

## **FHI Decides to Terminate Industrial Products Business - Focusing Management Resources to Enhance Automotive Business Competitiveness -**

Tokyo, November 2, 2016 – Fuji Heavy Industries Ltd. (FHI) resolved at an extraordinary meeting of its Board of Directors held today to terminate its industrial products business in order to utilize management resources more effectively to enhance the competitiveness of its core automotive business in the aim of achieving sustainable growth in the future.

The industrial products business manufactures and sells a wide range of products, including general-purpose engines for construction, industrial, and agricultural equipment; high-performance engines for snowmobiles, all-terrain vehicles, and other vehicles; and finished goods such as generators and pumps. For more than 60 years since FHI's former Omiya Plant (then Omiya Fuji Industries Co., Ltd.) started producing the 540 cc M6 engine in 1951, FHI's industrial products have earned a worldwide reputation as dependable power sources supporting livelihoods and lifestyles around the globe.

In the “Prominence 2020” mid-term management vision announced in May 2014, FHI set “Enhancing the Subaru brand” as one of its primary goals. Reinforcing human resources capable of making immediate contributions, especially in the engineering and product development divisions of the Subaru automotive business, has been a key initiative for accelerating efforts to achieve this goal. After a comprehensive reexamination of FHI's business portfolio, the decision has been made to terminate the industrial products business and concentrate management resources in the automotive business.

Manufacture and sale of industrial products, including general-purpose engines and generators, currently sold by FHI will cease on September 30, 2017. Manufacture and sale of some engines for installation in vehicles will cease as customer supply contracts expire. After-sales service systems will be put in place to ensure ongoing service once manufacture and sale cease.

For certain models of the engine lineup currently produced by companies in China under outsourcing contracts, FHI is transferring technology to the manufacturing companies which have expressed interest in continuing production.

On the business of the manufacturing joint venture Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. (FCR)<sup>\*1</sup>, FHI has concluded a contract to transfer its 67% holding in FCR to its Chinese joint venture partner Changchai Co., Ltd.<sup>\*2</sup>, and has agreed to transfer to FCR technology relating to products including some general-purpose engines being produced by FCR.

Technology transfer arrangements are also underway with Shandong Huasheng Zhongtian Machinery Group Co., Ltd.<sup>\*3</sup> which produces EX series engines under an outsourcing contract and Chongqing Rato Technology Co., Ltd.<sup>\*4</sup> which produces EA series engines under an outsourcing contract, so that both companies can continue to manufacture these products.

The board's decision will concentrate management resources on FHI's core automotive business, further reinforcing the business structure in the aim of substantially enhancing the Subaru brand and achieving even greater sustainable growth.

## **Outline of Business to Be Terminated**

- Business unit: Industrial Products Division, Subaru Automotive Business
- Business activities: Manufacture, sale, and repair of machinery and equipment and their parts, including generators, generator equipment, and equipment for use in agriculture, forestry, and construction

## **Timeline**

- Cessation of manufacture and sale of general-purpose engines and generators:  
September 30, 2017 (excluding certain products such as some engines for installation in vehicles)
- After-sales service:  
After-sales service systems to be put in place to ensure ongoing service once manufacture and sale cease.

## **History of Industrial Products Business**

- Aug 1950: Omiya Fuji Industries Co., Ltd. established.
- Feb 1951: Production of the M6 general-purpose engine starts (at Omiya Fuji Industries Co., Ltd.).
- Jul 1953: Fuji Heavy Industries Ltd. established.
- Jul 1968: Export of snowmobile engines to US company Polaris Industries Inc. begins.
- Apr 1995: Saitama Plant opens in Kitamoto City, Saitama Prefecture, and operations transferred from Omiya Plant in October 1995.
- Dec 2012: Cumulative production of general-purpose engines reaches 30 million.
- Sep 2016: Cumulative production of general-purpose engines reaches 33 million (as of September 30).

\*1 Headquarters: Jiangsu, China; Representative: Yin Lihou

\*2 Headquarters: Jiangsu, China; Representative: Shi Xinkun

\*3 Headquarters: Shandong, China; Representative: Zhang Shizhi

\*4 Headquarters: Chongqing, China; Representative: Zhu Liedong

###