

**ISUZU**



CSR Report  
**2019**

**ISUZU MOTORS LIMITED**

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Isuzu CSR Reports are published to provide an understanding of the “important issues for both our stakeholders and Isuzu,” with regard to the CSR activities carried out by the Isuzu Group. The reports are intended to reinforce communication with the Group’s stakeholders and thus to further develop CSR activities that can meet the expectations of stakeholders and society.

In this year’s report, we have reviewed our practice of information disclosure with reference to the GRI Standards, the international guidelines for sustainability reports, published in October 2016. We have also included in this report specific initiatives regarding the key issues that Isuzu Group should address identified in FY2017.

## Scope of Report

This report describes activities undertaken by Isuzu Group, with a focus on Isuzu Motors Limited, and by other group companies in Japan and abroad.

\* “Isuzu” in this report refers to “Isuzu Motors Limited” alone  
\* For details, see our Securities Report



Securities Report (Japanese only)

<https://www.isuzu.co.jp/investor/yuuka/index.html>

## Period Covered

This report includes activities carried out between April 1, 2018 and March 31, 2019 in principle. However, significant matters in other periods are also partly included in this report.

Please visit the Isuzu website for our FY2019 business summary and financial information.

## Publication Information

Published August 2019

(Previous report: Published in October 2018; Next report: scheduled for August 2020)

## Referenced Guidelines

GRI Sustainability Reporting Standards

\* Unified international guidelines formulated by GRI (Global Reporting Initiative), an international NPO, in an attempt to improve the quality, reliability and comparability of the content of CSR reports

## Significant Changes within the Reporting Period

Isuzu Motors Limited has not undergone any significant major changes in scale, structure and ownership during the period of this report.

## Inquiries about the Report

Isuzu Motors Limited

Corporate Communications Department

CSR Promotion Group

TEL:+81-3-5471-1384

## Message from the President

I would like to express our appreciation for your continued extraordinary support and understanding for Isuzu.

Japan experienced an unusual level of natural disasters in FY2018, including the heavy rains in July 2018 and the Hokkaido Eastern Iburi Earthquake. There were also various governance-related issues across a number of industries that reinforced the importance of transparency and accountability in the decision-making process of companies. Against this backdrop, stakeholder concerns have also expanded beyond financial figures, such as sales and profits, to include non-financial concerns including initiatives under ESG (environment, society and governance) and the United Nations Sustainable Development Goals (SDGs), with the importance of ESG-related information disclosure increasing enormously.

Along with our commitment to ESG disclosure, our corporate social responsibility activities for FY2018 included advancement of our key issues (materialities), which we identified in FY2017, to the concrete activity and KPI establishment phase.

An example of Isuzu resolving social issues through business was our key issue of improving the productivity of the logistics industry. Through a co-creation initiative with customers and business partners, we developed a 25 m double trailer consolidated truck. In this way, we help to improve efficiency in the logistics industry and resolve labor shortages by doubling the carrying capacity of existing trucks and consolidating trailers from different businesses into a single transport load.

Another example was our key issue of enhancing physical distribution flow, where we are developing advanced safety devices tailored to vehicle characteristics and usage applications. In the case of the light-duty Elf truck, which is used in urban environments, detection of pedestrians and obstacles is very important. We aim to support drivers with advanced visual support technologies, which promote early avoidance of dangers, in order to reduce both accident numbers and subsequent damage.

Going forward, we will continue organizing concrete activities through our businesses to resolve social issues.

At Isuzu, our ultimate mission is to provide a logistics infrastructure for people and things. However, this generally involves the use of internal combustion engines, which impacts negatively our natural environment. To continue delivering social value as a leader in transportation, according to the Isuzu Corporate Vision, it is essential that we focus more than ever on doing what we can to improve the global environment, that we promote environmental activities through our businesses, and that we continue enhancing activities to reduce environmental load through low-carbon technologies and resource recycling.

Based on this awareness, we started monitoring the “Elf EV” in February 2019 with the aim of achieving practical application of EV trucks in addition to the development of CNG and LNG engines, and the clean diesel that we have been working on from the outset.

We believe that high-efficiency clean diesel engines will remain an important power train choice for global customers in a wide range of commercial vehicle and industrial applications. This is especially true in developed countries where power trains are used in heavy-duty operations, as well as in emerging countries where social infrastructure conditions are severe. For

this reason, Isuzu and Cummins Inc. entered a comprehensive partnership in May 2019 to develop designs for next-generation power trains.

In addition, we did not just stop at reducing CO<sub>2</sub> emissions from our vehicles. We are also actively working on initiatives that only Isuzu, as an expert vehicle manufacturer, can achieve. Across the whole manufacturing process, from processing raw materials to assembling parts, operating vehicles and disposing of them after use, we are reducing raw materials processing as much as possible to reduce energy requirements, and we are rebuilding individual parts and engines after disposal.

To ensure the trust of all stakeholders, Isuzu improved its corporate governance structure at the June 2019 Board of Directors Meeting by establishing the Nomination and Remuneration Committee, which acts as an advisory function to the Board of Directors. The aim was to create a structure that enables even greater transparency and accountability in the corporate decision-making process. In the future, we will continue looking into enhancing our monitoring function as well, with a focus on greater use of external directors.

We will continue learning from the opinions and requests of our stakeholders as we pursue various initiatives to realize a sustainable society, and strive to be an excellent and widely beloved company of commercial and light commercial vehicles, supporting society in terms of people’s lives as well as production.

We hope that you will continue to support us even more in the future.

President and Representative Director  
**Masanori Katayama**



# Corporate Profile

## Corporate Profile

|  |   |
|--|---|
| <b>Name:</b>   | ISUZU MOTORS LIMITED  |
| <b>Head Office:</b>  | 6-26-1 Minami-Oi, Shinagawa-ku,<br>Tokyo 140-8722 Japan<br>Tel.: 81-3-5471-1141<br>(Direct to General Affairs & HR Dept.) |
| <b>President and Representative Director:</b>  | Masanori Katayama   |
| <b>Establishment:</b>  | April 9, 1937   |
| <b>Capital:</b>  | 40.644 billion yen<br>(as of the end of March 2019)   |
| <b>Employees:</b>  | 37,263 (consolidated) /<br>8,186 (as of end of March 2019)  |
| <b>Major Products:</b>   | Heavy- medium- and light-duty trucks,<br>buses, Vehicle & industrial diesel engines                                       |
| <b>Sales:</b>  | 2,149,168 million (consolidated) /<br>1,130,825 million (Isuzu)<br>(year ending March 2019)                               |
| <b>Operating profit</b>  | 176,781 million (year ending March 2019)  |
| <b>Ordinary profit</b>   | 189,001 million (year ending March 2019)  |
| <b>Consolidated current net income that belongs to the shareholders of the parent company:</b> | 113,444 million (year ending March 2019)  |
| <b>No. of consolidated subsidiaries</b>  | 92 (as of March 2019)   |

### Isuzu Corporate Vision

"Isuzu will always mean the best A leader in transportation, commercial vehicles and diesel engines, supporting our customers and respecting the environment"

### Mid/Long-term Vision

Support society in terms of people's lives  
as well as production  
Be an excellent and widely beloved company in  
CV, LCV, and power trains

### Isuzu Corporate Mission

"Trust, Action, Excellence  
A global team delivering inspired products and  
services committed to exceeding expectations"

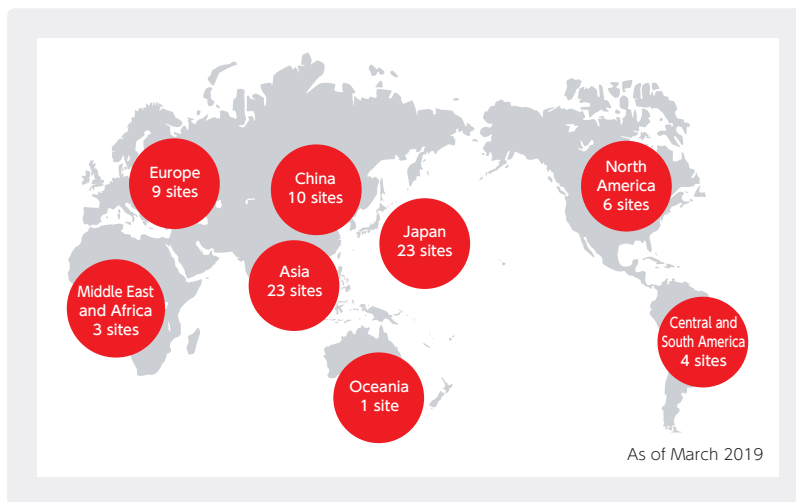
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**PRODUCTS:** Explore genuine needs and create  
products and services with strong appeal  
**CONDUCT:** Be responsible, dedicated, and agile  
**ORGANIZATION:** Achieve goals through global teamwork

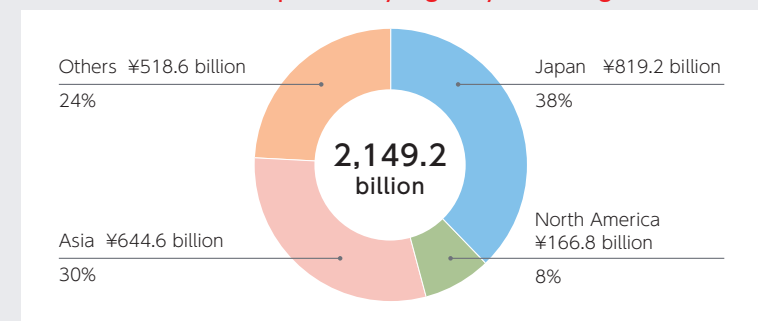
## Business deployment by region (Isuzu Group companies)

The Isuzu Group has established development, manufacturing and sales bases not only in Japan but also worldwide, sharing our ideas on Monozukuri, and promoting the homogenization of our services and support.

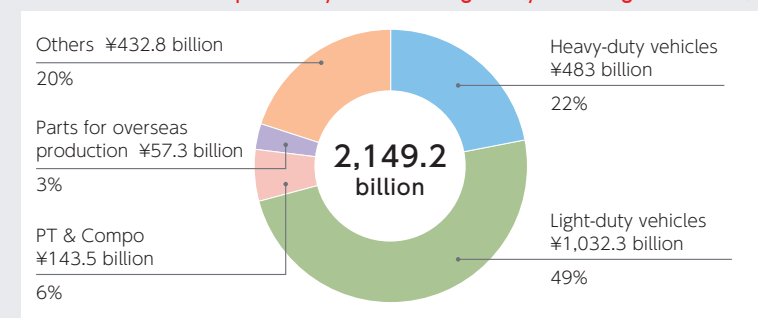
At present, Isuzu products are sold in 120 countries and regions. The Elf, for example, the leading light-duty truck brand in Japan, is recognized as the global standard among light-duty trucks having captured the top share in numerous countries worldwide. Our D-MAX pick-up truck, currently based in Thailand and exported to more than 100 countries, is further evidence that confidence in Isuzu is spreading worldwide.



## Consolidated sales composition by region (year ending March 2019)



## Consolidated sales composition by business categories (year ending March 2019)



Heavy-duty vehicles: Heavy- and medium-duty vehicles  
 Light-duty vehicles: Light-duty trucks and buses  
 PT & Compo: Vehicle and industrial diesel engines

Company History

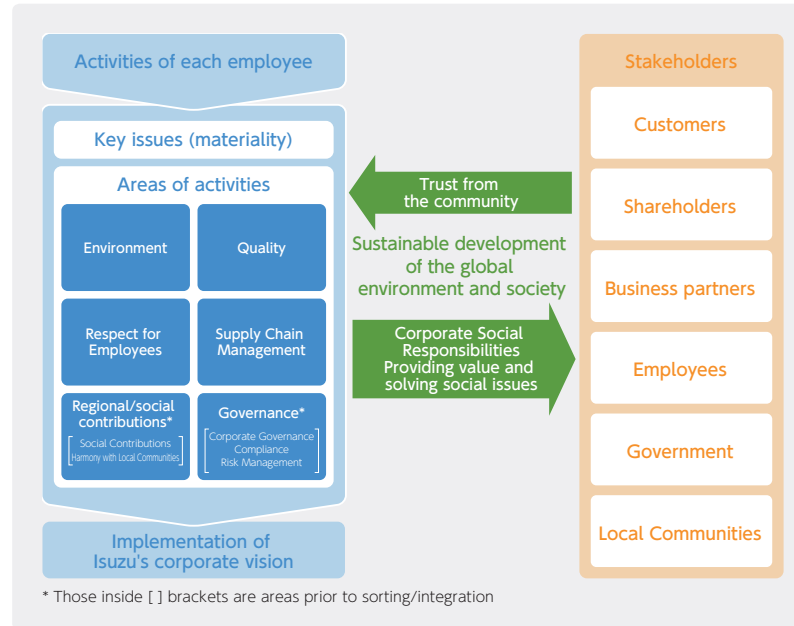
|      | Isuzu  | Society  |
|------|--|--|
| 1914 |  | Start of World War I   |
| 1916 | [Founding] Tokyo Ishikawajima Ship-building and Engineering Co., Ltd. and Tokyo Gas and Electric Industrial Co. (the predecessors of Isuzu Motors Ltd.) initiated plans to build automobiles |  |
| 1922 | Completed first domestically produced Wolseley, a model A-9  |  |
| 1936 | Completed Japan's first air-cooled diesel engines model DA4 and model DA6  |  |
| 1937 | [Establishment] Established Tokyo Automobile Industries Co., Ltd., the predecessor of Isuzu Motors Ltd.  |  |
| 1939 |  | Start of World War II  |
| 1949 | Listed on Tokyo Stock Exchange, and company name altered to "Isuzu Motors Limited"   |  |
| 1950 |  | Start of Korean War (start of economic boom due to special procurement)  |
| 1959 | Unveiled compact truck ELF   |  |
| 1961 | Inaugurated Fujisawa Plant   |  |
| 1966 | Established Isuzu Motors Co., (Thailand) Ltd.  |  |
| 1970 | Unveiled 4-ton payload truck FORWARD   |  |
| 1971 | Signed capital agreement for full-scale tie-up with General Motors Corporation (GM)  |  |
| 1972 | Inaugurated Tochigi Plant  |  |
| 1992 |  | Law Concerning Special Measures for Total Emission Reduction of Nitrogen Oxides and Particulate Matters from Automobiles in Specified Areas established in Japan |
| 1993 | Stopped production of Isuzu passenger cars   |  |
| 1994 | Full model change of heavy-duty trucks, and launched as the GIGA series  |  |
| 1996 | Announced heavy-duty sightseeing bus GALA  |  |
| 1997 | Agreement reached for Isuzu to lead development of diesel engines for the General Motors Group   | Asian financial crisis   |
| 1998 | Agreement reached for Isuzu to take on the development responsibility for the General Motors Group's commercial vehicles   |  |
| 1999 | General Motors raised its equity share in Isuzu to 49% through a third-party allocation<br>Full model change of medium-duty buses, and launched as the Erga Mio and GALA Mio series          | Governor Ishihara proclaimed "Say No to Diesel Vehicles" strategy  |
| 2000 | Full model change of heavy-duty route and family buses, and launched as the Erga series  |  |
| 2001 | Announced Isuzu's medium-term business plan "V Plan"; developed operation diagnosis system Mimamori-kun  | September 11 terrorist attacks in the United States  |
| 2002 | Full model change of pick-up trucks in Thailand, and unveiled D-MAX  |  |
| 2003 | Shifted and consolidated Fujisawa's Plant pick-up truck production to Thailand   |  |
| 2004 | Launched commercial vehicle telematics system Mimamori-kun online service  |  |
| 2006 | Dissolved capital tie-up with General Motors; signed basic agreement with Toyota on development of the small diesel engines, etc.  |  |
| 2008 |  | Start of global financial crisis due to the bankruptcy of Lehman Brothers  |
| 2009 |  | General Motors made filing under federal Bankruptcy Act  |
| 2011 |  | Great East Japan Earthquake; major floods in Thailand  |
| 2012 | Established Isuzu Motors India Private Limited   |  |
| 2014 | Established Isuzu Global CV Engineering Center Co., Ltd. (IGCE) as the group company to control truck development for emerging markets   |  |
| 2015 | Commenced roll-out of advanced genuine maintenance service PREISM  |  |
| 2018 | Launched TRAGA lightweight truck for emerging markets; dissolved capital tie-up with Toyota  |  |



# Isuzu's CSR Activities

## Basic Ideas

Isuzu fulfills our corporate social responsibility while building up trusting relationships with our stakeholders through conversations. In addition, we strive to provide value to people and society, and solve social issues. Isuzu seeks to achieve our corporate vision, and contribute toward the sustainable development of the global environment and society.



Isuzu Corporate Vision, Mid/Long-term Vision, and Isuzu Corporate Mission page 4

## Key Issues for Isuzu

Improving the productivity of the logistics industry (declining labor population)

Enhancing the physical distribution flow (mitigating traffic accidents and congestion)

Sustaining lifestyle and the environment in emergencies

Mitigating global environmental issues and promoting economic growth (CO<sub>2</sub> and exhaust gases)

Addressing poverty

Improving safety technology and providing reliable products

Respecting employees and promoting diversity

Win-win relationships with local communities and stakeholders

Strengthening governance



## Isuzu Group Stakeholders

The Isuzu Group conducts business and develops CSR activities with its main stakeholders (those who have a vested interest) in the table below.

| Main stakeholders | Responsibility to stakeholders   | Main dialog opportunities & information disclosure  |
|-------------------|--|---|
| Customers         | <ul style="list-style-type: none"> <li>▶ Stable supply of products and services</li> <li>▶ Supply of safe, reliable, and worthwhile products and services which are environmentally friendly</li> <li>▶ Suitable supply of product information</li> <li>▶ Appropriate response and support for customers</li> <li>▶ Improved customer satisfaction</li> <li>▶ Proper management of customer information</li> </ul> | <ul style="list-style-type: none"> <li>▶ Everyday sales activities</li> <li>▶ Customer support center (phone, email)</li> <li>▶ Customer satisfaction surveys</li> <li>▶ Customer Information (Isuzu website)</li> </ul>  |
| Shareholders      | <ul style="list-style-type: none"> <li>▶ Appropriate return of profits back to shareholders</li> <li>▶ Timely and suitable disclosure of corporate information</li> <li>▶ Maintenance and increase of corporate value</li> </ul>   | <ul style="list-style-type: none"> <li>▶ General Shareholders Meeting</li> <li>▶ Website for shareholders and investors (Isuzu's website)</li> <li>▶ Publication of securities reports and quarterly reports</li> <li>▶ Publication of financial highlights</li> <li>▶ Publication of annual reports</li> <li>▶ Presentations on earning reports for investors</li> <li>▶ Factory tours for shareholders</li> </ul> |
| Business partners | <ul style="list-style-type: none"> <li>▶ Fair and equitable selection and trading</li> <li>▶ Support for CSR activities</li> </ul>   | <ul style="list-style-type: none"> <li>▶ Daily purchasing activities</li> <li>▶ Production briefing</li> <li>▶ Procurement policy briefing</li> </ul>   |
| Employees         | <ul style="list-style-type: none"> <li>▶ Fair and equitable assessment and treatment</li> <li>▶ Assignment/utilization and training of suitable personnel</li> <li>▶ Respect for human rights</li> <li>▶ Promotion of diversity</li> <li>▶ Promotion of work-life balance</li> <li>▶ Consideration for industrial health and safety</li> </ul>   | <ul style="list-style-type: none"> <li>▶ Employee satisfaction (ES) surveys</li> <li>▶ Compliance questionnaires</li> <li>▶ Labor-management council</li> <li>▶ Reporting and advisory route</li> <li>▶ Helpline (Suggestion box)</li> <li>▶ Health and Safety Committee</li> <li>▶ Company newsletter</li> </ul>   |
| Government        | <ul style="list-style-type: none"> <li>▶ Legal compliance</li> <li>▶ Payment of taxes</li> <li>▶ Cooperation with measures</li> </ul>  | <ul style="list-style-type: none"> <li>▶ Dialog through organizations such as JAMA</li> </ul>   |
| Local Communities | <ul style="list-style-type: none"> <li>▶ Protection and respect for local culture and customs</li> <li>▶ Contribution to local development</li> <li>▶ Cooperation with local activities</li> <li>▶ Workplace accident/disaster prevention</li> </ul>   | <ul style="list-style-type: none"> <li>▶ Participation in local events</li> <li>▶ Invitation to workplace events</li> <li>▶ Opening of Isuzu Plaza to the public</li> <li>▶ Acceptance of social studies tours (Isuzu Plaza, factory tours)</li> </ul>  |

# Key Issues for Isuzu

## Basic Ideas

Isuzu has developed its business globally under the corporate vision “Isuzu will always mean the best” while always taking into consideration the requests from the international community. In recent years, accompanying changes in the economic environment, the social responsibilities required of the Isuzu Group have also changed and the Group is expected to promote more strategic initiatives based on trends in the international community.

In response to these social requests, in FY2018, we have identified the key issues (materiality) that Isuzu should focus on.

## Key Issues for Isuzu

Isuzu divides key issues into two categories: social issues that we should address through our business activities and CSR issues.

As for the former, we aim to make direct contributions through our company’s activities. For the latter, we have identified CSR issues as the theme of our company’s social responsibilities, which will strengthen our business foundation.

### Key Issues for Isuzu

| Social issues that Isuzu should address through its business activities                                  | Relevance to SDGs  |
|--|--|
| Improving the productivity of the logistics industry (declining labor population)                        |    |
| Enhancing the physical distribution flow (mitigating traffic accidents and congestion)                   |    |
| Sustaining lifestyle and the environment in emergencies  |    |
| Mitigating global environmental issues and promoting economic growth (CO <sub>2</sub> and exhaust gases) |    |
| Addressing poverty   |    |

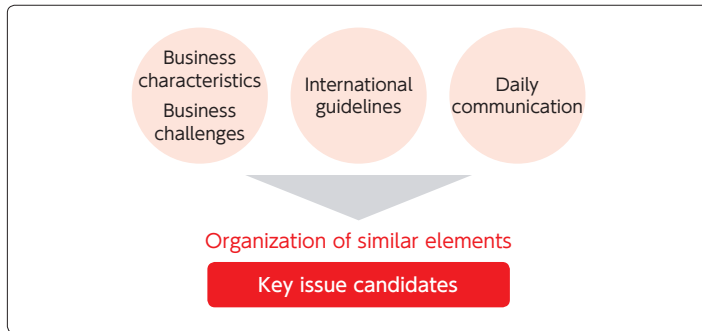
| CSR issues  | Relevance to SDGs  |
|---|--|
| Improving safety technology and providing reliable products   |       |
| Respecting employees and promoting diversity                  |       |
| Win-win relationships with local communities and stakeholders |    |
| Strengthening governance                                      |   |

# Formulation Process

## STEP 1

Finding and arranging key issue candidates

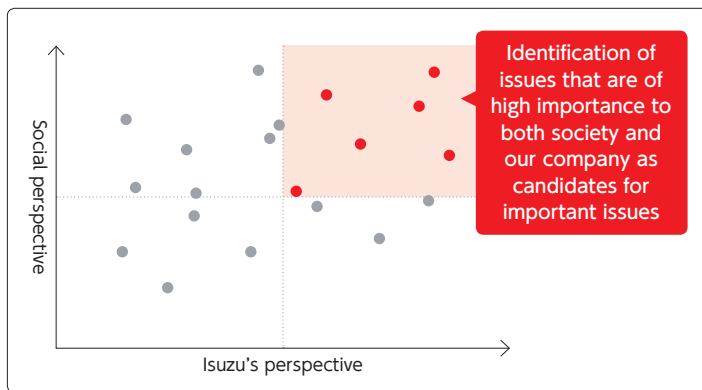
To identify key issues, the Isuzu Group brought to light key issue candidates for consideration based on the Group's business characteristics and challenges, international guidelines (GRI, ISO 26000, SDGs, SASB, etc.) and daily communication with stakeholders, etc.



## STEP 2

Forming and analyzing a hypothesis from the perspectives of society and our company

First, we formulated and verified hypotheses for key issue candidates on an evaluation axis that includes a social perspective and our company's perspective. The hypotheses are based on social and industry trends, and importance was analyzed from both the social and our company's perspective with regard to the external environment, characteristics, strategies, CSR activities, and other factors of Isuzu's businesses.



## STEP 3

Linking key issue candidates to the medium-term management plan

The company reviewed its perspective and key issue candidates were revised in conjunction with the medium-term management plan, which was under review at the same time. In the end, we classified the important issues into two concepts: social issues that Isuzu should address through its business activities and CSR issues.

## STEP 4

Verification and finalization from a social perspective through dialog

In order to verify the validity of the key issue candidates from the social perspective and to gain insight into society's expectations for Isuzu, we held a dialog with two experts. The dialog was attended by the person in charge of managing CSR promotion at Isuzu, who exchanged ideas with the experts to refine the key issue candidates.

Finally, we confirmed the validity of the key issue candidates in the dialog, and then established them as key challenges for Isuzu at the Management Meeting.

 The state of the dialog is published in the CSR Report 2018. <https://www.isuzu.co.jp/world/csr/report/backnumber/pdf/2018.pdf>

## Future Plans

The next step is to develop KPI for these identified key issues and implement various activities accordingly.

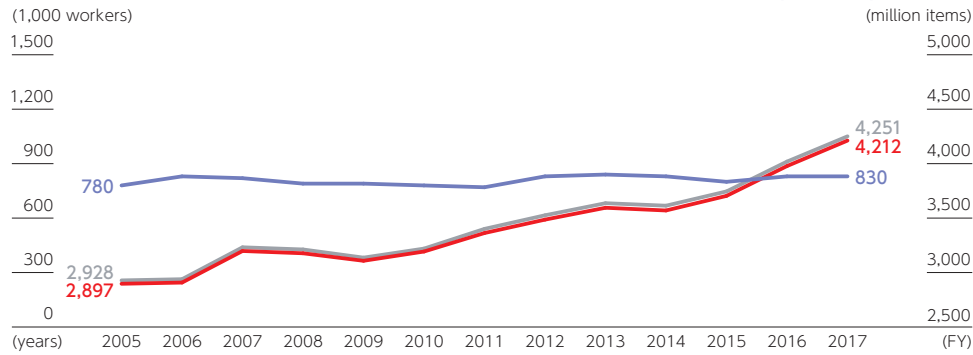
Social issues that Isuzu should address through its business activities

Improving the productivity of the logistics industry (decline labor population)

In recent years, in Japan, the number of items handled by delivery services has tended to rise year by year, which is causing a problem with the ongoing shortage of truck drivers and other logistics providers. Furthermore, the shortage of truck drivers accompanying the low birthrate, aging, and declining working population in Japan is also recognized as a serious future problem.

Trucks support approximately 99% of the number of items handled by delivery services, and we recognize that these problems are serious social issues that Isuzu, a supporter of transportation, must solve as well. We are working on these issues with the aim of optimizing distribution and improving productivity through customer value creation.

Trends in the number of truck drivers and the number of items handled by delivery services



\* Source: 2017 Survey and totaling method for number of items handled by delivery services, etc. (Ministry of Internal Affairs and Communications) <http://www.mlit.go.jp/common/001252227.pdf>  
 Labor Force Survey Results (Statistics Bureau of Japan, Ministry of Internal Affairs and Communications) <https://www.stat.go.jp/data/roudou/index.html>

Relevance to SDGs

By working on this key issue, Isuzu contributes to the improvement of productivity in the logistics industry and the construction of a robust logistics infrastructure through technological improvement and innovation and thereby contributes to the achievement of goals 8 and 9 of the Sustainable Development Goals (SDGs).



Key Issue Promotion Scheme

Efforts directed at this key issue are promoted through coordination across groups and divisions centering on the Engineering Division, Sales Planning Division, After-Sales Division, and Isuzu Motor Sales Ltd. (group).

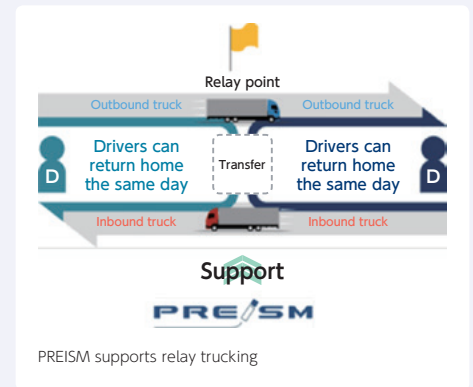
Isuzu's Approach

Reducing downtime through the spread of vehicles equipped with PREISM

A truck that runs day and night always requires the perfect conditions. The PREISM connected service provided by Isuzu constantly monitors vehicle data from the engine, DPD (Diesel Particulate Defuser), transmission, etc., and obtains data that can predict failures before they occur. By implementing preventive maintenance based on this predictive data, it is possible to prevent failures and greatly contribute to worry-free operation as well as reduce downtime and shorten maintenance time to the benefit of our customer's continued business.

By the end of FY 2018, approximately 38,000 vehicles supported PREISM and were used for relay trucking\*, which requires near constant operation. With PREISM, we are improving vehicle rotation rate, achieving day and night operation that is not affected by driver shifts, providing an environment where drivers can return home on the same day, supporting vehicle maintenance, and reducing the burden on drivers.

\* An operation system where vehicles are taken over at relay points without loss time in long-distance truck transportation



Improving efficiency and saving labor by providing a 25-meter full trailer (double articulated truck)

Following the recommendations on deregulation of the vehicle length for the purpose of efficient transportation and saving labor, the Ministry of Land, Infrastructure, Transport and Tourism relaxed the vehicle length standard from the previous 21 meters to 25 meters in January 2019.

Against this background, Isuzu jointly developed a 25-meter full trailer through a collaborative initiative with a major transport company. This not only doubled the loading capacity over conventional heavy trucks, but also allowed combinations of trailers from different operators to be operated as a single vehicle, which will lead to more efficient logistics and is an effective solution to labor shortages. In addition, the reduced number of vehicles contributes to the reduction of CO<sub>2</sub> emissions.

As a partner that supports transportation, we will continue to work with our customers and business partners to contribute to improving the productivity of the logistics industry.

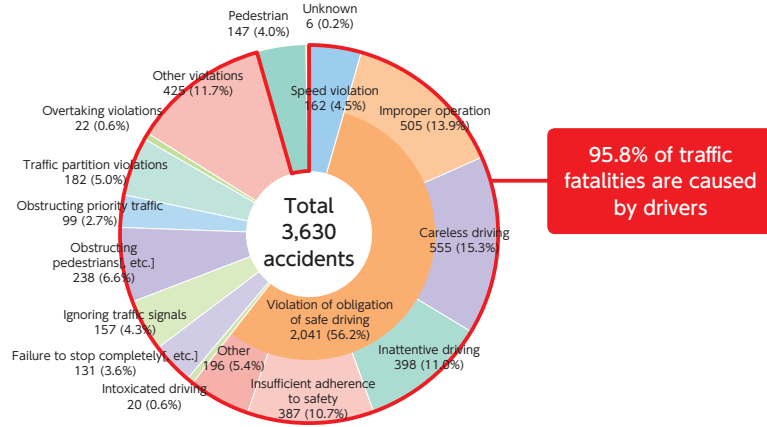


25-meter full trailer (double articulated truck)

For Isuzu, a supporter of transportation, the streamlining of logistics, that is, the safe transportation of people and goods, is a universal theme with the highest priority.

According to the White Paper on Traffic Safety in Japan 2018, 95.8% of fatal traffic accidents are caused by drivers. Large and medium-sized commercial vehicles that Isuzu provides to customers may cause more damage in the event of an accident when compared to passenger cars. In addition to continuing to pursue creation of products that do not break down, we will continue to work on reducing the occurrence of accidents caused by drivers and reducing the damage caused by accidents, thereby fulfilling our social responsibility.

Number of traffic accidents involving deaths by type of offense (of the person principally implicated) (2017)



95.8% of traffic fatalities are caused by drivers

\* Source: White Paper on Traffic Safety in Japan 2018 (Japanese only) [https://www8.cao.go.jp/koutu/taisaku/h30kou\\_haku/zenbun/genkyo/h1/h1b1s1\\_2.html](https://www8.cao.go.jp/koutu/taisaku/h30kou_haku/zenbun/genkyo/h1/h1b1s1_2.html)

Relevance to SDGs

By tackling this important issue, Isuzu will help achieve goals 3 and 11 of the Sustainable Development Goals (SDGs) by reducing the number of casualties from traffic accidents and providing a safe and sustainable transportation infrastructure for all.



Key Issue Promotion Scheme

Efforts directed at this key issue are promoted through coordination across groups and divisions centering on the Engineering Division, Sales Planning Division, After-Sales Division, and Isuzu Motor Sales Ltd. (group).

Isuzu's Approach

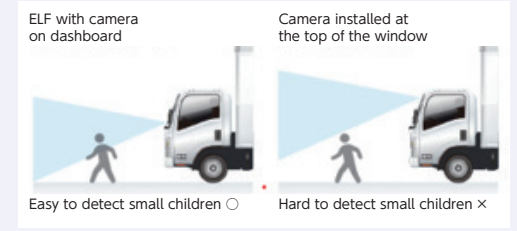
Reducing occurrence of accidents and amount of damage through the development of advanced safety devices

The functions required for mounted safety devices are different for passenger cars and trucks, due to the difference in size (trucks are long, wide) and the difference in movement characteristics (difficult for trucks to make a sudden stop or turn), etc. Isuzu develops advanced safety devices that suit these vehicle characteristics and aims to reduce the occurrence of accidents and the amount of damage.

For example, advanced view assist technology, which promotes early avoidance of potential risks, supports driver cognition, judgment, and maneuverability with forward obstacle detection technology using millimeter-wave radar and stereo cameras as well as vehicle operation condition data. In particular, detection of pedestrians is important in the ELF light-duty truck, which plays an active role in urban areas, so we have designed the camera mounting position to make it easier to detect people in the vicinity.

We are also promoting the development of appropriate safety technologies in accordance with the vehicle characteristics and application including, using a system\* that suppresses abnormal behavior (jackknifing, rollovers, etc.) unique to connected vehicles.

\* IESC (Isuzu Electronic Stability Control)  
A system with various sensors that detects sudden changes in the position of the moving vehicle and suppresses engine output, activates the necessary wheel brakes and also alerts the driver with an alarm and indicator lights to help them recover control the vehicle



Pedestrian detection by stereo camera mounted on ELF

Erga Duo contributes to the improvement of transportation efficiency and safety

In addition to safety, buses that carry many people are required to improve transport efficiency in work and school commuting rush hours and in tourist areas where there are many visitors throughout the day.

In 2019, in response to these expectations, Isuzu began selling the Erga Duo hybrid articulated bus with a total length of 18 meters and a maximum capacity of 120 people\*1. In addition to the significant improvement of transportation efficiency from the articulated design, the bus is Emergency Driving Stop System (EDSS)\*2 and is designed to improve safety as well.

EDSS is a system that allows passengers or crew members to decelerate and stop the vehicle by pressing the emergency brake switch when sudden illness or other reasons prevent the driver from continuing to operate the vehicle. In the event of an emergency, the vehicle decelerates and stops, and at the same time, the horn sounds and the hazard and brake lights are turned on to notify others around the vehicle of a problem, thereby preventing accidents with other vehicles in addition to considering the safety of the standing passengers.

\*1 Capacity may differ with individual specifications  
\*2 Standard equipment for the Erga heavy-duty bus and the Erga Mio medium-duty bus



Erga Duo hybrid articulated bus

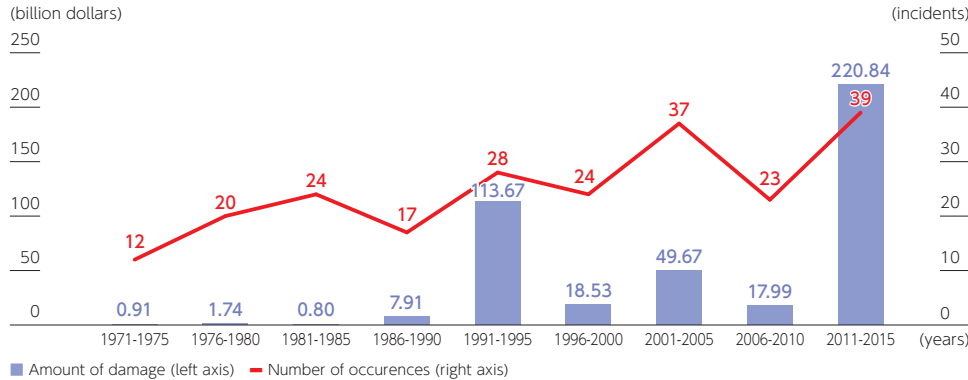
Social issues that Isuzu should address through its business activities

Sustaining lifestyle and the environment in emergencies

Japan is a country with many natural disasters, such as earthquakes and typhoons. In recent years, the number of occurrences and the amount of damage has greatly expanded, and when comparing the decades of the 1970s and 2000s, the number of occurrences has more than doubled and the amount of damage has increased over 25 times.

As a company that supports transportation for people's lives and social production activities, Isuzu believes that its mission is to ensure that transportation does not stop during disasters and emergencies. Even with the increasing threat of natural disasters, we will contribute to the realization of a more secure society by providing vehicles and services that make use of the lessons learned from past disasters.

Change in the number of natural disasters and the state of damages in Japan



\* Source: 2016 White Paper on Small and Medium Enterprises in Japan, Small and Medium Enterprise Agency (Japanese only) <https://www.chusho.meti.go.jp/pamflet/hakusyo/H28/h28/index.html>

Relevance to SDGs

By addressing this important issue, the Isuzu Group will provide vehicles and services that are resilient in disasters and emergencies and will contribute to the achievement of goals 11 and 13 of Sustainable Development Goals (SDGs).



Key Issue Promotion Scheme

We regard this key issue as an issue that requires the whole group in order to solve through our business and we are tackling it with an interdivisional response.

Isuzu's Approach

Mimamori data contributes to rapid transportation in the event of a disaster

Through past experiences with disasters, Isuzu has recognized the importance of transportation networks that transport personnel, sick and injured people, and emergency supplies in disasters. However, traffic routes may be cut off due to various factors such as heavy rain or snow, earthquakes, tsunamis, etc., and appropriate measures must be taken promptly according to the situation.

Mimamori, an advanced real-time operation management system, collects and analyzes traffic data, and provides it to ITS Japan, an NPO that provides traffic maps during disasters. The roads where vehicles can move are visualized based on the provided traffic data, and this contributes to the realization of emergency and disaster transportation.



ITS Japan passenger car and truck traffic map

Sales of industrial diesel engines that support people's lives

In the event of a power failure, emergency generators powered by diesel engines are installed at sites where human lives are involved, for example at airports or hospitals. In addition, many power shovels required for reconstruction in disaster-affected areas and construction machines that support our lives as well as snow blowers used in the event of snow damage, etc. are also driven by diesel engines. Without diesel engines, it is no exaggeration to say that building and road construction would not be possible.

As a leading manufacturer of diesel engines, Isuzu will contribute to supporting lifestyles and the environment during disasters and emergencies through the manufacture and sale of industrial diesel engines.



Isuzu's diesel engine used for a variety of applications

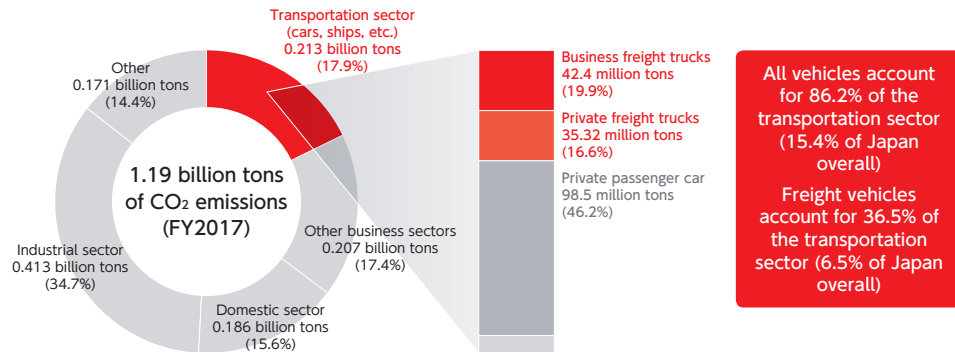
Social issues that Isuzu should address through its business activities

Mitigating global environmental issues and promoting economic growth (CO<sub>2</sub> and exhaust gases)

According to the Ministry of Land, Infrastructure, Transport and Tourism, of Japan's carbon dioxide emissions 1.19 billion tons in FY2017, 17.9% of emissions came from the transportation sector (213 million tons). Automobiles accounted for 86.2% of emissions (15.4% of total emissions in Japan) and Isuzu's truck business makes up 36.5% of the transportation sector (6.5% of total emissions in Japan).

In addition to contributing to the development of the logistics industry, Isuzu believes that it has a responsibility to contribute to the resolution of global environmental issues through its business activities.

CO<sub>2</sub> emissions in the transportation sector



\* Source: Carbon dioxide emissions in transportation sector (Ministry of Land, Infrastructure, Transport and Tourism) [https://www.mlit.go.jp/sogoseisaku/environment/sosei\\_environment\\_tk\\_000007.html](https://www.mlit.go.jp/sogoseisaku/environment/sosei_environment_tk_000007.html)

Relevance to SDGs

By tackling this key issue, the Isuzu Group is working to reduce environmental impact throughout the product life cycle, from material input to disposal, and is contributing to the achievement of goals 7, 12 and 13 of the Sustainable Development Goals (SDGs).



Key Issue Promotion Scheme

This key issue is led by the Global Environment Committee and is an issue that the group as a whole should address and we are tackling it with an interdivisional response.

Isuzu's Approach

Transition to renewable energy

The Isuzu Group is promoting the transition to cleaner energy. In FY2018, a group company in Thailand introduced a large-scale solar power generation facility.

Use of renewable energy page 29

Engine rebuilding business

Isuzu Engine Manufacturing Hokkaido Corporation is promoting its engine and parts rebuilding business. Isuzu recognizes the size of its responsibilities as a manufacturer and promotes the rebuilding of engines while replacing parts to save resources.

Efforts to reduce resource input page 29

Promotion scheme for measures against climate change

The Isuzu Group is promoting measures against climate change at all points in the value chain, under the watch of the Global Environment Committee. Please refer to each committee page for their activities.

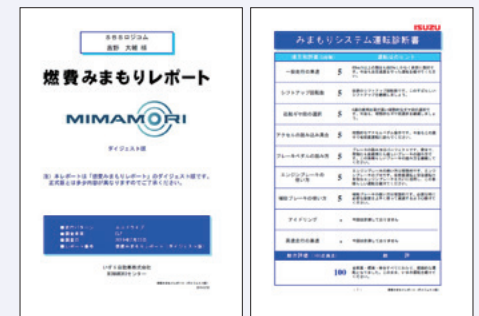
Isuzu Group Environmental Promotion Scheme page 19

Activities to realize fuel-efficient driving

The largest source of CO<sub>2</sub> emissions in Isuzu product life cycles are emissions from product use. Fuel efficiency improvement, which is directly linked to these emissions, is also always high on the list of customer needs and Isuzu believes that working with customers to achieve fuel-efficient driving is also important to solve environmental problems.

The Mimamori operation management system presents customers with a fuel consumption report to assist fuel-efficient driving based on nine evaluation items such as vehicle speed, shift-up RPM, and the degree of accelerator depression of the vehicle equipped with the system. The reports generated by this system also contribute to the reduction of CO<sub>2</sub> emissions by helping drivers understand the ideal driving operations that achieve fuel-efficient driving.

Fuel efficient and safe driving seminars page 25



Mimamori fuel consumption report

Social issues that Isuzu should address through its business activities

Addressing poverty

The poverty rate (proportion of people living at US \$1.90 or less per day) provided by the World Bank in 2015 was 9.9% worldwide, and or nearly half, 46%, at US \$5.50 per day. Currently, Isuzu products are sold in over 120 countries worldwide. Isuzu's production business is also spreading around the world, including products exported to about 100 countries around the world from our base in Thailand, and poverty is one key issue for Isuzu to address, especially in emerging countries. Through our business activities, we plan to address poverty by contributing to the economic growth of emerging countries.

World poverty rate (living on less than US \$1.90 a day)



\* Source: Global population poverty rate (2015) World Bank  
<https://data.worldbank.org/indicator/si.pov.dday?type=shaded&view=map&year=2015>

Relevance to SDGs

By tackling this key issue, the Isuzu Group provides vehicles and services that meet the needs of the various countries and regions in which we operate and provide economic value including job creation, thereby contributing to the achievement of goals 1, 8, and 10 of the Sustainable Development Goals (SDGs).



Key Issue Promotion Scheme

We regard this key issue as an issue that requires the whole group in order to solve through our business and we are tackling it with an interdivisional response.

Isuzu's Approach

Introduction of strategic products into markets in emerging countries

Isuzu launched Isuzu Philippines Corporation (IPC) in 1997 and began assembly, production and sales in the region. We have maintained a high market share of over 50% in the sales of new trucks in the categories corresponding to Japan's small and medium-sized cars. In recent years, we have rapidly expanded the share of large cars. Under these circumstances, we also started manufacturing and selling Jeepney substitute vehicles in 2018 in collaboration with IPC and a major local option manufacturer.

Isuzu strictly adheres to production in the Philippines, and rather than just offering products that are competitive in price, we provide high-quality, environmentally-conscious products based on the trust in quality that IPC has cultivated locally spanning more than 20 years and through the excellent local employees who have maintained and supported the entire Isuzu Group.



Jeepney substitute Isuzu display car

Educational Support for Philippines Auto Mechanic Vocational School

From November 2008, Isuzu has been involved in an educational program organized by the Technical Education and Skills Development Authority (TESDA) in Tacloban City on the island of Leyte in the Philippines. This program is held at an automobile mechanic vocational school, designed for economically disadvantaged youths.

A total of 266 people graduated through this program, finding work in auto dealers and garages in the Philippines, Japan and other countries. Some of them are hired as trainers at Isuzu Global Service Corporation (IGSC), an after-sales support company founded in the Philippines.

In 2018, the Philippines was the first to comply with the Euro 4 exhaust gas control in Southeast Asia. After-sales support is a growth business that is expected to expand from the Philippines to the Middle East and other regions.

These activities that started with the aim of severing the chains of poverty and contributing to the development of the country have become important activities for Isuzu's business.



Scene of class at auto mechanic vocational school

Contributions to Local Communities and Society page 75

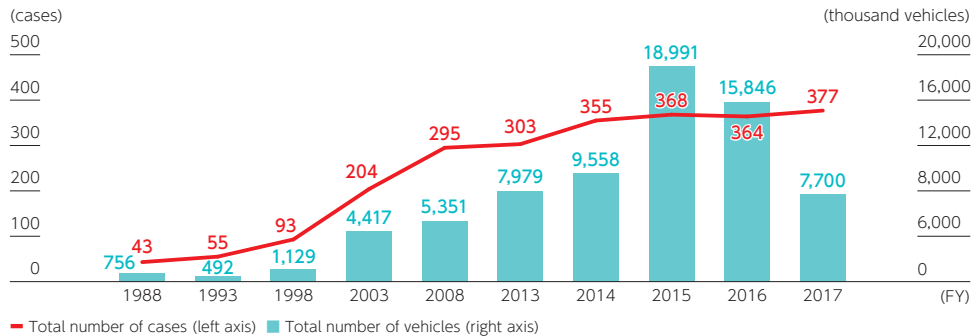


## Improving safety technology and providing reliable products

In Japan, there is a recall system in place to prevent accidents and problems whereby automobile manufacturers that detect issues in the design or manufacturing process of an automobile will, based on their own assessment, carry out vehicle recall or repair after submitting prior notification to the Minister of Land, Infrastructure, Transport and Tourism. Based on announcements by the Ministry of Land, Infrastructure, Transport and Tourism, there is an increasing trend of vehicle recall notifications being submitted in recent years. This reflects society's increasing demands toward product quality, and the proactive stance being undertaken by automobile manufacturers in view of such demands.

The same is true for Isuzu, and we will continue to pursue improvements in safety technology and fulfill our social responsibility by continuing to provide reliable products.

### Number of car recall cases and affected vehicles



\* Source: Number of recall notifications each year and target number of vehicles Ministry of Land, Infrastructure, Transport and Tourism [http://www.mlit.go.jp/jidosha/carinf/rcf/data\\_sub/data004.html](http://www.mlit.go.jp/jidosha/carinf/rcf/data_sub/data004.html)

### Relevance to SDGs

By tackling this important issue, the Isuzu Group will further promote the development of the latest and most advanced safety technologies and provide trusted products, thereby contributing to achieving goals 3, 9 and 11 of the Sustainable Development Goals (SDGs).



### Key Issue Promotion Scheme

The Quality Assurance Division is in charge of the promotion scheme for this key issue and in cooperation with business divisions and group companies, the entire company will work together to promote the initiatives.

#### Isuzu's Approach

PREISM page 48

Next-generation vehicle diffusion activities page 23

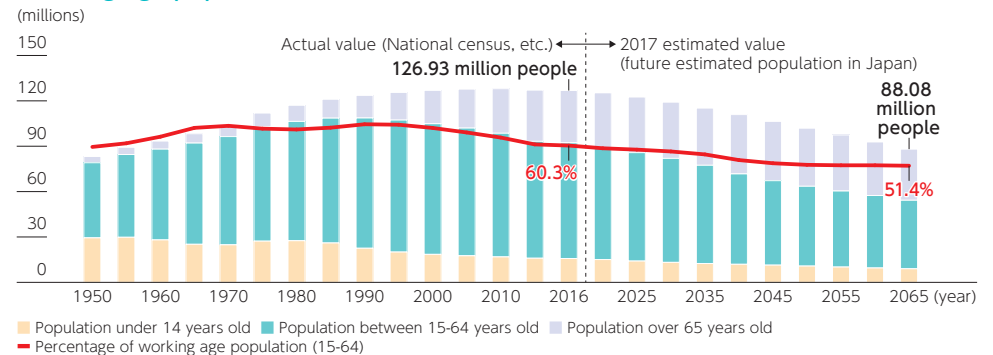
Organizing fuel efficient and safe driving seminars page 46

## Respecting employees and promoting diversity

The working-age population in Japan is expected to decrease by nearly 10% over the next 50 years or so. Now more than ever before in order for companies to continue to increase the corporate and social value they provide, they need to create environments where a diverse range of people can work.

Isuzu is striving to be a company that grows with employees by not only respecting their human rights and diversity, but also by providing an environment that is safe and comfortable in which employee capabilities can be maximized.

### Working-age population transition



\* Source: Environment and issues surrounding employment (2017) Employment Security Bureau, Ministry of Health, Labor and Welfare [https://www.mhlw.go.jp/file/05-Shingikai-11601000-Shokugyoyanteikyoku-Soumuka/0000062121\\_1.pdf](https://www.mhlw.go.jp/file/05-Shingikai-11601000-Shokugyoyanteikyoku-Soumuka/0000062121_1.pdf)

### Relevance to SDGs

By tackling this important issue, the Isuzu Group will create an environment in which a diverse range of people can work with enthusiasm and will contribute to the achievement of goals 5, 8 and 10 of the Sustainable Development Goals (SDGs).



### Key Issue Promotion Scheme

The Administration Division is in charge of the promotion scheme for this key issue and in cooperation with business divisions and group companies, the entire company will work together to promote the initiatives.

#### Isuzu's Approach

Promoting opportunities for women page 56

Work style reform page 51

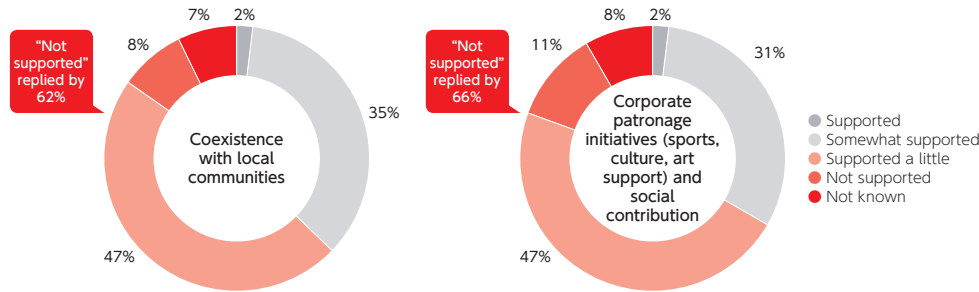
Employment of non-Japanese personnel page 56

## Win-win Relationships with Local Communities and Stakeholders

Isuzu has 92 consolidated subsidiaries and operates all around the world. As a trusted partner, we strongly recognize that coexistence and coprosperity in each region and with stakeholders, as well as the value chain that includes our business partners is essential for Isuzu and its affiliates to contribute to the creation of richer lifestyles.

We will contribute to society by properly recognizing and responding to requests from local communities and stakeholders.

### Consumers' recognition of corporate responses



\* Source: 22nd Survey on Trust toward Corporations (2018) Keizai Koho Center <https://www.kkc.or.jp/data/release/00000150-1.pdf>

### Relevance to SDGs

By addressing this important issue, the Isuzu Group will ensure appropriate communication with local stakeholders to achieve a sustainable society, thereby contributing to the achievement of goals 4, 8 and 17 of the Sustainable Development Goals (SDGs).



### Key Issue Promotion Scheme

The Corporate Planning & Finance Division and the Purchasing Division are in charge of the promotion scheme for this key issue and in cooperation with business divisions and group companies, the entire company will work together to promote the initiatives.

### Isuzu's Approach

Contributions to Local Communities and Society  
page 73

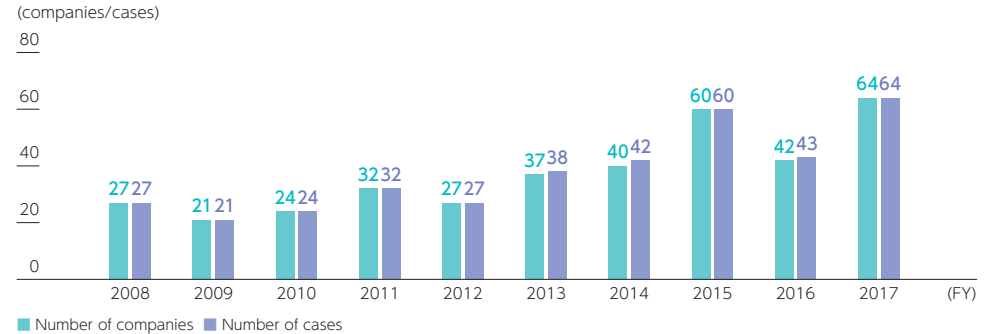
Supply Chain Management  
page 64

## Strengthening governance

Recently, with the occurrence of a series of corporate scandals, improvements to management effectiveness and transparency are more necessary. With the establishment of the Corporate Governance Code in 2015, societal concerns and requests have been increasing and Isuzu recognizes these as important social requests.

In order to establish a governance system to serve as a solid foundation to support business activities and corporate values, we plan to strengthen our supervisory functions and optimize our decision-making to fulfill our responsibility to be accountable to all stakeholders.

### Trend in number of companies with inappropriate accounting disclosures



\* Source: Fiscal 2017 Trend in Number of Companies with Inappropriate Accounting Disclosures (Tokyo Shoko Research, Ltd.) [https://www.tsr-net.co.jp/news/analysis/20180420\\_02.html](https://www.tsr-net.co.jp/news/analysis/20180420_02.html)

### Relevance to SDGs

By tackling this important issue, and by making clear and transparent decisions and fulfilling our responsibility for accountability, the Isuzu Group contributes to the achievement of goal 16 of the Sustainable Development Goals (SDGs).



### Key Issue Promotion Scheme

The Administration Division is in charge of the promotion scheme for this key issue and in cooperation with business divisions and group companies, the entire company will work together to promote the initiatives.

### Isuzu's Approach

Corporate Governance  
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## Environment

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### Basic Ideas

For Isuzu's basic ideas related to the environment, it established and is implementing the goals of pursuing its business activities in all areas with an environmental awareness, and developing and operating its environmental management system to reduce the environmental load in all of its business areas.

### Isuzu Group's Charter on the Global Environment

The Isuzu Group's Charter on the Global Environment clarifies the company's environmental vision for the realization of a prosperous and sustainable society. In line with dramatically changing social trends and social demands, all Isuzu Group members use the Charter as a guideline when pursuing environment activities.

#### Basic Policy

##### ► Realization of a prosperous and sustainable society

We the members of the Isuzu Group regard it as an important business challenge to preserve the global environment so that our planet remains prosperous and sustainable and can be passed on to next generations. In this regard, we pursue our business activities in all areas with an environmental awareness.

##### ► Reduced environmental load of all business operations

The Isuzu Group recognizes our responsibility in supporting transportation, offers enhanced products and services to our global customers through close cooperation with all Group companies, and develops and operates our environmental management system to reduce the environmental load in all of our business areas.

#### Action Guidelines

##### 1 Create a sustainable society

We coordinate our business operations and environmental initiatives, thereby offering environmentally-aware, high-value-added products and services to society.

##### 2 Comply with environmental laws and minimize the environmental load

In an effort to minimize the impact on the environment from our business operations, we ensure that we comply with environmental laws and engage in key environmental issues in all of our business areas from development to production, distribution, sales and servicing, addressing climate change, resource recycling, prevention of environmental risks from hazardous substances, environmental measures and conservation of biodiversity.

##### 3 Promote environmental technology

We promote the development of technology to reduce the environmental load applied throughout the product lifecycle.

##### 4 Maintain proactive social communication

We maintain a positive attitude toward the disclosure of product, service, and business activity information on the environment, promoting good communication with members of society and communities, and work toward realizing a prosperous society.

##### 5 Foster environmental awareness as corporate citizen

We engage in perpetual efforts to foster environmental awareness in each Group member as a corporate citizen operating in a local community, encouraging them to learn about and act toward environmental conservation.

### Business Risks and Opportunities Posed by Climate Change

As a manufacturer and vendor of automobiles, the Isuzu Group recognizes the risks and opportunities related to climate change as increasingly important business issues for the Group, considering that our products are sources of carbon dioxide (CO<sub>2</sub>) and other exhaust gases that exacerbate climate change. The significance attached to them will further grow as the climate for corporate activities changes, prompted by factors such as the Paris Agreement and the United Nations' Sustainable Development Goals (SDGs).

Isuzu has been proactively pursuing the improvement of fuel efficiency in vehicles of high customer demand. We have also been holding seminars on fuel-efficient and safe driving since 1995 so customers can learn fuel-efficient driving techniques suitable for their vehicle performance. These initiatives are regarded as important activities to work together with customers to reduce CO<sub>2</sub> emissions as most of the CO<sub>2</sub> gases produced in a car's lifecycle is during operation. Similarly, the Mimamori and other customer support systems for fuel-efficient driving provide customers with information that meets their needs.

Today, we are affected by more extreme weather conditions, such as increased local precipitation and more powerful typhoons, likely as a result of climate change. If Isuzu products were submerged underwater and became unusable in a water-related disaster, this would pose risks to our customers' businesses. To support quick recovery of operations, Isuzu has a system in place to help with the inspection and repair of Isuzu products according to the damage caused by flooding.

Meanwhile, there is a major change taking place in the power train business today. Isuzu is also responding to this trend and pursuing the development of EV and similar vehicles, including the provision of an electric monitor vehicle during FY2018. In addition, we are investigating optimal power trains for Isuzu for commercial vehicle applications, which includes the development of LNG trucks as part of a research program of the Ministry of the Environment. We feel that it is an important business challenge to outplay our competitors in new technology development, which involves both risks and opportunities.



## Environment

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### Isuzu Group Environmental Promotion Scheme

The Isuzu Group has established five bodies under the Global Environment Committee in order to implement environmental conservation activities in all its business operations. These five bodies are composed of Isuzu Group affiliate companies operating in environmentally relevant fields, and they address various issues and promote better environmental activities through the goals they set for themselves.

The Global Environment Committee, composed of members from top management including representative officers of various fields, holds meetings every quarter to address the resolution of diverse environmental issues, carrying out discussions and decision-making on matters of environmental conservation.

#### ◆ Agenda of Global Environment Committee

- 1 Isuzu Group's environment-related initiative policy and plan
  - ▶ Isuzu Group's Charter on the Global Environment
  - ▶ Mid/Long-term plan, annual plan
- 2 Progress of activities that follow the Isuzu Group's environmental initiative policy and plan
- 3 Key matters related to environmental problems surrounding the Isuzu Group

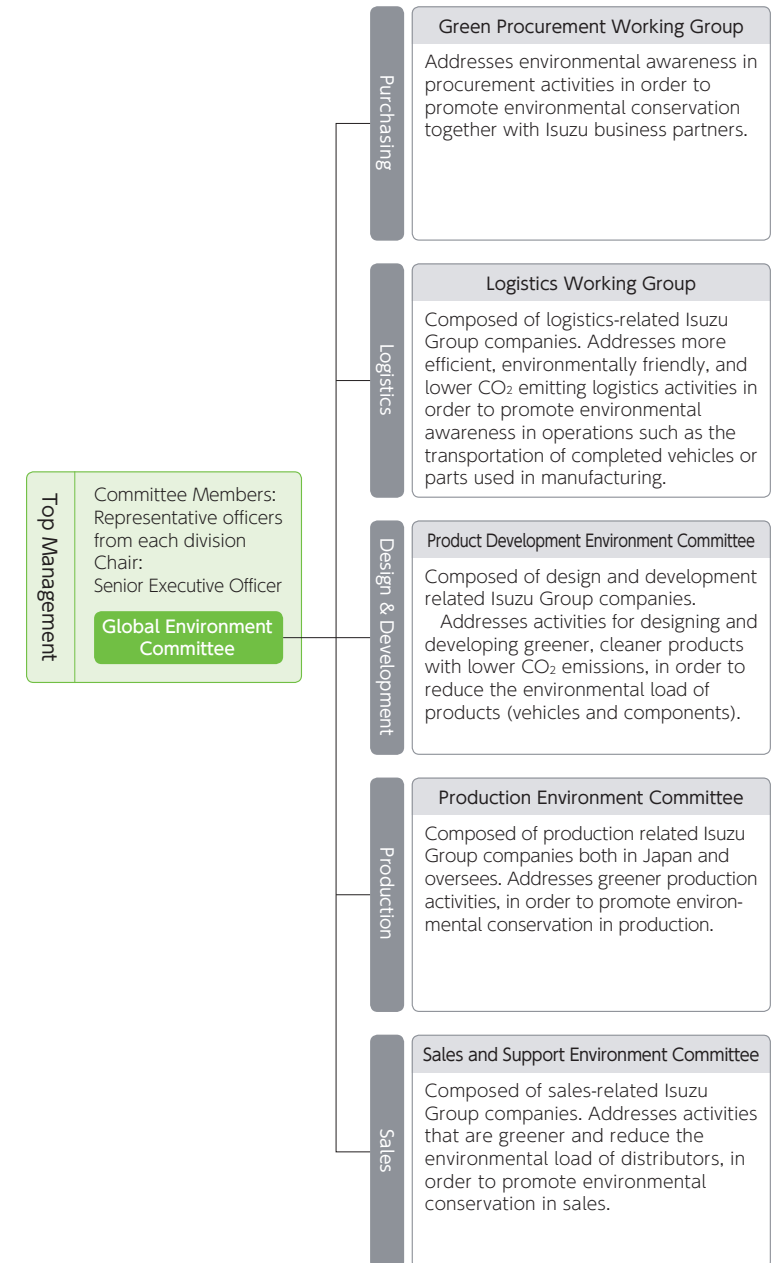
### Future initiatives

Going forward, the Isuzu Group—domestic and overseas—will work united as one under the Isuzu Group's Charter on the Global Environment so as to realize a prosperous and sustainable society.

In addition, we plan to formulate our long-term environmental vision during FY2019 so as to further clarify the environmental aspects the Isuzu Group should aim for from a long-term perspective.

Through this activity, we will build a system which can promote business activities taking into consideration the environment in all business fields, where each and every person in the Isuzu Group can achieve what he or she should do with reference to the long-term environmental vision.

### Structure of Global Environment Committee






## Environment

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 Employee-participatory activities are indicated with this symbol.

### Environmental initiatives in procurement activities

Isuzu has established the Isuzu Green Procurement Guidelines for promoting environmental conservation together with its business partners, who Isuzu asks to promote environmental conservation activities based on an understanding of these Guidelines.

In April and October 2018, we held our biannual production briefings for business partners where we explained our activity plan for the period and how to prepare the Environmental Management Self-Evaluation Report that partners are asked to provide. With about 300 partners attending the briefings, we had a lively exchange of opinions.

#### ◆ Environmental activity seminars

In July 2018, Isuzu held a seminar on environmental activities to help raise the level of environmental activities conducted by business partners. Aimed at further boosting these activities, the seminar was attended by 45 people from 37 targeted business partners.

The Energy Conservation Center, Japan, was invited to speak on the topic of how to conduct more CO<sub>2</sub> reduction activities by utilizing the Energy-Saving Act and its amendments. Feedback from our business partners indicated that the seminar will help them in their future environmental activities.

We partially revised the FY2018 Environmental Management System Self-Evaluation Report and requested that our 365 business partners conduct self-assessment.

The response rate and average scores for FY2018 assessments were the highest ever. They indicated an increase in successfully meeting their own energy conservation goals and an increase in the number of initiatives conducted in the areas of “waste reduction” and “logistics improvement and packaging material reduction.” This confirmed a greater awareness of our business partners in activities for the environment.

We will continue visiting business partners and holding these environmental activity seminars in the future to raise levels across the entire supply chain.

#### Isuzu Green Procurement Guidelines (outline)

- 1 Procurement basic vision / Basic policy / Slogan
- 2 Our requests for our business partners
  - ▶ Requests regarding environmental management
    - 1) Structuring environmental management systems
    - 2) Nomination of personnel responsible for environmental matters
    - 3) Compliance with related environmental laws and regulations
    - 4) Improvement of environmental performance
    - 5) Submission of self-evaluation reports on environmental management systems, and confirmation by Isuzu
  - ▶ Requests related to parts, materials, and services provided to our company
    - 6) Managing environmentally hazardous substances
    - 7) Initiatives for management over life cycles
    - 8) Reduction of CO<sub>2</sub> emissions and packaging/shipping materials in logistics

#### ◆ Business partner visits

Based on the results of Environmental Management System Self-Evaluation Reports that we requested our business partners to conduct, we directly visited a number of partners. We confirmed the status of their activities and management systems, related to overall environmental activities and increasingly regulated chemical substance management, and we had constructive discussions. This was part of efforts to share information on successful activities and improvements, and to improve activities together with our partners.

 Supply Chain Management  
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 Employee-participatory activities are indicated with this symbol.

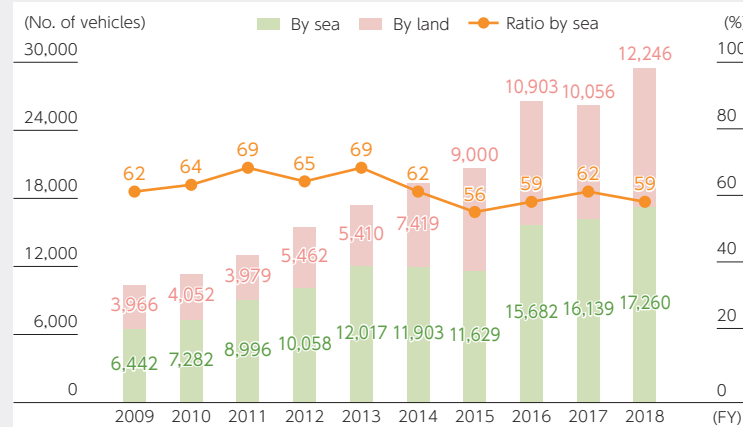
### Environmental initiatives in logistics processes

Isuzu engages in environmentally friendly logistics throughout the whole Group, streamlining its various logistics processes such as the transportation of completed vehicles, parts or subsidiary materials used in vehicle manufacture, promoting fuel-efficient driving during transportation, and so on.

#### ◆ Reducing CO<sub>2</sub> emissions in logistics processes

Isuzu is reducing CO<sub>2</sub> emissions in its logistics processes, at the target rate of 1% per year, by reviewing the transportation routes of parts, promoting fuel-efficient driving during transportation, and increasing the amount of marine transportation by developing new shipping routes (modal shift).

#### State of modal shift during product vehicle transportation



#### ◆ Other main initiatives for reducing CO<sub>2</sub> emissions

- ▶ Improved transportation efficiency due to thorough truck transport management according to load
- ▶ Increased use of returnable racks that can be folded when returning
- ▶ Increased trailer transportation and improved filling rates of goods within containers

In 2016, a new distribution center was constructed near Fujisawa Plant, centralizing all warehouses in the Fujisawa area. This consolidated transportation between warehouses and improved logistics efficiency.

The distribution center itself is in an environmentally conscious design, equipped with LED lighting and skylights to the extent possible. It has received a rating of B+ (Good) from the Comprehensive Assessment System for Built Environment Efficiency (CASBEE).

#### ◆ Reduced amount of packaging materials through review of packaging configurations

In the Isuzu Group, packaging configurations are continually reviewed, and measures taken to reduce the amount of packaging materials used.

In FY2017, we started using globally standardized returnable racks, and we are currently expanding their use starting from the ASEAN region.



Returnable rack




## Environment

18 Management Approaches

20 Activity Reports

30 Environmental Performance Data

 Employee-participatory activities are indicated with this symbol.


### Initiatives for environment in product development

The Isuzu Group has set “See Technology” as its base concept for development, with the aim of advancing technologies in the three areas of Safety, Economy and Environment.

From the aspect of the environment, Isuzu has selected eight priority issues and set up a special committee for each one to address environmentally conscious product development.



- Examples are for automobile models sold in Japan. You can find environmental details about automobiles sold by Isuzu below.

 Environmental information by vehicle type (Japanese only)  
<http://www.isuzu.co.jp/cv/env/car/index.html>

- You can find details about products sold by Isuzu below.

 Product information  
<https://www.isuzu.co.jp/world/product/index.html>

#### Fuel economy improvement (global warming prevention)

Isuzu is engaged in the development of technologies that will meet future Japanese and overseas regulations on fuel economy and CO<sub>2</sub> emissions and achieve top-level fuel efficiency.

#### Cleaner emissions

Isuzu is engaged in the development of high-efficiency diesel engines that will combine compatibility with future emission regulations and improved on-road fuel efficiency.

#### Reduction of vehicle noise

Isuzu is engaged in the development of noise reduction technology to meet future Japanese and overseas noise regulations, and the timely introduction onto the market of sound regulation compliant vehicles.

#### Reduction of environmentally hazardous substances

Isuzu is addressing the further reduction of environmentally hazardous substances and the reinforcement of its management system using IMDS.

#### Improvement of air-conditioning refrigerant

Isuzu is engaged in developing a new refrigerant system suitable for buses and trucks.

#### Promotion of recycling

Isuzu is engaged in the promotion of recycling-oriented design that will contribute to the more effective use of resources.

#### Promotion of in-vehicle VOC reduction

Isuzu is committed to reaching targets of the Japan Automobile Manufacturers' Association (JAMA) for reducing in-vehicle VOC emissions.

#### Development and diffusion of next-generation vehicles

Isuzu is addressing the market penetration of next-generation vehicles, including xEVs\* and natural gas fueled vehicles, which help to improve the global environment.

\* xEV is the generic term for electric vehicles (HEV, EV, etc.).




## Environment

18 Management Approaches

20 Activity Reports

30 Environmental Performance Data

 Employee-participatory activities are indicated with this symbol.

### ◆ Diffusion of next-generation vehicles

Both economics and user-friendliness are required of commercial vehicles, which are productive assets.

Looking at the power sources, we believe that diesel internal combustion engines, including biofuel and hybrid configurations, will remain a promising source into the future. However, there is also potential for use of natural gas or electricity depending on the market and application, so we are committed to developing technologies that deliver a good balance of vehicles types that run on a wide variety of energies.

### ◆ DeuSEL® Project: Looking for next-generation fuels

In order to remain a leader in transportation in the future, Isuzu has started working on bio-diesel fuel. We believe that there will be a need for low carbon, sustainable next-generation fuels, and that bio-diesel will be a valuable option. In 2014, we launched the DeuSEL® Project, originally a joint research initiative that led to the world's first launch of a next-generation bio-diesel trial in December 2018.

Going forward, the DeuSEL® Project will work to increase the number of interested bio-fuel manufacturers and users across Japan, and will support the GREEN OIL JAPAN declaration of Japan's euglena Co., Ltd. to promote Japan as an advanced biofuel nation. We will also continue on-road trials.



Joint announcement by companies and organizations supporting the GREEN OIL JAPAN

 DeuSEL® Project  
<http://www.deusel.jp/>

### ◆ Elf EV operation monitoring started

Isuzu has started monitoring operation of the Elf EV, which is based on the light-duty Elf truck, for the purpose of expanding its range of vehicles with environmental power trains, as is required of commercial vehicle manufacturers.

Through this monitoring activity, we aim to ensure not only environmental improvement but also the original truck's economics and user-friendliness, while targeting the goal of commercialization.



Elf EV

 Publicity announcement of monitoring launch  
[https://www.isuzu.co.jp/press/2019/2\\_13.html](https://www.isuzu.co.jp/press/2019/2_13.html)

### ◆ Policy and approach to clean technologies

Isuzu considers its mission is co-existence and harmony with the global environment, and preparations for sustainable energy supply and demand, and fuel security.

We develop technologies in the belief that transporting goods and people with few CO<sub>2</sub> emissions is important for commercial vehicles.






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### Addressing the environment in production activities

To reduce the environmental load of the Isuzu Group's production activities, its manufacturing companies in Japan and overseas all work together to reduce the energy and resources used, the amounts of harmful chemical substances, and the waste generated during manufacturing.

#### ◆ Promoting green production activities

##### CO<sub>2</sub> emission reduction activities

By increasing the efficiency of processes in all of our Group companies, reviewing and properly managing our operation methods, and promoting the visualization of our energy usage, we were able to significantly reduce the amount of energy used. We are producing substantial results over the entire Isuzu Group by reviewing our conventional operation methods to discover further types of energy conservation activities, and deploying them across our companies.

##### Waste reduction activities

As well as carefully separating waste on a routine basis, Isuzu also takes a positive approach to waste reduction activities. Additionally, we are reducing the amounts of materials themselves which are used by properly managing the usage of those materials and promoting shifts to returnable items as well as material recycling. We are making active efforts as a Group toward fundamental resource conservation activities which involve reducing the amount of waste that is generated.

##### Chemical substance reduction activities

We are taking the lead to work on activities to replace chemicals containing hazardous substances that could have an environmental impact, with chemicals not containing such hazardous substances. While replacing the substances we use with those which have less potential for harm, we are reducing the actual amounts of chemical substances used by reviewing our processes.

##### Activities to control emissions of ozone depleting substances

We are promoting activities aimed at controlling the emission of ozone depleting substances throughout the Isuzu Group by reinforcing the inspection of facilities using CFCs, and installing non-CFC equipment during facility upgrades.

#### ◆ Isuzu Group Energy-Saving & 3R Awards

Among production-related Group companies, the Isuzu Group Energy-Saving & 3R Award have been implemented since FY2013. Entry activities related to energy conservation or 3R improvements are gathered from within the Isuzu Group, mainly its Production Division, the best of which receive an award. Examples of entries are shared throughout the Isuzu Group to promote horizontal development. These awards are aimed at providing further momentum to the Group's environmental activities.

#### ◆ FY2018 Energy-Saving Award

▶ Not received in FY2018

#### ◆ FY2018 3R Award

##### Reduction in volume of circulated water in compressors (Isuzu)

Through the repeated cycle of heating and evaporating followed by cooling and recirculating, the cooling water used by equipment in the plant to produce compressed air becomes concentrated, eventually leaving behind only impurities. Therefore, the Fujisawa Plant has been constantly replenishing its supply of industrial water by pumping up groundwater.

However, water is a limited resource. In order to reduce the amount of water used, the plant started using water with a low amount of impurities (deionized water), which resulted in cooling water that is harder to concentrate and created a significant reduction in the amount of water used by the plant.

As an additional effect of this initiative, the reduction in water usage has also reduced the amount of wastewater produced, the load on wastewater treatment equipment, and the amount of power and chemicals required for the treatment process.

Because of its high cost, we did not previously consider using deionized water as cooling water. By evaluating its overall effectiveness though, we realized the positive outcomes that we could achieve. Going forward, we will continue to think outside the box as we implement a range of activities aimed at eliminating waste.



Award winning members




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### Environmental initiatives in sales activities

To promote environmental conservation in the Isuzu Group's sales activities, its distributors all work together to conduct green sales and engage in environmental load-reducing activities.

#### ◆ Environmental load-reducing activities of Isuzu dealers in Japan

##### Efforts to increase environmentally friendly sites

Isuzu is trying to increase its environmentally friendly sites by actively installing LED lighting or skylights, and introducing reusable energy systems, when renovating or building new sales offices. At newly built sites, we are promoting transitions to water treatment facilities that are more environmentally conscious than existing ones, by installing biological effluent treatment equipment for treating water discharged during vehicle maintenance or vehicle washing.

##### Examples of newly established sites with environmental awareness



Isuzu Motors Tohoku Morioka Branch



Isuzu Motors Tohoku Fukushima Branch

#### ◆ Environmental improvement activities in Japan

Isuzu sales offices are optimizing their environmental efforts through evaluations using their own environmental check sheets and promotion of improvement activities. Isuzu aims to increase its environmentally friendly distributors by entering and winning more awards under the Eco-friendly Auto Repair Shop awards system of the regional transport bureaus of the Ministry of Land, Infrastructure, Transport and Tourism.

#### ◆ Organizing of green sales activities in Japan

Isuzu distributors are doing all they can for the environment in their overall business activities.

They are continuously addressing all possible environmental activities, such as using hybrid vehicles and other environmentally friendly vehicles as new company cars, implementing the Cool Biz, Warm Biz, and Light Down campaigns, and holding local area cleanup activities.

#### ◆ Running courses on fuel efficient and safe driving seminar

Considering the life cycle of Isuzu products, the largest CO<sub>2</sub> emissions come from using products (vehicles). The Isuzu Group has been holding seminars on fuel-efficient driving in Japan and overseas since 1995, to inform customers who have bought an Isuzu vehicle about ways of driving more efficiently according to the performance of their vehicle.

##### Track record over the past 3 years

| Fiscal year | Courses | No. of Participants |
|-------------|---------|---------------------|
| FY2018      | 116     | 1,552               |
| FY2017      | 162     | 2,270               |
| FY2016      | 167     | 2,447               |

\* Due to the impact of the Hokkaido Eastern Iburi Earthquake, course and participant numbers for FY2018 were lower than average.



Safe and ecology driving practice in session




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### Enhancement of environmental information disclosure

The Isuzu Group aims to achieve excellent environment-related communication with its various stakeholders, including its customers, business partners, surrounding areas, shareholders, investors, and employees. To do so, we participate in environmental activities in surrounding areas and actively release environmental data.

By enhancing our environment-related communication, the Isuzu Group aims to promote greater recognition and understanding of our environmental activities, so we may carry out further improvements, and to develop our employees into outstanding members of society by actively releasing information within our company to raise their awareness.

#### ◆ Replies to CDP2018

In order to properly disclose its measures to address climate change, Isuzu has provided information since FY2016 to the CDP, an organization that evaluates corporate efforts related to climate change.

For the second year in a row, we received a score of A- in FY2018. In addition to climate change responses, we also started disclosing water information in FY2017 and forest management information in FY2018, in an attempt to achieve broad disclosure of our environmental management activities.

We will continue to further improve our activity levels and make proactive efforts in information disclosure.

#### ◆ Third-party audits of environmental data

With increasing demands for transparency and trust in environmental information, Isuzu has been conducting third-party audits of its environmental data since 2017.

The audit was conducted in compliance with ISO 14064-3 for CO<sub>2</sub> and with ISAE 3000 for waste and water resources, and the evaluation has been fully completed. We will remain aware of the importance of environmental data and practice high-credibility disclosure.

### ◆ Participation in Project for Arrangement of Infrastructure for Environmental Information Disclosure

Since FY2016, Isuzu has been participating in the Ministry of the Environment's Project for the Arrangement of Infrastructure for Environmental Information Disclosure, designed to promote dialog with investors and other groups. We publish our environmental information on the project's portal site. Participating in this project has enabled us to have more frequent individual dialogs with investors, etc., helping us to promote our environmental initiatives.

### Communication with Local Communities

#### ◆ Presenting our environmental initiatives to members of local communities

In October 2018, we organized a tour of the Fujisawa Plant and invited 68 key members from six local residents associations around the plant. We presented the environmental initiatives of Isuzu and the Fujisawa Plant, and the participants were allowed to observe the assembly lines. This annual event is an invaluable opportunity to promote a better understanding of the environmental initiatives and other various activities of Isuzu among members of neighboring communities, whose cooperation is vital to us.

We received very positive feedback from participants, saying that it helped them to understand Isuzu's initiatives better. It is also an important opportunity to improve our communication with them.



A presentation on our environmental conservation activities




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### Environmental Education

Isuzu has been providing all employees with common educational programs on the environment since FY2016.

This environmental education initiative, covering all Isuzu employees, is organized once every three years, raising awareness of environmental issues among employees and promoting a better understanding the company's environmental activities. As part of our environmentally conscious initiatives, this program combines e-learning and collective lectures, reducing the CO<sub>2</sub> emissions generated by the transportation for employees to participate in the program.

Similarly, the introductory training programs for new and mid-career recruits includes this common environmental educational program, where participants learn the reasons behind Isuzu's environmental initiatives and consider what they should do as members of Isuzu.

We also provide environmental laws and regulations training and internal environmental auditor training to deepen employees' understanding and make them more competent.

### Conservation of biodiversity

In FY2018, the Isuzu Group formulated a new Isuzu Group Policy on Biodiversity while referring to materials such as the Ministry of the Environment's "Guidelines for Private Sector Engagement in Biodiversity" and the "Declaration of Biodiversity by Keidanren and Action Policy ." It has been promoting this policy internally since FY2019, with the offices of each company within the Group also conducting activities to protect the unique natural environments in their respective areas and promoting the conservation of biodiversity.

### ◆ Biodiversity conservation activity on the plant sites

Isuzu conducted expert-led biodiversity surveys on the sites of the Fujisawa and Tochigi Plants. The results revealed that the forests were neglected on both sites, negatively impacting on their function as habitats for local species, and the ecosystem was losing its equilibrium while foreign species were thriving.

In response to these research results, volunteer employees started working on site maintenance in FY2016 and have continued efforts to restore the sound forest environment since then. A recent investigation has found that these efforts have helped to diminish the foreign species and that the ecosystem is gradually regaining its equilibrium.

We will continue these initiatives in the future, leveraging experts' opinions, to restore and conserve an even richer ecosystem, and we will maintain an environment that allows us to continue our operations.



Fujisawa Plant: Clearing bamboo and picking up leaves



After completion of activity



Tochigi Plant: Conservation of a Japanese red pine forest



Japanese red pine forest after completion of activity




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### ◆ Participating in tree-planting at the former Ashio copper mine

Since FY2015, Isuzu Tochigi Plant employees have been participating in tree planting in the hills of the Ashio district, which were devastated by smoke pollution caused by the Ashio copper mine.

It is said that it will take more than 100 years for the greenery to fully return to the hills of Ashio, and so volunteers from within the prefecture have been involved in tree planting activities there since 1996. Isuzu had 16 volunteers participate in the 24th Spring Tree-Planting Day held on April 2019, planting trees on steep hills. Seeing the scenery of the devastated hills before their eyes offered the participants a valuable opportunity to reexamine environmental issues nearby.



Tree planting participants

### ◆ Participating in activities to develop forests that supply water in Kanagawa Prefecture

Isuzu's Fujisawa Plant has been participating in the forest restoration partner activities of the Kanagawa Creating Forests for Water Sources Project since FY2018, including a water source forest conservation activity in the Yadoriki, Ashigarakami District, in December 2018.

Thirty-six employees and their families helped thin the forest and conduct nature observation activities to return the neglected forest to its natural state, which reinforced the importance of nature and of conserving the water source forests on which our lives depend.



Thinning the forest

## Conservation of Water Resources

The Isuzu Group considers the conservation of water resources to be part of its key environmental issues, so we promote contributory activities to build a society free of water stress, where all people can have access to safe water without concern.

### ◆ Isuzu Gives Water...for Life

With thoughts of the Isuzu River from which Isuzu took its name, 21 Isuzu affiliates and partners in Thailand have been participating since 2013 in the Isuzu Gives Water...for Life project that delivers water treatment systems to schools in rural areas. As of May 2019, the program has been implemented 33 times.

Through the program, water treatment systems are installed at schools in areas where the water is contaminated, giving the school access to drinkable water. Teachers and students learn how to manage and maintain the system so that the drinking water will be ensured for good. Run in collaboration with Thailand's Department of Groundwater Resources, the program has been the subject of great interest, including being chosen every year since 2015 as the Best CSR Project as part of Thailand's Car of the Year awards.

We will continue participating in these activities to help improve the lives of people in schools and their neighboring communities.



With the schoolchildren




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### Using renewable energy

Isuzu Group's companies in Thailand are installing large photovoltaic power generation systems.

In August 2018, Isuzu Engine Manufacturing Co., (Thailand) Ltd. (IEMT) started generating power using a 980 kW solar panel system, while other Group companies in Thailand are planning to expand their use of photovoltaic power generation systems in the future.



Isuzu Engine Manufacturing Co., (Thailand) Ltd. (IEMT) solar panels

### Initiatives for reducing resource inputs

Isuzu Engine Manufacturing Hokkaido Co., Ltd. is working to reduce its resource inputs, and the energy it uses in production, in its engine and parts rebuilding operations.

Rebuilding includes the disassembly of used parts, cleaning and inspection, replacement of worn parts with new ones, and reassembly. The Isuzu Group provides customers with rebuilt products that meet the same inspection criteria as new parts straight off the production line, meaning products that are better for the environment but maintain the same high quality. We aim to continue offering rebuilds in our efforts to further reduce the resource and energy inputs in our operations.



Rebuilt engine in the midst of being reassembled




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## FY2018 Activity Results (Isuzu Group)

### CO<sub>2</sub> Emissions Mitigation Activities

#### Mid/Long-term target:

[Japan] Bring the total CO<sub>2</sub> emissions down to 510,086 tons-CO<sub>2</sub> or lower by FY2018

[Overseas] Pursue each company's own initiatives

#### FY2018 achievements:

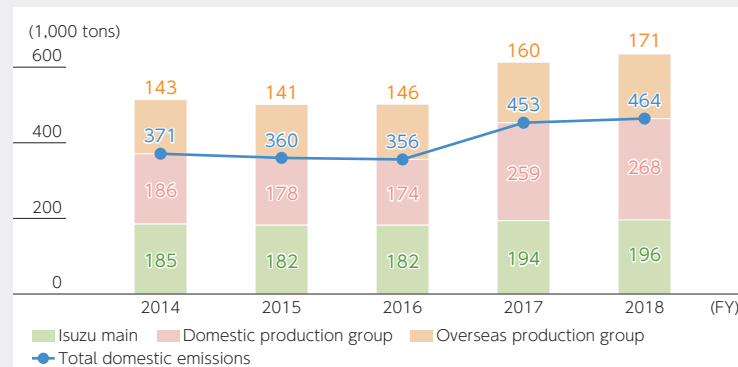
[Japan] Total CO<sub>2</sub> emissions: 464,479 tons-CO<sub>2</sub>

We actively engage in activities to mitigate CO<sub>2</sub> emissions both in Japan and overseas, meeting our targets consecutively.

The Japan production group reviewed its target level in FY2017 and changed the index to absolute volume, which was more suitable to illustrate the results of carbon mitigation measures. In FY2018, group-wide production increased from FY2017, and for this reason, energy consumption also increased. As a result, the total CO<sub>2</sub> emissions for all affiliate production companies in Japan increased 3% compared to FY2017.

However, we have achieved our overall target by diligently pursuing the enhancement of efficiency, such as streamlining production lines, selecting energy-efficient models for newly installed equipment, and other measures to reduce energy consumption.

#### [Japan&Overseas] Trends in CO<sub>2</sub> emissions



### Waste reduction activities

#### Mid/Long-term target:

[Japan] Bring total waste down to 85,647 tons or less by FY2018

[Overseas] Pursue each company's own initiatives

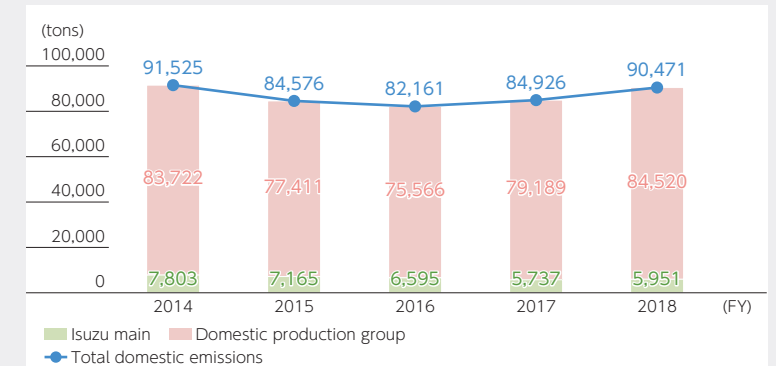
#### FY2018 achievements:

[Japan] Total waste generated: 90,471 tons

The Japan production group reviewed its target level in FY2017 and changed the index to absolute volume, which was more suitable to illustrate the results of waste reduction measures. In FY2018, group-wide production increased from the previous fiscal year, and for this reason, production-related industrial waste also increased. As a result, the total waste generated by all affiliate production companies in Japan increased 7% compared to FY2017, failing to meet the target.

We will try harder to promote recycling and review production methods to reduce waste generation to meet targets in the future.

#### [Japan] Trends in waste generation






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## FY2018 Activity Results (Isuzu)

### Isuzu's Environmental Management Systems

Together with the revision of ISO 14001 in FY2015, we have integrated all environmental management systems (EMS) being pursued at each site. In December 2016, we expanded ISO 14001 certification to all Isuzu sites, and shifted to ISO 14001:2015.

Now, Isuzu is carrying out uniform environmental initiatives at all sites, making concerted efforts to reduce the environmental load derived from our business operations, and bolstering our environmental management.

Our affiliate companies with ISO 14001 certification also updated to the 2015 versions one by one, and all of them are now up to date.

### ◆ Violations and Accidents related to Environmental Laws and Regulations in FY2018

Isuzu had no violations or environmental accidents related to environmental laws and regulations during FY2018.

### Initiatives to Control Chlorofluorocarbon Emissions

In response to the Act for Control of Chlorofluorocarbon Emissions (Act on Rational Use and Proper Management of Fluorocarbons) effective from April 2015, Isuzu is promoting proper refrigerant management for business-use refrigeration air conditioning equipment and other equipment using chlorofluorocarbons at all of its bases, and is implementing inspections of all such equipment.

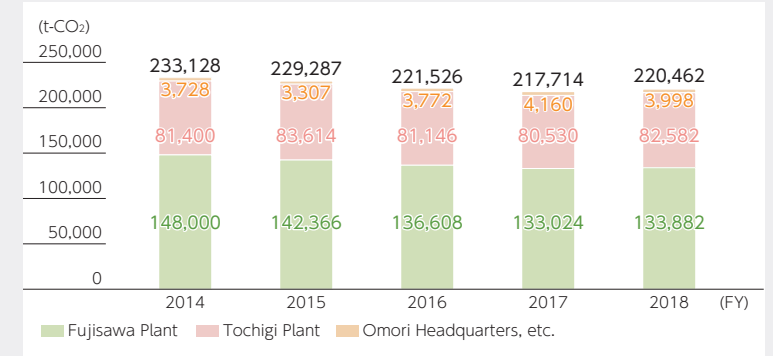
While this act requires business operators to report if their estimated leakage of chlorofluorocarbon exceeds 1,000 tons-CO<sub>2</sub>/year, Isuzu has verified that its leakage volume for FY2018 was lower than this level.

### CO<sub>2</sub> Emissions Mitigation Activities

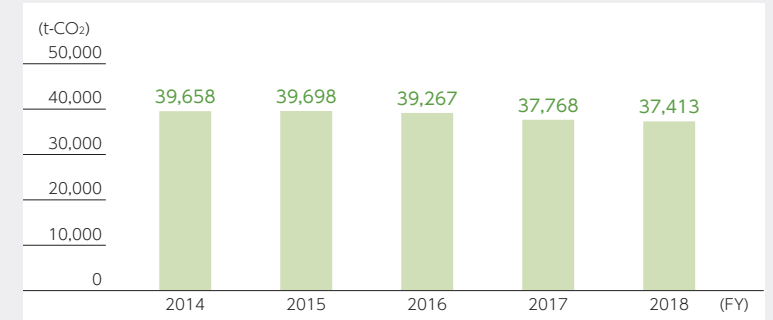
In efforts to reduce the energy consumption and mitigate the total CO<sub>2</sub> emissions, both the Fujisawa and Tochigi Plants have put in place measures to enhance efficiency, such as reviewing the production conditions and streamlining production lines.

We promote a modal shift in the distribution of parts and products, thereby improving transportation efficiency, with all affiliate companies engaging in logistics, in order to reduce our CO<sub>2</sub> emissions.

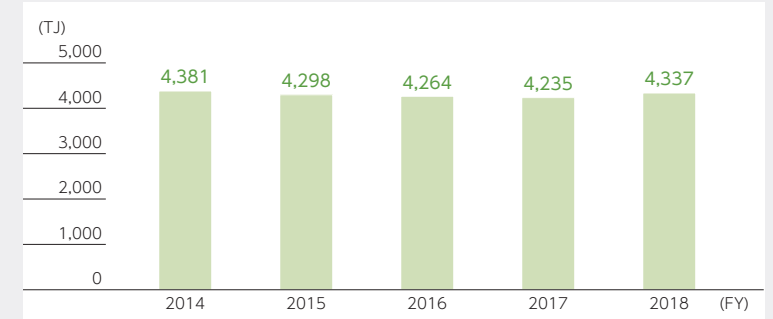
### Trend in CO<sub>2</sub> emissions from energy



### Trend in CO<sub>2</sub> emissions from logistics



### Trends in energy consumption








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### Proper Management of Emissions and Wastewater

By properly managing boilers and other such plant facilities which produce soot and smoke, we measure the amounts of air pollutants such as NOx (nitrogen oxides) and SOx (sulfur oxides) in our emission gases, to confirm that they are within regulated values\*.

Furthermore, wastewater from our factories is processed by treatment equipment before being discharged to sewer systems and public water areas. The discharged water is analyzed on a regular basis and confirmed to be within regulated standard values.

\* Regulated standard values are determined using laws or ordinances, whichever is the stricter regulation.

#### Fujisawa Plant: 8 Tsuchidana, Fujisawa City, Kanagawa Prefecture [Air]

| Item                               | Equipment              | Regulatory value | Measured Value |         |
|------------------------------------|------------------------|------------------|----------------|---------|
|                                    |                        |                  | Maximum        | Average |
| NOx (ppm)                          | Boilers                | 60               | 20             | 14.2    |
|                                    | Metal melting furnaces | 180              | 32             | 27      |
|                                    | Paint baking furnaces  | 230              | 125            | 110.5   |
| Soot and dust (g/Nm <sup>3</sup> ) | Boilers                | 0.3              | 0.001          | 0.001   |
|                                    | Metal melting furnaces | 0.2              | 0.001          | 0.001   |
|                                    | Paint baking furnaces  | 0.2              | 0.004          | 0.003   |

\* Since all facilities producing soot and smoke use city gas as their fuel, SOx is excluded from the scope of measurement.

#### [Water quality] Discharge destination: Hikiji River

| Item               | Regulatory value | Measured Value |         |         |
|--------------------|------------------|----------------|---------|---------|
|                    |                  | Maximum        | Minimum | Average |
| pH                 | 5.8-8.6          | 8.0            | 7.2     | 7.7     |
| COD (mg/L)         | 60               | 39.0           | 11.0    | 26.3    |
| BOD (mg/L)         | 60               | 27.0           | 1.9     | 16.0    |
| SS (mg/L)          | 90               | 30.0           | 5.0     | 8.5     |
| Oil content (mg/L) | 5                | 3.0            | 1.0     | 1.3     |

#### Tochigi Plant: 2691 Hakuchu, Ohira-Machi, Tochigi City, Tochigi Prefecture [Air]

| Item                               | Equipment               | Regulatory value | Measured Value |         |
|------------------------------------|-------------------------|------------------|----------------|---------|
|                                    |                         |                  | Maximum        | Average |
| NOx (ppm)                          | Boilers                 | 150              | 74             | 34      |
|                                    | Metal heating furnaces  | 180              | 150            | 54      |
|                                    | Gas engines             | 600              | 145            | 145     |
| SOx (Nm <sup>3</sup> /h)           | Total volume regulation | 14.5             | 2.1            | 0.6     |
| Soot and dust (g/Nm <sup>3</sup> ) | Boilers                 | 0.1              | 0.004          | 0.001   |
|                                    | Metal heating furnaces  | 0.2              | 0.005          | 0.002   |
|                                    | Gas engines             | 0.05             | 0.002          | 0.002   |

#### [Water quality] Discharge destination: Nagano River

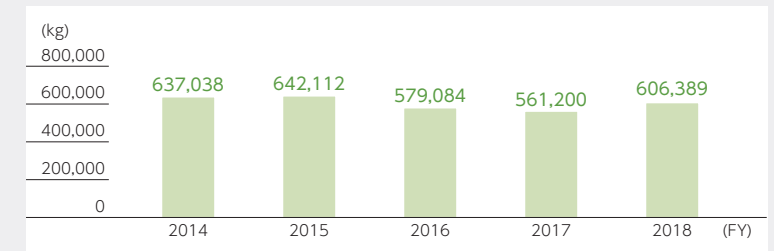
| Item               | Regulatory value | Measured Value |         |         |
|--------------------|------------------|----------------|---------|---------|
|                    |                  | Maximum        | Minimum | Average |
| pH                 | 5.8-8.6          | 7.6            | 7.2     | 7.3     |
| BOD (mg/L)         | 20               | 18.2           | 1.1     | 3.4     |
| SS (mg/L)          | 40               | 11.2           | 1.6     | 2.1     |
| Oil content (mg/L) | 5                | 0.7            | 0.0     | 0.1     |

\* The COD is excluded from the scope of measurement as plant waste water is discharged into rivers.

### VOC emission reduction activities

Isuzu is curbing emissions by the recovery of VOC (volatile organic compounds), and has reduced VOC emissions from its plants and reviewed and improved its painting processes, which have particularly large VOC emissions.

#### Trend in total VOC emissions






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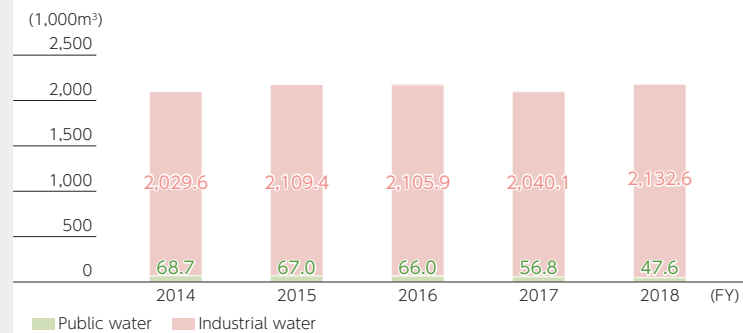
### Water consumption reduction activities

As the processes of vehicle manufacturing, plant maintenance and effluent treatment consume a large quantity of water, Isuzu pursues activities to conserve these finite water resources, such as promoting the use of recycled water in the processes and effluent treatment as well as saving the used water.

However, given that recent events of extreme weather pose increased water-related risks to our plant/business operations, Isuzu started surveying water-related risks in FY2015 using Aqueduct, a global water risk evaluation tool.

As a result, we have verified that there are no urgent issues in terms of Isuzu's usage of groundwater and public water. However, some risks were identified with plant operations and supply chains in the event of torrential rains and extreme weather, depending on geographical and other conditions. In response to these findings, we have implemented not only measures to reduce water resource consumption but also activities to mitigate water-related risks in view of the plant/business operations.

Trends in water resource consumption (\* excluding Omori Headquarters)



\* As water resources were redefined and the calculation method updated internally in FY2017, the actual figures for up to FY2016 differ from those printed in pre-FY2017 CSR reports.

### Managing land contamination

To prevent health hazards resulting from land contamination, Isuzu performs studies on land contamination conditions based on the Soil Contamination Countermeasures Act and ordinances when carrying out new construction or construction work larger than a specified scale.

In FY2018, we constructed the foundations for various equipment, the demolition of buildings, and other facilities in the Fujisawa area. We also performed ground contamination surveys and verified that there was no soil contamination.




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### Waste minimization activities

Isuzu promotes recycling of the waste generated through its business operations and pursues activities to reduce and mitigate the generation of waste and usable wastes.

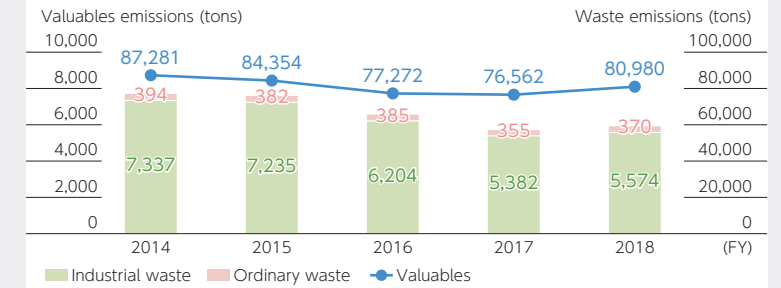
We also observe used-car recycling pursuant to the Automobile Recycling Law (the Act on Recycling, etc. of End-of-Life Vehicles), as well as the recycling of the three designated items (ASR, air bags, and chlorofluorocarbon).

Isuzu continues its diligent efforts to reduce waste production throughout product life cycles and finding effective uses for them, to contribute as a member of sustainable society.

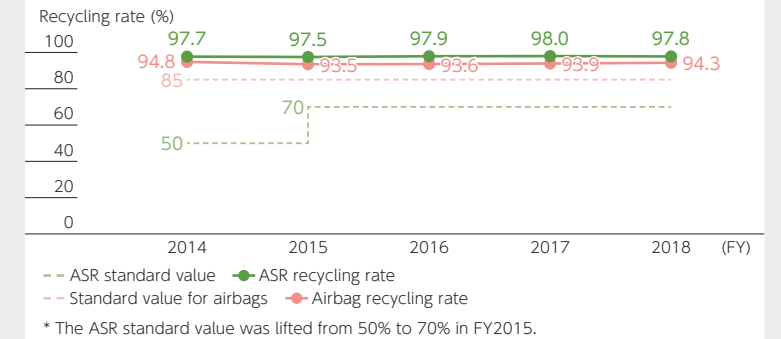
\* Isuzu has already achieved zero emissions, with no landfill since 2011.


### Trends in waste production

(\* excluding Omori Headquarters)




### Trends in recycling performance based on the Automobile Recycling



 About recycling Isuzu Vehicles (Japanese only)

<https://www.isuzu.co.jp/company/csr/recycle/index.html>

 About initiatives related to the Automobile Recycling Law (Japanese only)

<https://www.isuzu.co.jp/company/csr/recycle/activity/index.html>




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### Environmental accounting

To conduct environmental activities efficiently and continuously, Isuzu has added up its environmental conservation costs and environmental conservation effects.

We have disclosed information with the aim of helping make management decisions to carry out efficient investment in environmental activities, and as an evaluation index for businesses.

#### Environmental conservation costs (Target period: April 1, 2018 to March 31, 2019)

Total investment was ¥6,231 million, ¥2,434 million down compared to FY2017.

Total expenses were ¥44,123 million, ¥565 million up compared to FY2017. Details are shown in the table below.

(Unit: ¥1 million)

|                            |   | Investment | Expenses | Main activities  |
|----------------------------|---|------------|----------|--|
| Business area costs        | Pollution prevention costs              | 0          | 155      | Implementing air pollution prevention, water contamination prevention, etc.  |
|                            | Global environmental conservation costs | 929        | 700      | Implementing energy-saving activities, climate change strategy, etc.   |
|                            | Resource recycling costs                | 57         | 447      | Implementing proper disposal of waste, upgrades to waste disposal sites, etc.  |
| Upstream/downstream costs  |   | 0          | 3,114    | Implementing reuse of used automobiles, promoting 3Rs for waste, etc.  |
| Management activity costs  |   | 0          | 334      | Promoting environmental management, updating system for gathering information such as environmental data, etc.                     |
| R&D costs                  |   | 5,246      | 39,404   | R&D of eco-friendly products in terms of emission control, etc.  |
| Social activity costs      |   | 0          | 40       | Supporting environmental conservation activities such as tree planting, donating to environmental conservation organizations, etc. |
| Environmental damage costs |   | 0          | 19       | Levies on pollution impact, conservation measures related to soil and ground-water pollution, etc.                                 |
| Total                      |   | 6,231      | 44,213   |  |

#### Environmental conservation effects

(Target period: April 1, 2018 to March 31, 2019)

| Category                          | Kind of effect                                       | Effect |
|-----------------------------------|--|--------|
| Economic effect (millions of yen) | Reduction in energy cost through energy conservation | 586    |
|                                   | Profit on sale of valuables                          | 2,220  |
| Quantitative effect (tons)        | CO <sub>2</sub> reduction (tons of CO <sub>2</sub> ) | 7,305  |



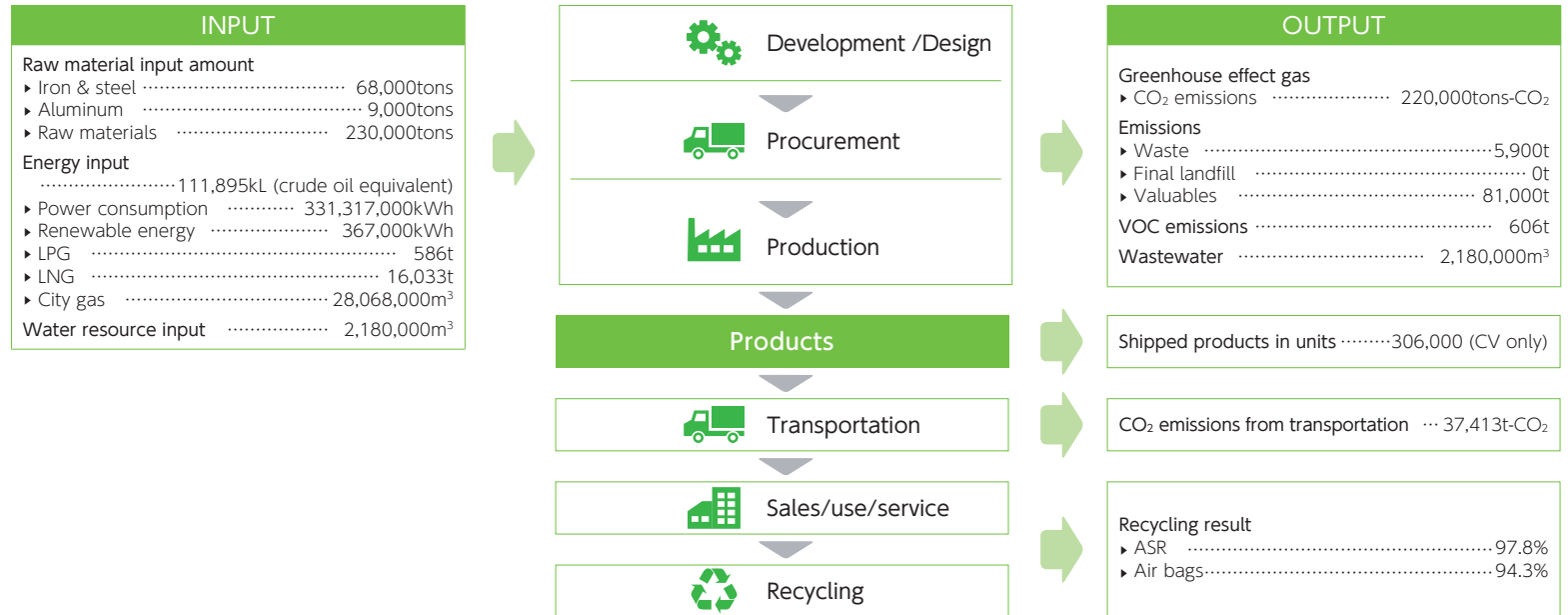
## Environment

### Business activity and environmental hazard

Through a product life cycle (development, procurement, manufacturing, logistics, product operation, and disposal), Isuzu reduces environmentally hazardous substances. They are analyzed in each process with focus on the ones likely high.

From FY2018, we have calculated GHG emissions according to Scope 1, 2, and 3 of the Greenhouse Gas Protocol (GHGP), and for each of the Scope 3 categories. We have also obtained external third-party certification of our GHGP results (see p. 26).

#### FY2018 Material flow (Isuzu only)



#### GHG emissions

| Scope2                  |      |
|-------------------------|------|
| 92,529t-CO <sub>2</sub> | 0.3% |

| Scope1                   |      |
|--------------------------|------|
| 127,933t-CO <sub>2</sub> | 0.4% |

| Scope3                      |       |
|-----------------------------|-------|
| 32,739,919t-CO <sub>2</sub> | 99.3% |

Output by category  
(Isuzu has no operations-related outputs in categories not listed below.)

|   |                              |
|---|------------------------------|
| 1. Purchased goods and services                                       | 4,911,174 t-CO <sub>2</sub>  |
| 3. Fuel- and energy-related activities (not included in Scope 1 or 2) | 33,513 t-CO <sub>2</sub>     |
| 4. Upstream transportation and distribution                           | 17,241 t-CO <sub>2</sub>     |
| 5. Waste generated in operations                                      | 6,381 t-CO <sub>2</sub>      |
| 6. Business travel  | 1,078 t-CO <sub>2</sub>      |
| 7. Employee commuting   | 14,846 t-CO <sub>2</sub>     |
| 9. Downstream transportation and distribution                         | 37,413 t-CO <sub>2</sub>     |
| 10. Processing of sold products                                       | 678,873 t-CO <sub>2</sub>    |
| 11. Use of sold products  | 27,039,004 t-CO <sub>2</sub> |
| 12. End-of-life treatment of sold products                            | 397 t-CO <sub>2</sub>        |

\* CO<sub>2</sub> emissions were calculated according to the Energy-Saving Act.

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20 Activity Reports

30 Environmental Performance Data

Employee-participatory activities are indicated with this symbol.



# Quality

## Basic Ideas

Our corporate vision is “Isuzu will always mean the best. A leader in transportation, commercial vehicles, and diesel engines, supporting our customers and respecting the environment.” This is the very basis of all our quality activities, and we are pushing ahead with initiatives based on our basic approach to quality, which was established as “We gain the trust of our customers by providing products and services of high quality to our customers from various angles so as to be able to contribute to the solving of social issues toward the creation of a prosperous society.”

### ◆ Quality Policy

By making quality our first priority, we at Isuzu create products that satisfy our customers in a profound way, and our goal is to contribute to society as a company with a rich sense of humanity.

To assure the quality of our products and services, we think activities at the various stages of the value chain surrounding our products and services are important. We carry out management by putting in place systems in the various stages from development, procurement, manufacturing, to the market so as to be able to assure quality.

Through this, Isuzu provides products and services that fully satisfy customers. If, however, a customer does have trouble with an Isuzu vehicle, we have established service systems and service parts supply systems for quick recovery so that customers can rest assured in using Isuzu’s products every day. In doing this, Isuzu is committed to building long-term, trusting relationships with customers.



Isuzu’s quality policy is to create and deliver products that satisfy our customers. Our company-wide quality assurance activities are based on our belief that we can deliver better products and services to our customers by improving not only the quality of the products and services, but also that of

our business operations, for each division in the company and even indirectly associated divisions.

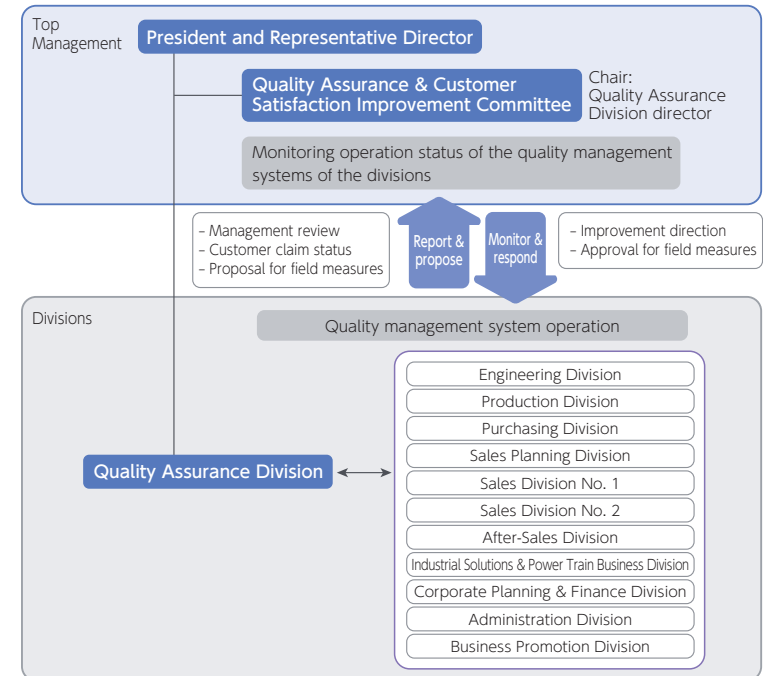
By communicating our quality policy across the company and sharing quality manuals on a company-wide basis, we are taking action to improve the quality of our daily business operations.

## Total quality assurance system

Our united efforts to enhance quality, led by our Quality Assurance Division, are based on the quality assurance system illustrated below, through which Isuzu strives to fully meet its social and quality responsibilities as a manufacturer.

The division director chairs a monthly meeting of the Quality Assurance & Customer Satisfaction Improvement Committee (Quality Assurance/CS Committee), where the top management of all divisions discuss and share information on quality-related situations and CS improvement, so the Committee can monitor how their quality management systems operate. The outcomes are shared to drive forward the quality assurance activities of the business divisions.

### Isuzu quality assurance system





## Quality

### Quality management system (ISO 9001 and IATF 16949 certified)

All Isuzu offices have been certified with ISO 9001:2015, an international standard of quality management.

Moreover, components to be delivered to General Motors Company are certified with IATF 16949:2016, the standard for the automobile sector. Isuzu has been striving to enhance its operational quality using such measures.

### Future Initiatives

At Isuzu, we face the diverse ways of use and various issues of our customers together with them. We can create new solutions through improvement in product quality in our manufacturing business, improvement in service quality in our operational support business, and improvement to the overall operations of Isuzu. Through this, Isuzu strives to continue to create and deliver products and services that satisfy our customers.

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## Quality

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### Basic Ideas

Isuzu's mission is to support transportation, and to support the living environment of people and production activities of society. To achieve this, a number of activities have been undertaken to improve quality in stages from product development and manufacturing up to driving in markets.

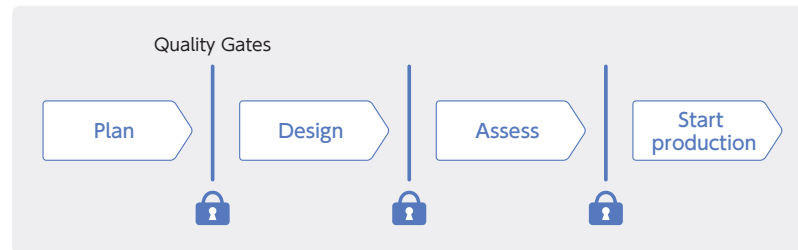
### Initiatives at the development stage

Our product development philosophy is to gain the trust of every person. This is supported by the basic concept of S.E.E. Technology, where S.E.E. stands for the three important issues of Safety, Economy, and the Environment.

To acquire the high quality to underpin this philosophy, we set "quality gates" (milestones) at different stages in product development, where the quality and the maturity of the products are confirmed so that product development can proceed.

During the development stages below, Isuzu focuses on failures and preventing the recurrence of failures. Failure Mode and Effect Analysis (FMEA\*) and other methods are used to enhance reliability and durability.

\* Failure Mode and Effect Analysis: This systematic analysis approach helps to discover potential failures and prevent failures and defects.



### ◆ Safety Technologies

The quest for even higher safety in trucks—which have close ties to people and society—is a priority theme that does not change with the times. This is especially so for heavy- and medium-duty trucks, which have high total vehicle weights, as the damage caused is even larger should an accident occur. Therefore, the latest and most advanced responses are always required.

In addition, trucks transport not only people, but also important goods. For example, even if an accident can be avoided by emergency braking when there is imminent danger, besides injury to people, there is still a high chance of causing damage to important goods such as when goods fall over.

At Isuzu, we install necessary safety features to prevent accidents and reduce damage according to the vehicle type.

ELF (Japanese only)  
<https://www.isuzu.co.jp/product/elf/safety/>

FORWARD (Japanese only)  
[https://www.isuzu.co.jp/product/forward\\_post/safety/index.html](https://www.isuzu.co.jp/product/forward_post/safety/index.html)

GIGA (Japanese only)  
<https://www.isuzu.co.jp/product/giga/safety/>

GALA (Japanese only)  
[https://www.isuzu.co.jp/product/bus/gala/safety\\_technology.html](https://www.isuzu.co.jp/product/bus/gala/safety_technology.html)



Advanced safety support technologies



Systems to ensure vehicle safety



Assurance of good visibility





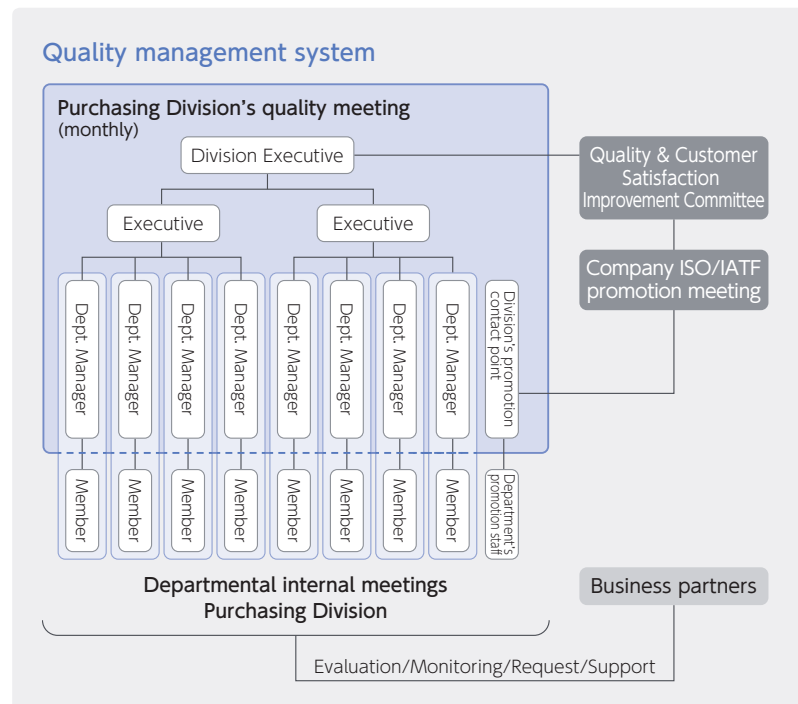
## Quality

### Initiatives at the procurement stage

Many of the parts and other items used in Isuzu's products are purchased from external business partners. When quality problems occur in purchased products, significant inconvenience is placed on customers using our products.

It is important to provide our plants with a stable supply of quality items, and we build a quality assurance system for purchased products while building trusting relationships with our business partners. Going forward, we will continue to undertake quality improvement activities with our business partners, and strive toward strengthening our supply chain.

Quality management of purchased products is carried out using the following system.



A total of 671 companies in Japan and abroad are business partners of Isuzu. About 90% of these partners are based in Japan. In terms of transaction amount, the procurement of parts makes up about 80% of the total. To monitor the delivery quality and market quality of our business partners, we calculate monthly evaluation score (maximum score of 50 points) based on factors such as the number of defect occurrences, number of defects, and

severity of defects. Business partners which do not meet a certain standard in their delivery quality evaluation scores are selected to be companies subject to management, and business partners which are close to becoming companies subject to management are selected as companies subject to observation. For these companies, we strive to improve delivery quality such as by holding quality meetings with them each month.

In FY2018, improvement in delivery quality was recognized, and approximately 90% of our business partners scored 48 or higher in their delivery quality evaluations. None were selected as companies subject to management. With regard to companies subject to observation, approximately 3% of all business partners were selected, and improvement activities were carried out. Where suppliers do not show tangible improvement, we conduct an on-site audit with them at the time of the direct supply contract renewal assessment, implemented every three years, to verify their quality management system operations.

With new business partners, we conduct an on-site audit before starting business and evaluate the effectiveness of their quality management systems to see if it meets requirements for trading with us. The details of on-site audits span a wide range, and the main items verified are wide-ranging, including quality assurance systems; provision of documents regarding regulations and standards; management of measuring devices; equipment management; process management; handling of abnormalities; management of cooperating companies; and education. In FY2018, on-site audits were conducted for six new business partners. All six companies met the score of 80 (maximum score of 100 points) required for us to trade with them, and we are preparing to start doing business with them.

A quality policy briefing was held for business partners for which defective parts were discovered in the plants of Isuzu. The status of defect occurrence and results of their analysis, improvement cases, and requests for quality improvements were some of the things explained. In FY2018, 52 people from 32 business partners with six or more defect occurrences annually attended the briefing. For FY2019, we plan to expand this to include business partners with three or more defect occurrences annually so as to have the participation of even more business partners (around 100 people from 70 companies).



## Quality

### Initiatives at the manufacturing stage

Customers require products of different specifications, and therefore, there are many variations in Isuzu's products. With regard to these diverse products, Isuzu is always reinforcing our human resources and production systems to offer high-level integrated products on a worldwide scale.

In particular, the concept, method and production knowhow of Isuzu manufacturing for quality first are integrated into ISUZU MONOZUKURI (IM).

For example, each morning, the persons in charge of the respective production lines gather before starting work for a quality audit meeting. There, they share information centered on quality, and are always striving to create lines that have the ability to adapt to changes.

IM is a production method implemented in every Isuzu manufacturing plant in Japan and overseas countries. Its concept is "to produce Isuzu badged products with the same manufacturing method and quality control system at any production plant around the world." While trying to realize quality assurance on a global scale, Isuzu endeavors to become a company trusted by every customer who needs Isuzu commercial vehicles and diesel engines.

In addition, training about IM is conducted for employees involved in production. For IM, we conduct lectures on the basics, training on practical skills, and practical application training that allows knowledge and techniques obtained through basic training to be applied and improved upon at the workplace.

▶ No. of employees trained in FY2018: total of 5,398



Isuzu production line where IM has been introduced

### Initiatives for higher field quality

Isuzu strives to improve its field quality by paying close attention to customer opinions and analyzing and feeding them back to all quality-related processes to ensure that issues are addressed and improvements are made.

#### ◆ Initiatives toward improved field quality

Taking advantage of the FQ management system\*, Isuzu collects quality information from markets then implements cause investigations and responds to issues promptly and accurately.

Isuzu Customer Center (Japan) gathers customer opinions, warranty repair records, and improvement requests from sales distributors as field quality information to direct to our quality improvements. The collected information is used in our efforts to comply with regulations from various countries including domestic safety regulations for road vehicles, and to respond to them even more quickly.

We also share information regarding the status of our response to field quality information and quality activities with top management and all employees on a monthly basis, through our "Quality Improvement Newsletter." Our "Quality Improvement Newsletter" features and shares quality activities such as the status of field quality improvement activities, the status of verification activities for initial quality of newly-launched vehicles in Japan, and the status of ISO/IATF activities. Through this, we seek to improve quality awareness throughout the entire company.

\* FQ (Field Quality) management system: Based on an initiative to gather and distribute quality information from the markets, based on the scheme illustrated on P.40 for making improvements.



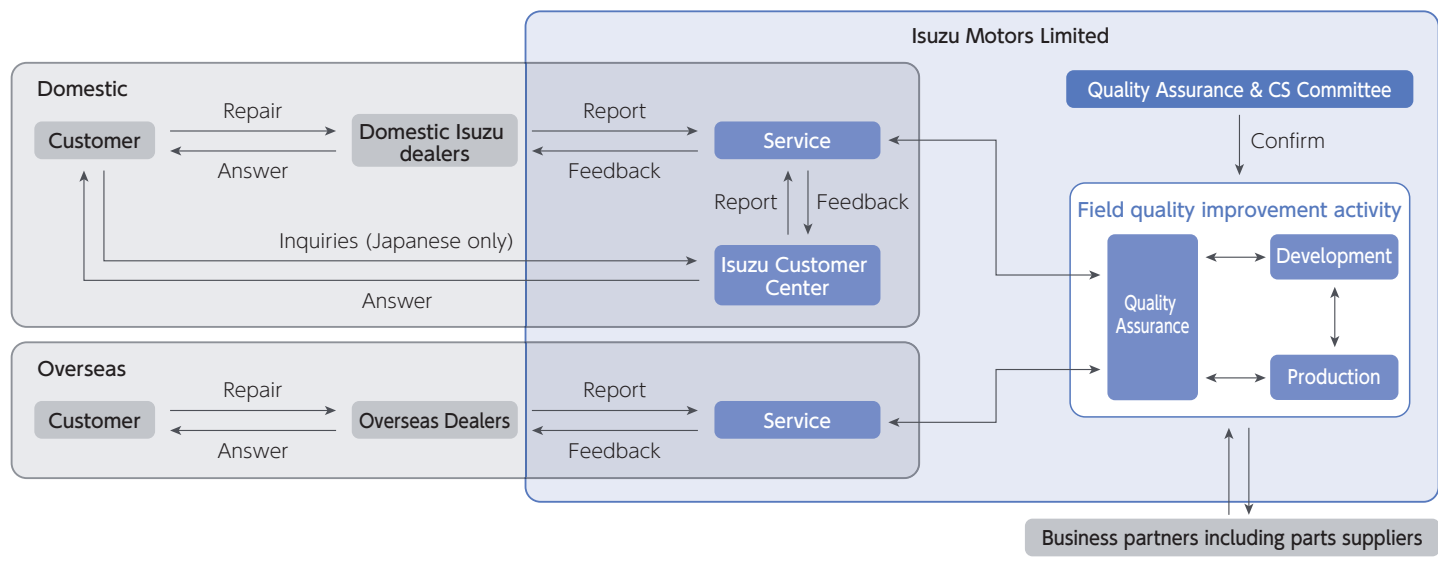
Manufacturing Quality

<https://www.isuzu.co.jp/world/corporate/about/production.html>



## Quality

### Field quality improvement activity (FQ management system)



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### ◆ Initiatives for Recall Campaigns

The activities are intended to prevent defective vehicles from causing accidents and to ensure the safety of our business partners and drivers and their assets. Based on the purpose of these activities, we ensure that our customers' vehicles operate properly by conducting recalls as required by the Road Transport Vehicle Act, improvement measures, and service campaigns.

We are always prepared to take prompt and accurate actions from the customer's perspectives in various circumstances.

#### Recalls

This is a system where vehicles, which have a chance of not being able to meet safety regulations for road transport vehicles (regulations from the perspectives of vehicle safety and pollution prevention) due to reasons in the design or manufacturing processes, are repaired for free after reporting to the Ministry of Land, Infrastructure, Transport and Tourism.

#### Improvement measures

This is a system where vehicles which cannot be left as they are from the perspectives of vehicle safety or pollution prevention due to reasons in the design or manufacturing processes, even though they are not cases of non-compliance with safety regulations, are repaired for free after reporting to the Ministry of Land, Infrastructure, Transport and Tourism.

#### Service campaigns

This is a system where vehicles not subjected to recall or improvement measures are repaired for free after reporting to the Ministry of Land, Infrastructure, Transport and Tourism for the purpose of improving product performance and quality.

#### No. of recalls

| FY2014   | FY2015   | FY2016   | FY2017   | FY2018   |
|----------|----------|----------|----------|----------|
| 22 cases | 16 cases | 11 cases | 23 cases | 15 cases |

#### No. of improvement measures

| FY2014 | FY2015 | FY2016 | FY2017  | FY2018 |
|--------|--------|--------|---------|--------|
| 1 case | 1 case | 0      | 2 cases | 0      |

#### No. of service campaigns

| FY2014  | FY2015  | FY2016   | FY2017  | FY2018  |
|---------|---------|----------|---------|---------|
| 2 cases | 6 cases | 12 cases | 5 cases | 7 cases |

#### Recall Information

<https://www.isuzu.co.jp/recall/index.html>



## Quality

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## Basic Ideas

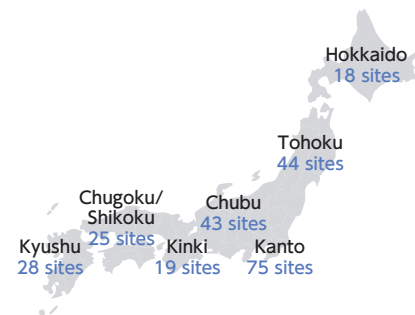
Isuzu's mission is to support transportation, and to support the living environment of people and production activities of society. Therefore, it is important that our customers' vehicles do not stop operating, and quickly recover if they do stop operating. To achieve these, Isuzu provides standardized support both in Japan and overseas so that we can offer high-quality services.

## Thorough service system

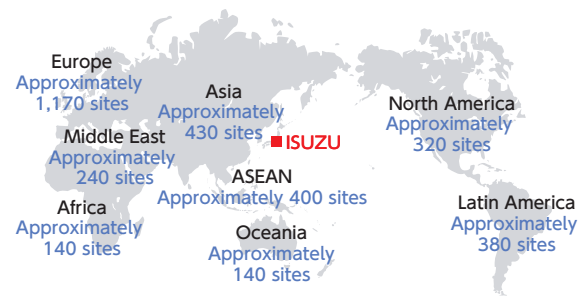
Isuzu is currently fully committed to the post-delivery customer support services.

Our customers always expect high quality. Therefore, we at Isuzu aim to establish high-quality integrated service systems for customers in Japan and overseas.

### Service system (Japan)



### Service system (Overseas)



Sales/Service Network (Japan) (Japanese only)  
[https://sasp.mapion.co.jp/b/isuzu\\_shop/](https://sasp.mapion.co.jp/b/isuzu_shop/)

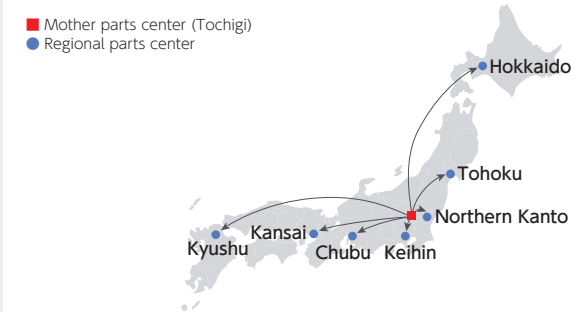
## Parts supply system

Isuzu delivers service parts quickly and accurately to all areas via its network of our mother parts center (Tochigi, Japan) and regional parts centers in Japan and overseas.

### ◆ Domestic

Seven regional parts centers ship the service parts to the service parts sites of Isuzu dealers.

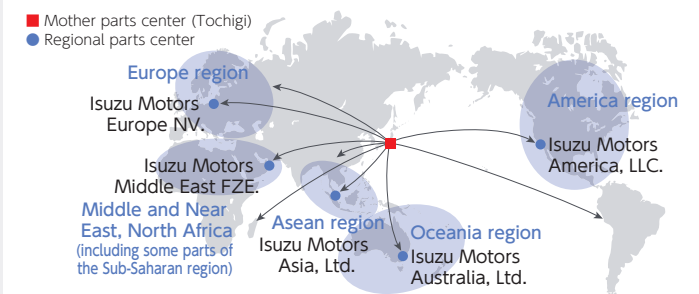
### Parts supply system (Japan)



### ◆ Overseas

Isuzu's extensive service parts supply network includes regional parts centers in the Middle and Near East, North Africa, North and Central America, Europe, and the ASEAN and Oceania regions.

### Parts supply system (Overseas)





## Quality

### Improvement of maintenance engineering

#### ◆ Isuzu World Service Skills Competition(I-1 GP) Held

The Isuzu World Service Skills Competition (I-1 GP) is an opportunity for teams of servicing staff and mechanics representing countries and regions across the world to gather and compete to determine the world's best skilled engineers. This allows all participants to demonstrate and improve their competence in skill and knowledge, leading to better service quality on their respective home fields. Ultimately, this competition helps to ensure that Isuzu customers receive the best service anytime, anywhere.

#### 13th LCV Division Competition (Thailand, September 12, 2018)

The LCV Division of the 13th Isuzu World Service Skills Competition (I-1 GP) was held in Bangkok, Thailand. A total of 24 countries took part, with six countries participating for the first time: Cambodia, Laos, Belgium, Malta, Russia, and El Salvador. Participants competed in advanced techniques while supporters from their countries and many related parties watched.



A competition of the LCV division. Participants competed in advanced techniques while a large crowd of guests and related parties watched.

#### 13th LCV Division Competition (September 12, 2018), participants from 24 countries

| Rank      | Country  | Company                         |
|-----------|----------|---------------------------------|
| 1st place | Thailand | TRI PETCH ISUZU SALES CO., LTD. |
| 2nd place | Russia   | ISUZU RUS                       |

#### 13th CV Division Competition (Japan, December 6, 2018)

The CV Division of the 13th Isuzu World Service Skills Competition (I-1 GP) was held at the Isuzu Monozukuri Service Training Center in Fujisawa, Japan.

The competition is divided into two categories according to the emissions regulation level of the vehicles deployed in each team's country. A total of 32 countries took part, 10 in Category A and 22 in Category B.

\* Category A: Emissions regulation level Euro 5 or equivalent

\* Category B: Except Category A



A competition of the CV division. Confident but tense, participants made use of their skills to tackle questions and tasks.

#### 13th CV Division Competition (December 6, 2018), participants from 32 countries

| Category   | Rank      | Country     | Company                                    |
|------------|-----------|-------------|--|
| Category A | 1st place | Japan       | ISUZU MOTORS<br>KYUSHU LIMITED             |
|            | 2nd place | USA         | ISUZU COMMERCIAL TRUCK<br>OF AMERICA, INC. |
| Category B | 1st place | Philippines | ISUZU PHILIPPINES<br>CORPORATION           |
|            | 2nd place | Indonesia   | PT. ISUZU ASTRA MOTOR<br>INDONESIA         |



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### ◆ Service/Parts Skill Competition

Isuzu holds an annual skill competition in which workers compete on a collection of all their day-to-day technologies.

#### National Service/Parts Skill Competition (Japan)

Isuzu holds this competition annually to encourage education and training programs because they help Isuzu After Sales staff to enhance their engineering skills, which leads to higher customer satisfaction. The competition also provides motivation and its aim is to strengthen ties among staff members. In FY2018, participants competed with each other in individual and team matches to be the best in the country under the competition's slogan "To be the No. 1 CV channel that people choose through firm after sales power supporting our customers' operations!"

#### FY2018 achievements

FY2018 National Service/Parts Skill Competition (November 2018)

Approximately 153 participant members from all over the country were qualified to the final.



Scene from finals in competition

### ◆ Training employees of Isuzu distributors

We offer training programs to the employees of the distributors that support transport for customers, so that they can boost their maintenance engineering skills and learn more advanced repair techniques. Engineers are provided with basic and specialized knowledge about the structure of vehicle, engines and other equipment as well as the mechanisms of various devices (such as electrical devices, and DPD). Advisors are given training in skills such as diagnosis and giving explanations.

#### FY2018 achievements

|   |   |
|---|---|
| Education at the Isuzu Monozukuri Service Training Center | 19 courses and 229 sessions<br>No. of participants: 2,262 |
| Maintenance engineering workshop                          | 33 times  |



Practical training at the Monozukuri Service Training Center

#### Feedback from participants

- I was able to learn the basics of electricity (such as how to read schematics and wiring diagrams). The approach is the same no matter what the part is, and I hope to apply the approach in actual maintenance and repair work. (Service engineer from a distributor)
- Compared to before the training, I was able to understand more deeply about the function, structure, and recycling control of the DPD. I hope to support the operation of our customers' vehicles by applying what I have learnt this time to DPD diagnosis and inspection. (Service engineer from a distributor)
- Till now, I have caused inconvenience to customers several times due to insufficient diagnosis and explanation. Through this training, I was able to rethink about what kind of explanations customers require, and what kind of diagnosis is required for proper and accurate maintenance. (Service advisor from a distributor)



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## Customer support

### ◆ Fuel efficient and safe driving seminars and various support programs

Isuzu has been offering our customers seminars on fuel efficient and safe driving since 1995. In current years, we conduct seminars based on our customers' needs, such as how to utilize vehicle devices, demonstration of key points for accident prevention, and workshops on the trends of laws and regulations.

Within Japan, these seminars are conducted at seminar facilities called Isuzu Premium Clubs—which are equipped with test courses and exclusively for our customers—located at our Fujisawa Plant and Wacom Hokkaido. Seminars are also conducted at distributors all over Japan. Overseas, these seminars have been conducted so far to customers in 31 countries. We strive to help our customers in Japan and places all over the world drive our cars in even more safe and environmentally-friendly ways.

The number of participants increases each year, and customer demands on these seminars are also increasing. This year, we will continue to deliver useful information to our customers through these seminars.




Safe and ecology driving practice in session

### ◆ Announcement to Customers

The Announcement to Customers section of the Isuzu website brings attention to accidents or failure risks from misuse or other reasons to warn customers who drive Isuzu vehicles.

The items added during FY2018 are as follows:

- 
 Announcement to Customers (FY2018) (Japanese only)  
[https://www.isuzu.co.jp/oshirase/index\\_2018.html](https://www.isuzu.co.jp/oshirase/index_2018.html)
  - Maintenance notice (revised) on rust-proofing of truck chassis (parts) and bus under floor (parts) (Japanese only):  
<https://www.isuzu.co.jp/oshirase/pdf/181115.pdf>
  - Daily inspections related to engines (Japanese only):  
<https://www.isuzu.co.jp/oshirase/pdf/181108.pdf>
  - (To customers affected by Typhoon Jebi) Notice regarding handling of vehicles which may have been affected by being submerged underwater or flooding (Japanese only):  
<https://www.isuzu.co.jp/oshirase/180906.html>
  - Notice regarding ETC vehicle devices manufactured under the old spurious standard (Japanese only):  
<https://www.isuzu.co.jp/oshirase/180903.html>
  - Notice regarding obligation to inspect spare tires and tool boxes of heavy-duty trucks and buses (Japanese only):  
<https://www.isuzu.co.jp/oshirase/180820.html>
  - Notice regarding handling of vehicles which may have been affected by being submerged underwater or flooding (Japanese only):  
<https://www.isuzu.co.jp/oshirase/180710.html>
  - Please ensure that engine oil is sufficient during daily inspections. (Japanese only)  
<https://www.isuzu.co.jp/oshirase/pdf/180131.pdf>

### ◆ Responses to longer-term service

As a recent trend, we have seen longer terms of vehicle services or more mileage, due to economic changes. There are many ways that inspection and maintenance can ensure safety for our customers over a long term of service. To prevent failures from occurring, Isuzu is fully prepared with parts to be regularly replaced in order to meet customer needs for periodic maintenance works.

Our scheme will continuously tackle improvements in inspection and maintenance including the long-term service aspect based on the actual status.



## Quality

### ◆ Customer Center (Japan)

Isuzu Customer Center (Japan) was established for the purpose of applying customer feedback to product quality improvement. Opinions received from customers are sent to relevant internal and external departments, and are applied to efforts for improvement in product and service quality.

Isuzu Customer Center (Japan) accepts opinions and inquiries not only from those who have purchased or are using Isuzu products, but also many other people, including those who have seen our commercials or newspaper advertisements.

Customer feedback is also used in internal training and such for employees, thereby creating opportunities for listening to customers' comments, and improving sensitivity for picking up customer requests by taking the approach of "customer first."

### Customer feedback

The following request was received from a high school student.

"Our class has decided to sing Isuzu's commercial song, 'Isuzu's Trucks,' at our school's choir competition. Therefore, it would be appreciated if you can provide the music score for the 'Isuzu's Trucks: Chorus Version' posted on your website."

With regard to this request, the music score was sent to the student after internal verification of the score's usage rights.

For inquiries, visit the websites below. (Japanese only)  
<https://www.isuzu.co.jp/inquiry/index.html>

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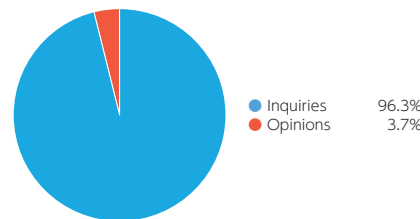
39 Product Quality Improvement

43 Service Quality Improvement

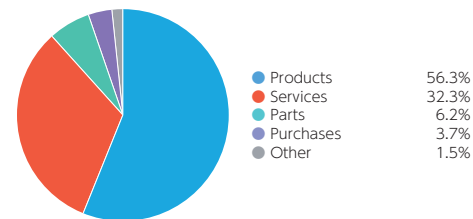
49 Operational Quality Improvement

### Isuzu Customer Center in FY2018

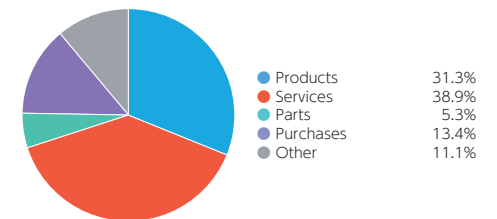
Calls regarding:



Inquiries regarding:



Opinions regarding:







## Quality

### ◆ Support from the Soft Aspects

Isuzu has focused on supporting commercial vehicles from the soft aspects, and the symbol of such a focus is Mimamori, our telematics system for commercial vehicles. Information is read from the computer controlling the vehicle, and support of driving and dynamic management is provided through information communication connections. Besides helping to establish fuel efficiency and safe driving, it also contributes significantly to making efficient driving management, such as being installed with functions for message distribution, daily driving reports, and Japan's first Internet digital tachograph.

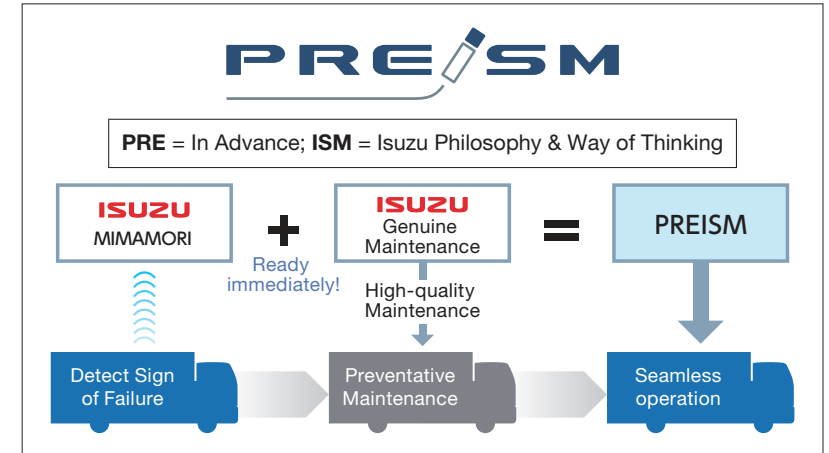
We are also expanding the deployment of our advanced genuine maintenance service PREISM on vehicles installed with Mimamori, which consolidates the functions of vehicle condition information and eco-driving information. We achieve even safer operations by connecting vehicles being operated, transport operators, and Isuzu. This system can be said to be an innovation that changes the standard for supporting commercial vehicles.

### Mimamori (telematics system for commercial vehicles)

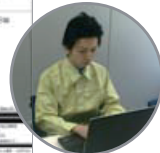
Data of vehicles being operated is constantly being monitored through the Internet. The function that provides operation information allows the verification of DPD diffusion status, engine error codes, and other information. Indications of breakdowns are detected to allow their prevention. The function that provides eco-driving information encourages immediate improvement to driving through the vehicle's eco-driving guidance (voice guidance) device, and at the same time, allows detailed driving information to be verified through fuel Mimamori reports to enable utilization in driver training and evaluation.

### Mimamori (telematics system for commercial vehicles)

PREISM is an advanced genuine maintenance service that detects indications of breakdowns to predict their occurrence using vehicle condition information obtained through Mimamori. It allows high-quality maintenance unique to authorized dealers to be carried out so as to maintain operations. While the points and cycles for maintenance differ depending on the vehicle operation state, accurate and optimal preventive maintenance can be carried out for each vehicle as it is possible to grasp individual vehicle data.



### MIMAMORI (telematics system for commercial vehicles)



Ground Operators



Operations Information Function

Eco-driving Information Function



Isuzu Dealer



## Quality

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### Basic Ideas

Isuzu's mission is to support transportation, and to support the living environment of people and production activities of society. The quality of our products and services derive from the work quality of each and every employee. Isuzu leverages efforts to raise awareness about quality and knowledge since we believe that enhancing the performance quality of individual employees, besides those divisions directly involved in product quality, builds up the quality that meets customer needs.

### Education for raising awareness and knowledge among employees

The foundation of work is the experience, knowledge (tools and methods), and skills possessed by each individual, but even with experience, knowledge, and skills, it does not necessarily mean that operations of good quality will be carried out. For there to be operations of good quality, it is essential to have the intention of doing good work.

Isuzu provides employee education in both awareness and knowledge with the aim of improving operational quality.

#### ◆ Raising awareness

##### Discussions among employees

To raise awareness of operational quality, Isuzu is holding a series of discussions for employees to talk about doing a good job from the customer perspective, using customer inquiry received by the Isuzu Customer Center and the annual Quality Month\* (November) Top Message to employees.

We use the Quality Month message to generate awareness—such as hints to help each person think about what good work is and how to achieve it—with the aim of motivating people to take actual action. This is made known to all employees through the Isuzu News which is published monthly, and each department conducts their own conversations and discussions.

\* Quality Month: The Union of Japanese Scientists and Engineers, the Japanese Standards Association, and the Japan Chamber of Commerce and Industry have designated every November as Quality Month for the promotion of quality improvement activities.

### FY2018 achievements

|                                |  |
|--------------------------------|--|
| Theme of Quality Month message | "Let's observe rules through individual responsibility to deliver good work trusted by customers!"<br>Period: December to February; scope: all employees (approximately 7,330 participants with a participation rate of approximately 90%)   |
| Reason for theme selection     | Against the social backdrop of increasing importance being placed on corporate governance, it is not enough to observe given rules just by following what one is told. It is also important to understand the meaning and purpose of the rules, to think about what one can do with regard to those rules on one's responsibility and actions, and take actual action. Having all employees think about these issues from their own positions leads to good work trusted by our customers. |

### Stationing young engineers at distributors

For the purpose of developing customer- and field-oriented mindsets necessary for product development, young engineers are stationed for half a year at five distributors nationwide, where they undergo training. By experiencing the field at distributors, which are the frontlines in contact with customers, this training allows engineers to learn through actual experience about the difficulties faced by customers as well as what brings joy to customers when they listen to the raw feedback from customers, which can then be utilized in actual development work.

### FY2018 achievements

|  |                 |
|--|-----------------|
| Stationing young engineers at distributors | 25 participants |
|--|-----------------|

### Quality awareness education for Isuzu distributors

To heighten quality awareness as part of the Isuzu Group, all Japanese dealers undergo the quality awareness education program, where they learn the importance of quality-related operations, including accurate and prompt information sharing, the reliable collection of defective parts, and implementation of recall campaigns without delay.

### FY2018 achievements

Conducted for all distributors in Japan, once at each of the 27 locations nationwide for a total of 27 times with 580 participants



## Quality

### ◆ Improving knowledge (Knowledge enhancing program)

Isuzu provides an education program for employees based on quality-related knowledge, including training on laws and regulations and on QC. For training on laws and regulations, the aim is to understand the laws related to the quality of Isuzu's products by learning about the recall system of Road Transport Vehicle Act. For QC training, we conduct an entry-level QC course, a basic problem-solving course, and a problem-solving practice course for quality improvement aimed at developing problem-solving and practical skills so as to effectively implement quality improvement at the workplace.

#### FY2018 achievements

|  |  |
|--|--|
| Road Transport Vehicle Act/recall system/QC training                                 | Held for new employees<br>143 participants |
| QC Training I<br>Experience practicing problem-solving using QC methods              | 175 participants                           |
| QC Training II<br>Even more practical experience of problem-solving using QC methods | 40 participants                            |



Paper helicopter flight demonstration during QC training

### ◆ Isuzu Technical High School

Isuzu Technical High School provides a one-year education and training program for trainees that are new technical employees who graduated from high school.

The school aims to provide the necessary basic knowledge for Isuzu's technical employees, nurture future leaders, and develop globally-capable engineers. Training is conducted with an emphasis on the required knowledge, skills, and attitude for Monozukuri (craftsmanship). Among trainees, those who show exceptionally high aspiration in Monozukuri take on the

challenge of the National Skills Competition in order to ascertain the results of their day-to-day technical training, and further improve their skills.

In addition, instructors of the school are selected from those working in the field to provide guidance for trainees. This allows them to relook their own operational knowledge, and at the same time learn how to develop talents, allowing instructors themselves to also grow.

Such wide-ranging engineer development and skill inheritance that are not limited to trainees contribute toward the quality improvement of Isuzu's products.



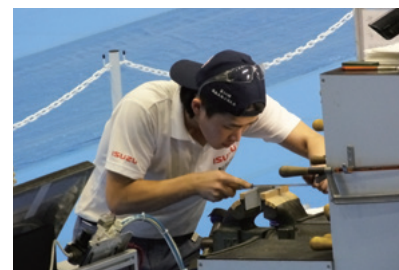
One-year program for training (left) and practice (right)



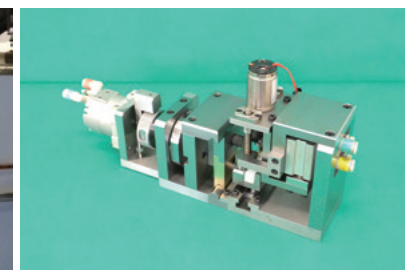
Turning practice that won a Silver Prize



Assignment work that won a Silver Prize



Mechanical device assembly practice that won a Fighting Spirit Prize



Assignment work that won a Fighting Spirit Prize

#### The 56th National Skills Competition

|                            |                                 |
|----------------------------|---------------------------------|
| Lathe turning              | 1 Silver Prize                  |
| Mechanical Device Assembly | Fighting Spirit Prize: 1 person |



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### Basic Ideas

For Isuzu to be a company that is perpetually growing, we have established our policy for activities as “to respect the human rights and diversity of our employees, and to put in place an environment where they can show their skills to the full as well as work safely and comfortably so that Isuzu and our employees can grow together,” and undertake various initiatives based on this policy

#### ◆ HR Measures

To respond from both aspects of the external environment—such as a shrinking and aging population, reduction in the working population, and the implementation of laws related to workstyle reform – and the internal environment which sees the further utilization of diverse human resources – including the older generation, women, and the disabled – as an issue, Isuzu will continue to work on the following issues from the perspective of improving both the individual employee and the organization as a whole.

|  | Issues for continuation/<br>strengthening of initiatives   | Response to new issues   |
|--|--|--|
| <b>Individual improvement</b>                  | <b>“New HR treatment system”</b><br>• Entrenchment of implementation of evaluation/development/career plans, etc. (talent development/deployment cycle)  | <b>Further invigoration of existing workforce</b><br>• Implementation of measures appropriate to target level in response to current and future talent shortage  |
| <b>Improvement of organizational strengths</b> | <b>Optimal allocation of resources</b><br>• Matching of career plans and talent needs<br><br><b>Mid-career recruitment</b><br>• Securing of strategic talents according to new products/business areas | <b>Workplace transformation through workstyle reform</b><br>• Strengthening of management skills/improvement in productivity<br>• Introduction of various mechanisms to make it easier to work<br><br><b>Promoting diversity in talents</b><br>• Responding to global talents/women/the disabled |

#### ◆ Workstyle Reform

Isuzu undertakes workstyle reform through the following measures based on the pillars of employee motivation and ease of working.

|                            |   |  |
|----------------------------|---|--|
| <b>Employee motivation</b> | <b>Measures for improving individuals</b><br>• New HR treatment system<br>• Measures to invigorate existing workforce |  |
| <b>Ease of working</b>     | <b>Flexibility</b>  | <b>Studying into the introduction of diverse forms of working</b><br>• Telework system<br>• Non-core flextime, etc.                                  |
|                            | <b>Peace of mind</b>  | <b>Enhancement of welfare benefit services</b><br><b>Support for parenting/nursing care</b><br><b>Support for life after retirement (DC pension)</b> |

### Promotion System

#### ◆ Isuzu-only

With regard to initiatives of HR measures, in addition to cases related to HR measures being reported at the Management Meeting as they occur, Administration Division Meetings are held regularly to share initiatives and their progress between divisions. Administration Division Meetings are attended by two officers – the Administration Division Executive and Acting Division Executive – as well as executives from the division and department managers of the General Affairs & HR Department, Training Department, Labor Department, and Legal Department.

In addition, the Workstyle Reform Promotion Meeting is held regularly with the Administration Division Executive as its chairperson and attended by executives of the various divisions.



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### Basic Ideas

Isuzu undertakes a variety of initiatives to implement activities based on the pillars of the Three Safety Principles, Isuzu's Five Safety Behaviors, and Ten Prohibited Items where each and every employee can revert to Isuzu's safety principles and act in ways that prioritize the ensuring of safety.

### Isuzu Health and Safety Philosophy

Safety is realized through the cooperation of every employee.

1. Keep the workplace clean and tidy
2. Anticipate and prevent accidents
3. Be proactive in maintaining good health

#### Three Safety Principles

- ▶ Order and neatness
- ▶ Inspections and maintenance
- ▶ Standard operations

#### Isuzu's Five Safety Behaviors

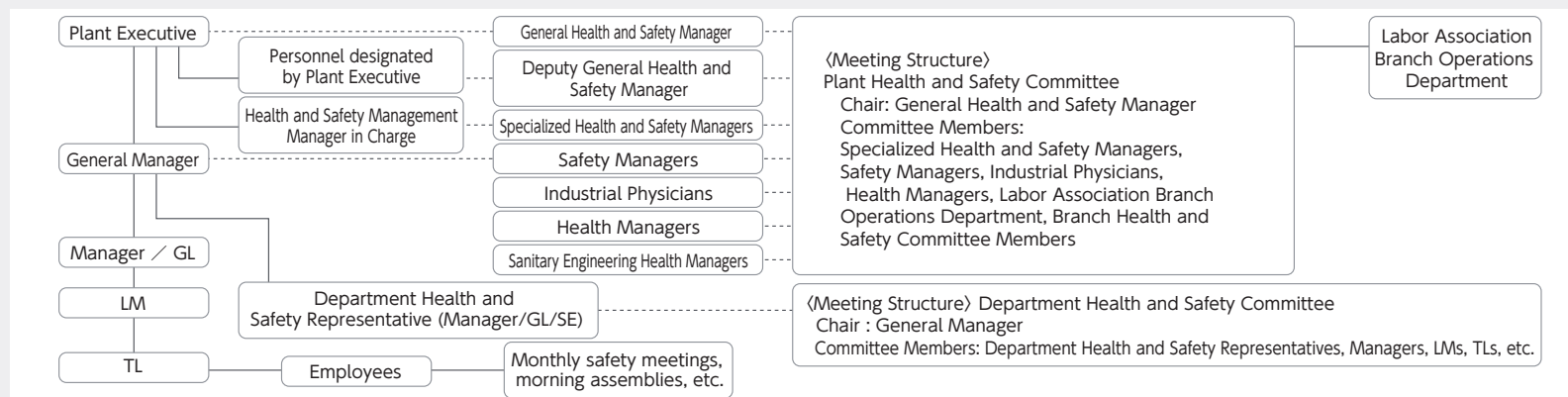
- ▶ Press the red button the moment you notice something wrong
- ▶ Work as a team by giving signals to each other
- ▶ Follow procedures carefully when setting up
- ▶ Pause and check before touching anything
- ▶ Start work with an inspection and finish work with maintenance

#### Ten Prohibited Items

1. Do not touch working machinery and rotating objects.
2. Do not remove fitted covers, hoods, rails or safety devices.
3. Do not climb onto or step over conveyer belts, pits, or pallets.
4. Do not use gloves when operating a drill or rotary cutter.
5. Do not handle steel sheets or chips with bare hands.
6. Do not make decisions at work without consulting others.
7. Do not rush up OR down stairs. Do not put your hands in your pockets. Do not run.
8. Do not smoke while walking. Only smoke in designated areas.
9. Do not walk underneath objects suspended from cranes.
10. Do not rush around corners or through doors.

### System

#### Plant Health and Safety Management System (Organization)



A Health and Safety Committee meeting is held once a month at all operation sites, to discuss matters concerning our employees such as industrial safety, road safety, health management, and workplace environment

improvement. We prepare through an annual activity to review the health and safety management plan for the following fiscal year, and all employees are notified of this through our system.



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### FY2018 Initiatives for Occupational Health and Safety Activities

Under activities for the prevention of occupational accidents, initiatives are undertaken to further heighten awareness of supervisors and employees respectively.

Supervisors reaffirm that ensuring occupational health and safety is the foundation of management, and take the lead to implement health and safety activities as their own work responsibilities.

- ▶ “Never do, allow, or miss unsafe acts”
- ▶ Strive to develop awareness about occupational health and safety by building a good safety culture at the workplace with honest conversations where anything can be said (strengthen communication added with diversity)

Each and every employee complies with basic safety rules and actions, and practices safety activities.

- ▶ “Always follow rules and decisions” for the sake of family as well as colleagues working at the same workplace
- ▶ Each and every employee fully incorporates safety activities in his or her work, and carry them out seriously and properly
- ▶ All colleagues work together as one to build a safe workplace based on a strong determination to eliminate dangers and hazards at the workplace (no hesitation when it comes to safety activities)

In addition, the contents of the Safety and Health Booklet—which has been distributed so far to the departments—has been revised, and made into a database to make it easier to read.

### Occupational Health and Safety Initiatives

| Main Themes                                    | Details of initiatives   |
|--|--|
| <b>Prevention of occupational accidents</b>    | <ul style="list-style-type: none"> <li>• Being thorough in standard operations (discovering discrepancies between manuals and actual operations, and making revisions and providing guidance)</li> <li>• Making production equipment fundamentally safe (reviewing safety fences/covers for equipment with big movements)</li> <li>• Entrenching the practice of pointing and calling (at morning assemblies, when walking, when driving powered vehicles, and when inspecting equipment)</li> <li>• Reducing risk of operation and equipment (mutual safety patrols, risk assessments, etc.)</li> </ul> |
| <b>Prevention of fires and disasters</b>       | <ul style="list-style-type: none"> <li>• Preventing equipment fires (inspecting electric cords, dry grinders, dust extractors, furnaces, forging machines, etc.)</li> <li>• Initial response to earthquakes (BCM initial response training, strengthening of firefighting equipment training)</li> </ul>   |
| <b>Traffic safety</b>                          | <ul style="list-style-type: none"> <li>• Improving awareness about traffic safety (traffic safety training toward eliminating the four traffic “evils”)</li> </ul>   |
| <b>Promotion of good health and well-being</b> | <ul style="list-style-type: none"> <li>• Sessions with industrial physicians for those with excessive overtime work (response in accordance with legal amendments)</li> <li>• Conduct of stress checks</li> </ul>  |



Pointing and calling (when driving powered vehicles)



Implementing post-operational risk assessment



Health management training for department



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### Initiatives for Maintenance and Promotion of Good Health

With regard to the health management of employees and their families, Isuzu analyzes receipts (medical expenses) and health check data to identify health issues for prioritization, and plan and implement healthcare business (data health plan).

#### Main Health Issues Recognized

- ▶ Medical expenses per person for lifestyle-related diseases is increasing significantly for people in their 40s and older
- ▶ Low utilization rate of health checks (specified health checks) for family members (dependents), and disease prevention is falling behind
- ▶ Rate of smokers among employees is extremely high compared to the average, affecting the progress of health maintenance and promotion

These are the main health issues recognized by Isuzu as the insurer, and we deploy our healthcare business centered on responding to these issues.

Health management, measures for mental health, and other health-related issues are handled by the Health Consultation Office under the General Affairs & HR Department.

### Future Initiatives

Ensuring the safety of employees is the company's top-priority concern, and there are no shortcuts. Isuzu will constantly work steadily on the focus issues for FY2019 to build workplaces that properly observe safety principles, and at the same time, actively work toward achieving the plant safety management targets.

| Main Themes  | (No. of people) |        |        |        |        |
|--|-----------------|--------|--------|--------|--------|
|  | FY2014          | FY2015 | FY2016 | FY2017 | FY2018 |
| Specific healthcare guidance   | 709             | 723    | 657    | 796    | 766    |
| Patients receiving health check-ups  | 5,574           | 5,251  | 5,595  | 5,823  | 5,868  |
| Mental health counseling users   | 120             | 101    | 90     | 96     | 81     |
| 24-hour telephone health counseling users  | 214             | 220    | 170    | 148    | 146    |
| Recreation and sports event participants   | 681             | 736    | 844    | 250    | 2,439  |
| Visiting the elderly to provide guidance   | 14              | 10     | 9      | 10     | 12     |
| Health seminar participants  | 46              | 26     | 36     | 36     | 171    |
| Lifestyle-related disease prevention, promoting gargling & hand washing, walking challenge program, etc. | 1,980           | 1,973  | 1,866  | 1,872  | 1,662  |
| Users of the training area* <sup>1</sup>   | —               | —      | —      | —      | 925    |
| Breast cancer screening  | 109             | 141    | —      | —      | —      |
| Gynecological examinations* <sup>2</sup>   | —               | —      | 1,089  | 1,154  | 1,200  |

\*<sup>1</sup> Users of the ISUZU KENPO SQUARE which opened in October 2018

\*<sup>2</sup> In FY2016, we revised our businesses to offer total support for gynecological procedures as an optional part of health checkups.

\* Including Isuzu health insurance system details



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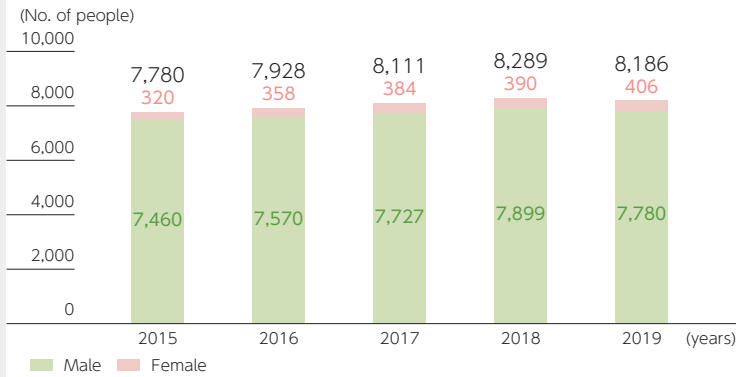
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### Basic Ideas

Isuzu respects differences between people such as age, gender, nationality, level of disability, and work environment, and believes that utilizing such differences can increase employee motivation and improve the company's competitiveness through the creation of new ideas and value.

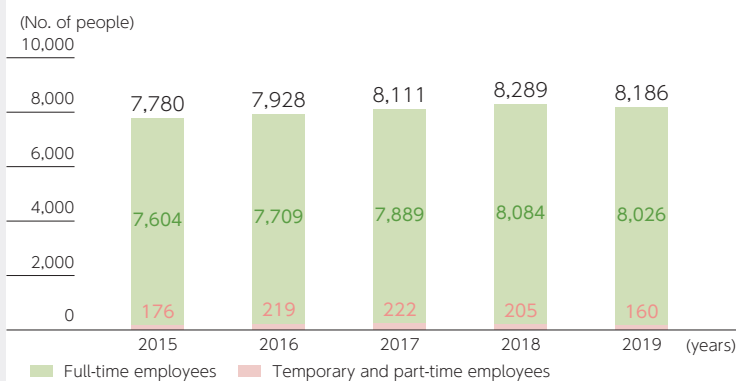
#### Trends in the Number of Employees

\*end-of-March figures

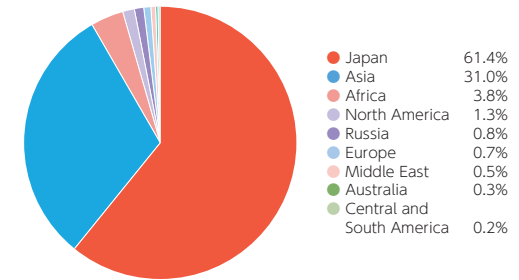


#### Number of Employees by Employment Type

\*end-of-March figures



#### Number of Employees by Region



#### No. of People According to Age Group Distribution

(No. of people)

|        | Up to 29 | 30 - 39 | 40 - 49 | 50 and over | Total |
|--------|----------|---------|---------|-------------|-------|
| Male   | 1,520    | 1,890   | 1,900   | 2,470       | 7,780 |
| Female | 132      | 80      | 138     | 56          | 406   |
| Total  | 1,652    | 1,970   | 2,038   | 2,526       | 8,186 |

\*As of the end of March 2019

#### Number of Management Members

|                    | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 |
|--------------------|--------|--------|--------|--------|--------|
| No. of males (M)   | 1,416  | 1,408  | 1,405  | 1,377  | 1,384  |
| No. of females (F) | 28     | 31     | 32     | 34     | 39     |
| F/M ratio          | 1.94%  | 2.15%  | 2.23%  | 2.41%  | 2.74%  |

\* As of June each year

\* Excluding seconded members





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### Initiatives toward New Employment

Isuzu's new recruit employment policy takes into account the impact of various external and internal environmental factors. Our recruitment has been stable.

We maintain low turnover by pursuing recruitment activities that are meaningful both for Isuzu and job applicants, as well as by providing an internal system to assist new recruits and training programs to keep morale high.

#### No. of New Graduates Recruited

(No. of people)

|  | Gender | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 |
|--|--------|--------|--------|--------|--------|--------|
| Admin/technical worker (Undergraduate/Master's degree)     | Male   | 116    | 132    | 179    | 191    | 133    |
|  | Female | 9      | 7      | 15     | 9      | 16     |
| Admin/technical worker (College/high school qualification) | Female | 6      | 15     | 24     | 12     | 5      |
| Technical worker (high school qualification)               | Male   | 74     | 82     | 123    | 117    | 66     |
|  | Female | 1      | 0      | 2      | 4      | 1      |
| Total  |        | 206    | 236    | 343    | 333    | 221    |

#### Employment of Non-Japanese Personnel

|                  |                    |
|------------------|--------------------|
| Joined in FY2014 | 5 (4 new recruits) |
| Joined in FY2015 | 2 (1 new recruit)  |
| Joined in FY2016 | 7 (4 new recruits) |
| Joined in FY2017 | 4 (2 new recruits) |
| Joined in FY2018 | 1 (1 new recruit)  |

#### Personnel Turnover

|   | FY2014       | FY2015       | FY2016       | FY2017       | FY2018       |
|---|--------------|--------------|--------------|--------------|--------------|
| Personnel turnover (including retirees) | 0.99% (3.1%) | 0.97% (2.7%) | 0.75% (2.5%) | 0.96% (2.7%) | 1.21% (3.5%) |

### Promoting Opportunities for Women

Isuzu fully understands that women play an increasingly important role in making Japan's future economic growth sustainable. At present, Isuzu has about 400 female employees, of whom approximately 10% are at management or executive level, and will actively develop and promote more in future. Isuzu will continue to actively promote and recruit female high-performers.

#### ◆ Action Plan to Promote Opportunities for Female Employees

Based on the April 2016 Act on Promotion of Women's Participation and Advancement in the Workplace, Isuzu has drawn up the following action plan.

- ▶ Make the number of female managers (and executives) in FY 2020 1.5 times what it was in FY 2014.
- ▶ Ensure that recruits for administrative and technical staff will have 40% and 7% female personnel respectively by FY2020.

### Employment of Non-Japanese Personnel

As part of our initiatives to provide an inclusive workplace environment, where employees with diverse cultural backgrounds can work comfortably, we have on-site prayer rooms and offer canteen menu items for those with religious dietary restrictions.

### Promoting the Role of Post-retirement Employees

Isuzu has established a system to reinstate retirees so that people over 60 can continue working with us. This system currently employs more than 600 retirees at Isuzu.

#### Rehired Retiree Numbers

(No. of people)

|               | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 |
|---------------|--------|--------|--------|--------|--------|
| No. of people | 559    | 578    | 627    | 648    | 661    |



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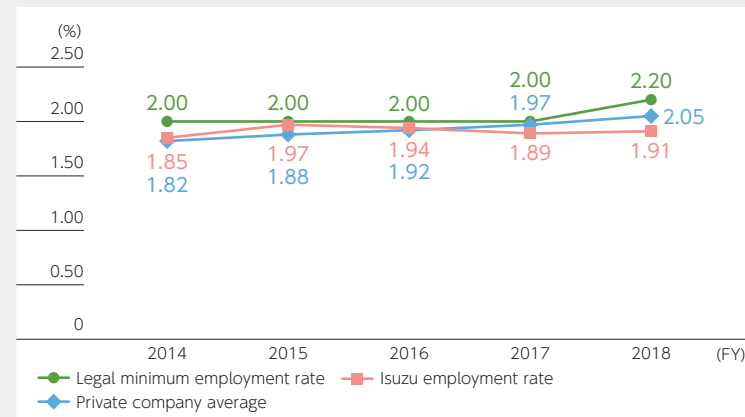
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## Encouraging Employment of People with Disabilities

We are promoting the employment of disabled persons with a view to achieving a society where people support each other, regardless of disabilities. To constantly exceed the legal minimum employment rate of disabled people, we actively recruit them not only after graduation but also mid-career. Isuzu also places disabled people not only in administrative positions but in technical workplaces too, taking into account each person's disability and based on what suits their aptitude and wishes, so that they can play an active role.

Trends in Employment of People with Disabilities \* Figures for end of June each year



## Promotion of Work-life Balance

Developing a sustainable society or company requires a work-life balance that enables everyone, regardless of gender, to work with a sense of satisfaction and fulfillment while having time for things like bringing up their children and nursing their relatives. Isuzu therefore encourages less working out of hours and more taking of annual paid leave. It has also set up a system of different kinds of leave including parental leave, nursing care leave, and volunteer leave, as well as a short-time work system.

## Key Programs to Support Employees in Parenting and/or Nursing Care

| Program              |                               |  |   |
|----------------------|-------------------------------|--|---|
| Childbirth/parenting | Parenting leave Program       | Leave period   | Until the April following the child's second birthday   |
|                      |                               | Allowance  | Up to twice per child   |
|                      | Leave for spouse's childbirth |  | Three days within a two-week period of the date of delivery   |
|                      | Childcare leave               | Eligibility  | Employees caring for children not yet in school   |
| Allowance            |                               | Five days per year for one eligible child<br>Ten days per year for two eligible children |   |
| Reduced-hour program | Others                        | Eligibility  | Until the end of March following the child's starting the third year of elementary school   |
|                      |                               | Others   | 1. No upper limit for application<br>2. The leave period may be shortened, extended, or applied for in installments<br>3. Arrangements can be made in 15-minute units |
| Nursing care         | Nursing care leave            |  | The period for which care is required (up to 1 year cumulatively)   |
|                      | Nursing care leave program    |  | Constant caregiving is necessary (in-hospital or home care)<br>Five days per year for one person requiring care<br>Ten days per year for two people requiring care    |
|                      | Reduced-hour program          | Eligibility  | The period for which care is required   |
| Others               |                               | Arrangements can be made in 15-minute units  |   |

## Composition of Employees Who Have Taken Leave on the Programs

(No. of people)

|                            | Gender | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 |
|----------------------------|--------|--------|--------|--------|--------|--------|
| Parenting leave program    | Male   | 4      | 11     | 2      | 3      | 7      |
|                            | Female | 28     | 31     | 27     | 26     | 34     |
| Nursing care leave program | Male   | 5      | 4      | 2      | 3      | 3      |
|                            | Female | 0      | 1      | 1      | 0      | 0      |
| Reduced-hour program       | Male   | 0      | 0      | 0      | 0      | 5      |
|                            | Female | 23     | 26     | 30     | 34     | 29     |

## Future Initiatives

Isuzu respects the diversity of its employees, and so it strives to bolster employment programs to allow them to achieve an optimal work-life balance. This includes parenting and nursing care leave programs as well as reduced working hours.



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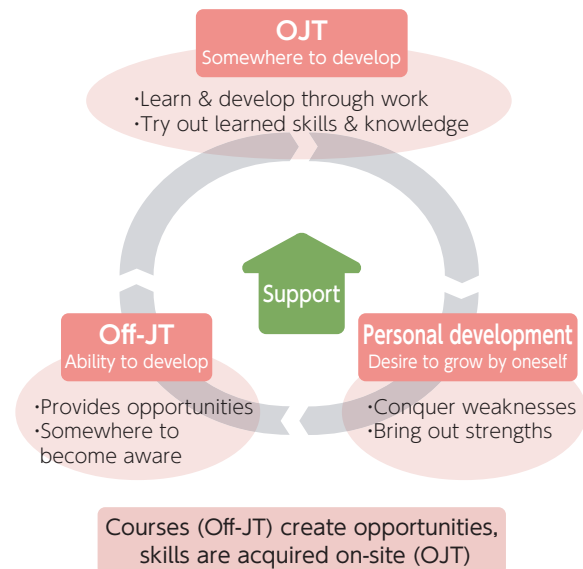
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### Basic Ideas

Off-the-job training consists of courses away from the workplace, and is somewhere for employees to pick up skills their company needs and identify the direction in which they themselves should grow. This is because, amid all the changes and competition of globalization, every employee is required to think and act for themselves. Isuzu has therefore examined and clarified the skills needed at each level, and built a substantial training system for employees to acquire the right skills at the right time.

#### Conditions of Personnel Development





## Respect for Employees

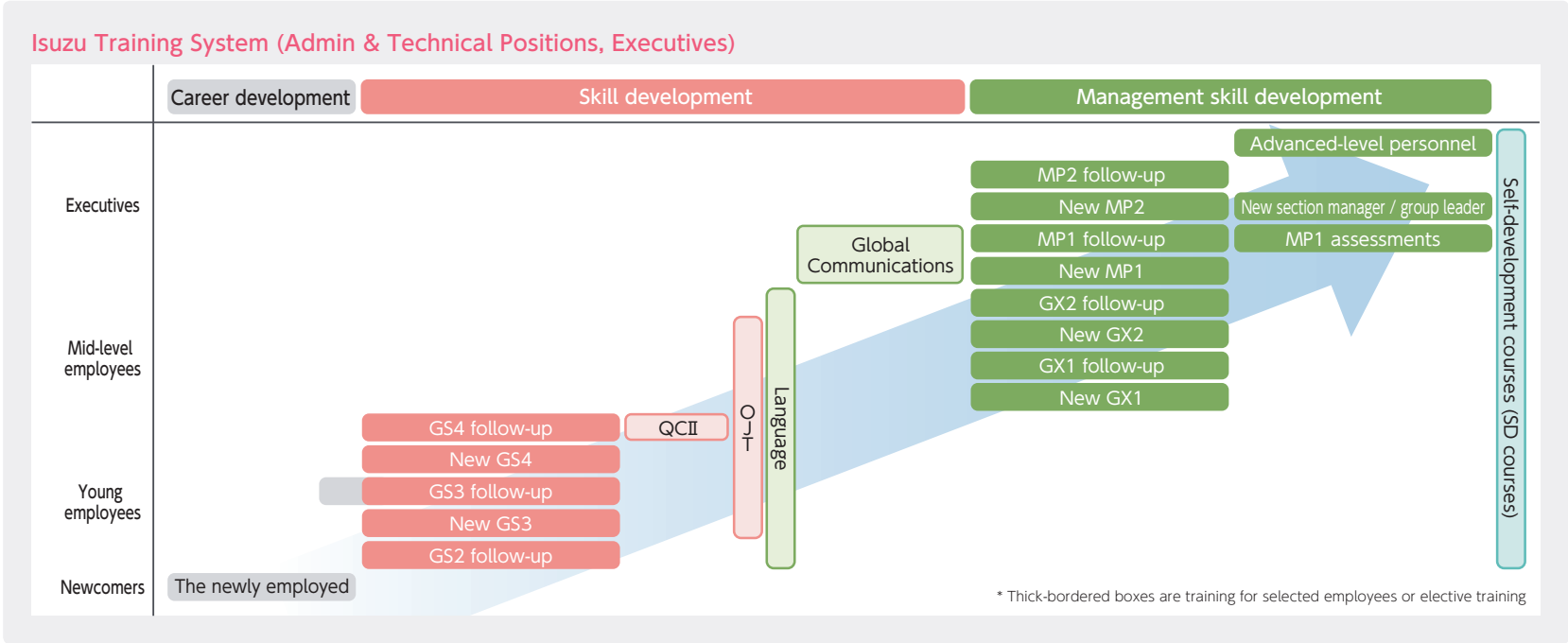
### Education/Training Scheme

Isuzu's training system is made up of three areas: career development, skills development, and management capability development.

Career development is aimed at new employees and young employees, and cultivates personnel who can expand their own expertise and develop their career by themselves.

Skills development helps employees to improve their skills and acquire the knowledge and insight to play a more global role, with a focus on the abilities required at their particular level and position.

Management capability development is training aimed at enhancing managerial ability and humanity in order to cultivate the managers of the future.





## Respect for Employees

### Isuzu Technical Staff FY2019 First-half Term (118I) Training Programs

| TS1  | TS2                         | TS3   | TS4   | TX1   | TX2                          | TX3                            | TX4                   |
|--|-----------------------------|---|---|---|------------------------------|--------------------------------|-----------------------|
| <Technical staff training programs by competence level>  |                             |   |   |   |                              |                                |                       |
| TS1 program  | TS2 program                 | TS3 program                                   | TS4 program                                   | TX1 program   | TX2 program                  | TX3 program                    |                       |
|  |                             |   | TS4 program Follow-up                         | TX1 program Follow-up                                     | TX2 program Follow-up        | TX3 program Follow-up          | TX4 program Follow-up |
|  |                             |   |   |   |                              | Manager training program (MTP) |                       |
|  |                             |   |   |   | New LM training program      |                                |                       |
|  |                             |   |   |   | LM external training program |                                |                       |
|  |                             |   |   | New TL training programs 1 and 2                          |                              |                                |                       |
|  |                             |   |   | TL external training program and hands-on problem solving |                              |                                |                       |
|  |                             |   |   | TWI-JI trainer development seminar                        |                              |                                |                       |
|  |                             |   |   | TWI-JI trainer advanced seminar                           |                              |                                |                       |
|  |                             |   |   | TWI-JS trainer development seminar                        |                              |                                |                       |
| Employee assignment training program   |                             |   |   |   |                              |                                |                       |
| <Basic skill training for technical staff>   |                             |   |   |   |                              |                                |                       |
|  | TS2 IM&TPM training program | TS3/4 IM&TPM training program                 |   | LM/TL IM training program                                 |                              |                                |                       |
| <Technical skill training programs for technical staff / administrative staff / skilled staff> |                             |   |   |   |                              |                                |                       |
| Tightening skills  |                             |   |   |   |                              |                                |                       |
|  | Measuring skills            |   |   |   |                              |                                |                       |
|  | Advanced measuring skills   |   |   |   |                              |                                |                       |
|  |                             | Mechanical components                         | Sequencer                                     |   |                              |                                |                       |
|  |                             | Hydraulic/atmospheric pressure                | Advanced electricity I                        |   |                              |                                |                       |
|  |                             | Basic electricity                             | Advanced electricity II                       |   |                              |                                |                       |
|  |                             | Basic welding skills                          | Plating skills                                |   |                              |                                |                       |
|  |                             | Finish skills                                 | Machining skills                              |   |                              |                                |                       |
|  |                             | ENG assembly skills<br>Assembly & disassembly | ENG assembly skills<br>CESS & materials table |   |                              |                                |                       |
|  |                             | T/M assembly skills                           | F/D assembly skills                           |   |                              |                                |                       |

\*Programs marked with a square (■) are mandatory requirements for eligibility for skill-based promotion/career advancement.

### Trends in Training Participation

\*Training participants/existing personnel

| Employee category  | Gender | FY2014 |               | FY2015 |               | FY2016 |               | FY2017 |               | FY2018 |               |
|--|--------|--------|---------------|--------|---------------|--------|---------------|--------|---------------|--------|---------------|
| Admin & technical positions/<br>Executives (no. of people) | Male   | 30%    | 1,132 / 3,743 | 45%    | 1,678 / 3,743 | 53%    | 2,087 / 3,936 | 44%    | 1,777 / 3,997 | 43%    | 1,733 / 3,987 |
|  | Female | 32%    | 99 / 309      | 36%    | 111 / 309     | 47%    | 165 / 353     | 41%    | 149 / 367     | 38%    | 145 / 383     |
| Skilled workers<br>(no. of people)                         | Male   | 5%     | 211 / 4,335   | 14%    | 611 / 4,335   | 47%    | 2,059 / 4,417 | 56%    | 2,462 / 4,431 | 27%    | 1,192 / 4,392 |
|  | Female | 3%     | 1 / 32        | 9%     | 3 / 32        | 59%    | 20 / 34       | 41%    | 15 / 37       | 32%    | 12 / 38       |



## Respect for Employees

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## Skills Transmission and Development

Isuzu strives to enhance the skill levels of employees from the perspective of perpetuating and developing engineering skills by establishing a graded training system for technical staff.

### Initiatives by Division

#### [Production Division]

- ① For special skills that are advanced and require long experience, each workplace carries out its own skills transmission training while the Production Division as a whole provides more systematic skills transmission training.
  - \* Graded training for skilled workers: New employee, young, mid-career, supervisor, etc.
- ② Isuzu workers enter the annual National Skills Competition in their aim to acquire the highest skills in Japan, and have won prizes in successive years.
  - ▶ FY2016 Fighting Spirit Prize: Turning (1 person), Mechanical Device Assembly (1 person)
  - ▶ FY2017 Fighting Spirit Prize: Turning (1 person), Mechanical Device Assembly (1 person)
  - ▶ FY2018 Fighting Spirit Prize: Turning (1 person)  
Fighting Spirit Prize: Mechanical Device Assembly (1 person)
- ③ We provide advanced skills training and leader training in collaboration with external training institutions. The number of workers who have passed the National Trade Skill Testing & Certification has doubled since 2011. Training departments (including Isuzu Technical High School) have joined together with workplaces to run study sessions and practice sessions that support further qualification acquisition.

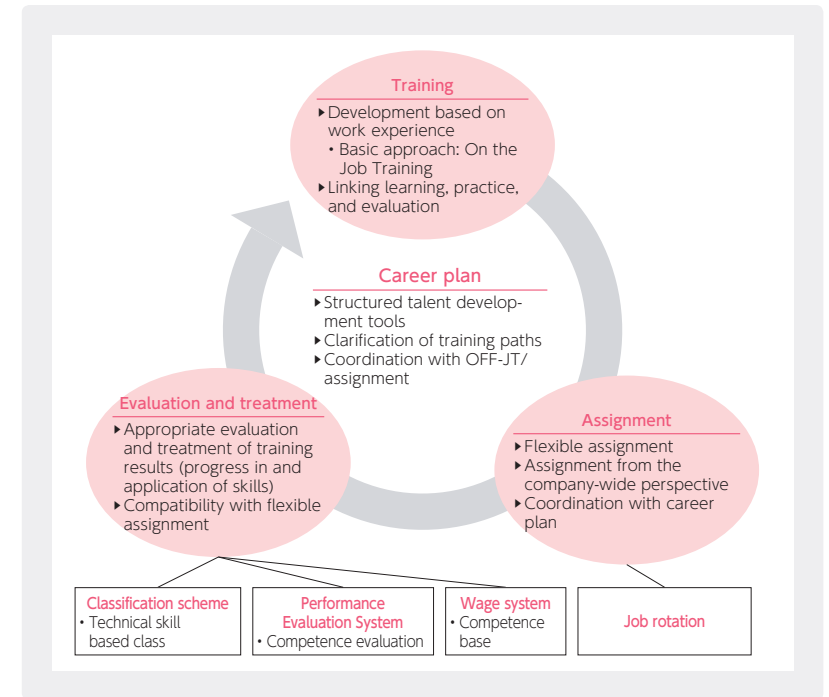
#### [Engineering Division]

- ① Every year we formulate career plans with career goals shared by senior and junior workers, and implement various curriculums for them to learn skills according to their level through training courses and OJT.
- ② Isuzu conducts advanced skills training not only at the Isuzu Monozukuri Service Training Center but also in collaboration with external training institutions such as Polytechnic Centers.
- ③ Isuzu is working to improve test-driving skill levels, having established its own accreditation system for test vehicle driving.

## HR Performance Evaluation System

### ◆ Talent Development/Deployment Cycle

At Isuzu, the process from training to assignment to evaluation and treatment is established as the talent development/deployment cycle. It is implemented as a mechanism that independently and systematically develops talents.



### ◆ Fair Evaluation and Treatment

At Isuzu, we have implemented an evaluation system that includes the employee's individual work, role, scale of contribution, growth in skills, and degree of skill application as criteria. Our treatment—based on fair and equitable evaluation that brings out the skills of each and every employee to the full without discrimination by irrational reasons such as social standing, birth, race, beliefs, and gender—leads to improvement in our employees' motivation.

## Career Development Support

In addition to graded educational programs, Isuzu provides self-motivation career-improvement programs for employees, including SD seminars, online English program and speed-learning programs.

## Future Initiatives

In order to assure Isuzu's continued growth, we strengthen graded training (enhance induction training) so as to steadily improve both individual employees and organizational strengths.



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### Basic Ideas

Isuzu works intensely to improve employee satisfaction (ES) because we consider it to be a management challenge in terms of CSR and human resource development. The ES survey is conducted periodically (every other year) to monitor changes in satisfaction levels of Isuzu employees by analyzing fixed point observations. It has been conducted eight times to date.

Isuzu utilizes the results of these surveys as valuable data for formulating various corporate measures, and will promote reforms toward further ES improvement in future.

### Welfare Benefit System

#### ◆ Corporate Pension System

At Isuzu, the “Isuzu Motors Corporate Pension Fund”, a defined-benefit type corporate pension system, is in effect. This system provides coverage according to a reserve fund by the company for the purpose of supplementing public pension plans, with no contribution burdens placed on employees. A defined-contribution type pension system is also in operation, arranging systems for employees to live rich, fulfilling lives after retirement.

#### Elective (optional) Corporate Defined-contribution Pension

- ▶ No. of members 1,222 (as of March 31, 2019)
- ▶ Take-up rate 13.8% (target group of 8,855 employees)
- ▶ Contributions in FY2018: ¥208,642,500

#### Life-support System to Meet Employee Needs

| Category                 | Description  |
|--------------------------|--|
| Welfare Benefit System   | Company accommodation for unmarried employees, family accommodation, holiday facilities, employee savings program, employee shareholders club, institutional insurance, cooperative funds, long-term commitment awards, etc. |
| Corporate Pension System | Defined-benefit pension and defined-contribution pension   |

#### ◆ Employee Shareholder System

The employee shareholder club is a welfare benefit system which allows employees to regularly acquire shares in the companies where they work as part of asset formation. Investments are deducted directly from salaries and bonuses, and the club serves as the contact point for acquiring company shares. Incentives are given by the companies according to the amount of contribution.

- ▶ No. of members 2,035 (including seconded members; as of March 2019)

#### Life Plan Seminars to Support Employees in Planning Life Events (by life stage)

| Seminar title    | Target group                                     | Description   |
|------------------|--|---|
| Barairo seminar  | Employees reaching the age of 58                 | Providing information to prepare for retirement age and post-retirement life planning                                       |
| Asunaro seminar  | Employees reaching the age of 50                 | Providing information on life-planning for middle-aged people and motivation for self-improvement                           |
| Himawari seminar | Employees who have reached 35, 40, and 45 in age | Encouraging them to consider financial arrangements to support household management that leverages welfare benefit programs |



## Respect for Employees

### Basic Ideas

Isuzu makes efforts to ensure an environment that allows management and employees to work well together.

Isuzu has established fair and sound labor-management relationships founded on mutual trust between management and employees, who cooperate well in tackling challenges. In particular, when important management issues arise, the parties discuss and consider these matters leveraging the labor-management forum, which is organized regularly.

We also encourage involved discussions on our management policies with recommendations by the Trade Union based on the current workplace situations. For the operation and review of various HR/labor-related systems and programs, we proceed after due discussions between the employees and management based on each party's awareness of issues.

With such relationships between labor and management, we further strive to improve the effectiveness of various measures as well as the objectivity and transparency of our corporate management. Isuzu is committed to further developing an environment that is ideal both for the employees and employer.

### Major Labor-management Forums in Practice

| Content of the Major Labor-management Forums   |   |
|--|---|
| Labor-management negotiations  | <b>Spring negotiations</b> <ul style="list-style-type: none"> <li>• Labor-management negotiation regarding overall life improvements</li> <li>• Topic: Wages, one-time payments, etc.</li> <li>• Corporate representatives: President and Division Executives</li> </ul>  |
|  | <b>Autumn negotiations</b> <ul style="list-style-type: none"> <li>• Labor-management negotiation related to improvement of various labor conditions</li> <li>• Topic: Various labor conditions (systems and treatments)</li> <li>• Corporate representatives: Administration Division Executive, Acting Division Executive, executives, and department managers</li> </ul>                              |
| Labor-management council   | <b>Central labor-management council</b> <ul style="list-style-type: none"> <li>• Isuzu's topmost labor-management council</li> <li>• Topic: Corporate management policies, productivity improvements, sales, accounting, funds, research and development, etc.</li> <li>• Corporate representatives: President and Division Executives</li> </ul>   |
|  | <b>Specialist labor-management council</b> <ul style="list-style-type: none"> <li>• Conducts specialist labor-management council meetings related to production</li> <li>• Topic: Policies for initiatives related to production, productivity improvements, and state of progress</li> <li>• Corporate representatives: Officers, executives, and department managers related to production</li> </ul> |
|  | <b>Plant labor-management council (regional labor-management council)</b> <ul style="list-style-type: none"> <li>• Meetings held monthly at each plant</li> <li>• Topic: Details related to production, workplace environment, welfare and benefits, etc.</li> <li>• Corporate representatives: Plant executive, relevant department manager, etc.</li> </ul>   |
| <b>Labor-management forum</b> <ul style="list-style-type: none"> <li>• Facilitates information exchange between labor and management to complement the different labor-management councils</li> <li>• Conducted for Engineering, Purchasing, Sales, After-Sales, Industrial Solutions &amp; Powertrain Business divisions</li> <li>• Corporate representatives: Division Executives</li> </ul> |   |

### Annual Schedule for Major Labor-management Negotiations and Council Meetings

|                               |  | First half (April to September)                     | Second half (October to March)                           |
|-------------------------------|--|---|--|
| Company-wide event            |  | ► <b>May:</b> Announcement of financial information | ► <b>November:</b> Announcement of financial information |
| Labor-management negotiations | Spring negotiations  |   | Mid-February to mid-March                                |
|                               | Autumn negotiations  |   | Around November  |
| Labor-management Council      | Central labor-management council                                   | Around mid-June                                     | Around early December                                    |
|                               | Specialist labor-management council                                | Around end of May                                   | Around mid-November                                      |
|                               | Plant labor-management council (regional labor-management council) | Toward the end of each month                        |  |
| Labor-management forum        |  | Mid-May to early June                               | Around November  |





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## Basic Ideas

To fulfill our corporate social responsibility, win public confidence, and contribute to the development of a sustainable society, Isuzu recognizes the importance of gaining the cooperation and trust of all our stakeholders including business partners in fields such as environment, quality, compliance, and social contribution. Based on this approach, we have defined its policy on activities related to supply chain management as “We will carry out fair and equitable trading with business partners based on the principle of free competition, and at the same time build win-win relationships with various business operators in our supply chain through mutual cooperation.” Isuzu works on activities based on this policy.

Many of the parts and other items used in Isuzu’s products are purchased from external business partners. When quality problems occur in purchased products, significant inconvenience is placed on customers using our products.

It is important to provide our plants with a stable supply of quality items, and we build a quality assurance system for purchased products while building trusting relationships with our business partners. Going forward, we will continue to undertake quality improvement activities with our business partners, and strive toward strengthening our supply chain.

In addition, Isuzu established our Purchasing Basic Vision and Purchasing Basic Policy in 1997 to show the basic direction of our procurement activities and maintain its consistency. Our Purchasing Basic Vision and Purchasing Basic Policy are included as part of introductory training for new recruits and when personnel from other divisions are assigned to the Purchasing Division to ensure thorough understanding.

### Purchasing Basic Vision

We would like to support smooth production by procurements. Toward this goal, we guarantee satisfactory quality, delivery time and quantities of purchased products and cooperate with the provision of new technologies through purchasing markets, contributing to the profits of our company. We believe that these will help establish interactive communication built on mutual trust with our business partners. (Established: July 1997, last revised: April 2008)

### Purchasing Basic Policy

- 1 With quality as our first priority, Isuzu aims to build a system of creating and delivering products that satisfy our customers.
- 2 Isuzu aims to procure parts based on fair and equitable competition, whether in Japan or overseas, so long as they are satisfactory in terms of quality, pricing and delivery.
- 3 Isuzu works to enhance our corporate competitiveness while developing procurement activities aimed at win-win relationships with our business partners.



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### Purchasing Slogan

OPEN (Optimum Procurement to Embody the Needs)

Isuzu will match market needs and establish optimum procurement routes by encouraging procurement reforms.

The procurement slogan depicts an image of the reform to be recognizable internally and externally (established July 2010).

It is also displayed on materials distributed inside and outside of the company, as well as on business cards.



\* The name "OPEN" also indicates transparency of procurement

### Thorough Enforcement of the Purchasing Basic Vision and Basic Policy among Purchasing Division Members

The Purchasing Basic Vision and Basic Policy are indicated in the Purchasing Division Compliance Guidebook, which is available in the in-house database so that Purchasing Division members can access them whenever necessary.

Explanations of the Purchasing Basic Vision and Basic Policy are included as part of introductory training when personnel are assigned to the Purchasing Division, for thorough understanding by all members.

### Introductory training for FY2018

- ▶ Sessions implemented: 1
- ▶ Target: FY2018 new recruits (6 persons)
- ▶ Details: Instructions on the entire Purchasing Division Compliance Guidebook (29 pages), including the Purchasing Basic Vision and Basic Policy

In addition, a seminar on the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and the Guidelines for Appropriate Trade in the Automobile Industry—essential knowledge for Purchasing Division members—was conducted to strive toward their understanding and compliance.

- ▶ Date of seminar: December 14, 2018
- ▶ Number of participants: 97
- ▶ Lecturer: Legal Department's Compliance Management Group

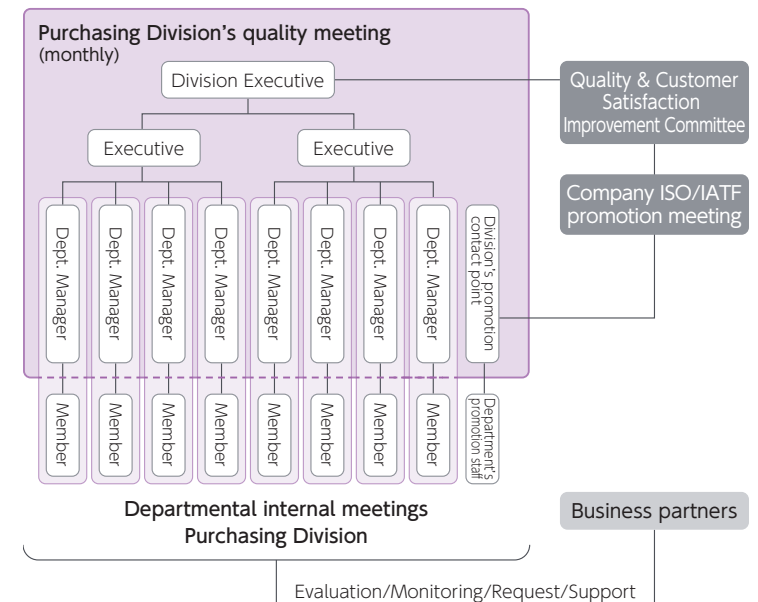
## Purchasing Promotion System

The Purchasing Division holds Quality Meetings once a month. Reports are made and discussions are carried out on topics such as the state of quality of the previous month's purchased parts, audit results of new business partners, and results of internal audits and external assessments related to ISO and IATF.

The Purchasing Division holds both Quality and Compliance Promotion Meetings and Environmental Meetings once a month. Information from these committees is passed onto all the departments within Purchasing Division. The Purchasing Division's policy on activities related to compliance and the environment is determined at these meetings.

We have also established a Business Partner Consultation Service within our Legal Department's Compliance Management Group, providing impartial consultations for our business partners on compliance related matters.

### Quality Management System





## Supply Chain Management

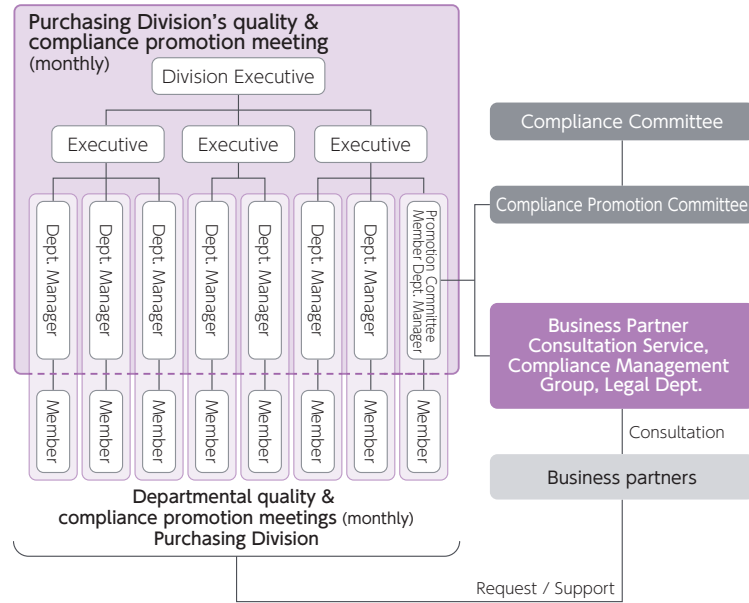
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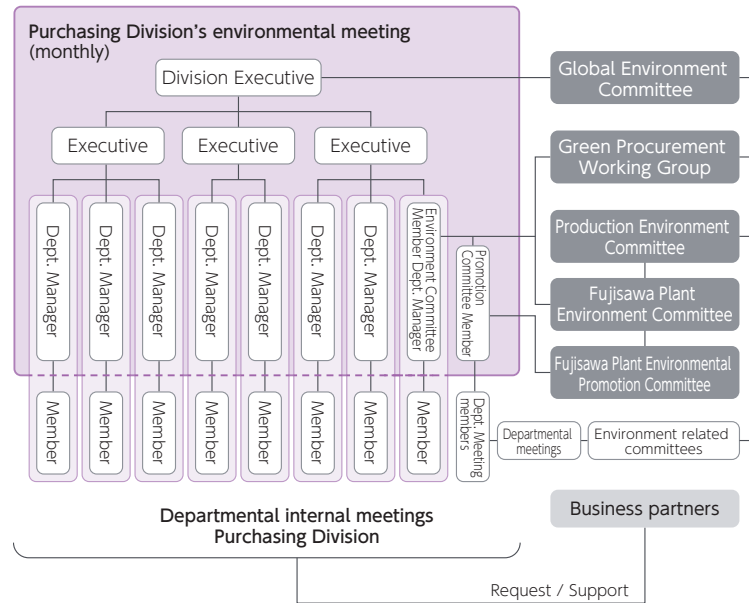
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#### Compliance promotion system



#### Environmental management system





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### Isuzu Supply Chain

Isuzu chooses its suppliers according to a fair and equitable selection process regardless of whether in Japan or overseas. In our procurement activities, we keep in mind building win-win relationships with our business partners, so we can work to enhance our corporate competitiveness.

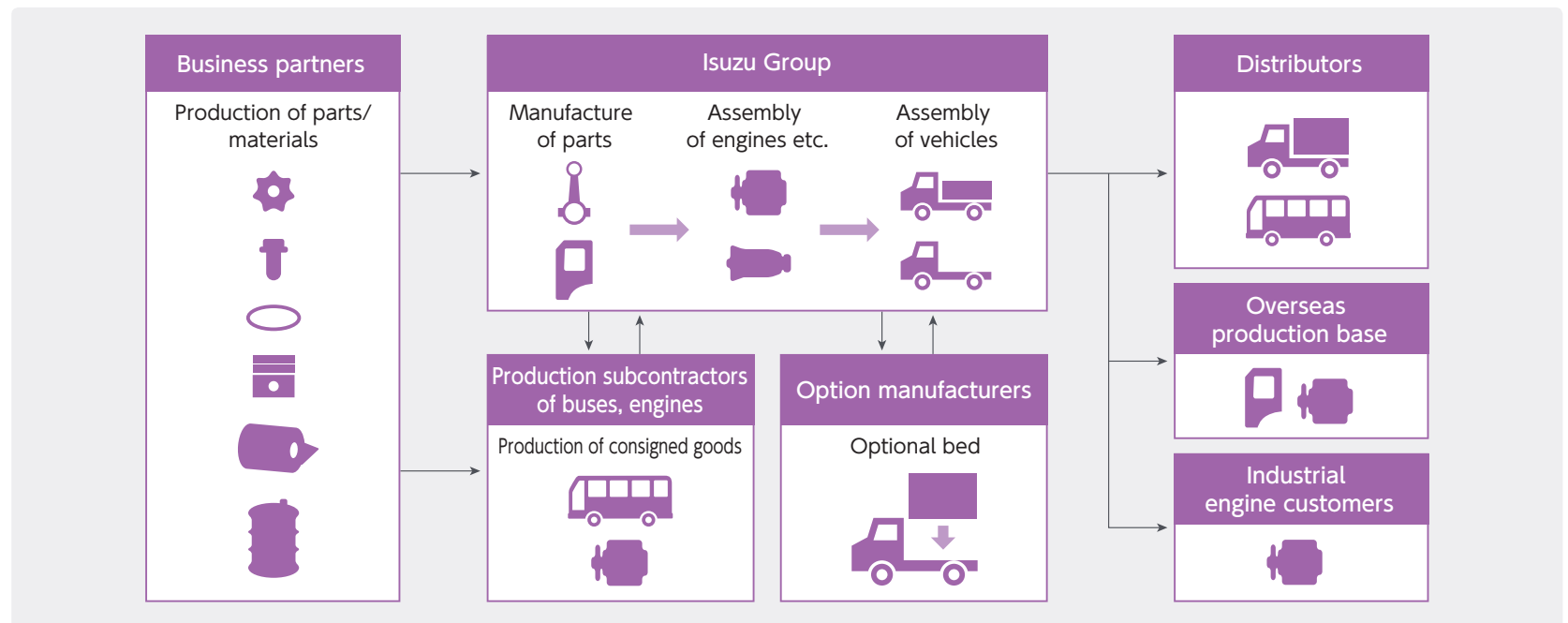
A total of 671 companies in Japan and abroad are business partners of Isuzu. About 90% of these partners are based in Japan. In terms of transaction amount, the procurement of parts makes up about 80% of the total.

To monitor the delivery quality and market quality of our business partners, we calculate monthly evaluation score (maximum score of 50 points) based on factors such as the number of defect occurrences, number of defects, and severity of defects. Business partners which do not meet a certain standard in their delivery quality evaluation scores are selected to be companies subject to management, and business partners which are close to becoming companies subject to management are selected as companies subject to observation. For these companies, we strive to improve delivery quality such as by holding quality meetings with them each month.

In FY2018, improvement in delivery quality was recognized, and

approximately 90% of our business partners scored 48 or higher in their delivery quality evaluations. None were selected as companies subject to management. With regard to companies subject to observation, approximately 3% of all business partners were selected, and improvement activities were carried out. Where business partners do not show tangible improvement, we conduct an on-site audit with them at the time of the direct supply contract renewal assessment, implemented every three years, to verify their quality management system operations.

With new business partners, we conduct an on-site audit before starting business and evaluate the effectiveness of their quality management systems to see if they meet requirements for trading with us. The main items verified during on-site audits span a wide range, including quality assurance systems; provision of documents regarding regulations and standards; management of measuring devices; equipment management; process management; handling of abnormalities; management of cooperating companies; and education. In FY2018, on-site audits were conducted for six new business partners. All six companies met the score of 80 (out of a maximum of 100) required for us to trade with them, and we are preparing to start doing business with them.





## Supply Chain Management

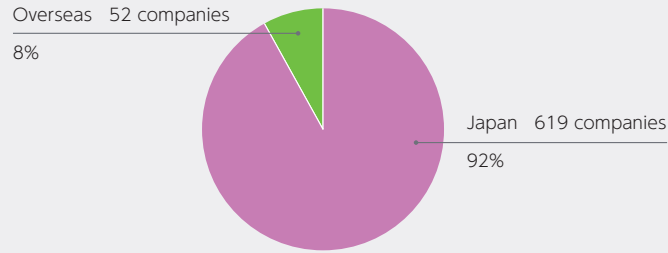
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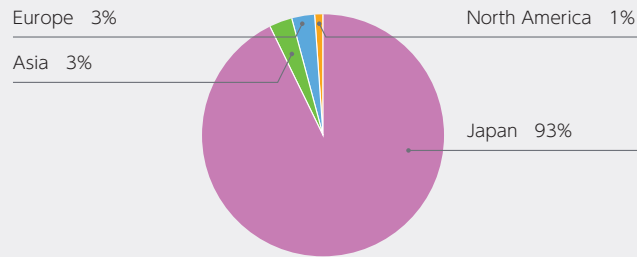
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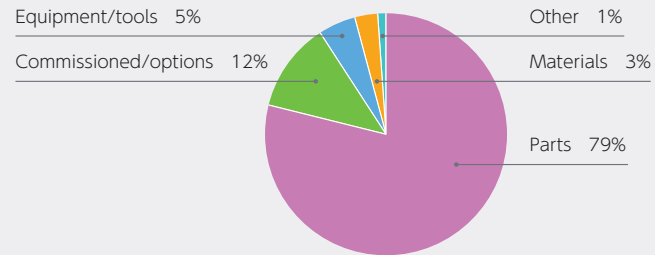
### No. of partner companies



### Value of trade (by regions of partners' localities)



### Transaction amount (by item)





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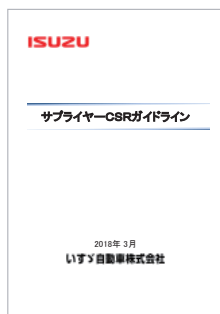
### Isuzu Supplier CSR Guidelines

Isuzu has established the Isuzu Supplier CSR Guidelines, which summarize the requests we have of our business partners about our CSR activities, corporate vision, purchasing basic vision, etc. These guidelines were developed based on the Supplier CSR Guidelines issued by Japan Automobile Manufacturers Association, Inc. and the CSR Guidebook by Japan Auto Parts Industries Association. (Drawn up March 2018)

The major points reviewed in the Isuzu Supplier CSR Guidelines published in March 2018 are as follows:

- ▶ Added provisions concerning the handling of conflict minerals\*

\* Conflict minerals: The minerals mined in and around the Democratic Republic of the Congo (cassiterite, wolframite, coltan, and gold ore), which are used to finance militant forces.



Isuzu Supplier CSR Guidelines  
[https://www.isuzu.co.jp/world/csr/supplychain/pdf/isuzu\\_csr\\_guideline.pdf](https://www.isuzu.co.jp/world/csr/supplychain/pdf/isuzu_csr_guideline.pdf)

### ◆ Requests for our Business Partners

Our business partners are expected to deploy activities in accordance with the Isuzu Supplier CSR Guidelines. Even new business partners are requested to carry out initiatives in accordance with the CSR Guidelines when contracts are made.

Not only will there be a negative impact on Isuzu's image if our business partners do not fulfill their corporate social responsibilities, but there will also be major impact on our production activities. For example, should there be an occurrence of an environmental accident or misconduct—such as falsification of inspection data—at our business partners, not only will Isuzu's image be negatively affected, there will be significant impact on our production activities such as when there is a stop to the supply of our purchased parts. To avoid such risks, we request our business partners to undertake initiatives according to our CSR guidelines.

With regard to quality, we monitor the situation at our business partners through our monthly delivery quality and market quality evaluations, but

monthly monitoring is difficult for the environment and risk management, with issues coming to attention only when an environmental accident or disaster has occurred. We recognize the importance of conducting surveys to understand the scale of risks beforehand, and conducting activities as necessary to remove, avoid, or reduce the occurrence frequency of risks. We conduct surveys on the environment and risk management, and for business partners assessed to have high risks, we conduct production site visits, and provide advice leading to improvements.

The results of surveys and production site visits conducted in FY2018 are given below.

- ▶ Environmental survey: conducted with 365 companies (respondents: 334; response rate: 91.5%)
  - ▶ Hearing and production site visits on environmental practices: 10 companies
  - ▶ Risk management survey: conducted with 326 companies
  - ▶ Hearing and production site visits on risk-management practices: 7 companies
- We plan to implement similar activities in fiscal 2019.

In principle, for business partners in Tier 2 and lower, we request Tier 1 business partners to manage and guide them. However, for special processes related to important security parts, we go directly to business partners in Tier 2 and lower to conduct audits on their state of process management.

Audits of special processes are audits on the processes of thermal treatment, forging, and welding of important security parts. The audit mainly covers standards, process management, equipment management, measuring device management, handling of abnormalities, and management of cooperating companies.

In FY2018, special process audits were conducted for 22 business partners in Tier 2 and lower, and we verified they met our standards. Business partners in Tier 2 and lower are also requested, through Tier 1 business partners, to comply with the Isuzu Supplier CSR Guidelines.

Product Quality Improvement  
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### Handling of Conflict Minerals

The use of conflict minerals—which cause human rights infringement, environmental destruction, and illegal mining in conflict zones, and are used to finance militant forces—is viewed as a serious problem in Isuzu's supply chain. Isuzu requires a stop to the use of conflict minerals through our CSR guidelines. Going forward, we will continue to make this request to our business partners, and seek to end the use of conflict minerals.



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### ◆ Overview of Isuzu Supplier CSR Guidelines

We aim to carry out procurement activities with full consideration for human rights and work environments.

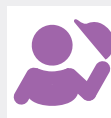
#### 1) Safety and Quality

- (1) Supply of products and services to meet consumer and customer needs
- (2) Supply of appropriate information related to products and services
- (3) Assurance of safety regarding products and services
- (4) Assurance of quality regarding products and services



#### 2) Human Rights and Labor

- (1) Elimination of discrimination
- (2) Respect for human rights
- (3) Prohibition of child labor
- (4) Prohibition of forced or compulsory labor
- (5) Handling of conflict minerals
- (6) Wages
- (7) Working hours
- (8) Conversations and discussions with employees
- (9) Safe and healthy working environments



#### 3) Environment

- (1) Environmental management
- (2) Reduction of greenhouse gas emissions
- (3) Prevention of environmental pollution regarding air, water, earth, etc.
- (4) Resource conservation and waste reduction
- (5) Chemical substance management



#### 4) Compliance

- (1) Legal compliance
- (2) Compliance with competition laws
- (3) Anti-corruption
- (4) Management and protection of confidential information
- (5) Export transaction control
- (6) Protection of intellectual properties



#### 5) Information disclosure

- (1) Disclosure of information to stakeholders



#### 6) Social contributions

- (1) Harmony with local communities



## Isuzu Green Procurement Guideline

Isuzu Group has established the Isuzu Green Procurement Guidelines, which introduce our Charter on the Global Environment and summarize the environment related requests we have for our business partners by type of industry. (Last revised: October 2017)

Through this Isuzu Green Procurement Guidelines, we obtain understanding of Isuzu's environmental initiatives from our business partners, and at the same time, request them to promote environmental activities.

The major points reviewed in the Isuzu Green Procurement Guidelines published in October 2017 are as follows:

- (1) Updated the URL of IMDS
- (2) Changes made to the procedures to register personnel responsible for environmental initiatives

The Isuzu Green Procurement Guidelines are published on the company website and shared through the Isuzu Supplier's portal system to promote them among our business partners.



Isuzu Green Procurement Guideline  
[http://www.isuzu.co.jp/world/csr/supplychain/pdf/isuzu\\_green\\_procurement.pdf](http://www.isuzu.co.jp/world/csr/supplychain/pdf/isuzu_green_procurement.pdf)



## Supply Chain Management

64 Management Approaches

67 Activities for Win-win Relationships with Our Business Partners

69 Various Guidelines for Business Partners

72 Communication with Business Partners

### ◆ Requests for our Business Partners

#### Self-Evaluation of Environmental Management Systems

Our business partners are expected to report the conditions of their environmental management systems through surveys. We are aware that promoting awareness of environmental initiatives is extremely important, and we will continue these activities in the future.

In FY2018, we revised the Environmental Management System Self-Evaluation Report and requested that our 365 business partners conduct self-assessment. The responses obtained from 334 partners are summarized below:

##### [Main evaluation items]

- ▶ Environmental management systems
- ▶ Compliance with related environmental laws and regulations
- ▶ Promotion of energy-saving activities
- ▶ Reduction of water consumption
- ▶ Reduction and appropriate treatment of waste
- ▶ Reduction of emissions of regulated chemical substances
- ▶ Managing environmentally hazardous substances (revised questions)
- ▶ Reduction of CO<sub>2</sub> emissions and packaging/shipping materials in logistics

##### [Response rate]

91.5% (334 out of 365 companies)

##### [Actions in response to the results]

In view of FY2017's survey results, focus was placed on chemical substance management in FY2018, and on-site verification activities were conducted for 10 business partners. Visits were made to verify aspects such as clarification of chemical substance management standards, management status of Tier 2 business partners, prevention of prohibited substance inclusion in the manufacturing process, and status of internal training conduct. Together with applying information obtained from verification activities at business partners actively working on chemical substance management to our future activities, we will continue to provide advice to those business partners who are not as active.

- ▶ Verification at business partners active in chemical substance management: 4 companies
- ▶ Verification at business partners passive in chemical substance management: 6 companies

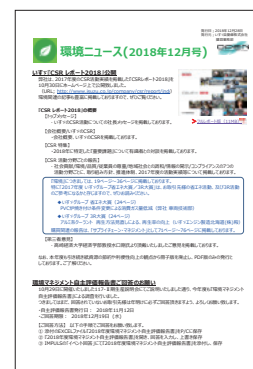
### CO<sub>2</sub> Reduction Activities in the Supply Chain

The Isuzu Group is taking action to identify and reduce CO<sub>2</sub> emissions over the total supply chain. We are continuing with initiatives to identify and reduce these emissions using calculation procedures based on guidelines from the Ministry of the Environment. In FY2018, an environmental activity seminar was held on July 26, 2018 for 45 people from 37 business partners who are stagnant in their activities for reduction of CO<sub>2</sub> emissions. At the seminar, a lecturer from The Energy Conservation Center, Japan spoke about how to proceed with even further CO<sub>2</sub> reduction activities utilizing the revised Act on Rationalizing Energy Use (commonly called the energy saving law). Cases of energy saving by the Isuzu Group were also introduced.

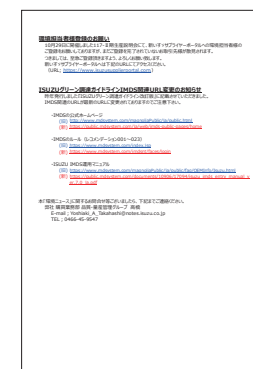
In addition, we published our environmental news in December 2018 featuring topics such as cases of improvements to environmental activities.



Environmental activity seminar



Environmental News







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### Communication with Business Partners

Isuzu intends to strengthen communication with its business partners through briefing sessions and meetings. We also pay close attention to communicating respectfully with our business partners on a daily basis. We believe that interactive communication built on mutual trust with our business partners will lead to strengthening of our supply chain.

A quality policy briefing was held for business partners for which defective parts were discovered in the plants of Isuzu. The status of defect occurrence and results of their analysis, improvement cases, and requests for quality improvements were some of the things explained. In FY2018, 52 people from 32 business partners with six or more defect occurrences annually attended the briefing. For FY2019, we plan to expand this to include business partners with three or more defect occurrences annually so as to have the participation of even more business partners (around 100 people from 70 companies).

#### Main Opportunities for Communication with Business Partners

- ▶ Procurement policy briefing once/year (March)
- ▶ Production briefing 2 times/year (April, October)
- ▶ Quality policy briefing once/year (April)
- ▶ Isuzu Kyowakai (regular general meeting) once/year (May)
- ▶ Isuzu Kyowakai (joint committee meeting) once/year (July)
- ▶ Isuzu Kyowakai (managers' social gathering) once/year (October)
- ▶ Isuzu Kyowakai (1st to 6th subcommittees) 3 times/year (for each subcommittee)

\* Isuzu Kyowakai: A cooperative association composed of Isuzu's business partners.

### Establishment of Business Partner Consultation Service

We have established a Business Partner Consultation Service within our Legal Department's Compliance Management Group, providing impartial consultations for our business partners.

### Future Initiatives

At the procurement policy briefing held on March 22, 2019, we explained the details of our activities for deepening our supply chain, and requested our business partners to build their BCP/BCM systems and comply with our

risk management guidelines for business partners. Going forward, we will continue to further deepen our activities in quality, the environment, and risk management so as to build a resilient supply chain.

Our surveys on the status of initiative execution by our business partners reveal that there are large differences in execution status depending on the business partner. In order to improve the overall execution level, we will hold interviews on execution status and check the conditions of production sites, while also continuing to gain an understanding of the level of execution through surveys, and we will apply these results to future activities.

By introducing examples of improvements achieved from these interviews and surveys, we will promote the activities of our business partners.

We will review the content of the Isuzu Green Procurement Guidelines and Isuzu Supplier CSR Guidelines as necessary while also continuing activities to raise awareness of these guidelines.



Procurement policy briefing



Production briefing



Quality policy briefing



Isuzu Kyowakai (regular general meeting)



Isuzu Kyowakai (joint committee meeting)



Isuzu Kyowakai (managers' social gathering)



## Contributions to Local Communities and Society

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### Basic Ideas

Isuzu undertakes initiatives based on our basic approach, which is defined as “We respect the cultures and customs of nations, regions, and communities, participate in local communities and society through our business activities, and work in harmony while actively contributing to their development.”

Isuzu considers its social contribution initiatives to be responses to social expectations and needs and through these initiatives Isuzu becomes a partner trusted by society and contributes to the development of local communities.

#### ◆ Addressing Poverty

Poverty is a severe social problem for many of the developing countries where Isuzu conducts businesses, and Japan is seeing a poverty problem as a result of a growing wealth gap.

Isuzu is grateful to society for supporting our growth so far, and works to address the problem of poverty as part of our contributions to local communities and society. We are actively deploying employee-participatory activities while utilizing the expertise we have as an automobile manufacturer.

#### ◆ Educational Support

Isuzu strives to provide educational opportunities including work experiences, environmental education, and artistic experiences from the perspective of the company’s specialization of monozukuri.

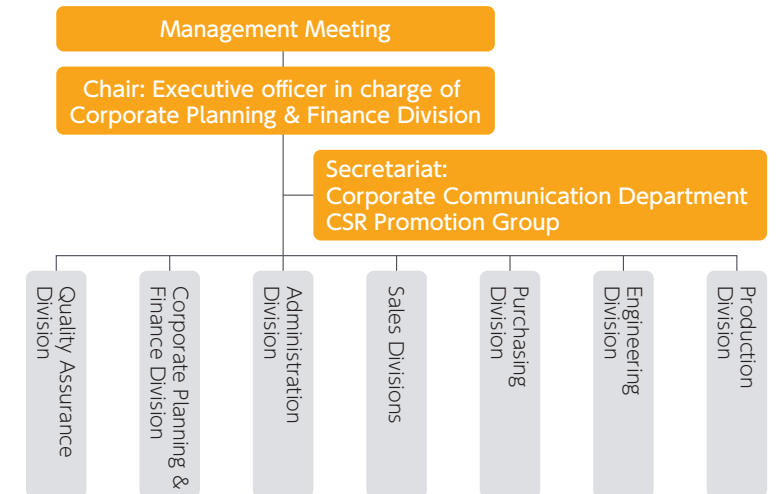
#### ◆ Harmony with Local Communities

Isuzu is committed to social contribution activities in the areas where we operate, striving to win the trust of local communities and to contribute to their prosperity.

### System

Isuzu holds Social Competence Promotion Meeting on a regular basis, where committee members selected from each division in our company discuss new initiatives and measures to improve our activities.

#### Social Competence Promotion Meeting organization chart



### Mechanisms to Encourage Employee Participation

While encouraging employee participation by using posters and company-wide e-mails, we also communicate the results of our activities on a broad scale both internally and externally with our in-house newsletter as well as Isuzu’s website and community site.

### Support for External Initiatives and Coordination with Industry Groups

We are promoting activities which invite employee participation while engaging in coordination and cooperation with various groups.

- World Vision International
- NGO OISCA
- Specified nonprofit corporation TABLE FOR TWO International
- Registered NPO Second Harvest Japan



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### Future Initiatives

Isuzu's future initiatives to contribute to local communities and society will be as follows.

- With regard to addressing poverty, we will implement measures to promote the participation of employees in programs such as the continuation of a vocational school for auto mechanics in the Philippines, the TABLE FOR TWO program and food drives, etc and aim to expand our support.
- With regard to supporting education, we will increase opportunities to learn a wide range of occupations by adding new programs such as job introductions, in addition to the existing Monozukuri Hands-on Workshop.
- With regard to harmony with the local community, we plan to promote the use of Isuzu Plaza by members of the local community and aim to make it a facility that better allows people to engage with Isuzu.




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 Employee-participatory activities are indicated with this symbol.

### Support Program for Auto Mechanics Vocational School

Since 2008, as part of Isuzu's desire for a unique Isuzu social contribution activity project on the occasion of Isuzu's 70th anniversary, Isuzu started an educational program organized in Tacloban City\* by the Technical Education and Skills Development Authority (TESDA) on the island of Leyte in the Philippines at an automobile mechanic vocational school.


As a social contribution business utilizing expertise as an automobile manufacturer, this project aims to develop automobile mechanics supporting Philippines' automobile industry as well as support the employment of youths facing poverty.

Going beyond financial support, as an example of support utilizing Isuzu's expertise, instructors from Japan are dispatched on-site to establish Isuzu Juku for the conduct of technical education support. Graduates, who are strong in maintenance skills – such as electricity, transmission, engine, and steering – as well as inculcated with the concept of 5S activities, are received favorably at their place of employment.

So far 266 people have graduated through this program, finding work in auto dealers and garages in the Philippines, Japan, and around the world. Some graduates have been hired as trainers at Isuzu Global Service Corporation (IGSC), an after-sales support company founded in the Philippines.

On August 20, 2018, a memorial ceremony for the 10th anniversary of the opening of the school was held, and many graduates and current students participated from the Philippines and abroad. The reunion included events to which the local residents were invited, and charity events were held for underprivileged children.

\* A port city in the northeastern part of Leyte Island. It is the capital city of Leyte province and the largest city in Eastern Visayas. It was the biggest battleground of World War II, and there are several monuments of the Japanese army. The population is about 180,000 and the number of villages is about 140. The main language is Waray, which is found throughout Eastern Visayas, but Tagalog is used in education, commerce, and politics, and English is also accepted as an international language.

 Establishment of after-sales support company (Japanese only)  
[https://www.isuzu.co.jp/press/2015/11\\_20prs.html](https://www.isuzu.co.jp/press/2015/11_20prs.html)

#### Project Slogan

► Quality Training-Our Commitment, Brighter Future-Our Gift



Class at the auto mechanic vocational school






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### FY2018 TABLE FOR TWO (TFT) Program Results

At Isuzu, we provide our employees with the Table For Two program (TFT) in the canteen and cafe area, to help them eat healthy and participate in social contribution activities at the same time. Ten yen is donated every time employees buy healthy menu items and healthy drinks, and this amount, as well as the contributions made in the charity box, will be doubled by Isuzu and donated to Table for Two International, an NPO that provides funding for school meals for impoverished children in developing countries.



TFT healthy menus and the charity box

#### FY2018 Achievements

| Area               | Donated school meals (equivalent) |
|--------------------|-----------------------------------|
| Omori Headquarters | 13,132 servings                   |
| Fujisawa           | 3,937 servings                    |
| Tochigi            | 1,267 servings                    |
| Total              | 18,336 servings (16,865 servings) |

\* Figures in brackets are from FY2017.

\* The six countries supported by TFT are Uganda, Ethiopia, Kenya, Tanzania, Rwanda, and the Philippines. All of them are countries where Isuzu conducts business.

### FY2018 Food Drive Results

Isuzu's unique initiative Food Drive collects from employees food materials close to the end of their best-by dates and donates them to the Registered NOP Second Harvest Japan, which distributes them to local charity groups and institutions, thereby reducing food waste and promoting social welfare.



Food collected at the Omori Food Drive

### FY2018 Achievements

| Area               | Number of participants        |
|--------------------|-------------------------------|
| Omori Headquarters | 100 employees                 |
| Fujisawa           | 165 employees                 |
| Tochigi            | 32 employees                  |
| Total              | 297 employees (196 employees) |

\* Figures in brackets are from FY2017.

### FY2018 Eco Cap Results

Through the Eco Cap initiative, PET bottle caps gathered from Isuzu employees are recycled and profits are donated to charity to give polio vaccines to children in developing countries.

#### FY2018 Achievements

| Area               | Collected caps        | Description   |
|--------------------|-----------------------|---|
| Omori Headquarters | 115,417               | Donations provided polio vaccines for 144 people*1 through a social action program run by a school in Shinagawa, Tokyo. |
| Fujisawa           | 750,160               | Donated money equivalent to 1,500 polio vaccines*1 through an NPO   |
| Tochigi            | 293,417               | Donated money equivalent to 586 polio vaccines*1 through an NPO   |
| Total              | 1,158,994 (1,075,203) |   |

\* Parentheses indicate FY2017 results.

\*1 Calculations are based on 800 caps equaling one polio vaccine for Omori activities, and 500 caps equaling one polio vaccine for Fujisawa and Tochigi activities.




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### The Monozukuri Workshops at Isuzu Plaza

Since 2014, Isuzu has been holding Isuzu Monozukuri Workshops, a program developed by employees involved with production and development where participants can experience the joy and value of "monozukuri" (craftsmanship). In FY2018, we held workshops in places like the Isuzu Plaza, Fujisawa City, and earthquake disaster sites in Tohoku, which were attended by 478 participants, consisting of families with children. All participants actively engaged in the four different detailed programs on offer, in which they created works filled with personality.

#### Casting Class

In this workshop, participants use the casting technology employed in creating engine parts and household goods to create tin versions of their favorite Isuzu characters (Giga-kun, Elf-kun, Elga-chan). This is a popular workshop in which children and adults alike have fun experiencing the casting process.

#### Design Class

Isuzu designers give children advice as they draw their own designs on papercraft versions of Elf trucks and assemble them. Children and their parents have fun "driving" the completed trucks at the test course that is so popular that waiting lines form.

#### Plastic Class

In this workshop, participants create Isuzu character soap using plastic molds, as well as sculpt out Isuzu character wall ornaments that are drawn on sheets of plastic. The participants add color and scents to the soap, and the wall ornaments are made colorful with stickers and masking tape. The method for creating these two different items takes advantage of the prototyping technology used in manufacturing cars. This workshop is very popular with elementary and middle school children.

#### Christmas Wreath Class

In this workshop, participants create Christmas wreaths using vines and berries collected near Isuzu's Tochigi and Fujisawa plants. This is a new program which makes use of natural materials, and it was implemented through various departments within the company working together. The workshop is particularly popular with females, and children and adults alike have fun making wreaths with colorful decorations.

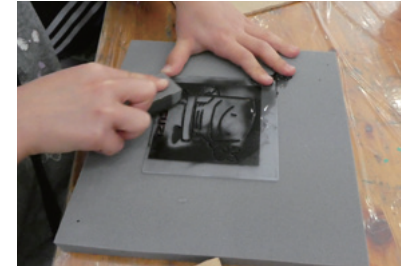
We plan to continue holding Isuzu Monozukuri Workshops so that more people can enjoy them.



Casting Class



Design Class



Plastic Class



Christmas Wreath Class

### DeuSEL® Project Special Lesson Held at Elementary School

Isuzu has been carrying out joint research with its project partner euglena Co., Ltd. in the DeuSEL® Project since 2013.

As one part of this project, since 2015 Isuzu has held special lessons with its partner euglena. During the lessons, students observed the microorganisms used as raw material with microscopes, were able to ride the DeuSEL® bus powered by the biofuel and enjoyed learning about future fuel and global environmental problems.

In FY2018, special lessons were provided three times to fifth year elementary school students.

 DeuSEL® project  
<http://www.deusel.jp/>



Children actively engaging in the class



The children were very interested in the buses powered by DeuSEL®




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### Participation in the Mt. Fuji Forestation Project

The Mt. Fuji Forestation Project aims to restore the rich forests and ecosystems that have been destroyed by pest damage at the northern foot of the Mt. Fuji (designated by UNESCO as a World Cultural Heritage in 2013). This year marks Isuzu's 11th year of participation in this project in cooperation with the Organization for Industrial, Spiritual and Cultural Advancement-International (OISCA) and Yamanashi Prefecture's Forest Maintenance Association.

This activity has been conducted by recruiting volunteers and employees from the beginning of the project and this year, a total of 102 employees and their families as well as former employee comrades from Isuzu Omori Head Office, Fujisawa district, ISUZU MOTORS LIMITED, and ISUZU MOTOR SYUTOKEN CO., LTD. participated in the 2019 Mt. Fuji Forestation Project.

We position these activities as an opportunity for participants to deepen their understanding of social issues and learn about the significance of volunteer activities, and we encourage the participation of many of our employees. In addition, children who participate have the opportunity to experience the natural greenery of Mt. Fuji by playing on swings and knitting with twigs and yarn.



Commemorative photograph with Mt. Fuji as backdrop Monitoring activities



Repairing protective nets

Experiencing cutting of logs for children

### Isuzu Co-sponsored the Orchestra Factory, Presented by the Kanagawa Philharmonic Orchestra, at Elementary Schools near Fujisawa Plant

Isuzu co-sponsored the Orchestra Factory\* event held by the Kanagawa Philharmonic Orchestra at Ayase Municipal Ayase Elementary School (February 13) and Ayase Municipal Ochiai Elementary School (February 14) in Kanagawa Prefecture. A total of 1,224 students from both schools participated.

This program, which is now in its fifth year, aims to provide children with experiences through music to foster their creativity and enrich their artistic sensitivity.

The students not only listened to live performances by the orchestra, but also practiced diligently with its members in advance so they could perform together with the orchestra on the day of the event. The orchestra performed the school song as its final piece on each day, giving a wonderful, moving gift to the children.

\* Orchestra Factory:

An event in which children can experience "the creation of something wonderful (i.e., music) through a unified group effort" by listening to live orchestra performances and performing together with the orchestra members. The aim of the event is to bring out the image of monozukuri in a factory through the musical performances



Children were able to play along with their instruments while enjoying the dynamic performance by the orchestra up close (left: Ayase Elementary School, right: Ochiai Elementary School)




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### Isuzu Plaza

#### ◆ Purpose of Establishment

The Isuzu Plaza was opened next to the Fujisawa Plant in April 2017 as part of the Isuzu Motors 80th anniversary project. The Isuzu Plaza introduces the role of commercial vehicles, Isuzu's car manufacturing and operation support behind its support for transportation as well as the history of Isuzu and aims to be a facility where people can experience Isuzu up close.

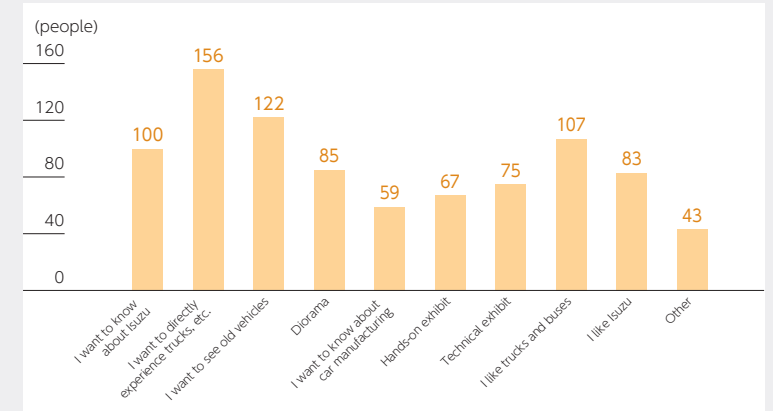
In addition, the facility plays a role connecting with community members and local residents through social studies visits by elementary school students, various events, monozukuri classes, guided tours of facilities, and the registration of the lobby for cool sharing.

#### Overview

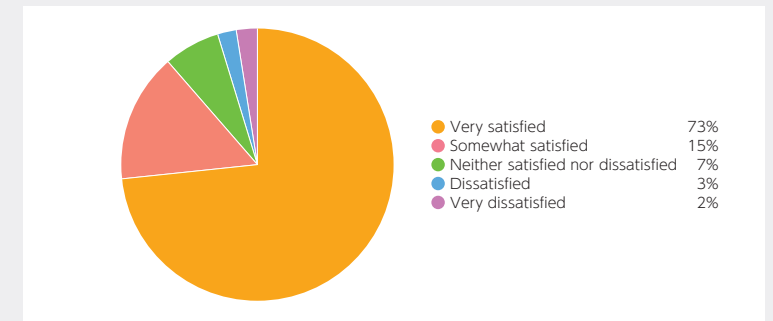
- ▶ Address: Tsuchitana 8, Fujisawa City, Kanagawa Prefecture (Isuzu Fujisawa Plant annex)
- ▶ Opening hours: Tuesday to Friday (appointment only); Saturdays and national holidays (free entry) 10:00 - 17:00  
May be closed some days during the Golden Week holidays, summer holidays, and year-end/new-year holidays (according to the Plaza calendar)
- ▶ Entrance fee: Free
- ▶ Established: April 2017
- ▶ Isuzu Plaza website: <https://www.isuzu.co.jp/world/plaza/index.html>
- ▶ Exhibition zones:  
Four zones – Isuzu and Fujisawa City, Isuzu and Transportation; Manufacturing at Isuzu; and Isuzu History  
Exhibits:  
Miniature World (diorama), 1/20-scale production line model, old and new Isuzu models, driving simulator and other experience-oriented devices, etc.
- ▶ Other facilities: 100 parking lot spaces (free), Sakura Cafe (provides food and beverages)
- ▶ Visitors: 89,667 per year (FY2018)

\* Cumulative total of approx. 195,000 (as of the end of June 2019)

#### Expectations and Visitor Target for Isuzu Plaza



#### Satisfaction with exhibits



#### Visitor Impressions

- ▶ I wanted to show my grandchild the fun of cars.
- ▶ I came for the first time. It was a place that adults and children could enjoy, and I had a great time. I want to come back.
- ▶ There were many kindergarten teachers and mothers bringing their children in a warm atmosphere.
- ▶ I greatly appreciated that companies can provide such a place (and for free). Thank you. The courtesy bus was also comfortable and great.
- ▶ The counter staff and staff are very nice to say.
- ▶ I was able to get to know things that I did not know much about.
- ▶ The kind and simple explanations from the staff were nice.
- ▶ Many exhibits, can let us know more how a product made.






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 Employee-participatory activities are indicated with this symbol.

### ◆ Overview of Social Studies Visits

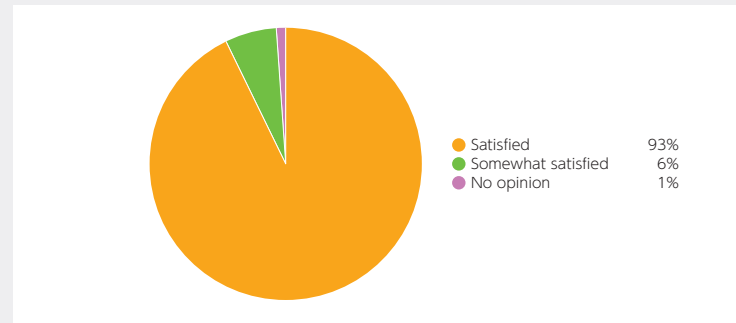
Isuzu organizes social studies tours for fifth-grade elementary school students near the Isuzu Fujisawa Plant and Isuzu Plaza. Students are able to view, touch, think and understand the role of commercial vehicles, manufacturing processes and environmental and safety issues.

The staff who provide guidance and explanations for the tours try to make it easy to understand and we work to improve future experiences from feedback questionnaires filled out by visitors after the tour.

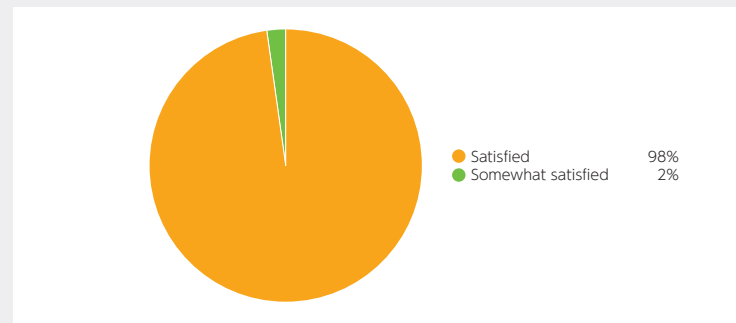
▶ Results: 81 schools, 8,394 participants

### ◆ Evaluation of social studies visits \* Responses are from the leader

#### Assembly line



#### Isuzu Plaza



Isuzu Plaza front view



Plaza reception



Exhibit (diorama)



Exhibit (successive vehicle generations)



Enjoying the workshop



Social studies tour (plant tour)



Social studies tour (orientation at plaza tour)



Reception during Valentine's Day event



Christmas concert by Kanagawa Philharmonic Orchestra




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### Isuzu Summer Festivals 2018

Both Fujisawa Plant and Tochigi Plant held their summer festivals in August 2018. The festivals were intended to show appreciation to the employees and their family members for their daily efforts as well as to the local community and residents for their cooperation.

Fujisawa Plant welcomed approximately 22,400 visitors and Tochigi Plant approximately 8,000. Local residents enjoyed the festivals as well.

#### ◆ Fujisawa Plant

During the Isuzu Fujisawa Festival, an exhibition of automobiles was held for the first time near the Children's Square at the Fujisawa Plant to inform children and local residents about the types of cars produced by Isuzu. In addition to the daytime display, the exhibition area was lit up at night, allowing visitors to see and feel the powerful impressions of many types of automobiles and large vehicles, while familiarizing them with commercial vehicles.

The festival started off with a marching parade featuring the students of Kamakura Women's University's junior high school and high school, and included many sensational events for crowds of visitors such as wadaiko (Japanese drum) performances and parades highlighting the Isuzu Manto Mikoshi portable shrines.



Marching parade featuring students from Kamakura Women's University's junior high school and high school



Powerful wadaiko drum performance



Delighted crowds watching the Isuzu Manto Mikoshi



Vehicle exhibitions and a spectacular fireworks show to conclude the summer festival

#### ◆ Tochigi Plant

With the theme of "Love for the earth, love for family," the Tochigi Plant held a festival for local residents, employees, and their families to take part in enjoyable events while providing opportunities to interact and communicate with each other. The festival venue welcomed crowds of visitors with exciting activities, including booths for the Ko-Edo Market in collaboration with Tochigi City, performances from a local high school dance club (Tochigi Prefectural Sano Shou-ou High School) and wadaiko drum circle (Kobu Gikai), and an annual customary fireworks display.

Also, as one part of Isuzu's activities to contribute to local communities, a vehicle exhibition was staged allowing local nursery school students with boundless potential for the future to directly see and touch various commercial vehicles in the hope of sparking their interest.



Traffic safety activities held at the gate by city and police personnel together with "Mimamori-kun"



Tochigi city's mascot character, "Tochisuke," was very popular among children



Children attending local nursery schools were invited to a vehicle exhibition



Fireworks display to mark the festival's finale




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### Exhibited at 2018 Fujisawa Industry Festival

The 2018 Fujisawa Industry Festival (hosted by the Fujisawa Chamber of Commerce and Industry and supported by Fujisawa City, etc.) for the purpose of broadly introducing Fujisawa’s commercial and industrial products and local products to people both within and outside Fujisawa City and broadening the understanding of the vitality of industry through exchange and interaction with local people was held in Fujisawa City, Kanagawa Prefecture, on May 26 and 27. Over two days, the event welcomed some 65,000 visitors and was very lively.

The Isuzu booth exhibited an ELF truck and panels explaining about trucks and plants and was visited by Mayor Suzuki of Fujisawa City and many other people. Many children were also fascinated by the driver’s seat of the ELF truck and our quiz and were able to experience Isuzu close at hand.



Elf on display outdoors

### Participating in the Ohira Industrial Festival in Tochigi

Isuzu had a booth at the Ohira Industrial Festival (organized by the Industrial Relations Department of the Ohira Office of the Tochigi City government).

Isuzu showed its support for the event’s theme of “local activities for industrial promotion,” holding an informative exhibition of diesel engines (4JZ1) and ELF fire engines, and commemorative photo sessions with our mascot character “Mimamori-kun,” in the hopes of strengthening communication with residents living in the vicinity of Isuzu’s Tochigi Plant.

Many families and their children visited on the day of the event and we were able to deepen our ties with the local community.



Children love Mimamori-kun



# Governance

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88 Compliance

92 Risk Management

## Basic Ideas

Isuzu is promoting governance activities that encompass corporate governance, compliance, and risk management based on our basic approach of “building a solid foundation to support business activities and contributing to corporate value through proactive disclosure and explanation as a company that contributes to the creation of a prosperous society.”

We believe that the establishment of corporate governance structures that provide a framework for discipline is indispensable to our ability to generate consistent profits and enhance corporate value through our business activities. It is an especially important factor in corporate governance to develop internal systems and an environment to protect the rights and interests of all stakeholders and ensure they are all treated equally.

Furthermore, to accomplish this, it is necessary for the Board of Directors and the Audit Committee to fully perform their responsibilities in supervising

business management while simultaneously assuming accountability with regard to all stakeholders.

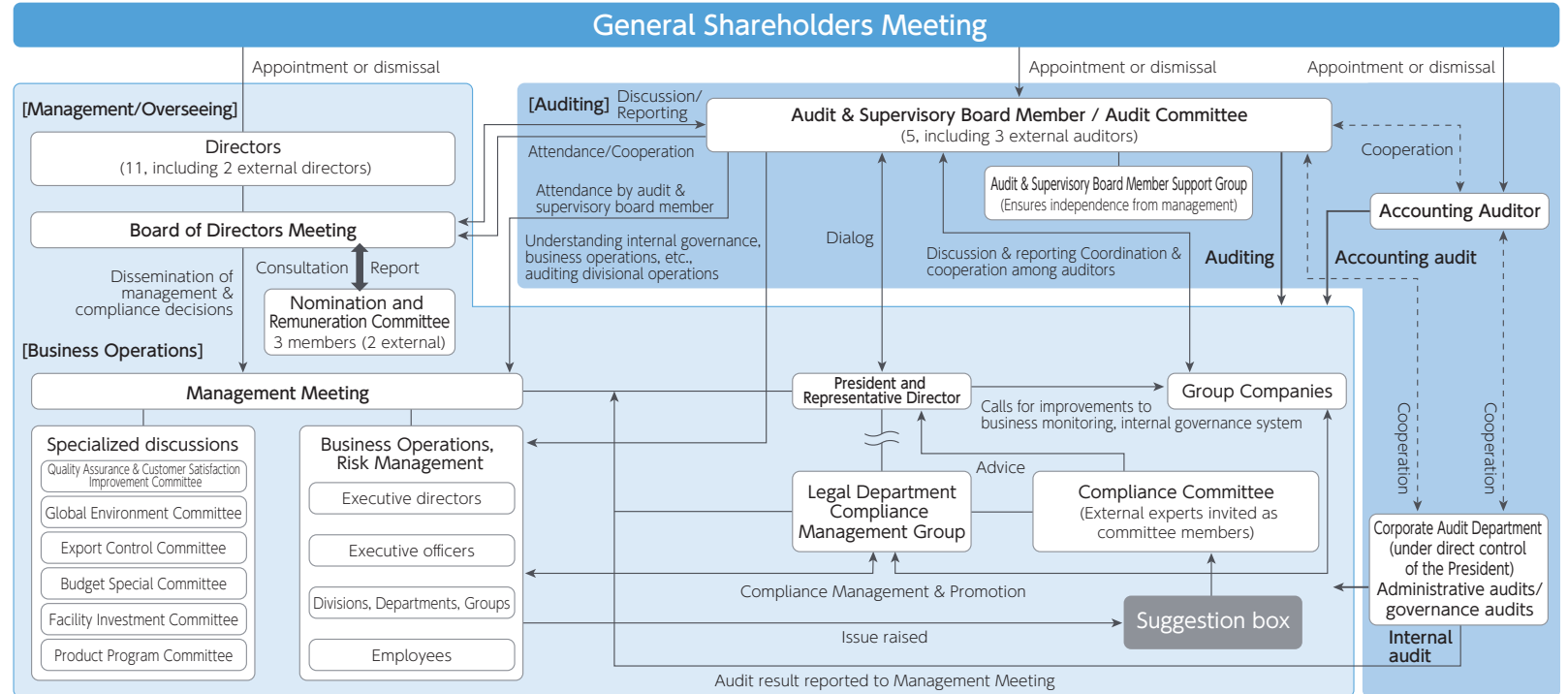
## Corporate Governance System (Board of Directors and Audit Committee)

Isuzu is a company with internal auditors, and has established a Board of Directors and an Audit Committee as internal bodies to resolve, oversee, and audit major business operations.

The Board of Directors of Isuzu has 11 members and is chaired by President and Representative Director Masanori Katayama. In principle, the board convenes at scheduled meetings every month, with ad hoc meetings called as necessary. They deliberate and decide on important matters concerning business operations.

The Audit Committee at Isuzu is made up of five auditors and is chaired by Standing Corporate Auditor Chikao Mitsuzaki. Each auditor attends Board of

## Corporate Governance System



\* As of 26th June 2019



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Directors meetings and audits the of business operations of the directors in accordance with the audit plans set out by the Audit Committee.

Isuzu's Board of Directors, which oversees and manages management decision-making and business operations, is supported by the five-member Audit Committee, including three external auditors, which monitors business management. In addition, we have appointed two independent external directors from the perspective of improving the objectivity, neutrality and transparency of the Board of Directors.

In addition to the above-mentioned statutory bodies, as an organization related to corporate governance, the Nomination and Remuneration Committee was established at a meeting of the Board of Directors on June 26, 2019 in order to strengthen the independence, objectivity, and accountability of the board's functions related to the nomination of executive candidates, the selection of senior executives, and the determination of executive compensation. The Nomination and Remuneration Committee is composed of three members, the President and Representative Director, and two external directors (Hiroyuki Maekawa and Mitsuyoshi Shibata) and the Board of Directors deliberates and reports on proposals submitted for consultation by the committee.

### Overview of Corporate Governance System

Isuzu believes that in order for a company to improve its corporate value in response to its mandate and confidence from stakeholders, it must strive to expand the common interests of the company and all stakeholders and to coordinate the stakes among each stakeholder without being biased towards the interests of management and the company or the interests of specific stakeholders.

At Isuzu, in addition to selecting a structure with an audit committee, we have appointed two external directors to the Board of Directors as part of a corporate governance system which is considered to be appropriate for the company and management to secure confidence from all stakeholders.

Isuzu is structured as a company with an audit committee because we believe that it is an excellent system that allows the Board of Directors, who is familiar with our business and management issues, to make quick and strategic decisions and supervision through its management functions while

allowing the Audit Committee to lead the management monitoring processes, leveraging its external expertise and objectivity.

The ability of the Board of Directors to properly execute decisions and supervise business operations depends on each director on board and their deep management knowledge, experience and ability to make appropriate decisions and remarks based on sufficient knowledge and experience of our business and automobile industry. In addition to promoting internal personnel with the necessary high level of insight and ability, we have appointed several external directors with a wealth of knowledge of corporate management and other domains. These external directors are dedicated to providing advice and recommendations to management and contributing to the enhancement of diversity in the deliberations and decision-making of the Board of Directors and the strengthening of supervisory functions.

To date, in order to obtain appropriate involvement and advice from the outside directors at the Board of Directors meetings, we have held a preliminary explanatory meeting for proposals to be considered by the Board of Directors for only external directors where we have explained the contents and materials of the resolutions. In addition to this, we will strive to enhance deliberation and strengthen objectivity and accountability through discussions in the Nomination and Remuneration Committee when considering particularly important matters such as nomination and remuneration.

As for the checking/monitoring functions, we are working on enhancing collaboration between the Audit Committee, including external auditors, and the Board of Directors, and strengthening the management monitoring function of the auditors. We are conducting various initiatives with the aim of strengthening management monitoring functions to ensure an independent management monitoring function, for example through management audit meetings regularly held in advance of the regular Board of Directors meetings in which all auditors attend in principle.

At present, we believe the management monitoring function as a company with an audit committee can function sufficiently with the introduction a system in which management is accountable from a perspective independent of corporate management and business operations. In the future, we will continue to consider strengthening the independent monitoring function within the Board of Directors, centering on the further utilization of external directors.



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### Management Meeting and Committees

In order to speed up management decision-making and business operations, Isuzu has established a Management Meeting, which deliberates and determines important matters of corporate management based on the resolution of the Board of Directors. Furthermore, various committees that report in the Management Meeting were established to make up a system that deliberates efficiently in each specialized field. The committees include the Quality Assurance and Customer Satisfaction Improvement Committee, Global Environment Committee, Export Control Committee, Budget Special Force, Facility Investment Committee and Product Program Committee.

In addition, an executive officer system has been adopted to provide appropriate support for the business operations of directors. The status of business operations are reported at the regular Board of Directors meeting, which is held monthly in principle.

### Status of Auditors' Audits and Internal Audits

Of our five auditors (of which three are external auditors), three are standing corporate auditors (of which one is an external auditor). All of them have considerable knowledge in financial affairs and accounting. There are two staff supporting the auditors, and since April 2006, we have established the Audit & Supervisory Board Member Support Group directly under the Audit Committee as a specialized organization supporting the auditors in the execution of their duties. In May the same year, we established the "Regulations for Employees who Assist Audit and Supervisory Board Members" to ensure the independence of the group and enhance the effectiveness of its staff's instructions .

Besides attending board and other important meetings, auditors conduct audits by listening to reports from the Directors of the Board and other on the performance of their duties, examining important documents related to important decisions, examining the operations and assets at our head office and major operational sites, and when necessary, requesting reports from our subsidiaries. In addition, our accounting auditors and Audit & Supervisory Board seek to communicate in accordance with Auditing Standards Committee Statement 260 "Communication with Those Charged with Governance" published by The Japanese Institute of Certified Public Accountants (JICPA), and refer to the "Joint Research Report on the Cooperation between Company (Corporate) Auditors (including Boards of Company (Corporate) Auditors)/Audit Committees and External Auditors in the Work of Audit " (published jointly by JICPA and Japan Audit & Supervisory Board Members Association ) for smooth communication.

At Isuzu, the internal audit function is organized under the Corporate Audit Department, with the Governance Audit Group and Administrative Audit Group. They conduct internal governance audits of financial reports with reference to the Financial Instruments and Exchange Act to maintain the credibility of the documents, as well as internal audits and themed audits of operational administrations at Isuzu and Group companies. Through these audits, they help to ensure and improve compliance with laws and regulations, financial credibility, and effective and efficient operations. Since the Corporate Audit Department conducts both internal governance evaluations and internal audits, the two duties are linked in an organic manner to achieve efficient execution and deepening of operations. In addition, the Accounting Department and the Legal Department provide necessary cooperation for these internal audits as appropriate. The groups have a total of 18 members (except managers) for the current fiscal year.



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### External Officers

Isuzu has appointed two external directors (non-standing) and three external auditors (one standing auditor). There is no conflict of interest in Isuzu which should disclose in terms of organizational/human relations or transactions with these external directors and external auditors. The holding of company stocks by external directors and external auditors is insignificant and there are no specific conflicts of interest that Isuzu should disclose in terms of capital relations.

External officers are able to recognize the neutral and impartial role Isuzu should play in society and to oversee its management without showing any favor toward managers or particular stakeholders.

The standards for independence for selecting external directors of the company are in accordance with the independence standards set by the Tokyo Stock Exchange. Among these standard, we ensure the independence of external directors from those whose main business partners are Isuzu or our business operation partners, and in the case of the main business partners of Isuzu or our business operation partners, "main" business partners are those whose business volume with Isuzu or their business partners is 2% or more of Isuzu's consolidated sales in the previous consolidated fiscal year. Additionally, companies that have received a large amount of money or other property other than executive compensation from Isuzu or if the organization to which it belongs receives a donation from Isuzu. The standard for "large amount" is 10 million yen or more annually.

#### External Directors/Auditors and Reasons for Selection

|                    |                            |  |
|--------------------|----------------------------|--|
| Hiroyuki Maekawa   | Director of the Board      | As the manager of a public-listed company, he has a wealth of experience and extensive insight.  |
| Mitsuyoshi Shibata | Director of the Board      | As the manager of a public-listed company, he has a wealth of experience and extensive insight.  |
| Tetsuhiko Shindo   | Standing Corporate Auditor | He has a high level of expertise and a wealth of experience in finance and corporate financial affairs, as well as considerable knowledge in financial affairs and accounting. |
| Takashi Mikumo     | Auditor                    | He has a wealth of knowledge and experience in finance and corporate management.   |
| Kanji Kawamura     | Auditor                    | He has a wealth of knowledge and experience in corporate legal affairs.  |

With regard to the relationship between supervision or audit by the external directors and the interaction between internal audits, audits by auditors and accounting audits as well as the relationship with the internal governance division, first, regarding the external auditors, reports are received on the implementation status of internal audits, audits by auditors, accounting audits, and the status of activities of the internal governance division at the meetings of the Audit Committee and the Board of Directors. With regard to external directors, the board receives reports on the status of implementation and activities described above, makes appropriate remarks from an independent standpoint, and fulfills its responsibilities. In addition to the above, initiatives to enable management monitoring to function fully from the perspective of independence, including the use of external officers, are as follows.

1. Management audit meetings, in which all auditors attend in principle, are regularly held in advance of the regular Board of Directors meetings to strengthen management monitoring functions. Management audit meetings include managers in each department responsible for company-wide internal governance, such as the Business Promotion Division, the Business Planning Department and the Accounting Department, in addition to the Administration Division and the Corporate Planning & Finance Division from the side of management. In addition to reporting the status of the system as the internal governance division, these meetings are also used as a forum for explaining and questioning important matters, including matters to be deliberated by the Board of Directors.
2. Every year several divisions are selected, and in principle all auditors conduct administrative audits.
3. In principle, all auditors participate, and an opinion exchange meeting is held twice a year as a place to exchange general management-related opinions with the representative director and president and to have questions and answers session.
4. Standing Corporate Auditors work to enhance the management monitoring functions by participating in the Management Meeting, an organization under the Board of Directors, and participating in audits of major subsidiaries.
5. Standing Corporate Auditors meet regularly with the standing corporate auditors of subsidiaries, etc., to share information on revision to relevant laws and regulations, how to conduct audits by auditors within the Isuzu Group and collaborate and exchange information with the aim of enhancing and strengthening audits of the entire Group.
6. External directors work to strengthen the objectivity and accountability of the Board of Directors by participating in briefings on contents and documents of company-side proposals, which are held approximately several days before the Board of Directors meetings, in order to engage and advise more appropriately.



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### Remuneration for Directors and Audit & Supervisory Board Members

The total amount of remuneration of Isuzu directors is determined within the range approved by the General Shareholders Meeting according to decisions made at the Board of Directors meeting, including remuneration levels of other companies and the business results of Isuzu. The amount of remuneration for each director reflects that individual's position, the performance of Isuzu and the individual concerned. Performance is determined based on the previous fiscal year's performance evaluation.\*

Remuneration is broken down into three forms: basic remuneration based on personal performance, bonus linked to the degree of achievement of consolidated performance in a single fiscal year, and remuneration based on a performance-linked stock-based compensation system (hereinafter referred to as "stock-based compensation") which is linked to the degree of achievement of management indicators in the medium-term business plan period aiming to achieve sustainable corporate value improvement. The composition ratio of basic remuneration, bonus and stock-based compensation is 1.00: 0.35: 0.20 when 100% of performance targets are achieved.

As indicators related to performance-linked compensation, bonuses are calculated automatically according to indicators including degree of achievement of consolidated operating income target and stock-based compensation is calculated automatically according to indicators including consolidated sales, consolidated operating profit margin, and consolidated return on equity (ROE) against the target value.

The reason we chose consolidated operating income as the indicator is because we consider this as an important indicator that shows the scale of the Isuzu Group's earning power and cash generation. The stock-based compensation is based off the target values set in the medium-term business plan (from the fiscal year ended March 2019 to the fiscal year ending March 2021) announced by Isuzu and were selected because they are an important indicators that show the progress of the plan.

\* For outside directors, to maintain their role and independence, only basic remuneration is considered.  
\* The remuneration of auditors is only basic remuneration and is determined within the range approved by the General Shareholders Meeting and is based on the remuneration levels of other companies and the business results of Isuzu in consultation with the auditors.

At the Board of Directors meeting held on June 26, 2019, Isuzu established the Nomination and Remuneration Committee, whose main members are the external directors, as an advisory body to the Board of Directors. In the future, the Nomination and Remuneration Committee will strive to improve the objectivity, fairness and transparency of executive compensation by deliberating on matters related to policies and procedures for determining executive compensation, and the amount of remuneration, and confirming the process and concept of personal performance evaluation.

#### Total amount of remuneration and allowances by executive classification, total amount by type of remuneration and allowances and number of applicable directors

| Exec category                                      | Total of remuneration and allowances (millions of yen) | Amount by type of remuneration and allowances (millions of yen) |       |  | Applicable Directors (persons) |
|--|--|---|-------|--|--------------------------------|
|  |  | Basic remuneration  | Bonus | Remuneration based on performance-linked stock-based compensation system |                                |
| Directors (except external)                        | 651  | 427   | 150   | 73   | 11                             |
| Audit & Supervisory Board Member (except external) | 66   | 66  | —     | —  | 3                              |
| External Directors & Auditors                      | 72   | 72  | —     | —  | 6                              |

\* As of the end of March 2019  
\* No. of execs covered  
The above remuneration amounts are for the current fiscal year and are not confined to positions held from the day after the closing of the most recent regular General Shareholders Meeting. The numbers of executives covered therefore include those who had retired at the closing of regular General Shareholders Meeting held during the current fiscal year.





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### Basic Ideas

Isuzu puts forth the corporate vision "Isuzu will always mean the best. A leader in transportation, commercial vehicles, and diesel engines, supporting our customers and respecting the environment."

To have the Isuzu corporate value recognized by society and continuously accomplish our corporate vision, it is essential that each one of our executives and employees act according to Isuzu's compliance standards, that is, not only complying with laws and regulations but also keeping high ethical standards that live up to the trust society puts in us.

Isuzu places the highest priority on implementing such compliance standards. Isuzu has developed the "Basic Policy for Compliance" as a summary of these standards which was put into effect from 2005, and intends to have all executives and employees knowledgeable and informed of the policy. This policy is composed of seven fields, and if incidents occur which would violate it, top management personnel themselves will execute measures for problem resolution and cause investigation which involve recurrence prevention, release of quick and accurate information to society, and fulfillment of their responsibility to provide explanations.

#### ◆ Basic Compliance Initiative Policy

##### 1 Winning trust from our customers

We aim to win trust from our customers by providing valuable products and services to society, and thus contribute to the creation of a prosperous society.

##### 2 Promoting fair and sound activities

Isuzu business is based on transactions under fair and free competition. We also maintain sound and normal relationships with the government and politicians and act decisively as a corporate citizen against anti-social forces and organizations.

##### 3 Ensuring fair disclosure of corporate information

We broadly communicate with our stakeholders in society not limited to shareholders, and ensure timely, appropriate and fair disclosure of our corporate information.

##### 4 Respect for Employees

We create a safe and comfortable work environment respecting each employee's personality and character so that everyone can fully demonstrate their capabilities.

##### 5 Making a contribution to environment conservation

We actively work on environmental conservation not only through our business activities but also as a corporate citizen residing on earth by getting involved in social and regional environmental conservation activities.

##### 6 Contributing to society

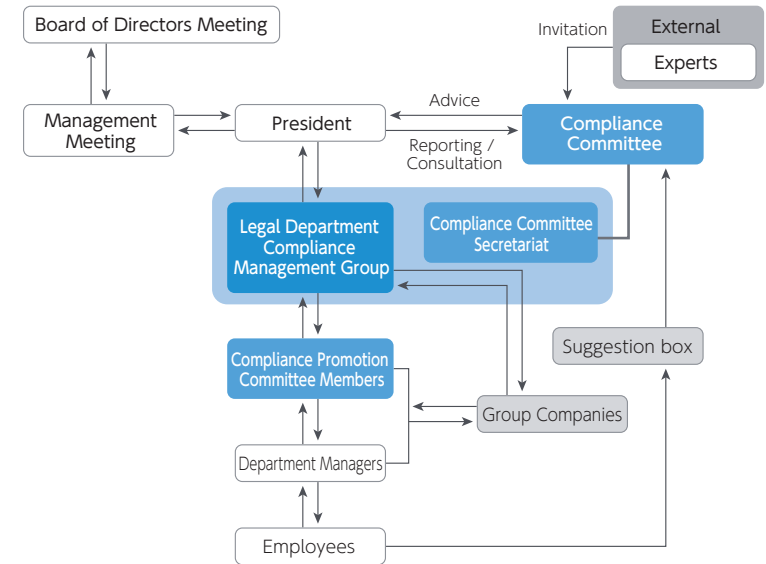
Isuzu proactively undertakes social contribution activities as a good corporate citizen.

##### 7 Ensuring harmony with international and regional communities

We respect the cultures and customs of nations and regions and contribute to their development through our business activities.

### Internal

#### Compliance Promotion System Outline



#### ◆ Compliance Committee

Isuzu's Compliance Committee is in place as the president's advisory function to ensure the clarity and transparency necessary for the pursuit of compliance, and in order to bolster compliance practices at Isuzu by providing objective advice and guidance on the policies and systems of compliance activities as well as confirming the operational status of all consultation points.

There are seven committee members in total, including external experts (university professors, lawyers, etc.), three of whom are executives. Meetings are held every three months.

The Committee receives reports about complaints and consultations from various consultation points, thereby monitoring and overseeing specific measures and case progress.



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### ◆ Internal consultation points / external consultation points (opinion box)

There are three internal contact points for consultation about issues concerning compliance: on the office level (office director), the division level (division manager), and the company-wide level (Legal Department's Compliance Promotion Group).

These contact points receive information fairly and neutrally, and they handle consultations not only on clear violations of laws and regulations or the company code of conduct, but also suspected violations and inquiries regarding laws, etc. relevant to the company regulations and duties in work.

The external contact point (opinion box) is set up at an external legal office as circumstances may make it difficult to contact the in-house consultation point or solve cases of violation of laws or the company code of conduct.

These in-house and external consultation services can be contacted by e-mail, fax, phone, or mail, and the identity of the asker and the content of their inquiry are treated as confidential pursuant to the Whistleblower Protection Act, thereby ensuring protection from unfair treatment at work.

To make these services known in the company, a compliance guidebook and compliance card are distributed to all employees, describing the opinion box and consultation points as well as contact details. Awareness raising takes place regularly through Isuzu Quality and Compliance Promotion Meetings, posters, and other publicity materials. The Legal Department's Compliance Promotion Group functions as secretary, verifying the facts regarding any concerns brought to the consultation points and pursuing improvement.

In FY2018, the external consultation point received 25 reports (5 cases concerning Isuzu and 20 the Isuzu Group). All the concerns brought to the in-house/external consultation points were handled appropriately, and it was verified that no major legal violations were committed.

Please also note that the Board of Directors Meeting is notified of the progress of compliance initiatives, the number of concerns raised, and any major violation cases.

## Isuzu Group

### ◆ Group-wide promotion efforts

Isuzu has introduced Group-wide management rules to manage all Group companies according to unified standards and prevent any compliance risks that may arise within the Group.

Group companies in Japan provide and operate internal and external consultation systems as in the case of Isuzu.

Furthermore, we regularly hold Compliance Promotion Meetings, attended by Group companies, where participants work together to achieve common Group targets and raise awareness of compliance issues. These meetings also help the companies to identify compliance risks that were raised and deploy the countermeasures horizontally to prevent the risks.

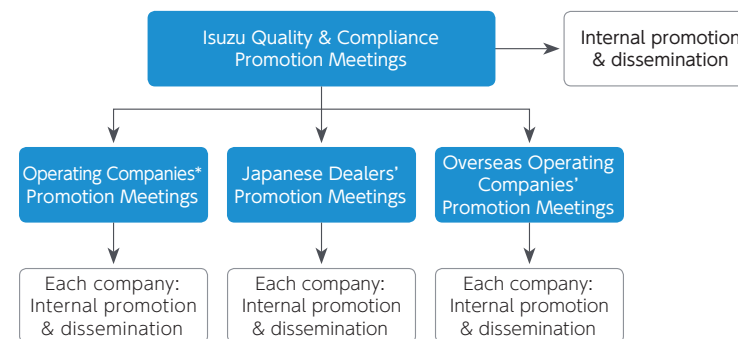
We are creating a system whereby, if a serious situation happens to arise, in accordance with the Group-wide management rules, the concerned company promptly reports the issue, and we work together with them to resolve the matter.

### ◆ Compliance Promotion System in Isuzu Group

Isuzu Quality and Compliance Promotion Meetings are held monthly, with compliance promotion officers from each division participating. The minutes and agendas of the meetings are distributed and shared horizontally to all divisions through division-based promotion meetings, which are organized within the divisions. Similarly, Group companies hold internal promotion meetings, where the same information is conveyed to ensure information sharing and promotion of initiatives across the Group.

In addition, in Thailand, one of the company's main overseas bases, we regularly hold Group company joint Compliance Promotion Meetings and conduct level-based training, and have established an external contact point for reporting concerns, thereby building a compliance system aimed at prompt response to compliance issues and implementation across Group companies.

#### Outline of Compliance Promotion System in Isuzu Group



\* Operating companies: Related companies in Japan except Japanese dealers



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### Initiative Policies and Results for FY2018

#### ◆ Activities to address Group-wide common issues (in Japan)

Each of the Isuzu Group companies in Japan (including dealers and operating companies) identified thorough compliance with the Subcontracting Law and eliminating drunk driving as common issues for the Group and pursued various initiatives toward those ends.

As part of the automobile industry, the theme of drunk driving was particularly close to us all. We are working on raising the awareness of every single employee and ensuring that everyone, including family members and friends, agrees not to drink and drive or to let anyone else do so.

Before long weekends and holidays, Isuzu and all Group companies hold road safety seminars with lectures and videos on road safety and eliminating drunk driving, reminding employees of the dangers inherent to drunk driving and what a grave neglect of social responsibilities it is.

#### ◆ Compliance surveys (Japan)

We regularly conduct compliance surveys with the aim of ensuring that compliance awareness is established and uncovering compliance risks. The survey results analyzed at each company are reported to the management and compliance officers of each company, and they consider future countermeasures and responses.

The FY2018 survey included questions on the themes of the state of compliance education and instruction, overtime work practices, instances of harassment, and awareness of drunk driving, targeting approximately 12,800 employees of Group companies.

Based on the significance and importance of implementing continuous compliance education, in response to the results of the survey, we conducted compliance education including training on harassment, mainly for managerial staff, at operation sites in Japan, with the aim of raising awareness of and providing correct information about workplace harassment and internal communication.

#### ◆ Activities of overseas Group companies

In FY2018, efforts to ensure the effectiveness of our compliance system in Thailand made steady progress, including regularly holding joint Compliance Promotion Meetings for Group companies in Thailand and conducting level-based training. In other regions, we are advancing efforts to establish

systems at an early stage, reviewing contact points for each Group company and working to understand the circumstances of each base.

### Compliance education

In the aim of fostering compliance awareness, Isuzu provides employees with opportunities to learn about compliance basics and relevant laws and regulations, such as level-based lectures and e-learning programs.

Manager training and education programs on various laws and regulations are also provided to Group companies, the aim being for all Isuzu Group employees to act with a common awareness of compliance.

In addition, we conduct training on the Subcontracting Law as one aspect of addressing thorough compliance with that law, which is an issue for the entire Group.



Scene at compliance training

#### Main education themes in FY2018

- ▶ Basic compliance education for new employees
- ▶ Compliance education for mid-career recruits
- ▶ Compliance Education for New Managers
- ▶ Training for New Directors
- ▶ Education for New Executives at Group Companies
- ▶ Harassment Prevention Education for Managers
- ▶ Education about the Subcontracting Law
- ▶ Education about the authorized exporter declaration procedure
- ▶ Drunk driving eradication campaign DVD screening



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### ◆ Publication of Compliance Guidebook and Compliance Cards

In January 2006, Isuzu prepared a company-wide Compliance Guidebook, which it has since been distributing as a compilation of the codes of conduct required of all executives and employees of Isuzu, communicating the basic attitudes and principles.

Similarly, members of divisions are given division-specific compliance guidebooks, which contain matters of potential compliance incidents that may occur during daily work within the division or department, compiled in the form of case studies.

These guidebooks are reviewed every year between April and July, and the content is updated to reflect any amendments to relevant laws and regulations as well as to encourage a better understanding among employees.

The Isuzu Compliance Initiative Policy, the guideline on compliance-related behaviors, the details of in-house and external consultation points (help-lines), and other key elements from the guidebooks are summarized to make a compliance card, which employees carry at all times.

### ◆ Overseas business guidelines

Isuzu's business activities have spread to various countries around the world. To be able to pursue business operations with respect for the laws, customary business practices, and religious/cultural values of different regions, we have created a set of business guidelines to be observed overseas and conduct our business accordingly.

## Monitoring Initiatives

In FY2017, we adopted an initiative to prevent the accounting of inappropriate spending and made sure that all departments practiced the approval system for quoting, ordering, accepting, and making payments for goods, in an effort to promote stricter budget execution. As one aspect of this, we have endeavored to ensure its dissemination and thorough implementation among members of each division through measures including in-house training, and the Corporate Audit Department conducts audits on the actual operational status.

We have reviewed the audit results, and we cooperated with the division compliance promotion committees and continue monitoring compliance with the new rules in FY2018.

We share the results of these monitoring practices with the Isuzu Quality and Compliance Promotion Meeting and continue our efforts to spread these practices throughout the Isuzu Group.

## Future Initiatives

In FY2019, we will continue efforts to foster and improve compliance awareness among executives and employees both at Isuzu and Group companies in Japan. Overseas, we are striving for coordination with the compliance system in Thailand, and are advancing the establishment of compliance promotion systems in other regions.



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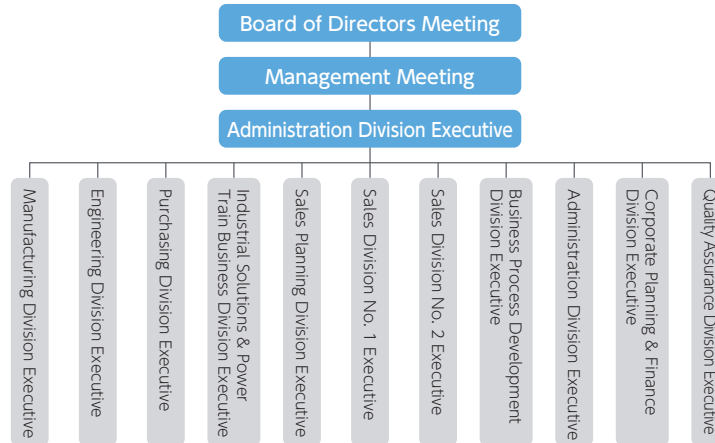
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### Basic Ideas

Isuzu has set up a system in accordance with our Risk Management Regulations by which each division's Risk Management Officer conducts the risk management of their division and a Chief Executive for Risk Management controls the company's overall risk.

We conduct thorough risk management by understanding and assessing the status of risk management at the Management Meeting and, in the event of a crisis, discussing, determining and implementing a response (including systematic) at the Management Meeting and reporting to the Board of Directors where appropriate.

#### Management system



### BCP initiatives

#### ◆ Purpose of BCP in Isuzu

Isuzu fully recognizes its corporate duties (social responsibilities) and has therefore drawn up a business continuity plan (BCP) consisting of a basic company-wide plan and action plans for each department, for quickly restoring the supply of its products and services even in times of difficulty after a large-scale disaster, and has been executing, updating and managing this plan.

#### ◆ BCP basic policy

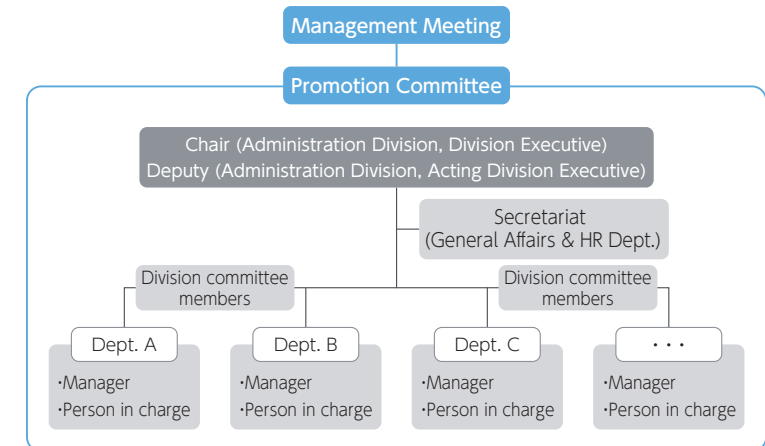
Basic policy on business continuity

- (1) We will secure the safety of our executives, employees and their families.
- (2) We will strive to make facilities, machinery etc. safe and prevent a secondary disaster.
- (3) We will minimize the impact on our customers and business partners.
- (4) We will try to restore and continue operations at an early time.

#### ◆ Risks invoking BCP

Isuzu has prepared a BCP for all significant risks that may lead to an extended period of interruption/suspension of business operations.

#### BCP Promotion System at normal times





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### ◆ About Training Activities

Isuzu carries out training on a regular basis to ensure effectiveness. In addition to disaster response training at each of our bases, initial response training is also held for establishing a Response Headquarters immediately after a large-scale disaster and carrying out measures such as collecting information on the safety of employees and damage conditions at each base. The training is conducted at Omori Headquarters and all plants at the same time. Using a drill scenario, participants gather information about various disaster/accident situations and discuss response measures to improve their competence in disaster situations. Omori Headquarters and each plant are connected via telecommunication devices to ensure that the sites can coordinate.



Training at Omori Headquarters



Training at Fujisawa Plant



Training at Tochigi Plant

# A Third-party Opinion



Development Bank of Japan Inc.  
Executive Officer,  
Deputy Chief Research Officer

## Mr. Keisuke Takegahara

Last fiscal year, I participated in the dialogue to identify Isuzu's key issues. Five themes under the two pillars of improving the productivity of the logistics industry and enhancing physical distribution flow were selected as the social issues Isuzu should address through its business activities. Safety technology, talents, governance, and the enhancement of related capital are the foundations supporting this effort. I remember being impressed as the concept of positioning these as CSR issues is easy to understand, and coherent with Isuzu's business model. This time, in giving my opinions about the 2019 CSR Report, I expected to accurately read the changes brought about in Isuzu's disclosure of non-financial information due to the new concept announced in the previous fiscal year, and give my feedback.

Reading the report from this perspective, my honest impression was that I felt hesitant about how to interpret the position of this report. It was difficult to perceive the impact of the new concept from the traditional structure – similar to previous years—centered on the activity reporting, such as the environment, quality, and employees. I could sense the sincerity in objectively communicating the results of

activities through comprehensive reporting of initiatives spanning many aspects. On the other hand, as pointed out several times in the past, it is lacking in an overall story and messaging, including not being clear in the link between the key issues stated in the first half and the portions in the second half, which should connect management with non-financial information. I cannot help but feel it was a lost opportunity.

Of course, there is no single meaning to publishing non-financial information through an independent medium. There is meaning in keeping it separate from information disclosure related to business activities so as to shine light on down-to-earth activities to highlight them, and communicate their value to a wide range of stakeholders. On the other hand, the recent trend of integrating non-financial information with management information to focus on factors (materialities) supporting the sustainability of a company's strategies and business models, and being positioned as something to complement IR information is also persuasive as information disclosure adapted to the expansion of ESG investment. On this point, the above-mentioned problem is the direction that this report seeks to take. In other words, I think it arises due to some ambiguity between what Isuzu thinks about CSR, and the diversity of the target stakeholders. If Isuzu can be clear about this point, the relationship between the non-financial information to be disclosed and the main target readers should be firm, and the report's structure will also become clear on its own.

If we take the narrow definition of CSR, as social responsibility, the current structure of reporting various business activities is also an option. However, as an excellent company of CV, LCV and power trains seeking to address social issues through its business activities, it is easy to imagine Isuzu's CSR as something more wide-ranging and dynamic. It is probably necessary to rework the structure to focus on non-financial information directly linked to Isuzu's growth strategy so as to also utilize the new concept which positions CSR as being something CSV-like that is integrated into Isuzu's business.

Now that the selection of key issues has been completed, it is probably an excellent time to think about the future of this report.

## Response to the third-party opinion

### Corporate Communication Department CSR Promotion Group

We would like to express our sincere appreciation for Mr. Keisuke Takegahara's valuable opinions on the Isuzu Group's CSR activities following his participation in last year's dialogue.

For FY2018, we worked on reporting about the approaches and results of specific activities for each of the nine key issues (materialities) identified in FY2017. At Isuzu, these key issues are defined as essential factors for achieving our mid/long-term vision, and we seek to create social value through addressing key issues so as to aim for the continued growth of society and the Isuzu Group. The report for this fiscal year was able to show the relation between the social issues Isuzu hopes to address and Isuzu's business, and at the same time, introduce Isuzu's initiatives toward solving these issues.

In addition, with the boom in utilizing ESG information in recent years, society is demanding for even more comprehensive and detailed information to be disclosed. FY2018's report also strived to enhance information disclosure making use of various guidelines so as to also meet this requirement.

With regard to the comment about distinguishing the reporting of key issues from comprehensive reporting, we take it as feedback that we need to work

even harder. By positioning the report to target a wide range of stakeholders, the clear message from the formulation of our key issues has become buried within a heap of information. At Isuzu, the CSR activity areas are managed as six themes in accordance with the relevant management systems, and the second half of the report is organized according to these six themes. This approach is based on Isuzu's platform for CSR promotion, and as pointed out, is not adequately matched with the approaches derived from the key issues. We will respond to this as an issue for future reports.

On the other hand, ESG information disclosure required of companies has become specific and detailed. We are also searching for new methods from the perspective of communication with stakeholders. Specifically, as pointed out, there is increasingly stronger demand for the disclosure of non-financial information directly linked to growth strategy. With regard to this, just as other companies are trying out various methods, Isuzu is taking time to discuss and work on it. This is especially so for key issues, for which we are considering KPI for initiatives taking into account factors such as impact on management and degree of contribution to society. But first, we are starting with strengthening our activities toward addressing the identified key issues.

We recognize that the points raised by Mr. Takegahara are exactly what society demands from us with respect to our information disclosure. We will take these opinions into consideration, and continue to diligently make efforts so that we can live up to the expectations of our stakeholders.

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