

## Fuji Heavy Industries Sets Mid-Term Management Plan for FY2008-2011

FHI's long-term management vision, is to become "a compelling company with strong market presence," and the mid-term plan places emphasis on developing fundamental corporate strengths to enable further growth and the plan also stipulates goals and measures to ensure long-term improvements in profitability.

- 1. Provide a distinctive Subaru experience for drivers and passengers**
- 2. Increase sales globally**
- 3. Strengthen competitiveness in quality and cost**
- 4. Grow through the business alliance with Toyota**
- 5. Grow level of employees competence and so enhance the organization**

For the Subaru vehicles that are our company's core products, we will ensure that all customers riding in these vehicles experience the enjoyment and the feeling of confidence and security that only Subaru can provide. At the same time, we will concentrate our technical development on achieving the top level of environmental performance in the industry, aiming for an advanced "fusion of comfortable and reliable driving with consideration for the global environment".

We will allocate our business resources so as to reinforce our position within the Japanese market while also shifting resources to the overseas divisions in North America and other markets where we are aiming for greater sales growth. We will strive to ensure that this allocation of business resources is linked to our future growth strategy.

### [Outline of the mid-term plan]

#### **1. Provide a distinctive Subaru experience for drivers and passengers**

FHI will work to satisfy customers by creating an exciting, enjoyable and dependable Subaru experience while taking environmental considerations fully into account.

#### **2. Increase sales globally**

##### The U.S. as a strategically important market

- Improve profitability and operational efficiency through integrated management of production and sales
- Improve information gathering and research capabilities through a branch office in Los Angeles under the organization of Subaru of America
- Ensure flexible U.S. production plans to meet market demands and improve on the system of supply and demand
- Expand sales network (target: 625 outlets by 2010)

##### Europe, Australia and other areas

- Reduce CO<sub>2</sub> emissions and increase sales through introductions of diesel-powered cars and subcompact cars
- Expand Subaru Europe's functions to involve direct sales activities and improve logistics in the distribution of vehicles and parts
- Bolster sales by further implementing the Subaru brand strategy and further improving the brand offering
- Strengthen sales networks and increase sales in Russia, Eastern and Northern Europe, China and other emerging markets
- Establish an overseas after-sales service system through which Subaru service people regularly visit distributors to collect requests and information
- Conduct feasibility studies on additional overseas production sites

##### Japan

- Improve profitability through enhancing sales of Legacy, Impreza and Forester
- Enhance dealer networks in large cities like Tokyo and Osaka
- Increase the sales force for better customer satisfaction

### **3. Strengthen competitiveness in quality and cost**

- Start a new cost reduction campaign, TSR-VC (Total Cost Structure Revolution – to maximize Value for Competitiveness & Customers)
- Flexible manufacturing, short lead-time manufacturing with variable type and quality  
In process quality assurance  
Succession of manufacturing skill & technology
- Reinforce business foundation of group companies by focusing on mission faithfulness

### **4. Grow through the business alliance with Toyota**

- Smooth start-up of Toyota Camry production at Subaru of Indiana Automotive (Early Spring 2007)
- OEM production agreement in place on a subcompact car for Europe
- Study development projects in consignment or joint development with Toyota

### **5. Grow level of employees competence and so enhance the organization**

- Instill the Customer First philosophy: devise and implement a new guideline, CCE (Customer, Company, Employee)
- Organizational changes in FHI headquarters: set up the Global Marketing Division, divide the Overseas Sales and Marketing Division into two separate divisions
- Clearly define responsibilities of divisions and departments and enhance management effectiveness
- Review and upgrade groupwide human resources policies and education/training programs

### **Other FHI companies**

- Aerospace Company will continue its defense-related work and enhance capacities in response to a growing demand for passenger planes. Company will cultivate next-generation business with its new products and technologies.
- Industrial Products Company will expand global production, including production consignment and licensing, and develop new products to meet customer needs.
- Eco Technologies Company will improve the profitability of its eco-friendly sanitation trucks by tapping business collaborations with other companies and plans to jump start an electricity-generating windmill business.

### Financial strategies

- Investment priorities: Focus capital expenditure to support global operations; Target R&D expense to enhance product appeal and features
- Effective allocation of business resources without increasing total assets
- 20% reduction in interest-bearing debt by FY2008 on a consolidated basis, from the end of FY2005

### Issues relating to shareholders

- Continue a steady dividend payment through FY2011