

Fuji Heavy Industries announces the corporate downsizing

Tokyo, November 8, 2005 -Fuji Heavy Industries, Ltd. (FHI), a global manufacturer of transportation and aerospace-related products and the maker of Subaru automobiles, will be reducing its workforce by approximately 1000 employees, through voluntary retirement and transferring the employment of some employees to affiliated companies, aiming at realizing corporate culture reforms through strengthening profits, revitalizing the organization through correction of the workforce structure, and raising the awareness of its employees.

These measures are being implemented in order to realize reform of the organization and system, which is one of the topics of the five-year mid-term management plan, “Fuji Dynamic Revolution-1,” scheduled to end in March 2007.

Even though FHI has been withdrawing from some business, labor costs had been spiraling because employees had continued to be absorbed by the group, creating an unbalanced labor structure with many employees aged 50 or over. These problems have taken the edge off corporate vitality.

Voluntary retirement will be distributed across all group companies based in Japan, for employees aged 45 or over as of March 2006, reaching up to 700 employees or five percent of the total workforce, ranging from management level to staff employees. Employees who voluntarily retire will receive a bonus retirement payment, and the company will be giving maximum consideration to these employees to ensure them a second career.

The voluntary retirement will be called for between 21 and 27 December, and those employees choosing to retire early will do so at the end of January 2006.

At the same time, the employment of about 300 of the 1,100 or so employees on temporary assignment to affiliated companies will be transferred to those companies. These transfers are planned for the end of March 2006, after detailed review.

In order for the implementation of these measures, FHI has recorded extraordinary losses due to additional payments, such as the bonus retirement payments for the workers voluntarily retiring, in the business results forecast for the term ending in March 2006. The cost reduction effects due to the reduced labor costs are expected to be seen in the following business term.