

# **Isuzu Mid-term Business Plan**

**(April 2005 ~ March 2008)**

**November 18, 2004**

**Isuzu Motors Limited**

**President & Representative Director**

**Yoshinori Ida**

# Notice to The Readers

## Disclaimer

Statements contained in these documents, except for historical or current facts, are based on certain assumptions and our management's judgment in light of currently available information. Therefore, these statements may be susceptible to various factors, such as uncertainty contained in the assumptions and management's judgment and economic changes in the future, which may cause to bring about different results in Isuzu's future earnings and operating results.

## Insider Restriction

Information included in these documents contain Material Information as defined in Article 166 of Securities and Exchange Law of Japan. Any person who received such Material Information will be so-called the first class information recipient concerning insider trading restrictions.

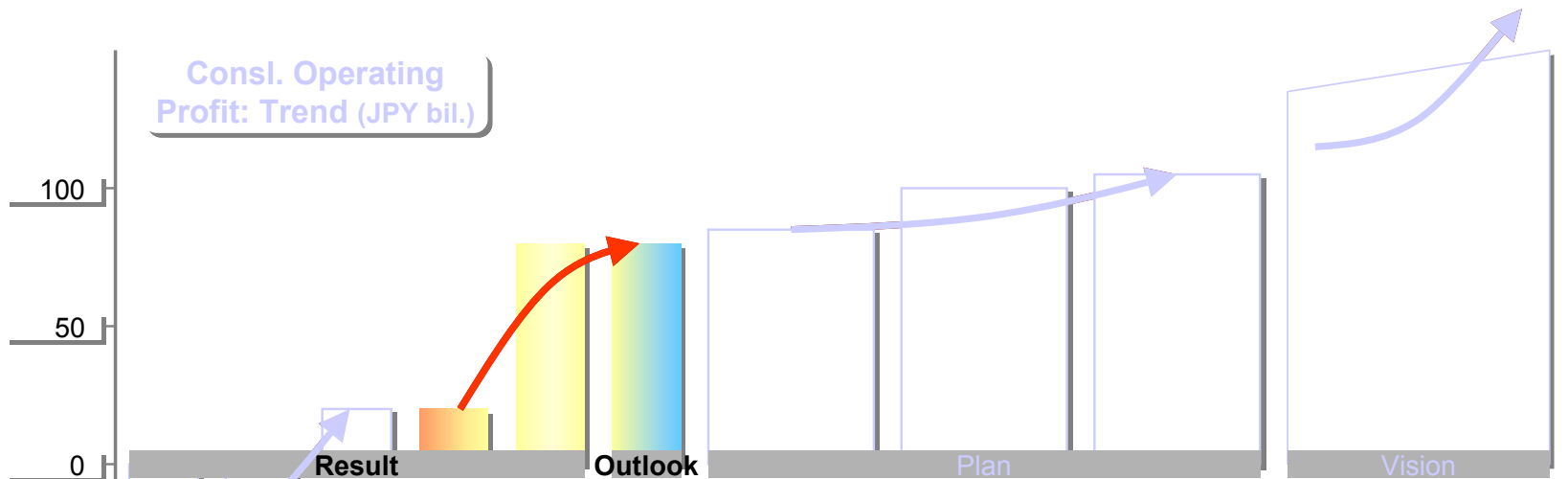
Please be advised that the said information recipient is prohibited from any sale, purchase or other transactions of stocks, securities or other instruments issued by Isuzu prior to the Release as provided in Article 166 of the Securities and Exchange Law.

Furthermore, according to Article 30 of the Cabinet Order for Enforcement of the Securities and Exchange Law, the said Release becomes effective upon 12 hours has passed after Isuzu discloses such Material Information to the press or other media.

# Contents

– Assessment of N3BP Progress	4~6 P
<b>I .Future Vision</b>	
– Business Environment Surrounding Isuzu	8
– Corporate Vision	9
– Technology Development	10
– Product Deployment	11
– Globalization of Functional Capabilities	12
– Mid/long-term Strategic Direction	13
<b>II . Mid-term Business Plan (for 3 fiscal years to March 2008)</b>	
– Development of Strategic Products	
• Strategic Products	15~16
• Reinforcement of Cost Structure	17
• Strengthen Collaboration Relation with GM	18
– Reinforcement of Business Activities	19
• Reinforce CV business/earnings in Japan/Overseas	20~21
• Expansion of LCV and DE businesses	22~23
<b>III . Performance Target</b>	24

# Assessment of N3BP Progress



**Restructuring**  
**“Downsizing” · “Right-sizing/optimization”**

# Assessment of N3BP Progress (1)

## - Key initiatives -

### Elimination of uncertainties

- ◆ Restructure SUV business in North America
- ◆ Establish PT JV with GM
- ◆ Right-size man-power structure (VER)
- ◆ Consolidate manufacturing infrastructure

### Recapitalization

- ◆ Debt-for-equity conversion
- ◆ Reduction, and increase of equity capital  
(Cancellation of shares owned by GM without consideration)

- ◆ SIA JV resolved in Jan. '03, production terminated in Jul. '04
- ◆ OEM supply from GM
- ◆ Achieved streamlining of local operations through creation of JV

- ◆ Received GM's equity participation in engine manufacturing subsidiaries

- ◆ 4,200 persons delisted from payroll through VER
- ◆ Achieved JPY20.0B labor cost reduction

- ◆ Consolidated vehicle production at Fujisawa in May '04.
- ◆ Sold Kawasaki Plant property.

- ◆ Converted JPY100.0B debt into equity

- ◆ Redemption of then-existing shares without consideration
- ◆ New issuance of shares in JPY10.0B

# Assessment of N3BP Progress (2)

- Financial Targets (Consolidated) -

(JPY bil.)	Mar.'03	Mar.'04	Mar.'05
<b>Revenue</b>	Actual 1,349.4	Actual 1,430.3	Incl. actual 1,450.0
<i>Plan</i>	1,270.0	1,250.0	1,270.0
<b>OP</b>	15.5	84.5	86.0
<i>Plan</i>	5.0	50.0	over 60
<b>NI</b>	(144.3)	54.7	56.0
<i>Plan</i>	(170.0)	35.0	over 50
<b>Interest - bearing debt</b>	517.9	452.7	400.0*1
<i>Plan</i>	560.0	510.0	450.0

\*1 not Incl. CB

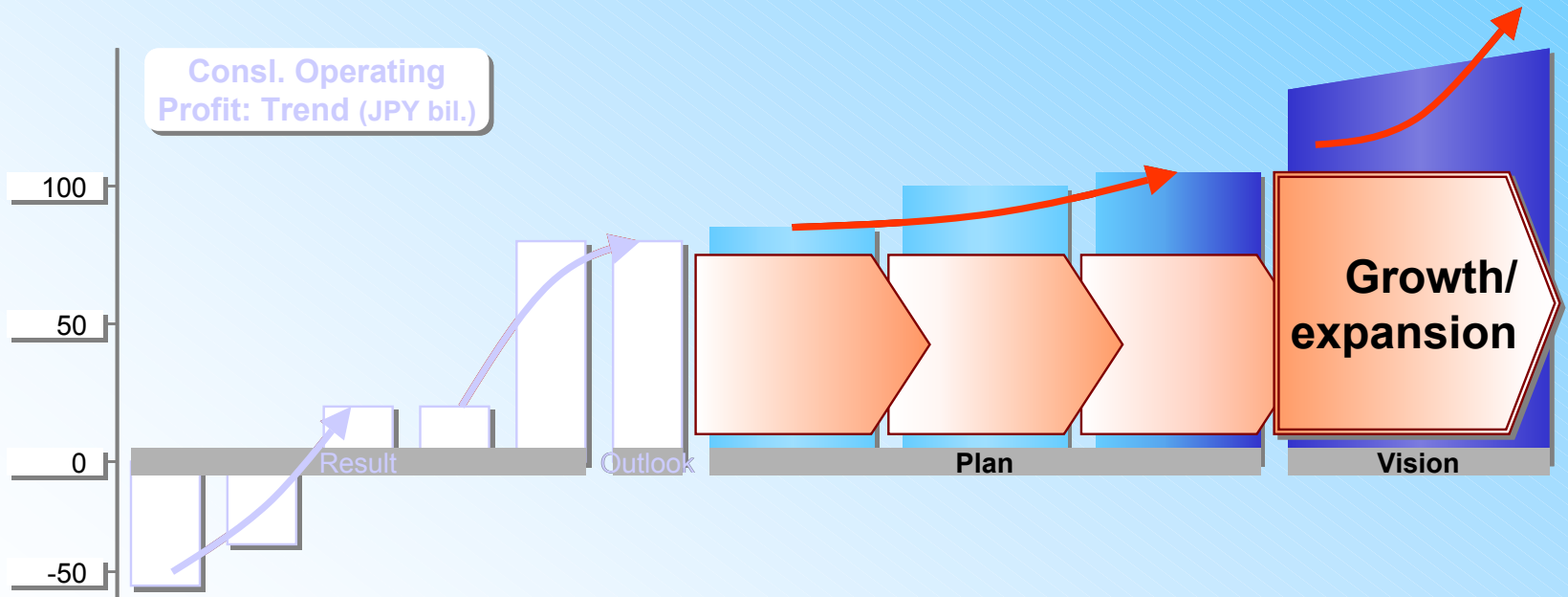
## Key management indices/ratio in percent (Incl. actual)

Operating profit to sales	1.1%	5.9%	5.9%
Fixed cost to sales(Parent)	22.4%	18.3%	18.9%
Net worth ratio	2.6%	10.2%	14.3%

# I . Future Vision

'00/3 '01/3 '02/3 '03/3 '04/3 '05/3 '06/3 '07/3 '08/3 '09/3~

N3BP Corporate Vision



## **Business Environment Surrounding Isuzu**

*Vision*

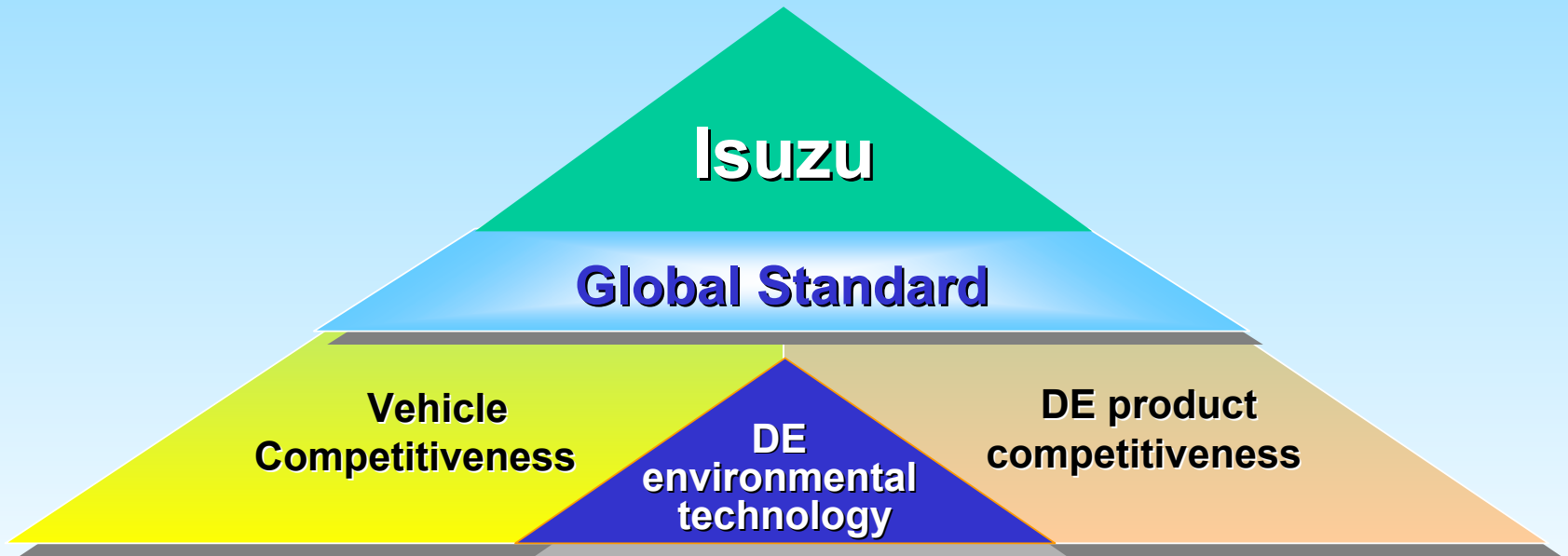
- ❑ With increasing burden to respond to the environmental concerns, it has become absolutely essential for Isuzu Motors to secure more than sufficient "volume" on a global basis, on top of the home market in Japan.**
- ❑ As a CV manufacturer operating globally, Isuzu has a great potential to increase access in overseas markets.**
- ❑ As in European passenger car market, Isuzu expects other regions and market segments will see an accelerated shift toward dieselization.**
- ➔ Based on these assumptions, Isuzu expects the company can expand its global businesses**



# Corporate Vision

*Vision*

## The world leading CV, DE company

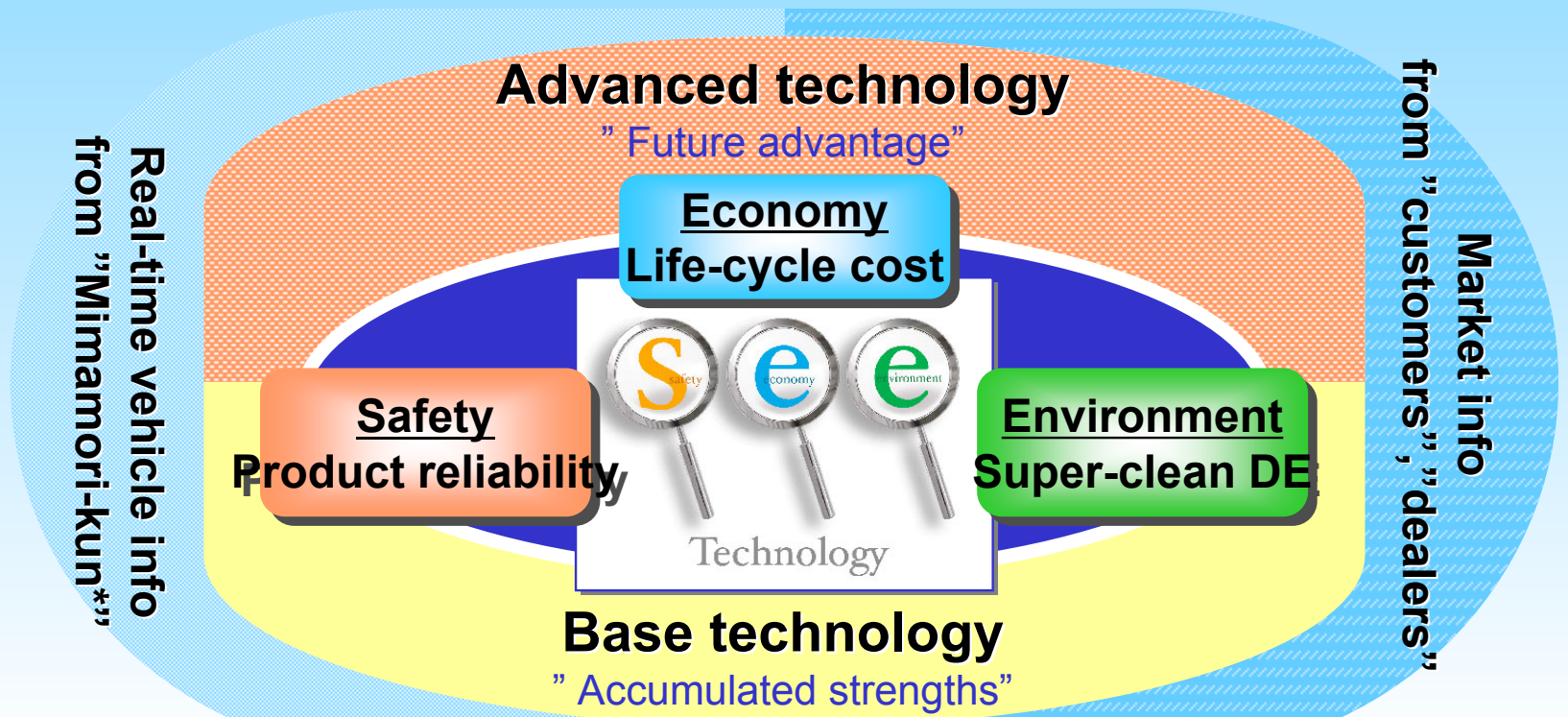


# Technology Development

Vision

**Be the world leading CV/DE company with three No.1 technologies**

- » No.1 Safety technology: Preferred choice of the world for superb product reliability
- » No.1 Economy: Preferred choice of the world for excellent product life-cycle cost
- » No.1 Environmental technology: Preferred choice of the world for super clean diesel



\* Isuzu's proprietary telematics system, achieving real-time transmission/retrieval of vehicle control data, utilizing

## Product Deployment

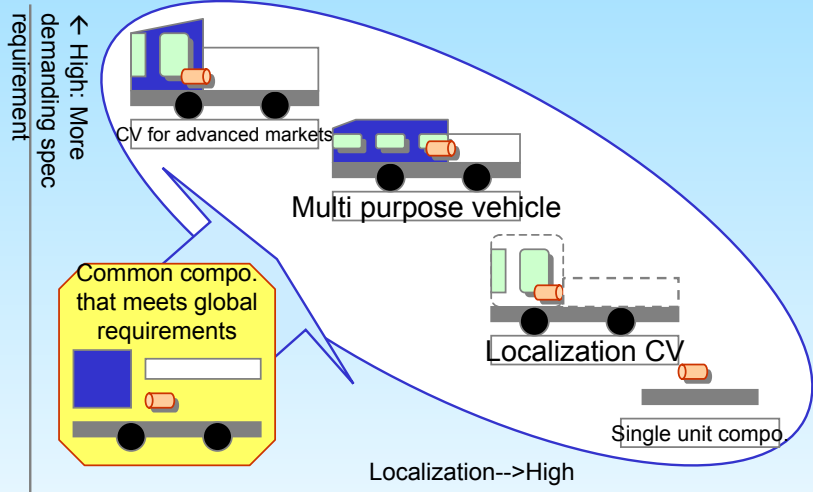
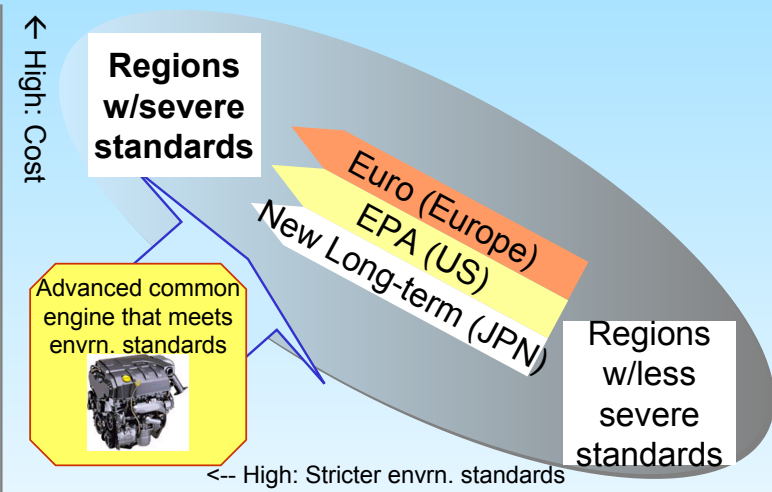
Vision

» Strengthen Isuzu's leading-edge competitiveness of component\*, deploying products for global markets

\*Primary devices of vehicles (e.g. DE and chassis, cab and body)

**Global DE engineering design philosophy**  
Introduction of latest DE models in all the global markets

**Global vehicle engineering design philosophy**  
Product line-up enhancement focused on global markets



**Key component competitiveness**

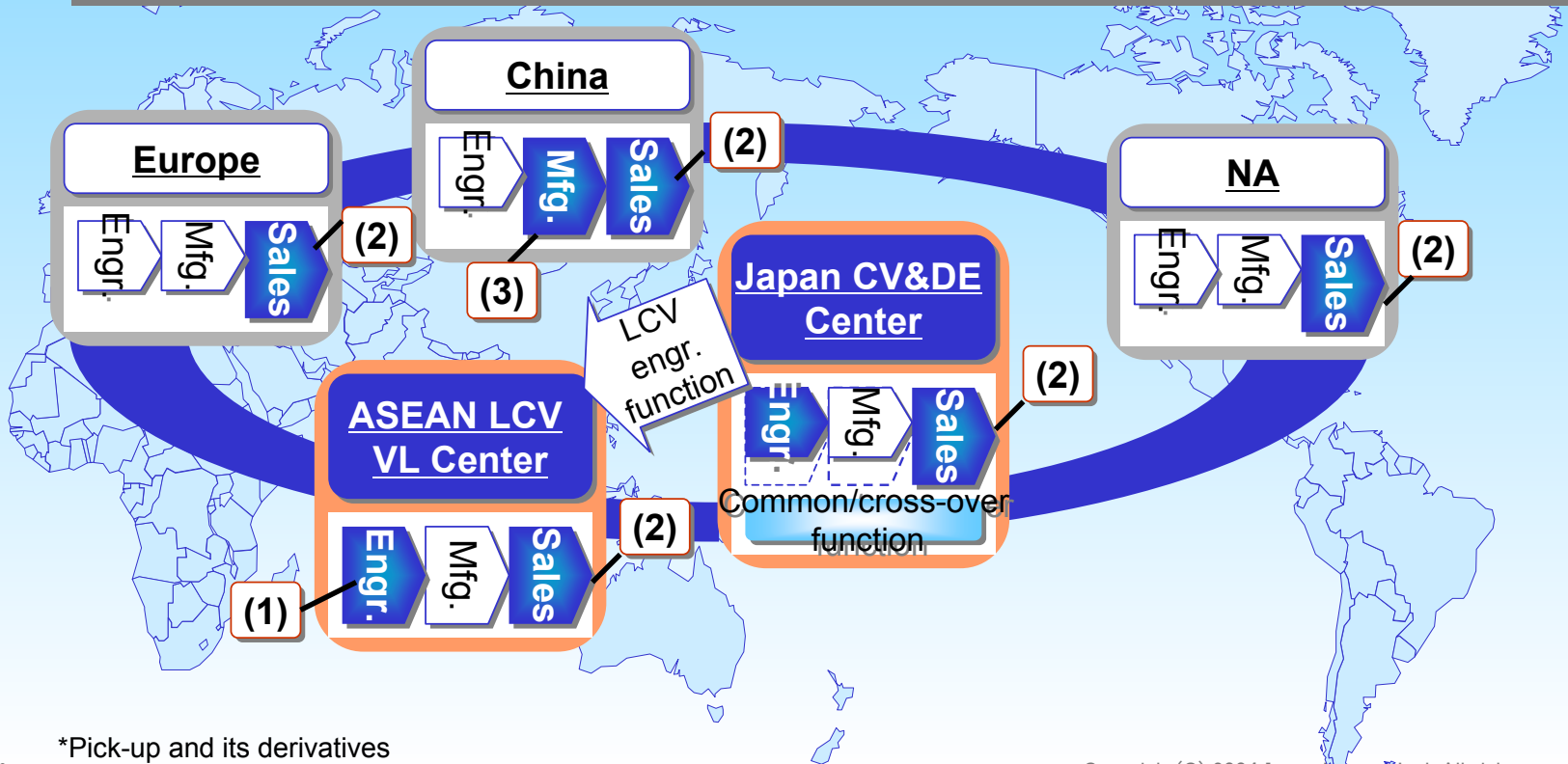


**Combination/integration technology**  
**Volume-production technology**

# Globalization of Functional Capabilities

Vision

- » Reinforce functional capabilities in overseas through transfer of engineering and sales functions to regions where transfer of manufacturing functions already preceded.
1. Transfer LCV\* engineering to Thailand and establish organization capable of completing functional activities within the region.
  2. Reinforce CV sales functions in key international markets.
  3. Reinforce manufacturing capabilities in China, and develop globally optimum supply mechanism



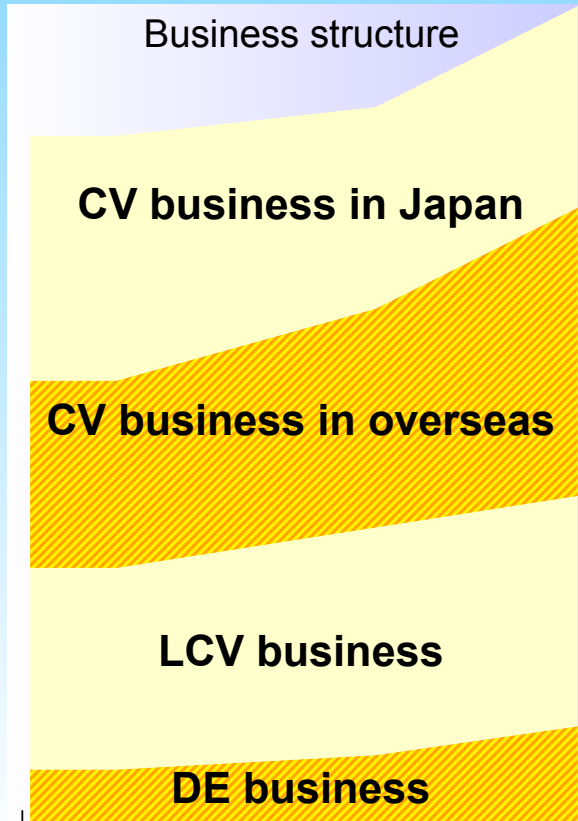
\*Pick-up and its derivatives

# Mid/Long-term Strategic Direction

Vision

» Establish rock-solid management base on 4-core business structure, and focus on realization of sustainable growth

## Mid/Long-term focus



» Establish stable earnings base by capturing/maintaining top market share

» Stabilize overall CV business by securing sound volume base

» Sustain and strengthen business sector as profit base, matching CV business strength in JPN

» Develop DE businesses as a new pillar of corporate revenue and profit

\*Conceptual image of consolidated revenue

# II. Mid-term Business Plan (for 3 fiscal years to March 2008)

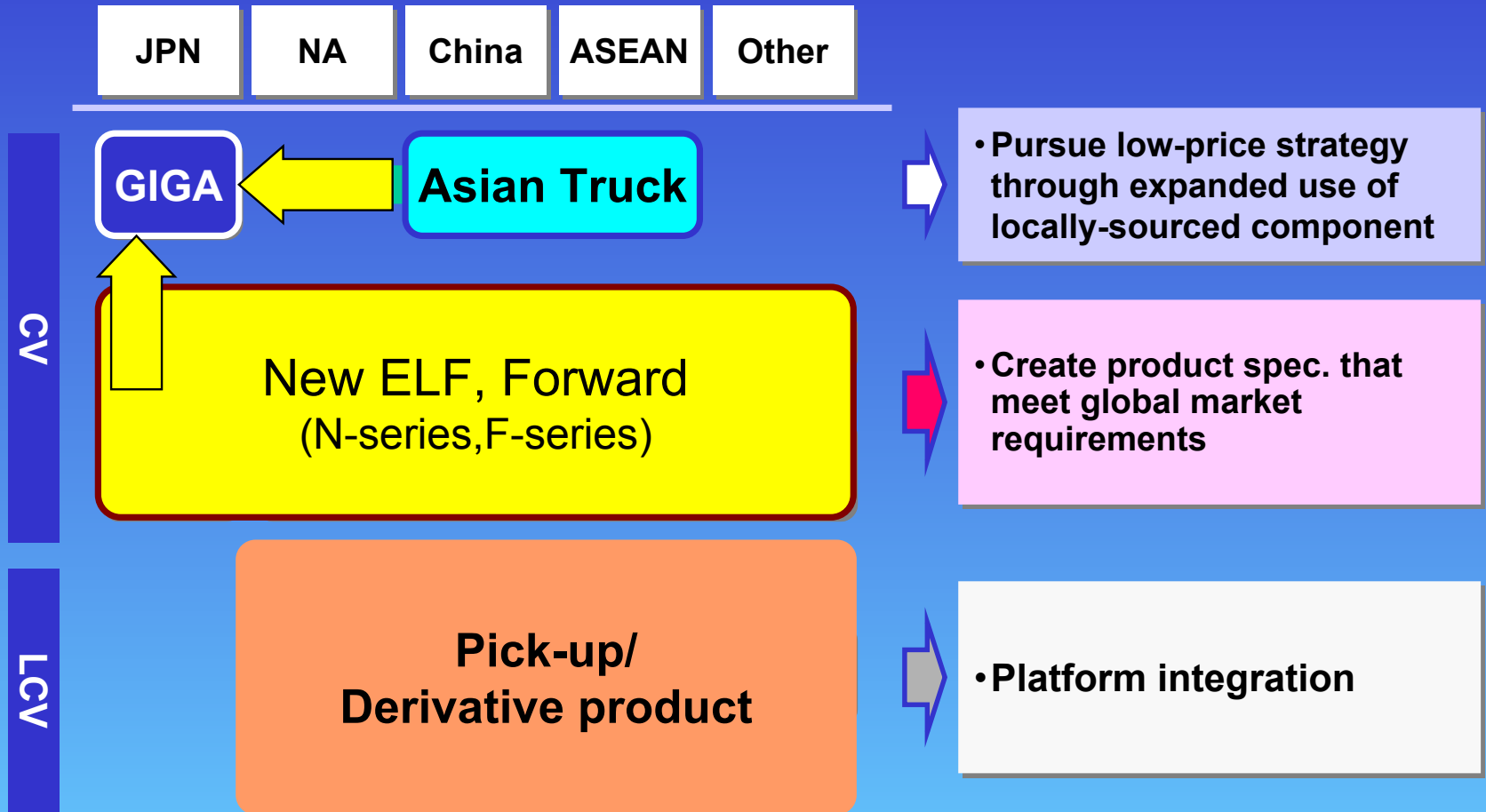


- ❶ Development of Strategic Products for Global Markets
- ❷ Reinforcement of business activities: by product/market

# ① Development of Strategic Products

- Vehicle for Global Markets -

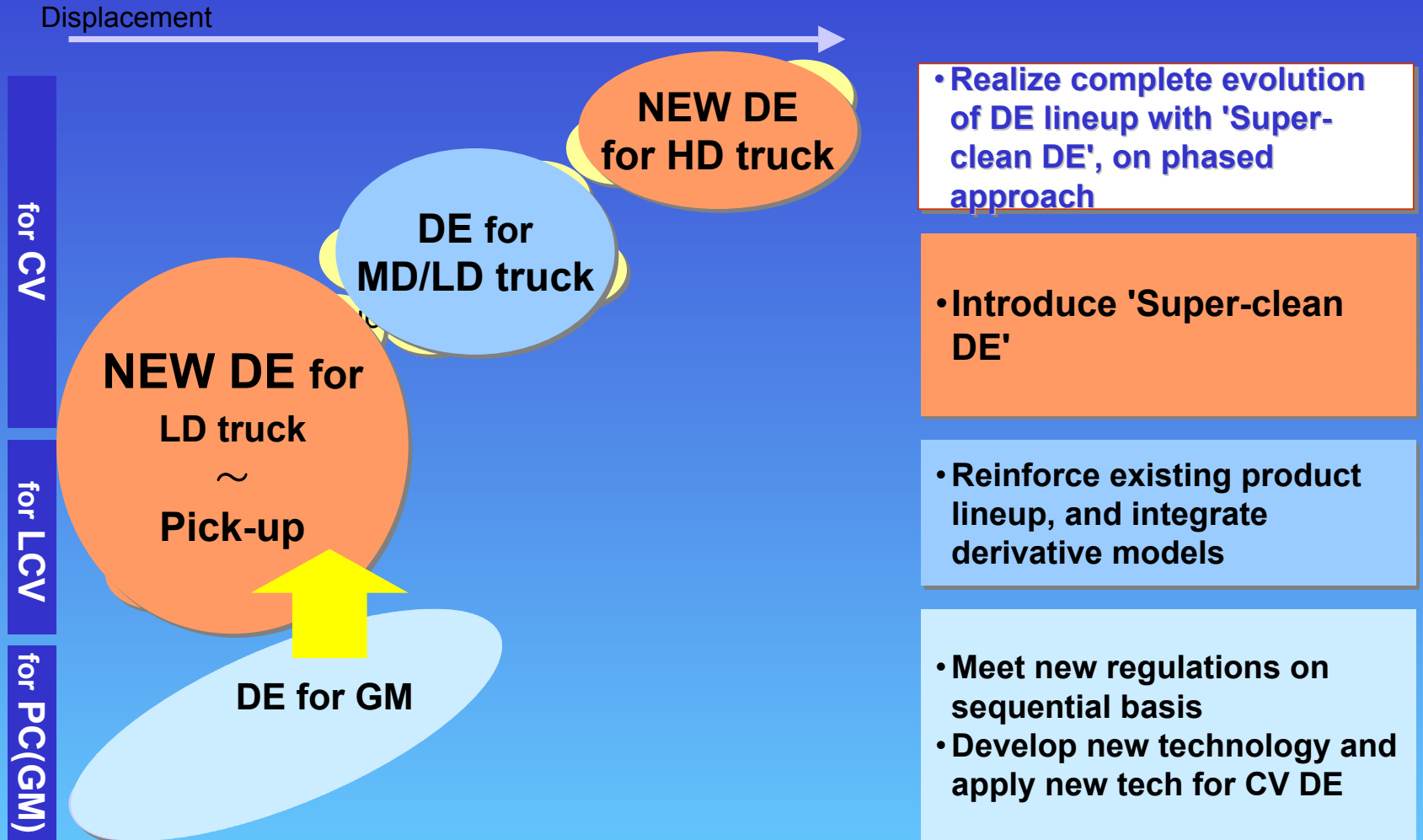
MTBP



# ① Development of Strategic Products

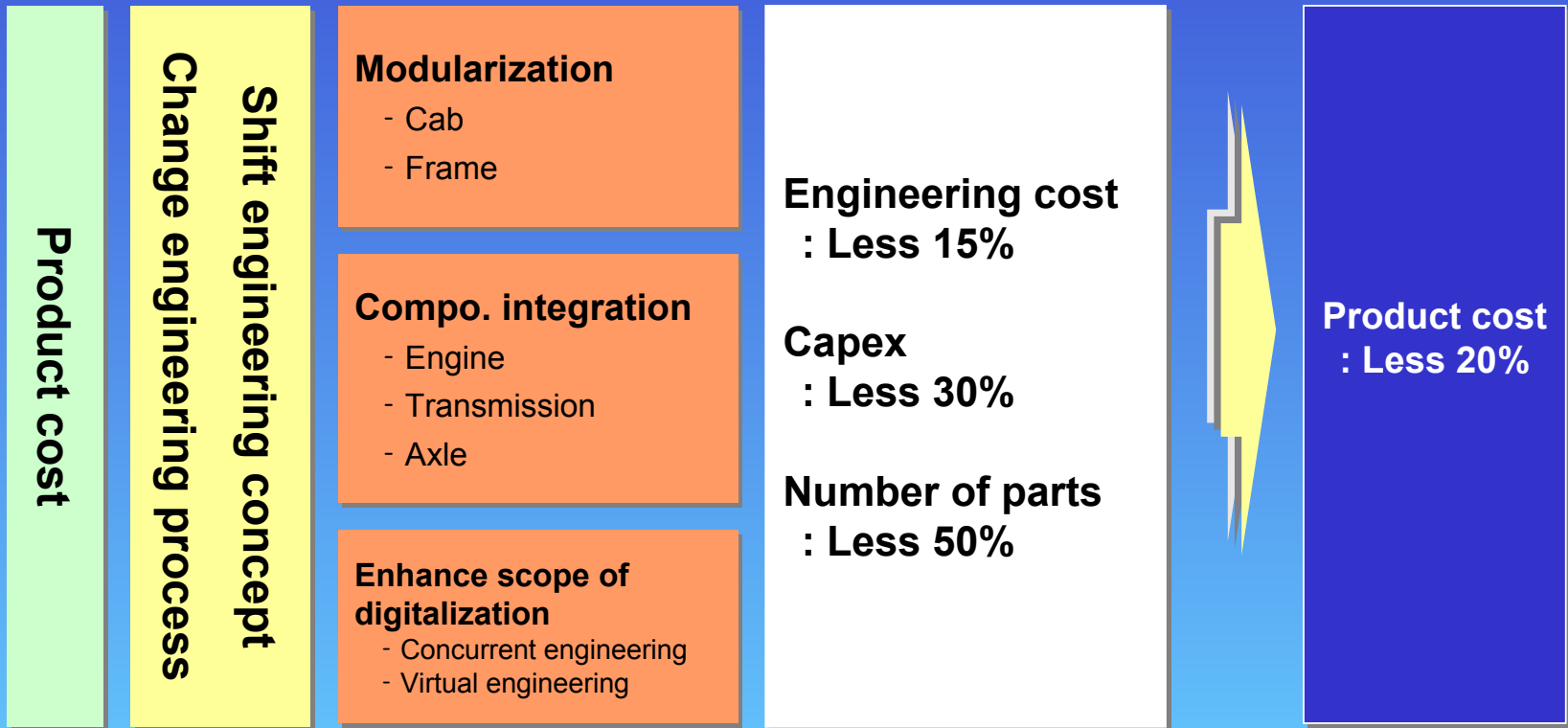
- DE for Global Markets -

MTBP





» Reduce product cost by 20% by using new product introduction as opportunity



# Strengthen Collaboration Relation with GM

MTBP

- Isuzu, as a key player in the GM group, has begun the following strategic studies with GM, aimed at reinforcing collaboration through expansion of Isuzu's role in joint product development and manufacturing.

**CV****» Expand Isuzu CV business within the GM Group**

- Integrate next generation MD platform
- Consolidate GM Group CV engineering functions at Isuzu

**DE****» Expand use of Isuzu DE within the GM Group**

- Establish a solid position as a world class diesel engine partner and continue to supply world class engineering services and diesel components to GM and its global alliance partners
- Develop technologies to meet global QRD and emissions requirements

*\*Quality, Reliability, Durability***LCV****» Jointly develop next generation LCV models for global market**

- Enhance global competitiveness through integration of GM-Isuzu LCV platform

# Reinforcement of Business Activities

- Key Focus by Product/Market -

MTBP

## Key Focus

### Reinforce CV business in Japan

- Increase market share
- Capture No.1 CV share in Japan (up to 2-3t)

### Enhance/reinforce CV sales organization in overseas markets

- Realignment and continuous reinforcement of distribution function

### Maximize LCV operating income

- Maximize global sales volume
- Maximize operating efficiency

### Sustainable growth of DE business

- Expand business with GM
- Penetrate China market

## Target

Mar-'05 ⇒ Mar-'08

### CV Market Share

HD	26	⇒	30%
2-3t	36	⇒	40%

### CV sales volume in overseas

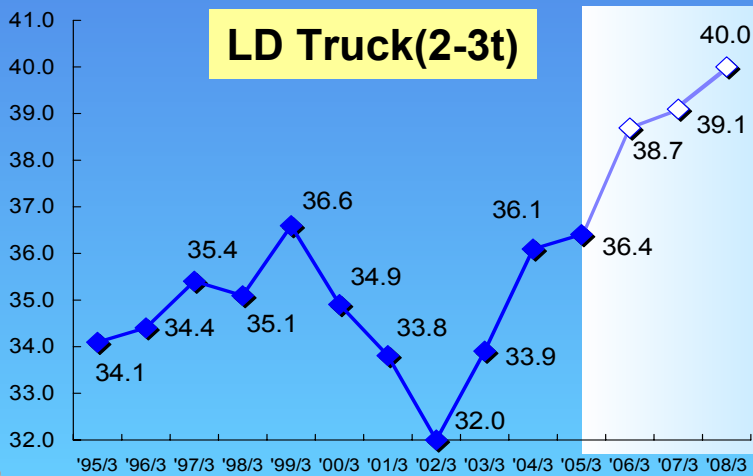
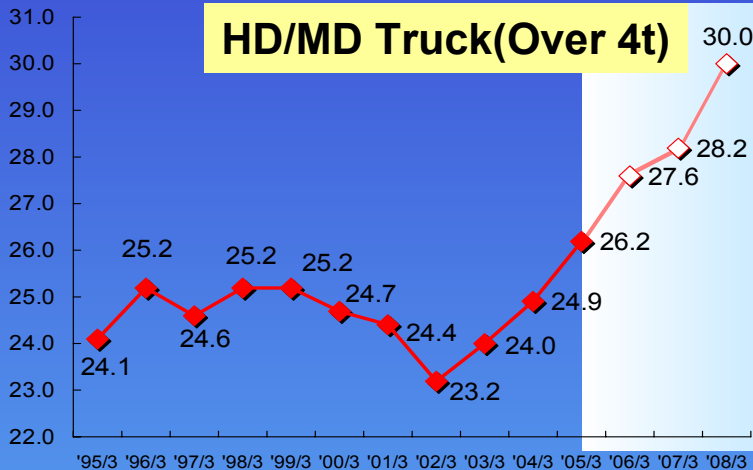
total	150	⇒	300
			k.units

### Production volume in ASEAN

LCV total	200	⇒	300
			k.units

- Expand product models/  
customer count
- Start local production in FY to  
March '08

» Introduce new strategic global products and allocate resources in key segments, aiming at CV No.1 in Japan



Mkt. share target	Mar.'05	Mar.'08
HD/MD Truck	26%	30%
LD Truck	36%	40%

**Product**

- Introduce GIGA with New Engine
- Introduce ELF/Forward full model-change

**Sales**

Major Transportation Comp.

- Enhance solution recommendation
- Reinforce customer service (esp. for wide-area operators, with high up-time)

Small/Mid-scale Trucking Comp.

- Review customer contact
- Reestablish wholesale operations

# CV Business in Overseas Markets

- Enhance/Reinforce Sales Organization -

MTBP

» Expand overseas CV business up to 300 thousands units in short term, by realignment and continuous enforcement of distribution function.

(k.units)	'05/3	'08/3
<b>CV Vol.</b>	150	300

**China**  
**-Establish sales network-**  
 35 ⇒ 100 k.units

- Enhance sales channel/after-sales service network
- Reinforce/expand collaboration with partners

**North America**  
**-Reinforce/enhance sales operation-**  
 30 ⇒ 50 k.units

- Expand/optimize product lineup
- Maximum use of Isuzu/GM dealer network

**ASEAN**  
**-Enter intra-regional businesses-**  
 25 ⇒ 50 k.units

- In Indonesian market, realign distribution function, reinforce service/parts supply organization

**General Overseas Markets**  
**-Secure stable volume-**  
 60 ⇒ 100 k.units

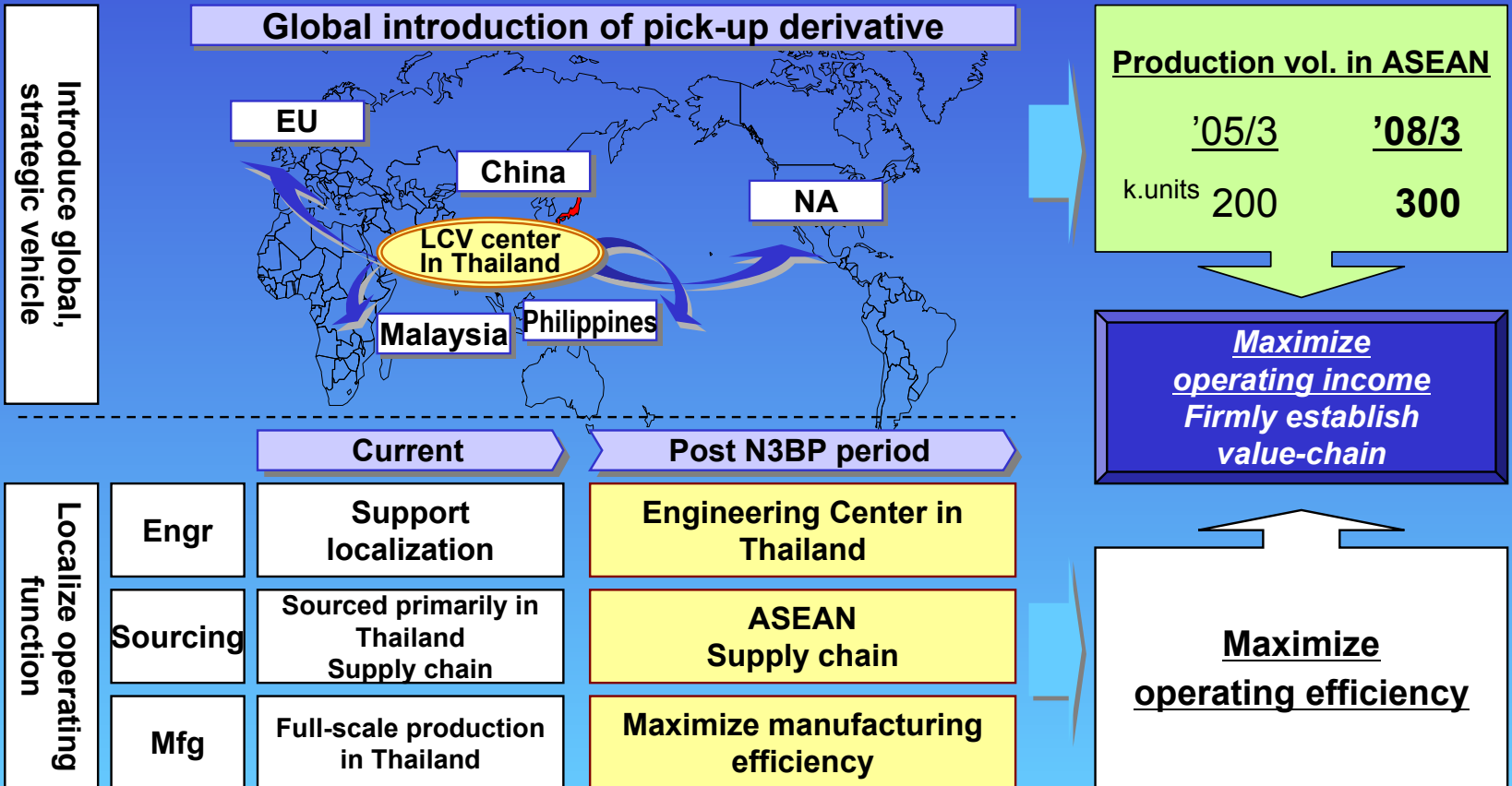
- Aggressive entry into local sales operations in key existing markets
- Create future profit opportunities through step-by-step entry into new markets

# LCV Business

-Maximize operating income-

MTBP

- » Introduce global, strategic pick-up and derivative products based on globally uniform platform
- » Centralize operating functions in ASEAN, with Thailand at the core, and achieve maximum operating efficiency



# DE Business

-Expand Engine Business-

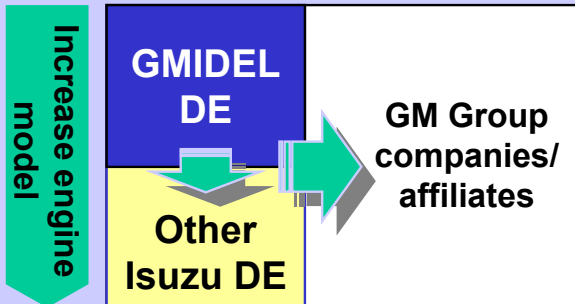
MTBP

» **Focus on increased engine sales to GM, and make market entry into China**

## DE supply to GM

Isuzu as a world-class engine partner to GM, increase engine model supplied to GM

Increase destination



## Increase engine business in China

Step on the accelerator to increase market penetration of Isuzu DE

1st Step

### Industrial engine sales

- Establish sales network, service infra.
- Develop customer base

2nd Step

### Expand DE business

- Localize vehicle-use engine
- Increase OEM sales

### III. Performance Target

**Apr.'07-Mar.'08**

**Cons. revenue                      JPY1,600 bil.**

**Cons. OP                              JPY100 bil.**

**% of OP                              Over 6%**



**Trucks for Life**

**ISUZU**

# **[Appendix]**

## **Quantitative Target**

## Quantitative Target (Consolidate)

	FY2005 Forecast April 1, 2004 to March 30, 2005	FY2008 Forecast April 1, 2007 to March 30, 2008
<b>Sales Revenue</b>	1,450.0 JPY: Bil.	1,600.0 JPY: Bil. (10.3%)
<b>Operating Profit</b>	86.0 JPY: Bil.	100.0 JPY: Bil. (16.3%)
% to sales	[ 5.9% ]	[ 6.3% ]
<b>Working Profit</b>	88.0 JPY: Bil.	100.0 JPY: Bil. (13.6%)
% to sales	[ 6.1% ]	[ 6.3% ]
<b>Net Income</b>	56.0 JPY: Bil.	80.0 JPY: Bil. (42.9%)
% to sales	[ 3.9% ]	[ 5.0% ]
<b>Exchange rate</b>	107 JPY/US\$	105 JPY/US\$
<b>Facility Investment</b>	42.0 JPY: Bil.	180.0 JPY: Bil. Apr. 2005 to Mar. 2008
<b>Depreciation</b>	26.0 JPY: Bil.	110.0 JPY: Bil. Apr. 2005 to Mar. 2008
<b>R&amp;D</b>	51.0 JPY: Bil.	160.0 JPY: Bil. Apr. 2005 to Mar. 2008
<b>Dom. Sales – H/D</b>	102 K, Unit	81 K, Unit (▲20.6%)
– L/D	118 K, Unit	96 K, Unit (▲18.6%)
<b>Dom. Share – H/D</b>	26.2 %	30.0 % (3.8%)
– L/D	36.4 %	40.0 % (3.6%)
<b>Dom. Production</b>	210 K, unit	260 K, unit (23.8%)
<b>Dom. Sales</b>	92 K, unit	70 K, unit (▲23.9%)
<b>Export</b>	119 K, unit	190 K, unit (59.7%)
<b>Overseas production</b>	363 K, unit	500 K, unit (37.7%)