

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

Tokyo, February 28, 2007 – Fuji Heavy Industries Ltd. (FHI), the maker of Subaru automobiles, today announced its mid-term management plan with specific goals and measures for the fiscal years ending March 31, 2008 (FY2008), through March 31, 2011 (FY2011).

FHI's long-term management vision, is to become "an 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.

With the philosophy of "customers come first" at its core, the plan addresses five major challenges.

1. To provide a distinctive Subaru experience for drivers and passengers
2. To increase sales globally
3. To strengthen competitiveness in quality and cost
4. To also grow through the business alliance with Toyota
5. And to grow the level of employees competence and so enhance the organization

Subaru cars, FHI's main product, currently deliver a unique driving experience. In future, Subaru will incorporate more comfort and safety features into its high-performance vehicles. This combination of safety comfort and performance will improve the Subaru experience for both drivers and passengers alike.

Recognizing the car industry's environmental responsibility, Subaru also plans to concentrate its R&D work on developing cleaner cars and aims to achieve the car industry's highest levels of environmental performance. This commitment will be achieved without compromising the exciting, enjoyable and reliable, products that Subaru customers enjoy.

The mid-term plan highlights a strategic transition in management resources and focuses on strengthening overseas sales and operations. While maintaining sales in the Japanese market, FHI plans to aggressively expand sales in North America and other markets that are expected to significantly grow in the future.

The plan has a sales goal of 683 thousand units (on non-consolidated basis) in fiscal 2011. Financial goals include maintaining an operating margin ratio at the level of 5% and a target ROA level of 7%.

Highlights of the mid-term plan

Financial goals on a consolidated basis in FY 2011	
Operating income	80 billion yen
Operating margin ratio	5%
ROA	7%
Estimated exchange rate	110 yen/\$

Target sales by region in FY2011* Units in thousand	
Japan	236
U.S.	236
Europe and others	212
Total	448
Grand Total	683

* Target sales volume consists of FHI's non-consolidated sales and sales volume of KDs and assembling parts.

[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 CO₂ 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
- Maintain the same level of treasury stock (8.4% of the total issued stocks)

About Fuji Heavy Industries Ltd.

Fuji Heavy Industries Ltd. (FHI), the maker of Subaru automobiles, is a leading manufacturer in Japan with a long history of technological innovations that dates back to its origin as an aircraft company. While the automotive business is a main business pillar, FHI's Aerospace, Industrial Products and Eco Technologies divisions offer a diverse range of products from general-purpose engines, power generators, and sanitation trucks to small airplanes, crucial components for passenger aircrafts, and wind-powered electricity generating systems. Recognized internationally for its all-wheel drive (AWD) technology and horizontally opposed engines in Subaru, FHI is also spearheading the development of environmentally friendly products and is committed to contributing to global environmental preservation.