

New Mid-Term Management Plan
Fuji Dynamic Revolution -1
(FY2003–2007)

FHI celebrates the 50th anniversary of the company's founding in 2003

May 17, 2002



Corporate Vision

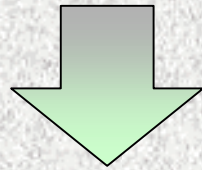
“An appealing company with strong market presence”

***Aim to be a global player
with premium brands***

Transforming the company from a technology-oriented to total human-oriented

Goals to achieve by 2010

- Offer technology that resounds in the heart rather than technology that driven by engineering convenience
- Provide “be Premium” activities through entire value-chain
- Offer the best products, sales and service within each category
- Become a highly profitable corporate constitution at the global standard



- Innovation, not Improvement
- Reform corporate culture
- Implement brand strategies

Sales of ¥1 trillion in Japan
and U.S., respectively

ROA >10%

Operating margin ratio >10%

R&D = ¥100 billion

Targets for the mid-term plan

Goals to achieve for 2010

Fuji Dynamic Revolution -1

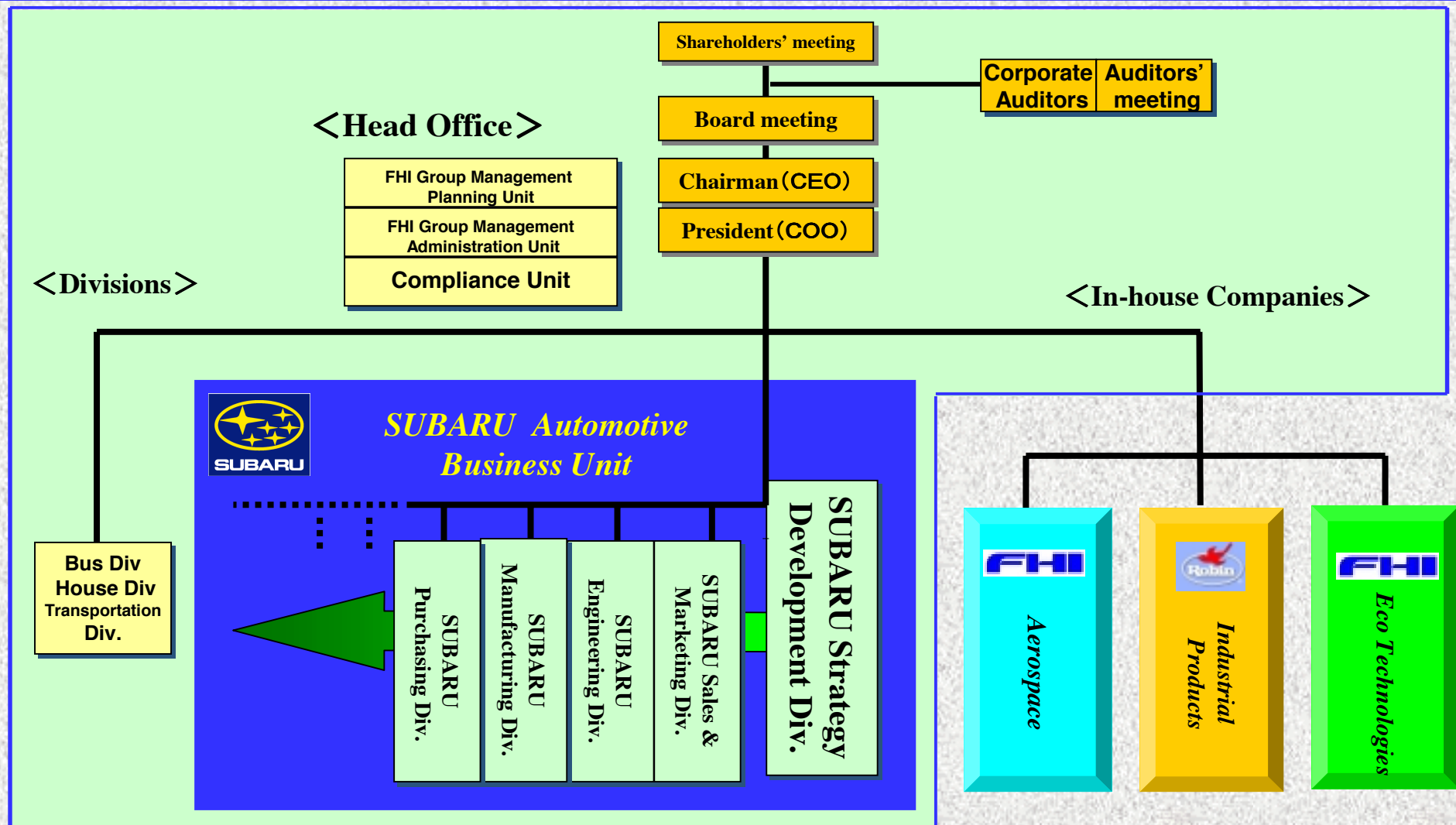
- **Structural changes (the holding company style management)**
- **Brand strategies (Innovation in products and sales)**
- **Revolution in manufacturing costs**
- **Generates new core technologies**
- **Reforms corporate culture (creative & innovative)**

New management structure

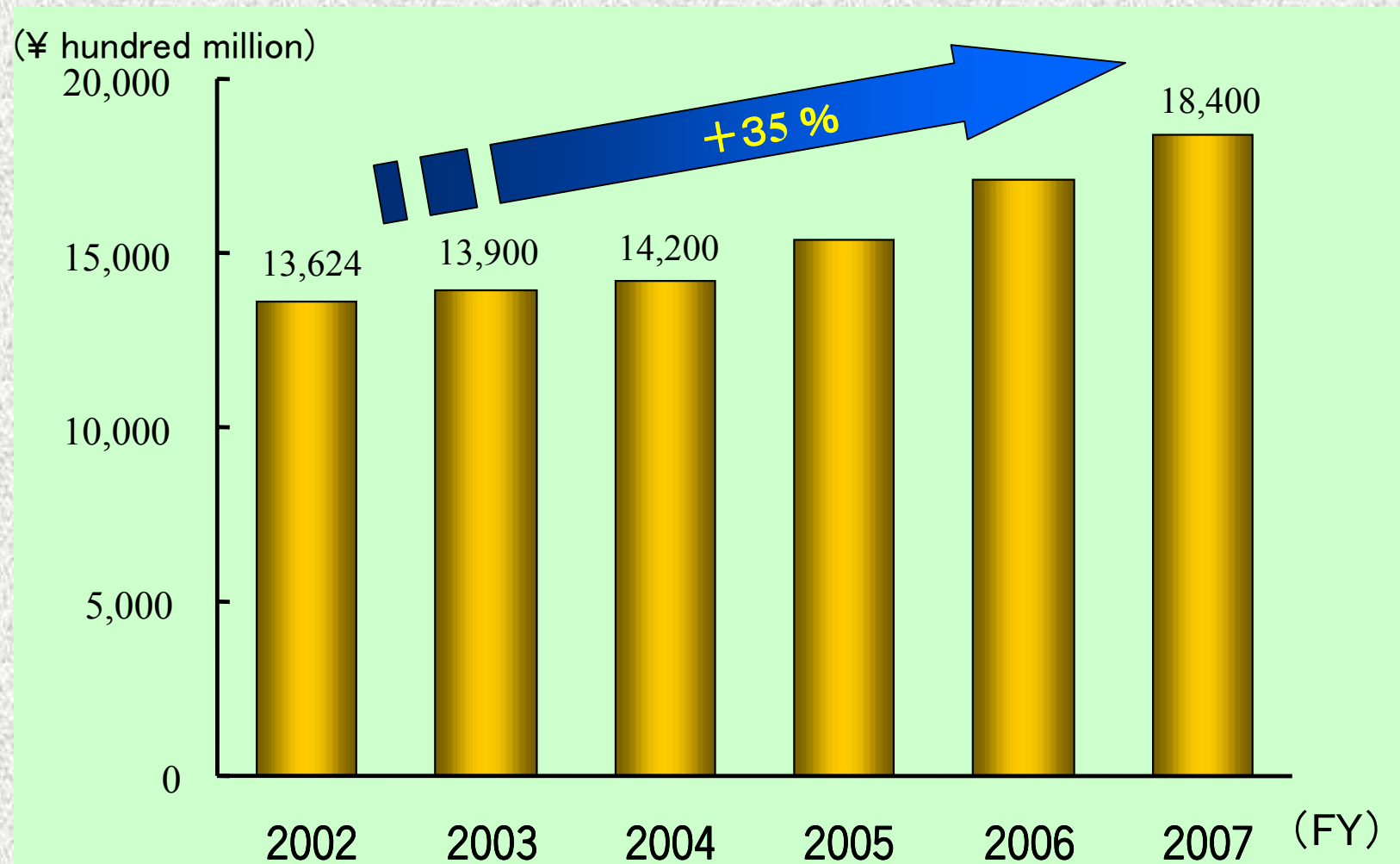
- The holding-company-style management structure focuses on automobile operations as its core business
 - Set up a cross-functioning SUBARU Strategy Development Div.
 - Internal companies to operate independently and expand their operations
 - Restructure unprofitable operations
 - Strengthen group-wide corporate governance

New Management Structure

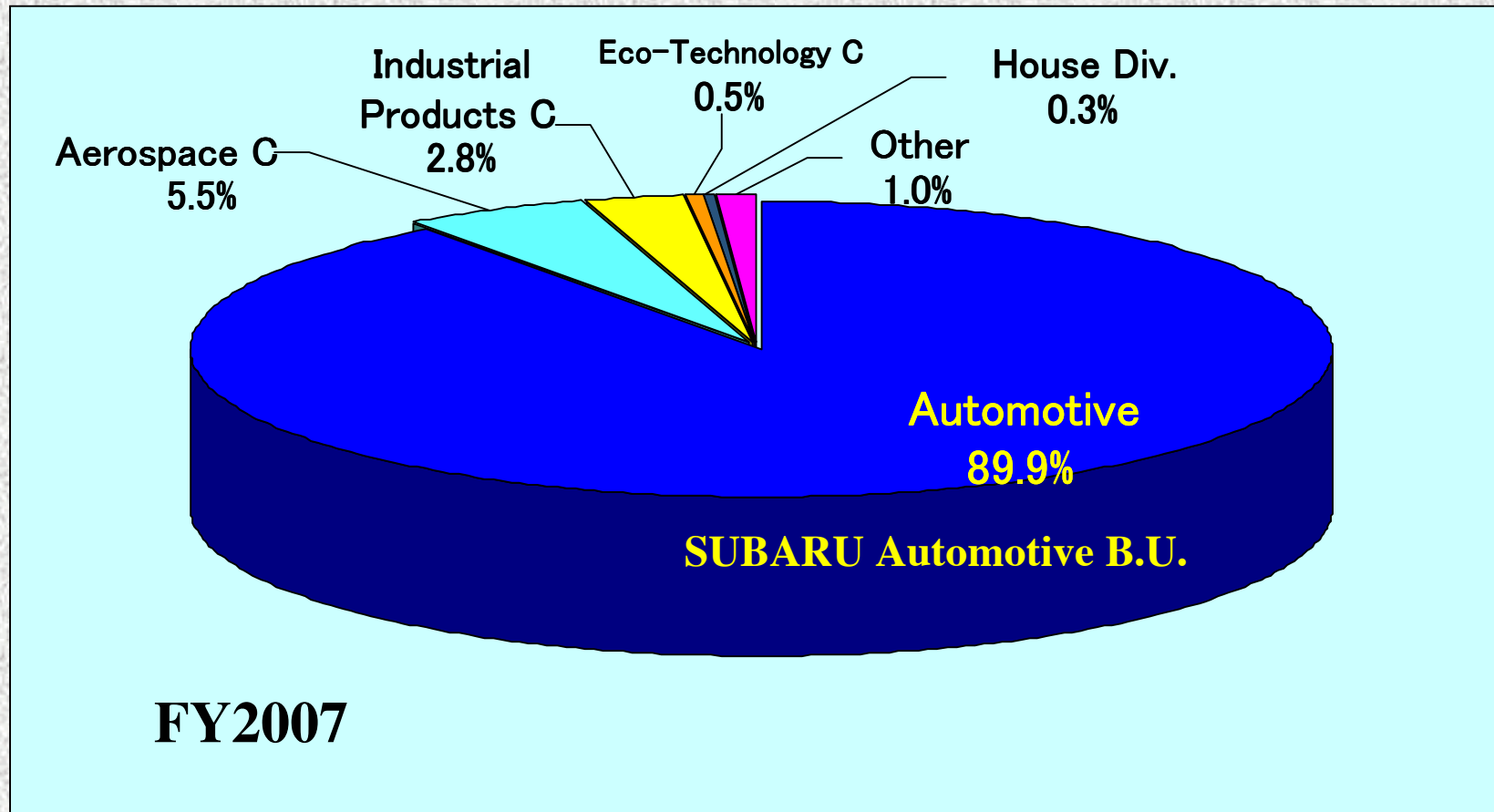
(The Holding-Company-Style Management Structure)



Consolidated Sales Target



Sales Targets by Operation



SUBARU Automotive Business Unit

Emphasis the value of 1% global market share

- **Implement its unique marketing as 1% market share**
- **Prepare to compete in QUALITY, not in unit volume**



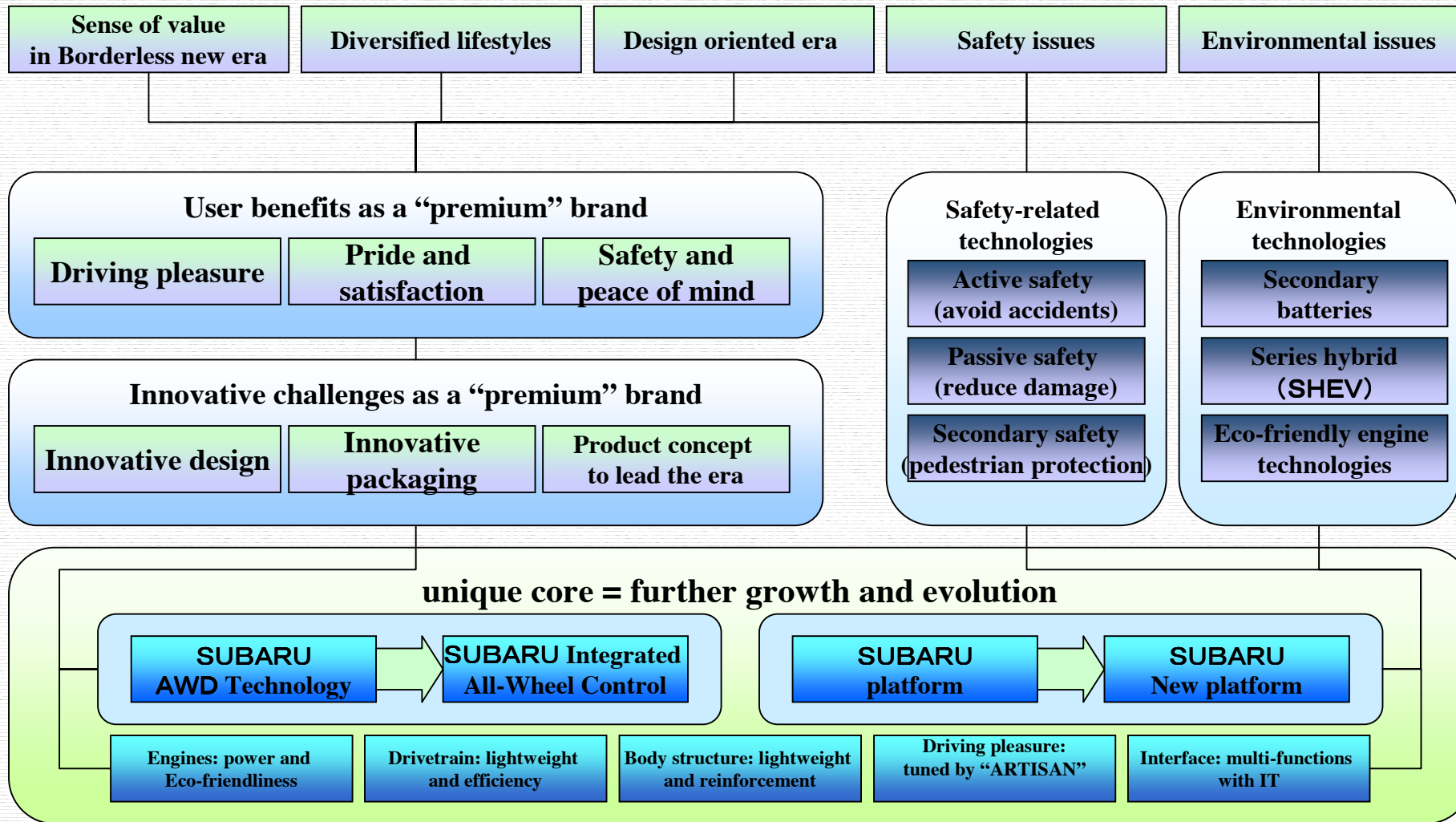


Policies and actions in the automotive business unit

- **Enhance brand strategies**
 - Build portfolios of strategic products
 - Enhance marketing strategies to establish premium brand
 - Innovation of quality in sales and services
- **Innovate technologies for satisfying handling and safety, while meeting environmental requirements**
 - Develop user-friendly vehicles that surpass users' expectations
- **Establish foundations for U.S. - Japan bipolar operations**
- **Promote overall cost reduction activities**
- **Improve further the alliance synergies with GM group**

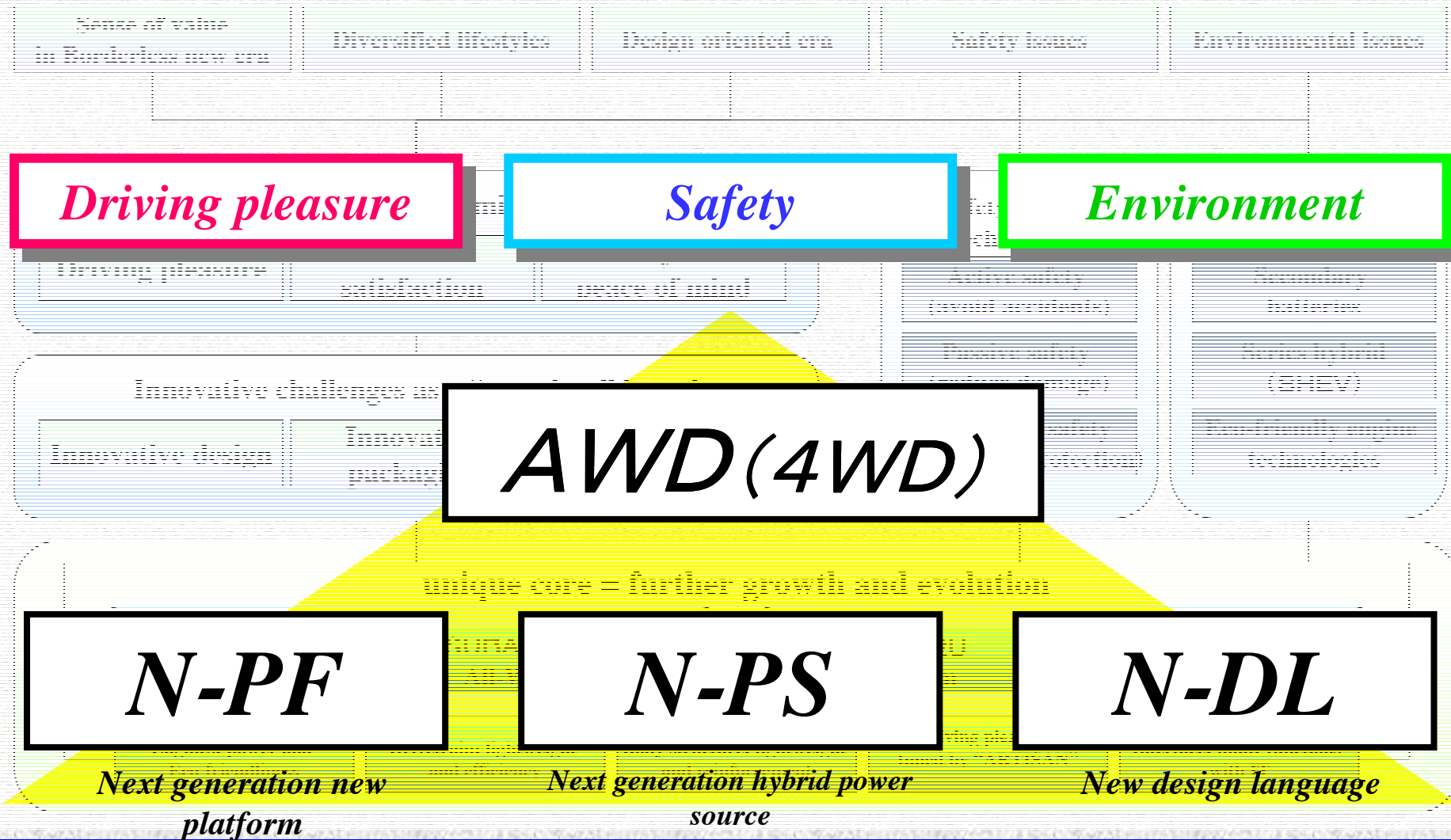


Strategic matrix for technologies



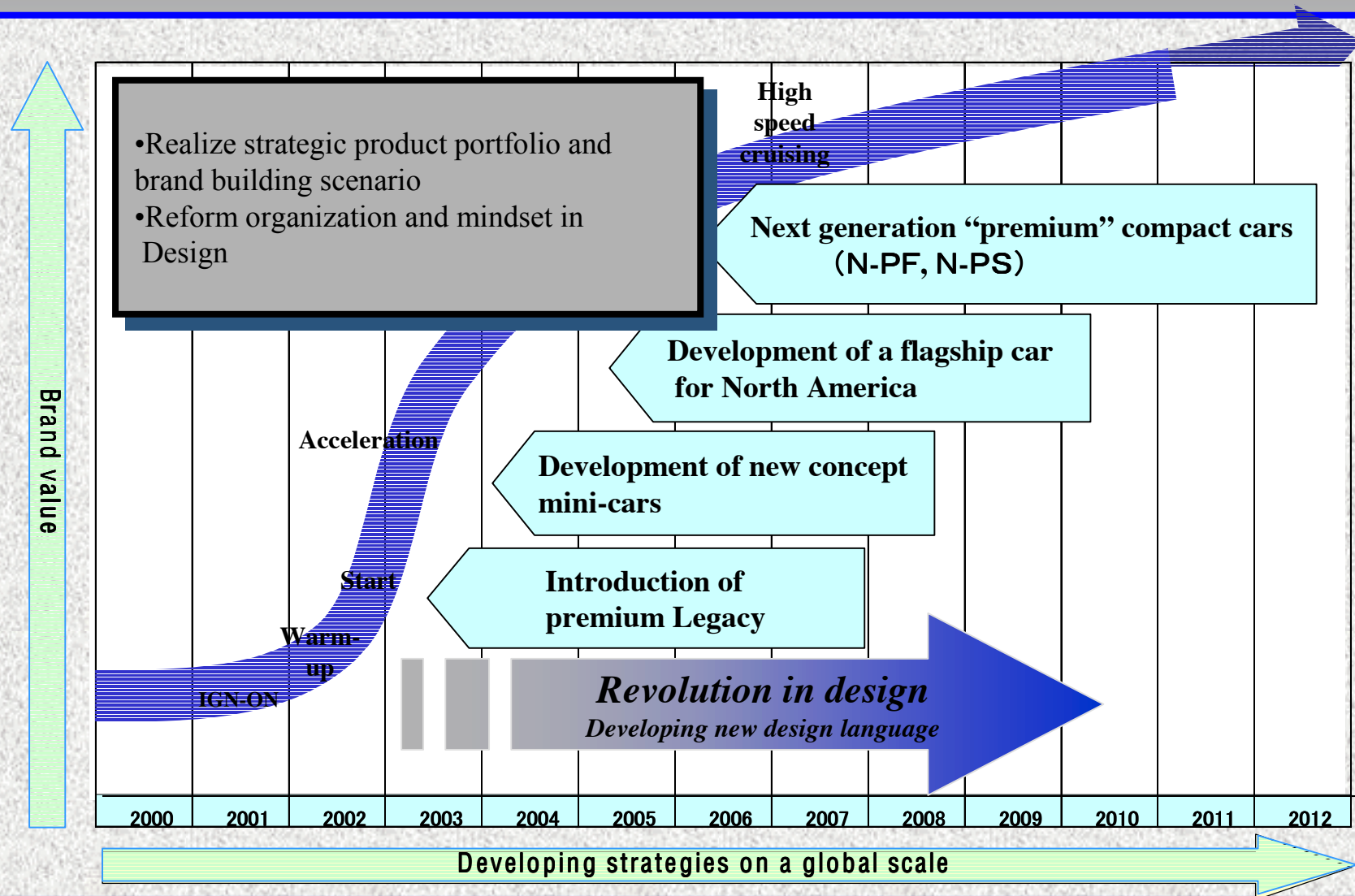


Strategic matrix for technologies





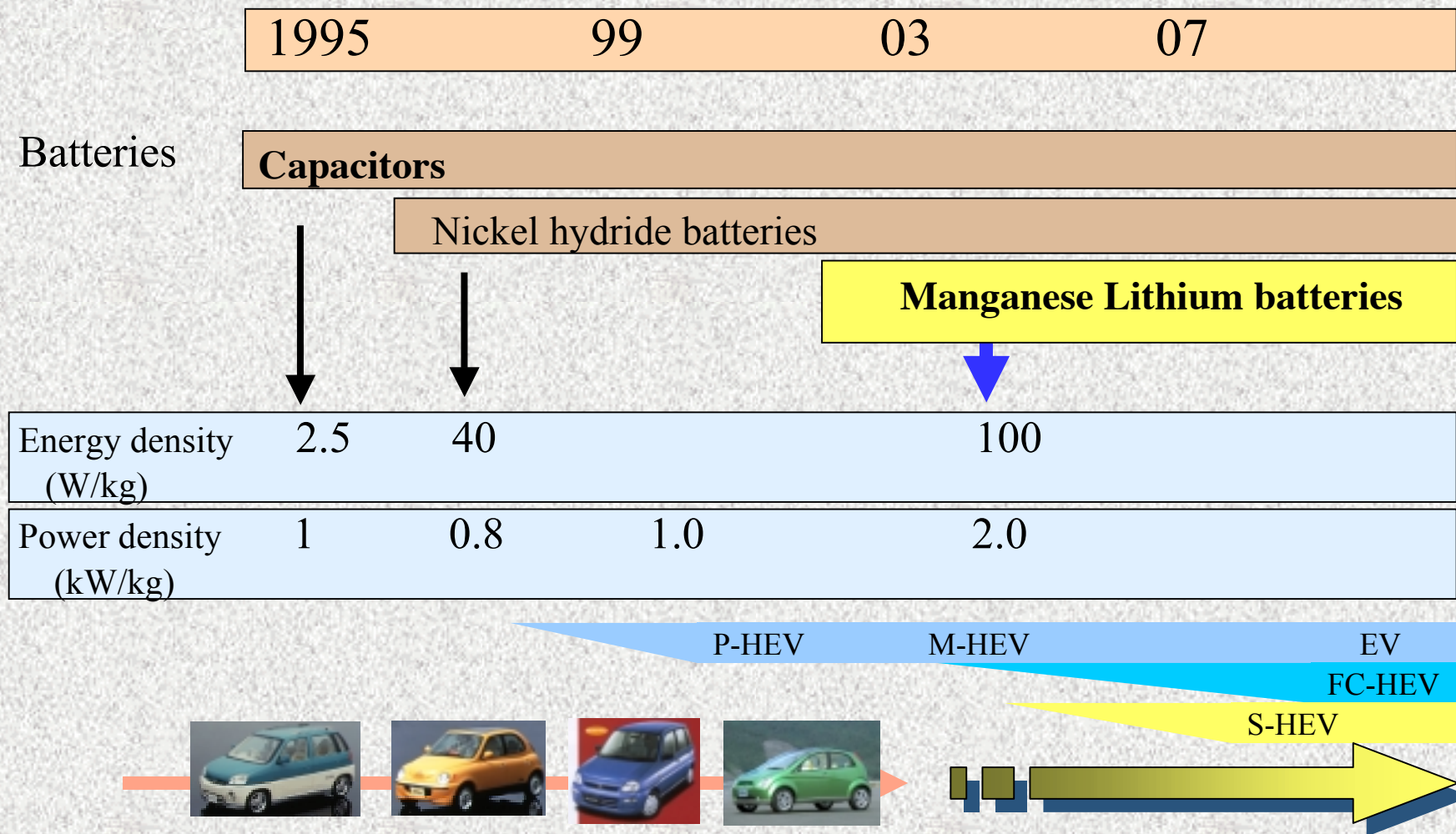
Product strategies





N-PS Scenario

NEC Lamilion Energy, Ltd. (Joint venture company for automotive batteries)





Changes in sales & marketing

Marketing strategies for clear branding

Create new value chain

Prioritize and execute



In the Japanese market

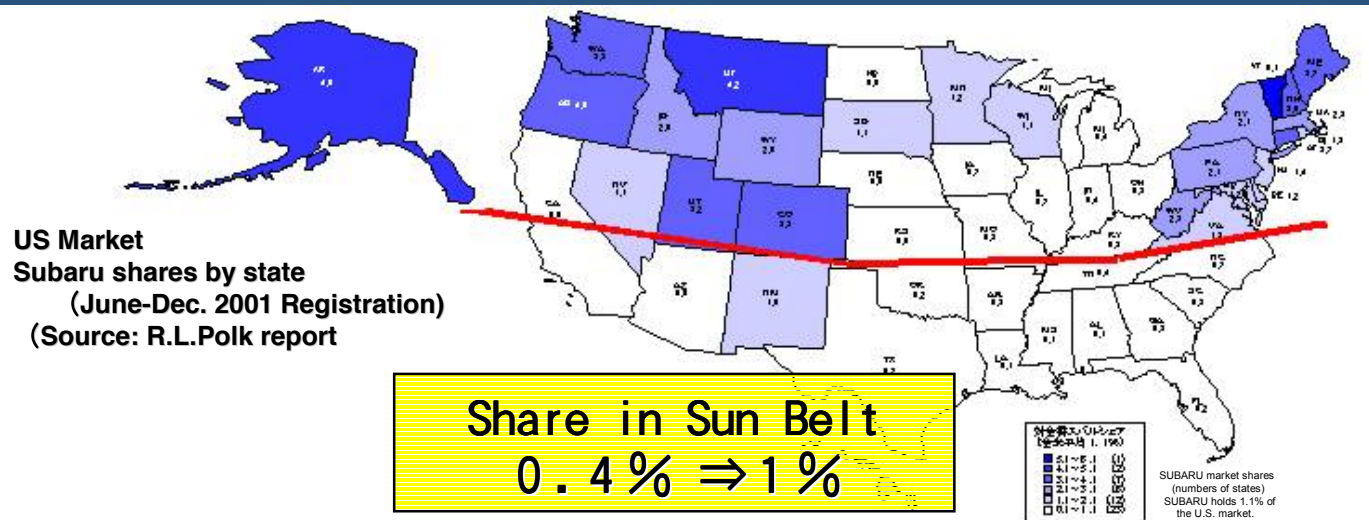


- ***Aiming at annual 350,000 units sales***
- **Innovate quality in sales to support brand strategies**
 - Enhance sales networks and develop nationwide, unified sales systems (PARTNER21)
Change sales style from passive to active
- **Generate new value chain**
 - Comprehensive approach to SUBARU fans
(Establish SUBARU Customer Center and enhance customer network)
 - Place new emphasis on developing new business in vehicle modification and accessories for enthusiasts



In the North American market

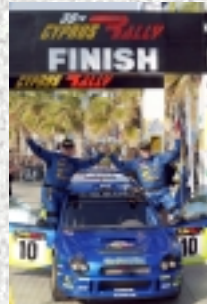
- Prepare for sales of 300,000 units annually
 - Double the market share in Sun Belt region
 - Develop multifunctional mega-dealers in urban areas
 - Increase the number of exclusive SUBARU dealers
- Expand product lines and improve premium value
 - Offer both high-powered vehicles and cross-over vehicles
 - Introduce a flagship car (a new concept SUV)





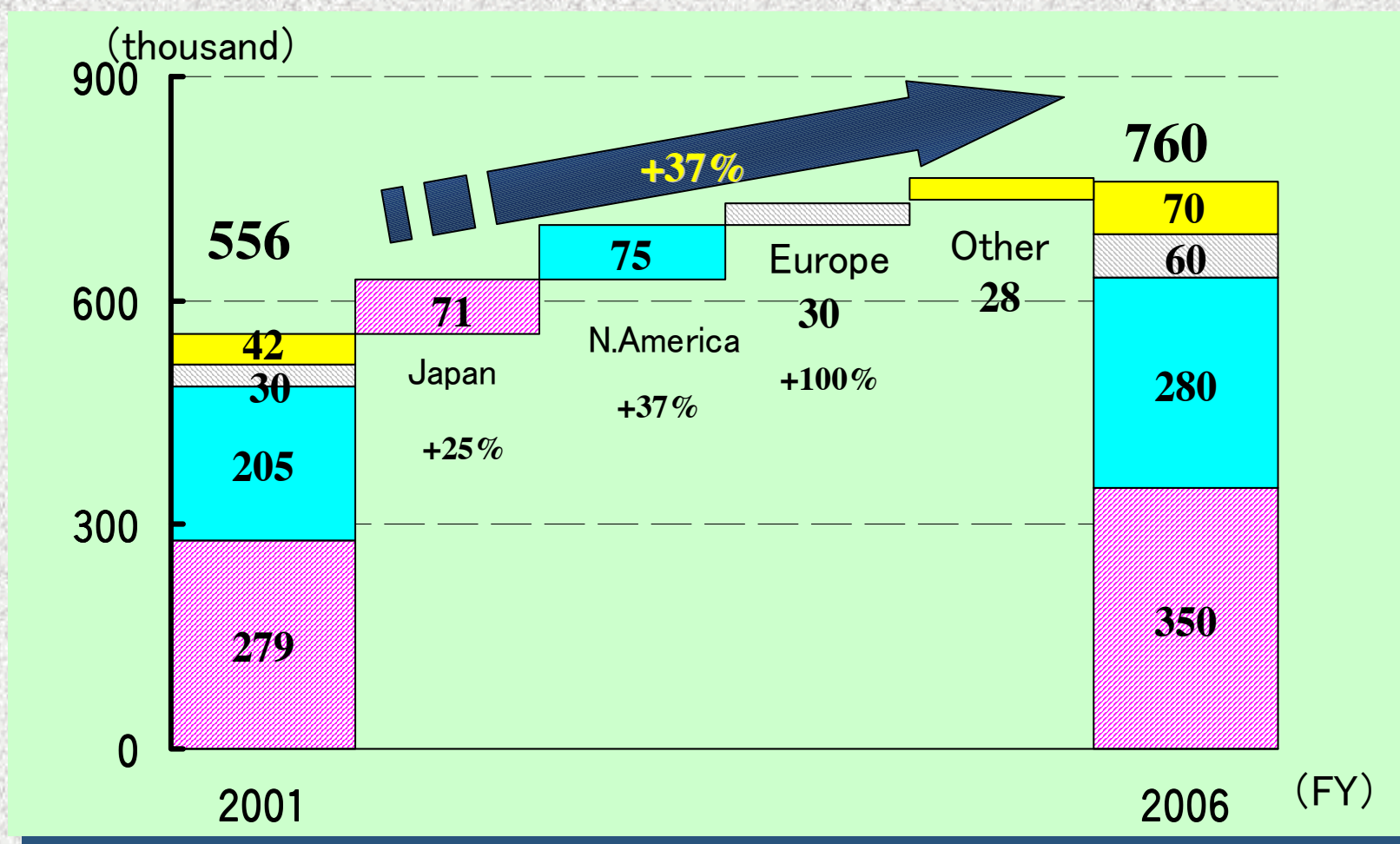
Other Markets

- **Restructure European market operations**
 - Position Europe as a market to improve its brand characteristics as a premium sport brand originated in Japan
 - Enhance sales and supply networks, led by Subaru Europe
 - Review strategies for focused markets and restructure networks of local dealers
- **Introduce premium brand sales strategies in Australia as a pilot program**
 - Launch a mega-dealer with multiple service functions in Melbourne
 - Based on the success of the Australian pilot program, consider deployment to other markets





Targeted sales by region





Innovation in and purchasing

- Changes in production systems

- Introduce flexible line in SIA; following the Japan's Yajima plant
- Integration of mini-car production lines in the Main Plant in Japan
- Renewal of production control systems that link directly to sales systems

Production Capacity
(Car body)

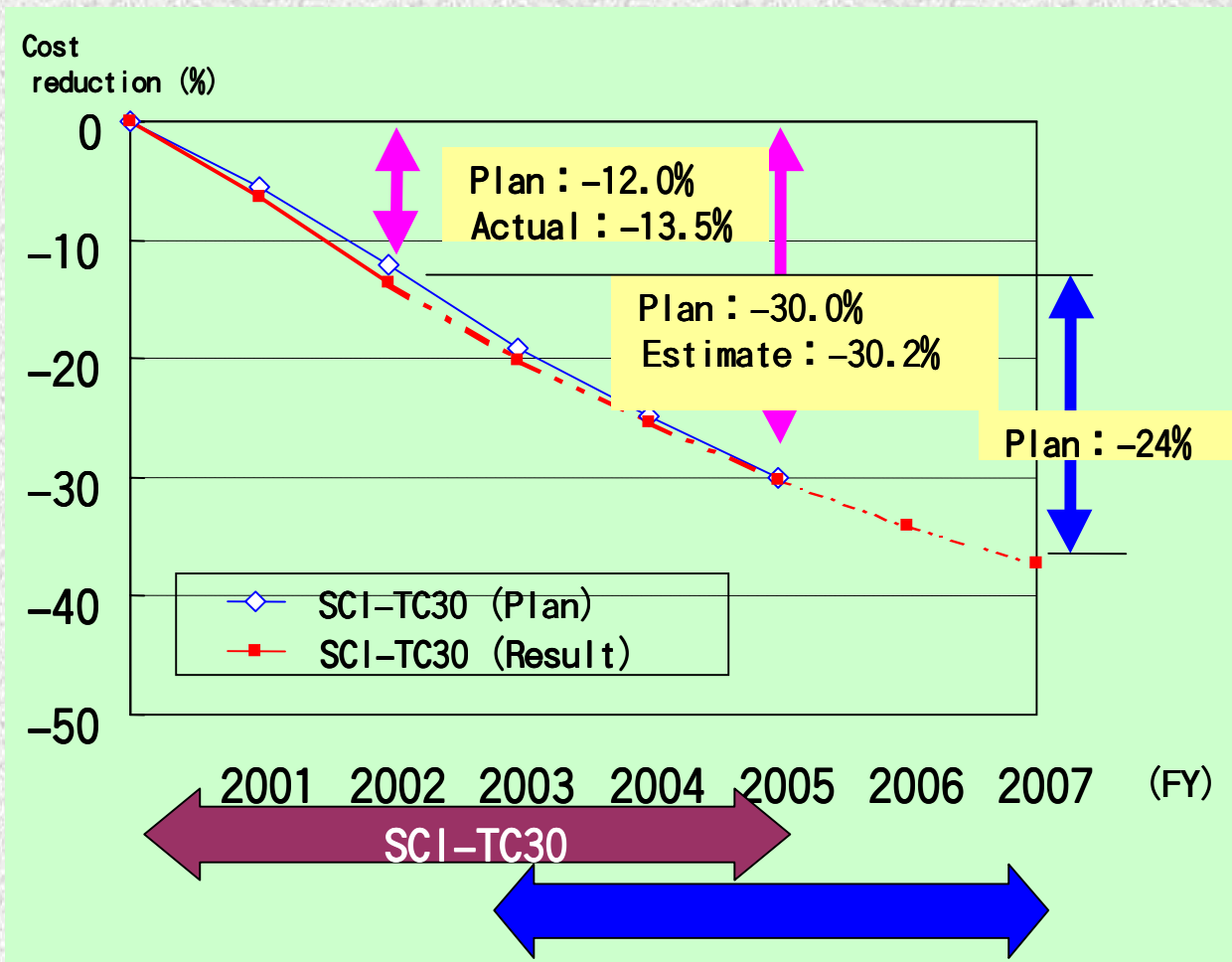
	FY2002	FY2007
JAPAN	622,800	588,000
(light-cars)	(294,000)	(204,000)
U.S.	114,000	160,000

- New cost innovation activity

- Renovate total cost structure (launch a new activity: CSR-1)
- Strategic activity of comprehensive collaboration with suppliers
- Strategic expansion of joint purchasing with GM group



Cost reduction achievements and plans





Alliance Strategy

- **Expand presence in GM group while maintaining management autonomy**
- **Respect mutual brands and pursue synergy in various area**
 - Mutual support and cooperation in technology area comprehensively
(Mutually complement by using each expertise)
 - Utilize GM network and promote collaborative projects in sales & marketing as well as in purchasing activities
 - Steadily realize synergies which directly contribute to profit
- **Create additional synergies which proactively address a changing environment**
 - Pursue Win/Win synergies in various area



Outlines of current alliance projects

☆: Achieved ○: Planned

Products	<ul style="list-style-type: none">☆ Introduction of the Traviq in Japan○ Joint development of a new car (change from a multi passenger SUV to a new sporty car)○ OEM supply of compact cars in Europe (Suzuki)○ Standardize parts of mini-cars with Suzuki
Technology	<ul style="list-style-type: none">☆ Cost reduction by catalyst technology transfer (GM⇒FHI)○ Expansion of COE support activities (AWD・CVT) (FHI⇒GM)○ Broader cooperation in advanced technology development
Purchasing	<ul style="list-style-type: none">☆ Use GM worldwide purchase (WWP) network: 8% of annual purchasing cost at FHI through WWP (FY2002)○ Increase the use of WWP to 10% in FY2003
Sales	<ul style="list-style-type: none">☆ Utilized GMAC retail finance services in Europe and Australia☆ Participated in GM AutoWorld in Asia☆ Launched e-Commerce site by GM BuyPower☆ Cooperated in enhancing sales networks in the Sun Belt region of the U.S.

Mid-term plans for three in-house companies

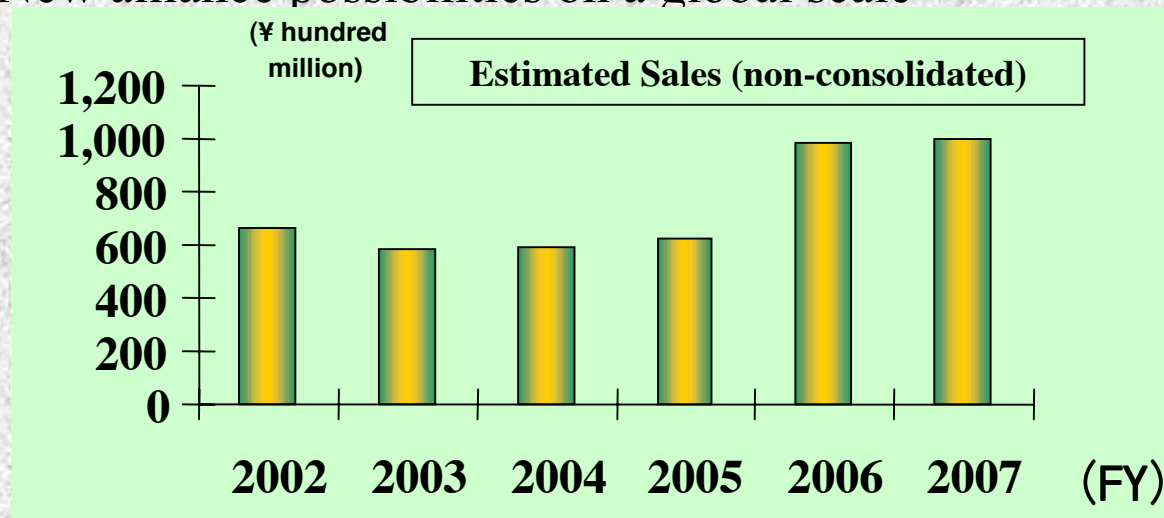
Aerospace, Industrial Products, and Eco-Technology

- Each company aims to operate independently and grow autonomously
- Each company promotes its brand strategies in its respective industrial area
- Each company creates new core strengths (aiming to be a leading company in its product category)



FHI Aerospace Company

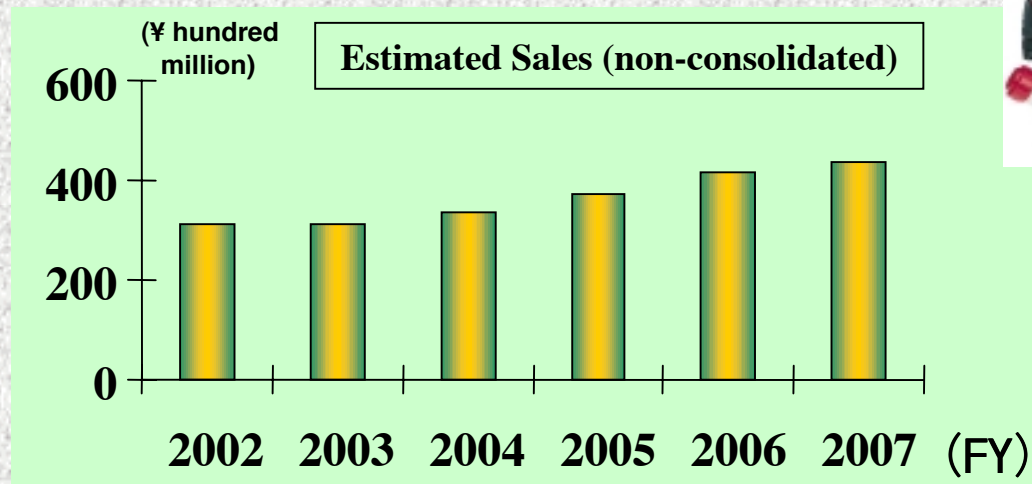
- Establish a globally recognized position in the aerospace industry
- Become a company with advanced R&D capabilities to develop complete aircraft and related systems
- Sales Target: ¥100 billions (Aim at ¥200 billions for future sales)
 - Top levels of profitability, ROA, and productivity (QCD) in the industry
 - Substantial improvement in core technology for unmanned aircraft and spacecraft
 - New alliance possibilities on a global scale



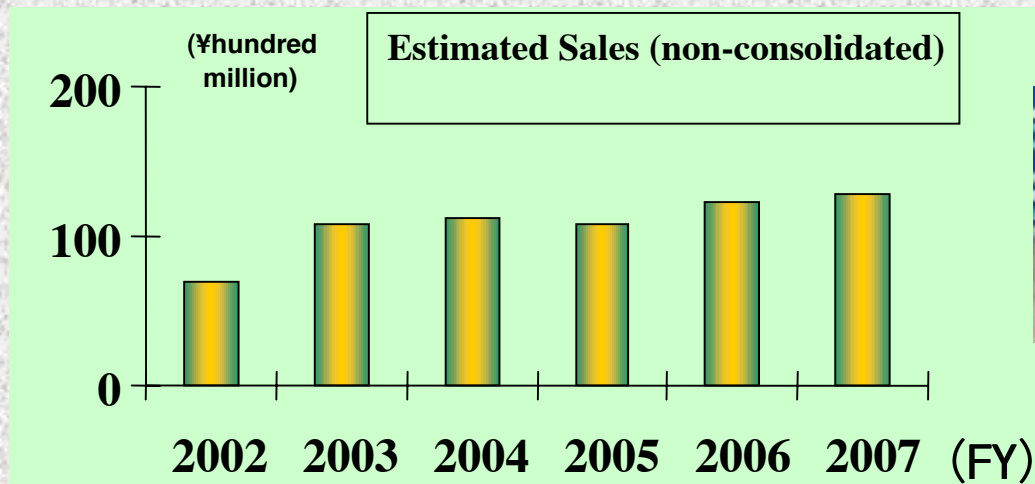


FHI Industrial Products Company

- Return to the top brand
 - “*Global Robin – aim premium brand*”
 - Implement “top brand” strategies for professional business users
 - Concentrate management resources to develop new environment friendly EX engines
 - Strengthen cost reduction efforts and discontinue unprofitable models
 - Develop new markets by strengthening collaboration with OEM suppliers



- Create new business for global environment protection
 - Develop new strengths in eco-technology by combining the technological advantages as a comprehensive transportation system manufacturer
 - Enhance brands in the LP business and develop system services
 - Develop new business using intelligent robotic technologies
 - Explore a variety of possible alliances



The future of three other business lines

- Bus business: terminate new model production within the current fiscal year
 - and will begin automobile-related operations at the Isesaki plant (produce SUBARU repair parts and develop customizing business)
- Rail Car business: discontinue rail car production within this fiscal year
- Prefabricated house business: deploy prefabricated housing operations including rental businesses

Reform corporate culture

- Promote changes through three keywords in our action guidelines

*Selection and
concentration*

*Creation and
Innovation*

Innovative
Individual
Courageous

Compliance

Transparency

Risk management

***Innovative and Proactive
Company Group***

Numeric goals in the mid-term management plan

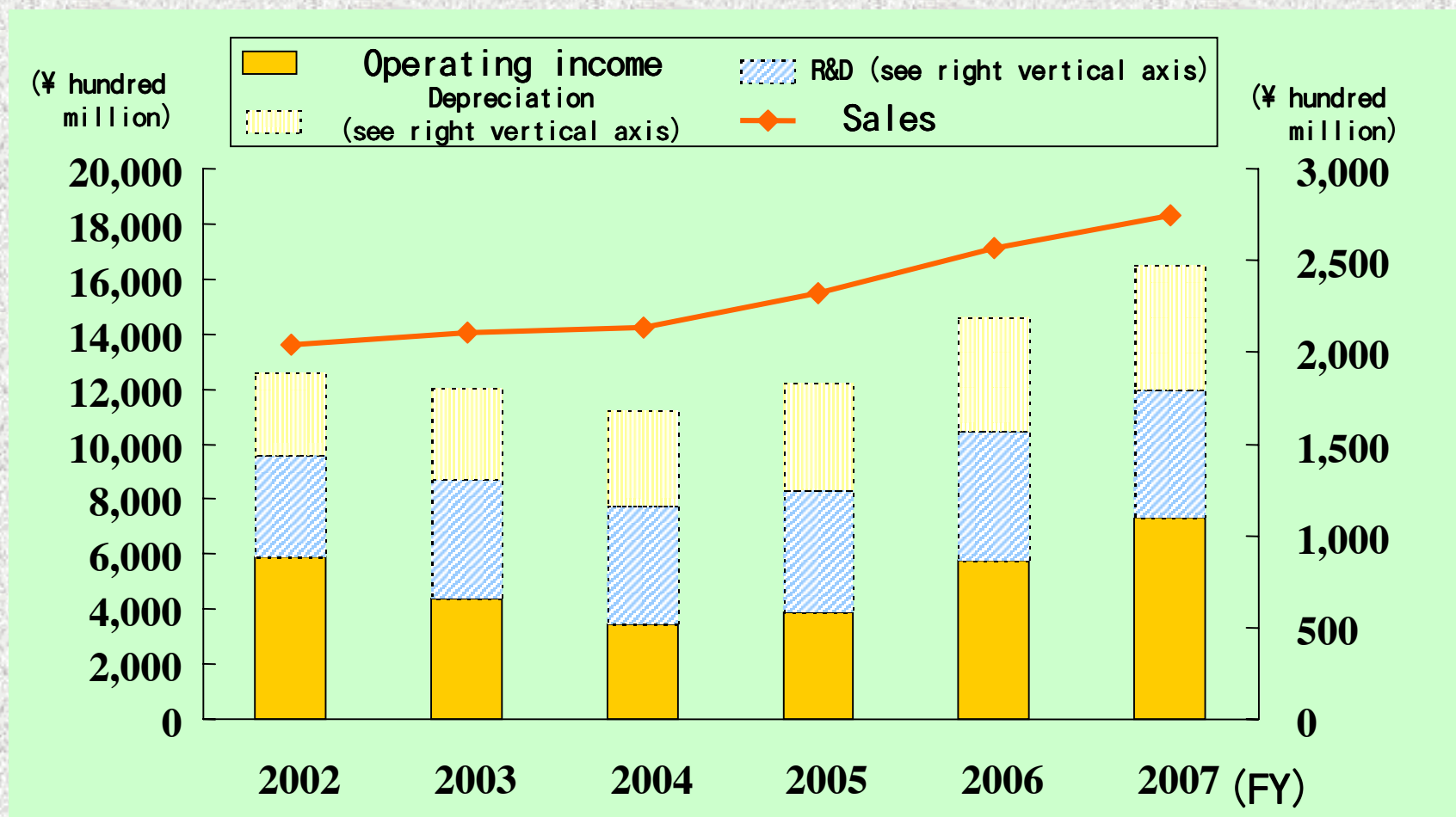
Financial targets

	FY2002 (results)		FY2007 Plan	
Sales (¥ hundred million)	13,624	→	18,400	35% UP
Operating Income (¥ hundred million)	884	→	1,100	25% UP
ROA	7.5%	→	8.1%	
*ROA is derived from (Operation income + Interest received + Dividend income) / Total assets				
D/E Ratio	1.0	→	0.7	

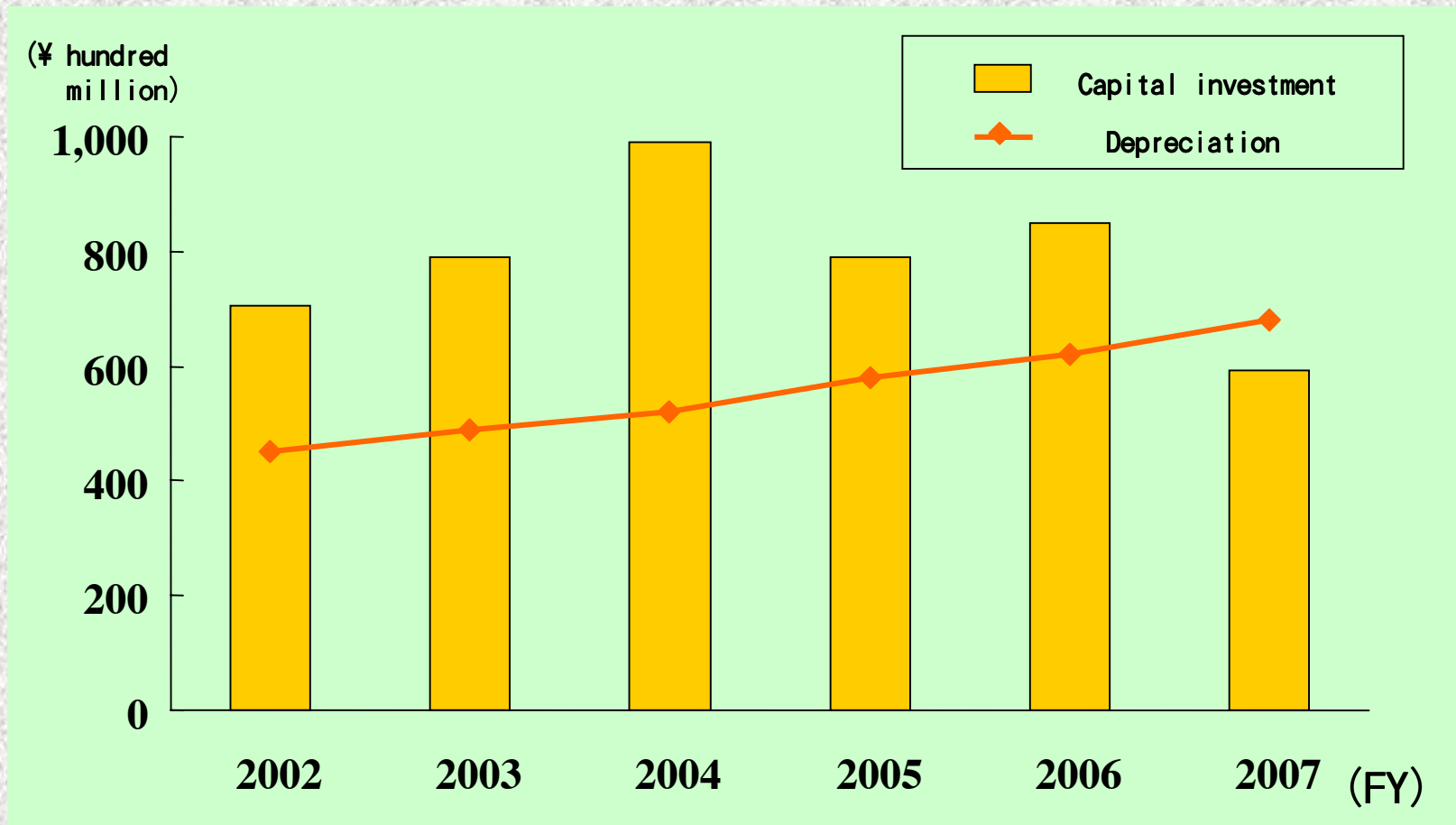
Financial targets

	FY02 (results)	FY03	FY04	FY07
Sales volume (thousand units)	556	575	615	760
Sales (¥100 million)	13,624	13,900	14,200	18,400
Operating income (¥100 million)	884	620	510	1,100
(ratio)	6.5%	4.5%	3.6%	6.0%
Net income (¥100 million)	302	240	230	570
Depreciation (¥100 million)	450	490	520	680
Capital investment (¥100 million)	706	790	990	590
R&D (¥100 million)	549	650	650	690
Interest-bearing debt (¥100 million)	3,967	4,000	4,300	3,800
Estimated exchange rate (¥/\$)	122	125	115	115

Projections for sales and operating income



Projections for capital investment and depreciation



Summary

Fuji Dynamic Revolution -1

Reform Fuji at the 50th anniversary of its founding towards dynamic management

Develop products with Fuji's individual, unique character, which reflect its human-oriented policy

Become an energetic company group with high levels of profitability and global standards

Corporate Vision

“An appealing company with strong market presence”

***Aim to be a global player
with premium brands***

Transforming the company from a technology-oriented to total human-oriented