

Message from the President

Fiscal 2006 was the critical first year of our Mid-term Business Plan (April 2005–March 2008)—the first step toward sustained growth. Our task was to lay the groundwork for turning our corporate vision of becoming a global leader in commercial vehicles and diesel engines (CV/CE) into reality. We posted record profits, strengthened our balance sheet, and expanded overseas operations. It was also a pivotal year for Isuzu in that we completed the restructuring process of the previous Plan.



Yoshinori Ida
President & Representative Director



Amid an increasingly unforgiving operating environment, including a steep rise in crude oil prices that had a severe impact on the logistics industry—our main customers—domestic demand did not increase as much as expected despite the new emissions regulations. The rising price of steel and other raw materials also put pressure on earnings. Nonetheless we posted sales and profit growth for the third consecutive term, posting record profit again in fiscal 2006 (ended March 31, 2006). Consolidated-basis sales grew 5.9% to ¥1,581,857 million, operating profit was up 4.0% to ¥90,661 million, working profit rose 2.5% to ¥93,843 million, but net income fell 1.8% to ¥58,956 million due to completion of restructuring. We made steady progress with balance sheet improvement, with the debt-equity ratio moving closer to our target of 1.0 at 1.4 at the end of fiscal 2006 compared with 2.5 a year earlier.

Looking ahead to fiscal 2007, business conditions remain challenging with no sign of weakness in raw materials and crude oil prices. We therefore cannot expect demand to increase in Japan and other established markets, but we forecast a similar level of sales as in fiscal 2006 as a result of pioneering new overseas markets, aiming for a fourth consecutive year of record sales, operating profit, and working profit.

Fiscal 2006 proved to be a milestone year in more ways than one. Notably we finally managed to clear our “negative legacy” of extraordinary losses associated with restructuring in the fiscal year ended March 2006, marking the completion of the corporate restructuring process. With a healthy management structure, we are now poised to begin expanding our business in earnest. Another achievement was that our operations in all markets went into the black—the result of price reviews that reflect product value as well as cost reduction efforts. We intend to maintain our “price for value” concept as we pioneer new markets going forward. At the same time we are not neglecting the domestic market. We are striving to increase market share while making a fair profit, and exploring a more comprehensive business model, offering our customers a broad range of products and services.

The future vision outlined in the Isuzu Mid-term Business Plan is to become a global leader in the commercial vehicle and diesel engine (CV/DE) markets. This is not a hazy dream, but a goal that we are committed to achieving in the not-too-distant future. What do I mean by a global leader? My definition consists of three basic, minimum components—world-class people, products, and quality.

People make or break a project. We are looking to our development division to carry Isuzu’s critical undertaking—developing a standard strategic global product range of light-duty and medium-duty trucks developed to overseas standard specifications. These strategic products designed for the world market will play a key role in our efforts to expand our overseas CV market share and increase overseas CV sales to 300,000 units. Since fiscal 2006, we have been building the foundations for growing our overseas business, such as establishing a sales company in Mexico, making our Australian sales company a wholly owned subsidiary, and expanding operations in the Ukraine.

The integrated light and medium-duty trucks that we are introducing in stages from fiscal 2007 are strategic, standardized vehicles for the global market. These are totally new trucks developed to global standard specifications. Customers expect the same superior performance and durability of Isuzu vehicles regardless of the country or region. Our new range of world-class trucks maximizes our competitive advantage, incorporates the SEE technology

in development, and can match and surpass the best that our competitors have to offer.

Quality is an eternal theme for manufacturers. Quality defects that emerged in fiscal 2006 represented a serious setback for Isuzu. We are making renewed efforts to prevent quality problems by rigorous change management, and resolving any issues that occur at the earliest possible stage.

Attaining the targets of our current Mid-term Business Plan entails five major undertakings. First, we must ensure that we never overlook information about a possible defect, and willingly share it with all concerned. We need to become more sensitive to information about defects that customers and sales companies provide, ensure that it is passed on to others in the company, and resolve problems as quickly as possible. Second, we must implement rigorous change point management practices. This will prevent most defects, which are caused by a lack of attention to detail in change point management. Third, we need to maintain and maximize our strengths as the “real truck professionals.” Customers come to Isuzu to buy professionally built trucks. At the same time we must study their requirements so that we can give them what they are looking for. Fourth, managers should spare no effort in putting themselves in the position of their front-line workers, keeping track of day-to-day developments and taking personal responsibility for completing tasks. Hands-on involvement helps managers keep their fingers on the pulse of business activity and identify problems at an early stage. Fifth, each and every employee must have a thorough and accurate understanding of compliance and business ethics. The behavior of Isuzu management and employees must be beyond reproach.

In the longer term, we are focusing on building a solid business structure consisting of four core businesses—the CV business in Japan and overseas, and the light commercial vehicle (LCV) and DE businesses—and ensuring sustainable growth. This requires finding and maintaining the right balance of management resources. We are looking ahead at meeting the Post New Long-Term Emissions Regulations that take effect in 2009, and strengthening collaboration with General Motors as we move into a new phase of our relationship with the company following the dissolution of the equity partnership. In addition to the numerous successful collaborations in development, manufacturing, and distribution of vehicles and engines worldwide, we will be taking advantage of GM’s extensive sales network in emerging markets in the Middle East, South Africa, and Latin America.

With two years left to run of our Mid-term Business Plan, we look forward to your continued support as we forge ahead with our mission to become a global leader in the commercial vehicle business.

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Yoshinori Ida
President & Representative Director