmental Studies of Nagasaki University from 1998 through 2006. At present, she is Professor and Director of the Division of Urban Policy, Faculty of Urban Liberal Arts of Tokyo Metropolitan University. Specializing in environmental law and administrative law, Prof. Oku is the author of Environmental Laws System of EC and Environmental Management Measures (publisher: the Tokyo Institute for Municipal Research), Approaches to Environmental Laws (SEIBUNDO Publishing Co., Ltd.), Frontlines of Municipal Environmental Administration (GYOSEI Corporation), Environmental Business Handbook (Chuohoki Publishing Co., Ltd.) and others.

Fostering Mutual Understanding between Departments and Related Parties

Subaru cars have an established reputation, and their high level of safety has been objectively verified in safety testing in Japan and overseas. Exhaustive pursuit of safety is arguably a Subaru trait. However, it appears that not all employees necessarily grasp and appreciate the kind of work and processes through which the safety of Subaru cars is pursued and achieved. While “all employees” may be quite a high hurdle, it is important to share basic information and awareness about cars and products between department and the related parties, including the supply chain, precisely because FHI is a vehicle and product manufacturing company. Although we are informed that various education programs are already provided for each grade and job skill, basic educational programs for understanding operations beyond the departmental framework of design, development, manufacturing, marketing and sales are also very important.

Reviewing Introduction of Environmental Management Systems and Horizontal Deployment of Outstanding Initiatives

FHI encourages all dealerships to obtain Eco Action 21 (EA21) certification, and this is being achieved and maintained. While this in itself is applauded, I look forward to even more support for further progress, utilizing EA21 as a tool for substantial and ongoing improvement. This will include an FHI-led review of the outcomes and challenges of EA21 operation at dealerships in addition to the active showcasing of initiatives and outcomes for which horizontal deployment is particularly desirable to other dealerships.

Definite Link Between Information Published in the CSR Report and Information on the Website

Since the 2013 edition, the website has been the base for publication of the FHI CSR Report. In my third-party opinion from that time, I looked forward to the enhancement of links to related information utilizing the special features of the website. However, there still seems to be room for improvement on this point in the 2015 edition. For example, with regards to the illustration commentary on the vehicle recycling process and the concrete activities of the Biodiversity Working Group I mentioned above, information that ought to have been published in the CSR Report was actually in a separate location on the website, and no link was affixed. There were also some areas where even though there appeared to be links, there was no information there when the link was clicked. I look forward to an overhaul of the CSR Report from the perspective of making it function certainly and properly as a medium for providing information to stakeholders.

▸ [Thoughts on the Third-Party Opinion](#)

Comparison with ISO26000

To meet the international standard, Fuji Heavy Industries, Ltd. uses core subjects of the ISO26000 Guideline as references. Visit www.iso.org for details of the ISO26000 standard.

Core Subjects	Issues	Related Items
Organizational governance	<ol style="list-style-type: none"> 1. Outline of organizational governance 2. Organizational governance and social responsibility 3. Decision making process and structure 	<ul style="list-style-type: none"> ▸ The Fuji Heavy Industries Group's CSR ▸ Compliance ▸ Corporate Governance
Human rights	<ol style="list-style-type: none"> 1. Due diligence 2. Human rights risk situations 3. Avoidance of complicity 4. Resolving grievances 5. Discrimination and vulnerable groups 6. Civil and political rights 7. Economic, social and cultural rights 8. Fundamental principles and rights at work 	<ul style="list-style-type: none"> ▸ Diversity Initiatives ▸ Procurement ▸ Approaches to Welfare Vehicles ▸ Work-Life Balance Initiatives
Labor practices	<ol style="list-style-type: none"> 1. Employment and employment relationships 2. Conditions of work and social protection 3. Social dialogue 4. Health and safety at work 5. Human development and training in the workplace 	<ul style="list-style-type: none"> ▸ Human Resource Development ▸ Work-life Balance Initiatives ▸ Diversity Initiatives ▸ Occupational Health and Safety ▸ Communication with Labor Union
The environment	<ol style="list-style-type: none"> 1. Prevention of pollution 2. Sustainable resource use 3. Climate change mitigation and adaptation 4. Protection of the environment, biodiversity and restoration of natural habitats 	<ul style="list-style-type: none"> ▸ Environment ▸ Environmental Vision ▸ Environmental Management ▸ Environmentally Friendly Automobiles ▸ Plant and Office Initiatives ▸ Initiatives for Distribution ▸ Initiatives for Sales ▸ Automobile Recycling ▸ Environmental Communication ▸ Global Initiatives ▸ Environmental Data
Fair operating practices	<ol style="list-style-type: none"> 1. Anti-corruption 2. Responsible political involvement 3. Fair competition 4. Promoting social responsibility in the value chain 5. Respect for property rights 	<ul style="list-style-type: none"> ▸ Compliance ▸ Procurement
Consumer issues	<ol style="list-style-type: none"> 1. Fair marketing, factual and unbiased information and fair contractual practices 2. Protecting consumers' health and safety 3. Sustainable consumption 4. Consumer service, support, and complaint and dispute resolution 5. Consumer data protection and privacy 6. Access to essential services 7. Education and awareness 	<ul style="list-style-type: none"> ▸ Efforts to Raise Customer Satisfaction Levels ▸ Quality Management ▸ Making Safe Vehicles ▸ Information Disclosure ▸ Environmentally Friendly Automobiles ▸ Approaches to Welfare Vehicles
Community involvement and development	<ol style="list-style-type: none"> 1. Community involvement 2. Education and culture 3. Employment creation and skills development 4. Technology development and access 5. Wealth and income creation 6. Health 7. Social investment 	<ul style="list-style-type: none"> ▸ Social Contribution ▸ Environmental Communication

Fuji Heavey Industries Ltd.

Ebisu Subaru Bldg. 1-20-8, Ebisu, Shibuya-ku,
Tokyo, 150-8554, Japan

issued in August 2015