



FHI Announces “Motion-V” Mid-Term Management Plan for FY2012-2016

Tokyo, July 6, 2011 – Fuji Heavy Industries, Ltd. (FHI), the maker of Subaru automobiles, today announced its new 5-year management plan for the fiscal years ending March 31, 2012 (FY2012), through March 31, 2016 (FY2016). FHI has positioned these 5 years to solidify the foundation of its core Subaru automobile business in order to ensure further growth by achieving an annual sales volume of 1 million vehicles within the next 10 years.

Under the 5-year plan, FHI will grow its base of Subaru fans and customers by offering them its core values of enjoyment and peace of mind, which are established aspects of Subaru’s brand identity. In terms of product development, Subaru continues to build on its expertise in safety technology and driving performance while constantly addressing environmental issues in order to offer environmentally friendly solutions. In the next 5 years, its product lineup will be bolstered by the introductions of three all-new models and a hybrid vehicle. FHI will place emphasis on the U.S. and China markets and increase its global sales by 40% over the term of the plan. Subaru plans to strengthen its production capacity to accommodate the increasing sales efforts, yet always in consideration of the need to hedge foreign currency exposure.

The new mid-term plan specifies goals and measures for growth and operational expansion, and it also reckons overall cost reduction and accounts for the synergistic effects of the alliance with Toyota Motor Corporation. The plan was made in consideration of FHI’s global level of risk and recent changes in business practices, such as the currently required investment in the development of environmental technology, foreign currency fluctuations, and increases in other costs.

With a basic philosophy of *customers come first*, which further incorporates the brand statement *Confidence in Motion* as a guiding principle, FHI’s 5-year plan addresses major challenges and sets forth goals.

FHI has also announced its consolidated outlook of FY2012 as the first year of the plan as follows:

Automotive sales: 633 thousand units (-3.6% year-on-year basis)

Net sales: 1,480 billion yen (-6.4%)

Operating income: 30 billion yen (-64.3%)

Ordinary income: 25 billion yen (-69.6%)

Net income: 35 billion yen (-30.4%)

Foreign currency rate: 81yen per US dollar, 115 yen per EURO

FY2012-FY2016 Mid-Term Plan: Numerical goals for the fiscal year 2016

◆ Global automotive sales target*: 900 thousand units

Sales target by region: 380 thousand units in North America; 180 thousand in China; 160 thousand in Japan; 60 thousand in Europe; 50 thousand in Australia; and 70 thousand in other regions

*Target sales consist of FHI’s volume of non-consolidated shipments of complete cars, KD units for overseas assembly, and OEM units.

- ◆ Operating income goal: 120 billion yen
Calculation based on current standard accounting practices, under operating conditions of a profit margin at 6% and estimated foreign exchange rates of 90 yen per U.S. dollar and 120 yen per Euro.
- ◆ R&D expense: 250 billion yen*; Capital expenditure: 330 billion yen*; Depreciation: 310 billion yen*
*5 years total

“Motion – V” Five Challenges

1. Guiding principle for all activities

- ◆ Guiding principle “Confidence in Motion”
 - Aiming the achievement of Mid-Term Management Plan through positive actions by all members

2. Provide distinctive Subaru experience

- ◆ New brand strategy
 - To expand the base of Subaru fans and customers and increase sales by offering enhanced Subaru brand value
- ◆ Technologies
 - Safety: To become the world’s leading brand in safety performance by providing all-around safety that comprises risk-avoidance technologies (active safety), systems in collision safety (passive safety), and pre-crash safety features
 - Environment: To review and improve the efficiency of all automotive power units, so that an average improvement of 30% in fuel economy will be achieved across the board in Subaru vehicles
- ◆ Products
 - To enhance the Subaru product lineup through the introduction of three all-new models and a hybrid car (planned for 2013) and through the availability in more models of advanced technological pre-crash safety features like the EyeSight, Subaru's unique Active Driving Assist System that uses stereo camera technology

3. Accelerate sales expansion

- ◆ Sales plans
 - To focus management resources on the U.S and China markets as key markets and substantially expand the sales
- ◆ Production capacity enhancement plans
 - To begin production in China in order to expand production capacity and mitigate the sensitivity of foreign currencies
 - To refurbish the Gunma Main Plant to produce passenger cars instead of mini cars
 - To expand the Oizumi Plant’s production of the new-generation boxer engines that excel in environmental friendliness
 - To begin assembly of KD units in Malaysia, thereby making inroads to the growing markets within the ASEAN Free Trade Area

4. Solidify operational foundation

- ◆ Upgrade of quality
 - To enhance the quality based on the view point of customers and strengthen the global quality control system responding to diversification of sales globally

- ◆ Overhaul of cost structure
 - To strive for a 20% cost reduction in new models under development despite increasing cost factors, such as for required development of environmentally friendly technology

- ◆ Alliance with Toyota

- Development

- Joint development: A jointly developed rear-wheel drive sports car will be launched in spring 2012. FHI will study enhancement of product appeal of the model toward the future.
 - Technology development: FHI, in consultation with Toyota, will pursue synergistic effects by participating in the developmental work on next-generation environmental technologies.

- OEM

- Minicars: All Subaru minicar lineups will be supplied by Daihatsu under an OEM agreement by spring 2012.
 - Compact cars: FHI plans to continue the OEM arrangement for its compact car supplied by Toyota and will study enhancement of product appeal.

- Production

- North America: Subaru of Indiana Automotive, Inc. will continue production of the Toyota Camry.
 - Japan: FHI will begin production of the jointly developed rear-wheel drive sports car.

5. Improvement in management

- ◆ Aerospace Company, Industrial Products Company, and Eco Technologies Company

- To review and determine those operations' future growth and independence, with securing profits as a premise

- ◆ Human resources

- To recruit and nurture employees with a global a perspective who accept the challenges of lofty goals
 - To become a company where employees can get satisfaction from their work within flexible working arrangements

- ◆ Corporate governance

- To invite outside directors to the board of directors and add independent directors

- ◆ Return to shareholders

- In taking account of financial results, capital expenditure and current business environment of each year, continuous dividend policy is our basic idea. In closely examining future improvement of ROE (Return of Equity), consider payout ratio idea linked to financial performance.

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