

Governance

Isuzu builds a solid foundation to support business activities and contributes to corporate value through proactive disclosure and explanation as a company that contributes to the creation of a prosperous society.

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Corporate Governance

Basic Policy

Isuzu's basic concept of corporate governance is to consistently increase profits and enhance our corporate value through our corporate activities. This cannot exclude efforts to build a structure for corporate governance, a framework that controls Isuzu's activities.

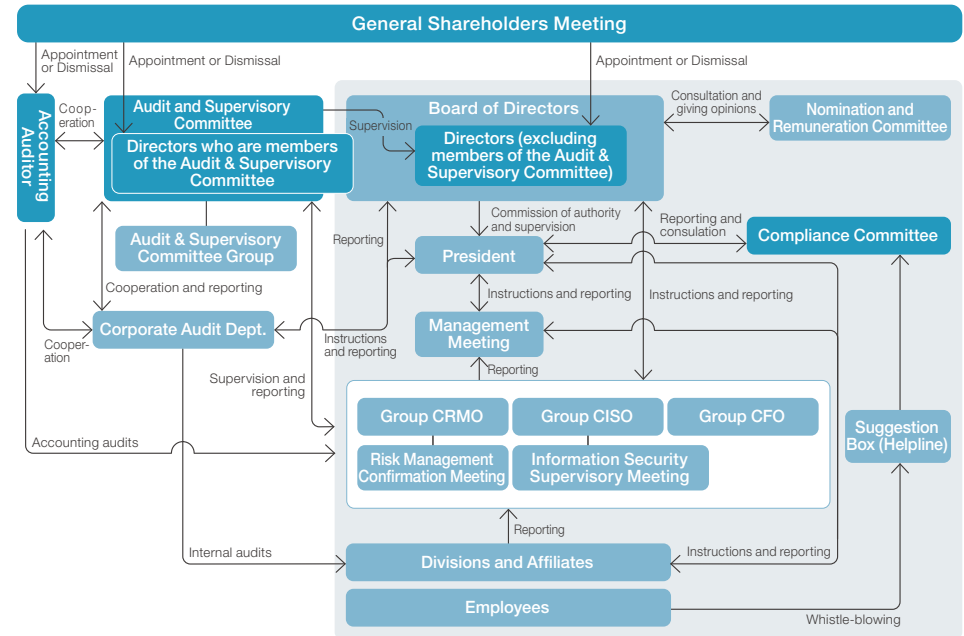
Isuzu considers its corporate governance to be basically aimed at respecting the standpoints of all Isuzu stakeholders and building smooth relationships. We strive to ensure the impartiality and transparency of our corporate affairs by properly disclosing important information at the right time. In particular, building an in-house structure and environment to protect the rights and interests of all stakeholders and ensure equality among stakeholders is an important part of corporate governance.

After a resolution passed at the 119th General Shareholders Meeting held on June 25, 2021, Isuzu shifted to a company with an Audit and Supervisory Committee which may entrust to an executive director a considerable part of important business execution in the Board of Directors. This will enable us, even in the midst of rapid changes in our business environment, to enhance the reasonability and speed in our management decision making. At the same time, deliberations and the supervisory function in the Board of Directors will be improved.

Promotion Scheme

Isuzu is a company with an Audit and Supervisory Committee. We have a Board of Directors and an Audit & Supervisory Committee to act as statutory meeting structures to resolve, supervise and audit the execution of our main business activities. In addition to these statutory meeting structures, the Management Meeting deliberates on important policies and plans, conducts business management and executes other overall business activities. We also have advisory bodies and meeting structures to facilitate supervision and decision-making on business execution.

Corporate Governance System



Corporate Governance

<The Board of Directors>

The Board of Directors lives up to the mandates and confidence of shareholders and, for the purpose of consistently enhancing our corporate value, makes important decisions and conducts supervision where they concern our business management. In principle, the Board of Directors holds monthly meetings and may also holds extraordinary meetings on an as-needed basis to deliberate and make decisions on important agenda items.

Currently, the Board of Directors consists of 13 directors: Masanori Katayama, Shin-ichi Takahashi, Shinsuke Minami, Koichi Seto, Tetsuya Ikemoto, Shun Fujimori, Mitsuyoshi Shibata, Kozue Nakayama, Masayuki Fujimori, Kenji Miyazaki, Tetsuhiko Shindo, Kanji Kawamura and Kimie Sakuragi. The Board is chaired by Masanori Katayama, president and representative director. Five of the 13 directors (Mitsuyoshi Shibata, Kozue Nakayama, Tetsuhiko Shindo, Kanji Kawamura and Kimie Sakuragi) are outside directors that are more independent.

<The Audit & Supervisory Committee>

The Audit & Supervisory Committee follows the audit plan that it established, and audits and supervises the Board of Directors' decision making and directors' execution of business.

Currently, the Audit & Supervisory Committee consists of five directors: Masayuki Fujimori, Kenji Miyazaki, Tetsuhiko Shindo, Kanji Kawamura and Kimie Sakuragi. The committee is chaired by Tetsuhiko Shindo, a director and a full-time member of the Audit & Supervisory Committee. Three of the five members (Tetsuhiko Shindo, Kanji Kawamura and Kimie Sakuragi) are outside directors that are more independent.

All five members are selected members of the Audit & Supervisory Committee.

<Nomination and Remuneration Committee>

In addition to these statutory organizations, Isuzu has a Nomination and Remuneration Committee, an arbitrary organization on corporate governance that is designed to strengthen the independence, transparency and objectivity of the function of the Board of Directors involved in the nomination of candidate officers, selection of executives, decisions on officers' remuneration and other processes.

Isuzu's Nomination and Remuneration Committee consists of four members including chairperson Masanori Katayama, president and representative director, and three outside directors (Mitsuyoshi Shibata, Kozue Nakayama and Tetsuhiko Shindo). Under the Board of Directors, the committee deliberates and gives opinions on the questions received.

<Executive Officer System and Management Meeting>

By separating supervision and business execution, Isuzu is building a rapid decision-making and execution system through improvements in the deliberations in the Board of Directors, the supervisory organization, and the proper transfer of power from the Board of Directors. We also have executive officers and executives to take responsibility for a rapid decision-making and execution structure and for business execution in the areas of their assignment.

The Management Meeting, consisting of Masanori Katayama (president and representative

director), division supervisors, Group CxOs (sectoral chief executives) and executive officers among others, is chaired by President Katayama and resolves and deliberates on the issues concerning our business management and execution within the scope of power transferred from the Board of Directors.

Governance Themes

As corporate governance has been strengthened in Japan in recent years, Isuzu has endeavored to reform its governance. In June 2021, we shifted to a company with Audit and Supervisory Committee. We will remain committed to strengthening our governance and enhancing our corporate value.

	The 115th term Fiscal year ended March 2017	The 116th term Fiscal year ended March 2018	The 117th term Fiscal year ended March 2019	The 118th term Fiscal year ended March 2020	The 119th term Fiscal year ended March 2021	The 120th term Fiscal year ending March 2022
Outside Directors (Women)	2 (0)	2 (0)	2 (0)	2 (0)	2 (1)	5 (2)
Officer Compensation	Introduced Performance-linked Stock-based Compensation System	Decide the Upper Limit of the Annual Amount of Directors' Bonuses Advisory Committee Set up the Nomination and Remuneration Committee				
Advisory Committee				Establishment of Nomination and Compensation Committee		
Separation of Execution and Supervision					Revise Approval Standards and Rules Appoint CxOs (Sectoral Chief Executives)	Shift to a company with Audit and Supervisory Committee Delegate Important Decision-making on the Execution of Company Business to Directors
Operation of the Board of Directors				Start the Effectiveness Evaluation		Ratio of Outside Directors: 1/3 or more

Corporate Governance

Points for 2020

Isuzu annually analyzes and evaluates the effectiveness of its Board of Directors for the purpose of improving the Board's function. The following is a summary of the analysis and evaluation for FY2020 (fiscal year ending March 2021).

1. Process of analysis and evaluation for FY2020

We conducted a survey of directors and auditors and outsourced interviews to a third party for analysis. Results of the analysis were reported at the Board of Directors Meeting in April 2021 and their evaluation and future plans were shared.

2. Summary of evaluation results

In sustaining our growth and enhancing our corporate value, Isuzu's Board of Directors shares an understanding about the necessity for strengthening its supervisory function and separating execution from supervision.

The Board has some unachieved goals to make it more effective. But it was concluded that the Board was steadily pursuing those goals.

(Status of resolution of goals recognized in FY2019)

"Greater clarification of topics that should be discussed in the Board of Directors Meetings" was one of the goals identified in the evaluation in FY2019 (fiscal year ended March 2020). As a solution to this, we reviewed the Board of Directors' discussion standards and partly transferred the Board's power to the Management Meeting in FY2020. In developing the medium-term management plan and other plans, the Board of Directors worked to improve its deliberations. For example, processes have been reviewed through multiple deliberations. Reporting from Group CxOs (sectoral chief executives) on business execution has also improved.

(Summary of FY2020 evaluation results)

The FY2020 evaluation confirmed the need for clarifying the roles of execution and supervision to speed up our action against changes in our business environment and against our business challenges. At the same time, the evaluation renewed our understanding that the Board of Directors should deepen its discussion of medium- and long-term strategies, which are a prerequisite for our business management, while our internal directors need to hone their business perspectives for greater operational ingenuity. We also understood the need for greater diversity to ensure profound discussion on the size and structure of the Board of Directors from a medium- and long-term perspective.

3. Future plan

Isuzu's Board of Directors will be committed to the following plan with the aim of continuing to contribute to our sustained growth and the enhancement of our medium- and long-term corporate value.

- (1) Speeding up business management requires more separation between execution and supervision. By clarifying the roles of the Board of Directors and the Management Meeting, we will deepen discussion in the Board of Directors on our medium and long-term strategies and management issues and will also improve communication for both internal and external officers to deepen their understanding about the roles they expect each other to fulfill.
- (2) To enrich discussion in the Board of Directors, we will qualitatively and quantitatively improve the materials for use in discussion and will also work to build a good environment for discussion by, for example, securing sufficient time for deliberations.
- (3) To build an effective structure for supervision on the basis of our strategies and our business environment, we will take into consideration the expectations on, and roles of, the Board of Directors and discuss the required knowledge, experience, skills and diversity (e.g. gender, internationality, professional career, age) and will periodically examine the size and structure of the Board of Directors to optimize them.

* With the 119th General Shareholders Meeting held on June 25, 2021, the ratio of independent outside directors to all members of Isuzu's Board of Directors exceeded one third.

Corporate Governance

Tax Policy

We will correctly understand tax laws and related guidelines and pay taxes properly in line with the aim of the laws and guidelines.

Group CxO System

To further strengthen governance, we appointed the following CxOs on April 1, 2020. These officers have supervisory authority company-wide over specific areas across different divisions and Group companies.

Group CxOs

- ▶ Group CFO (Chief Financial Officer)
- ▶ Group CRMO (Chief Risk Management Officer)
- ▶ Group CISO (Chief Information & Security Officer)

Officers' Remuneration

Basic Principles

The following are Isuzu's basic principles on remuneration for directors and executive officers.

1. Contribute to sustained growth of Isuzu and enhancement of its corporate value, and facilitate the sharing of value with shareholders.
2. Remuneration should be at the level necessary and appropriate for securing and keeping talented human resources with due consideration to the economic environment, market trends and the levels of remuneration in other companies.
3. The amount of remuneration should reflect the performance of the company and the individual as well as his/her job responsibilities and positions.
4. The process for deciding remuneration should be objective, impartial and transparent.
5. Our officer remuneration system and the amounts of payment to officers should be periodically reviewed whenever the medium-term management plan is updated and with consideration of factors such as the economic environment, the levels and systems of remuneration for officers in other companies and the status of Isuzu's use of the system.

Remuneration for Directors (Excluding Members of Audit & Supervisory Committee and Outside Directors)

Remuneration for directors (excluding the directors that are members of the Audit and Supervisory Committee and outside directors) includes basic compensation, bonuses linked with the degree of achievement of the single-year consolidated performance target and the amount of remuneration that is based on the performance-linked stock compensation plan linked with the degree of achievement of the management indexes aimed at the sustained enhancement of corporate value within the period of a medium-term management plan.

Methods for evaluating each officer's performance and deciding the officers' bonuses and the performance-linked stock compensation plan go through a procedure of consultation and provides opinions to the optional Nomination and Remuneration Committee, of which independent outside directors occupy the majority. In this procedure, the president fulfills his accountability and thereby secures the objectivity and impartiality of remuneration for officers.

Details of remuneration, etc.	Basic compensation	Decided on the basis of the standard amounts that is predetermined for different positions and the evaluation of individuals' performance.	
	Performance-linked compensation	Bonus	<ul style="list-style-type: none"> • Linked with the degree of achievement of single-year performance target. • The performance-linked coefficient, which represents the degree of achievement in a comparison between single-year results of consolidated operating profits and target, is set within a range between 0% and 200%. This is multiplied by the basic compensation and the component ratio (0.40 or 0.50 for president/chairperson), which is the standard amount of bonus by position, to decide the amount of bonus.
		Share-based compensation	<ul style="list-style-type: none"> • Linked with the degree of achievement of the target during the period of a medium-term management plan. • Apply the weighted average to the degree of achievement of target values, including consolidated sales, consolidated operating profits and consolidated return on equity (ROE) in the proportion of 35%:35%:30%. Multiply it with the coefficient of the degree of growth of shareholder's value, etc.*1 to calculate the performance-linked coefficient within a range between 0% and 225.6%. Combined with this, use the standard amounts by position, which is the basis of basic compensation, and the component ratio (0.30 for president and 0.50 for chairperson) and assumed stock prices*2 to decide the points to give. <p>*1 Determined on the basis of the result of comparison between Isuzu's total shareholder return (TSR) and the growth rate of TOPIX (dividends included) during the relevant period *2 The average of the closing price of regular transactions of Isuzu shares in TSE on each day of the month before the month during which the relevant period started, with the exception of the days on which no transaction was closed (truncated to the closest whole number).</p>
Method for deciding the proportion	Basic compensation: Bonuses: Share-based compensation = 1.00:0.40:0.30 (1.00:0.50:0.50 for president and chairperson) (Assuming that the performance target is fully achieved)		
Time of payment	Basic compensation	Monthly compensation (1/12 of basic compensation is paid monthly)	
	Bonus	Paid in July after the degree of achievement of the single-year (individual/company) performance target is determined.	
	Share-based compensation	Paid in July after the degree of achievement of the performance target stated in the medium-term management plan and the TSR coefficient in comparison with TOPIX are determined.	
Procedure for deciding re-entrustment	Basic compensation	Evaluation of individuals' performances is re-entrusted to the president after the Board of Directors' resolutions.	
	Bonuses and share-based compensation	Automatically calculated on the basis of the degree of achievement of the target, standard amount and coefficients. The amounts depend solely on the company's performance and thus involve no scope for discretion.	

Corporate Governance

Remuneration for Outside Directors

Remuneration for outside directors consists of basic compensation only, in view of their roles and independence. Each director receives the fixed amount only and the remuneration involves no fluctuation that may result from performance evaluation and so on.

Compensation for Directors Who are also Members of the Audit and Supervisory Committee

The amount of remuneration for directors who are members of the Audit and Supervisory Committee consists of basic compensation only, in view of their roles and independence. It is decided through discussion by the directors who are members of the Audit and Supervisory Committee with consideration of factors such as the number of directors, economic environment, market trends and the levels of remuneration in other companies, within the range of the upper limit approved at the General Shareholders Meeting.

Total Amounts of Remuneration and Other Payments to Directors and Auditors

Classification	Total amount of compensation (Million yen)	Amount of remuneration, etc. by type (million yen)			Number of eligible officers
		Basic compensation	Bonus	Remuneration based on the performance-linked stock compensation plan	
Directors (excluding outside directors)	699	388	294	15	9
Auditors (excluding outside auditors)	62	62	—	—	3
Outside officer	73	73	—	—	6

* The table includes one director and one auditor who resigned with the end of the 118th General Shareholders Meeting held on June 29, 2020.
 * Isuzu has shifted to a company with an Audit and Supervisory Committee following the resolution passed in the 119th General Shareholders Meeting held on June 25, 2021.

Policy on Cross-shareholdings

Isuzu believes that holding its business partners' shares on the assumption of long-term transactions is an effective means of building a stable relationship and should lead to the enhancement of its corporate value over the medium and long terms. To confirm the reasonability of holding business partners' shares, the Board of Directors annually performs an examination from two different aspects: it conducts a quantitative evaluation of each issue in terms of criteria such as whether the benefit of holding the shares at least equals the capital cost, and a qualitative evaluation of the significance of the shareholding, among other aspects. Consequently, any shares that we no longer see a reason to hold will be swiftly reduced.

In executing voting rights as a shareholder, we respect, as a shareholder with individual trade relations, the aims and intentions of proposals and resolutions submitted from share issuer. If we see a risk of damaging an share issuer's value during the process of a dialogue with the share issuer or examination of a resolution; however, we will request the withdrawal or review of the resolution and will take action for each resolution, which may involve abstaining from the right to execute our voting rights.

Compliance

Basic Mindset

Isuzu has adopted 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.” Having Isuzu’s corporate value recognized by society and continuously accomplishing our corporate vision requires each one of our executives and employees to follow Isuzu’s compliance standards—that is, to comply with laws and regulations and also maintain high ethical standards that live up to the trust society places in us.

Isuzu considers thorough compliance with laws as the highest priority in its business management. Isuzu developed the Basic Policy for Compliance, which went into effect in 2005, and strives to make it known and take root among all executives and employees. This policy consists of seven categories and states that, if an incident occurs and causes the policy to be violated, senior management personnel must execute measures for problem resolution and investigation of the cause in an effort to prevent recurrences and must release information quickly and accurately to society and fulfill their accountability.

Basic Compliance Initiative Policy

1. Winning the trust of our customers

We aim to win the trust of 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 does business based on fair and free competition. We also maintain sound and standard 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 as well as society as a whole, and ensure timely, appropriate, and fair disclosure of our corporate information.

4. Respect for Employees

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

5. Contributing to environmental conservation

We actively work on environmental conservation not only through our business activities, but also as a resident of the planet by getting involved in social and regional environmental conservation activities.

6. Contributing to society

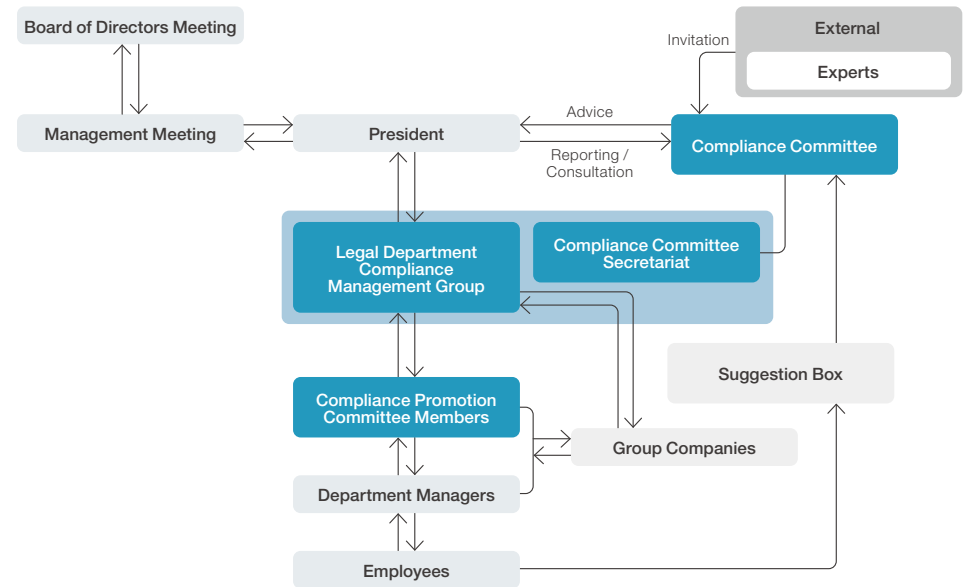
Isuzu proactively undertakes social contribution activities as a good corporate citizen.

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 body 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 points of consultation, thereby monitoring and overseeing specific measures and case progress.

Compliance

Internal/External Consultation Resources (Suggestion Box)

Isuzu has three internal points of contact to receive whistle-blowing reports and provide consultations about compliance. They are available at the office level (office director), division level (division manager), and company-wide level (Legal Department's Compliance Promotion Group).

These points of contact receive information from a fair and neutral standpoint. They handle consultations on clear violations of laws, regulations or the company code of conduct; provide consultations on suspicious events relevant to legal compliance and company regulations; and receive inquiries regarding laws that concern our company regulations and work duties.

An external point of contact (suggestion box) is set up at an external legal office, as circumstances may make it difficult for the in-house consultation resources to accept consultations or provide solutions.

Whistle-blowing, consultations and inquiries are accepted by e-mail, fax, phone, or mail. The identity of the information provider and the content of the information are treated as confidential, so that no one would be treated disadvantageously within the company because of having blown the whistle or consulted.

To make the internal and external consultation resources known throughout the company, Isuzu distributes to all employees a compliance guidebook and compliance card in which the contact information of the consultation resources is written. Further, Isuzu Quality and Compliance Promotion Meetings, posters and other materials assist in our regular activities to make the consultation resources known among employees.

The Legal Department's Compliance Promotion Group functions as the secretariat to verify and address the whistle-blowing and consultations received by the consultation resources. In FY2020, the external consultation resource received 30 reports (6 cases concerning Isuzu and 24 concerning companies of the Isuzu Group). All reports brought to the in-house/external consultation resources are handled appropriately to verify the absence of any major legal violation.

The Board of Directors is notified of the progress of compliance initiatives, the number of reports received, and major violation cases.

Isuzu Group

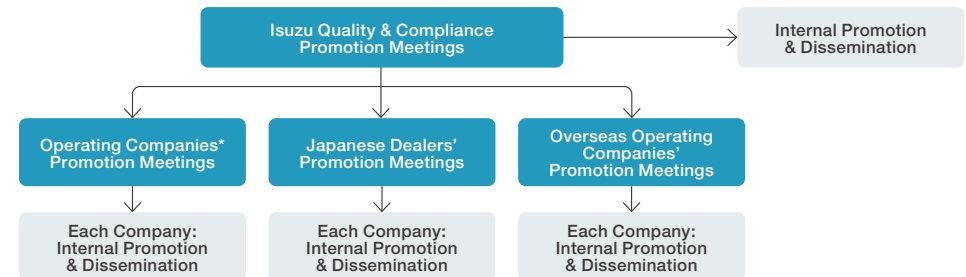
Compliance Promotion System

Isuzu Quality and Compliance Promotion Meetings are held monthly, attended by compliance promotion committee members of the different divisions. The meetings are committed to the prevention of compliance risks through the sharing of information among divisions and the reporting of activities.

Isuzu has also built a Group-wide system to prevent compliance risks. Domestically, we hold regular compliance promotion meetings attended by companies of the Isuzu Group, in an effort to promote the sharing of information and related activities. In our overseas locations, we share information with contact persons of the Isuzu Group companies periodically and make efforts to prevent compliance risks. Particularly in Thailand, home to one of Isuzu's main overseas bases, we regularly hold joint compliance promotion meetings of the Isuzu Group companies based in Thailand to facilitate the sharing of information and related activities.

In the event that a serious problem occurs, we will promptly receive reports from the company in accordance with the Group-wide management rules and will work with the company to resolve the problem.

Outline of the Compliance Promotion System in Isuzu Group



* Operating companies: Related companies in Japan except Japanese dealers

In FY2020, the meetings were held with due consideration of the status of COVID-19 pandemic and with appropriate anti-infection measures taken.

Compliance

Initiative Policies and Results for FY2020

Activities to Address Group-wide Issues (in Japan)

In Japan, we identify Group-wide issues and make Group-wide efforts to resolve them. For example, as part of the automobile industry, Isuzu is raising the awareness of every single employee and makes ongoing efforts to discourage its employees, their families, friends and acquaintances from drunk driving or letting anyone else do so, in an effort to eradicate drunk driving.

More specifically, we collect written pledges to eradicate drunk driving and hold regular seminars with the aim of renewing employees' awareness about the dangers inherent in drunk driving and the graveness of the social responsibilities that it entails. We also consider that building good human relations in the workplace is important for preventing harassment. For example, we organize regular workshops for managerial-level and general employees to deepen their understanding of the significance of regular, bidirectional communication between supervisors and subordinates.

Compliance Surveys (Japan)

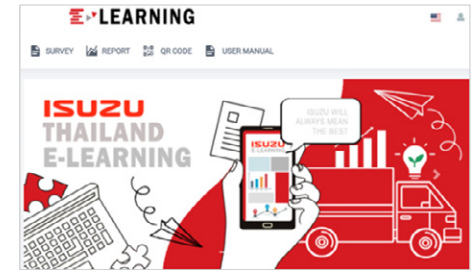
We regularly conduct compliance surveys to monitor the spread of compliance awareness and uncover compliance risks. The survey results are reported to managers and compliance officers of Isuzu Group companies and are applied to the companies' activities.

The FY2020 survey covered about 11,300 employees of the Isuzu Group companies and included questions on topics such as compliance training and guidance, overtime work, finding facts about harassment and awareness about drunk driving.

Activities of Overseas Group Companies

In Thailand, home to one of our major overseas locations, Isuzu follows the compliance activity plan. For example, we organize hierarchical workshops and e-learning and put up posters to raise awareness about the need to eradicate drunk driving and about compliance.

Isuzu keeps updated on the progress of the compliance activity plan and provides advice whenever necessary to support the activity, through Compliance Promotion Meetings jointly held with Isuzu Group companies in Thailand and through the regular exchange of opinions with local colleagues.



e-Learning

Compliance Training

Isuzu provides its employees and Group companies with compliance education via classroom lectures and online in an effort to raise their awareness about compliance even more.

With consideration of the COVID-19 situation, training programs and lectures were held online in FY2020. In this way, we take appropriate measures to prevent infections.

Training themes (examples)

- ▶ Basic compliance training for new employees
- ▶ Compliance training for midcareer recruits
- ▶ Compliance training for new managers
- ▶ Training for new directors
- ▶ Training for new executives transferred to Isuzu Group companies
- ▶ Harassment prevention training for managers
- ▶ Education on the Act Against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors
- ▶ Education on the authorized exporter declaration procedure
- ▶ Drunk driving eradication campaign



Drunk driving eradication campaign (video streaming)

Compliance

Publication of Compliance Guidebook and Compliance Cards

In January 2006, Isuzu issued and started distributing a Compliance Guidebook which is a compilation of codes of conduct to communicate the basic attitudes and principles required of all officers and employees of Isuzu.

Similarly, members of divisions are given division-specific compliance guidebooks that compile cases of potential compliance incidents that may occur from daily work within a division or department.

These guidebooks are reviewed every year and are updated to reflect any amendments to relevant laws and regulations and to encourage a better understanding among employees.

Our employees are encouraged to always carry a compliance card containing information that is written in these guidelines, including Isuzu's policy on its compliance efforts, guidelines on compliance-related behavior and contact details of in-house and external consultation resources (help lines).

Overseas Business Guidelines

Isuzu's business activities are worldwide. To be able to pursue its business while respecting the laws, business customs, and religious/cultural values of different countries and regions, we have created a set of overseas business guidelines and conduct business properly.

Anti-Bribery Initiatives

We have a code of conduct on entertainment and gifts as stated in our Compliance Guidebook. We make thorough efforts to ensure that all Isuzu officers and employees are informed of the code of conduct. Guidelines on entertainment- and gift-related conduct set forth more specific instructions. The same approach outlined above applies to foreign officials as well.

Prevention of Anticompetitive Practices

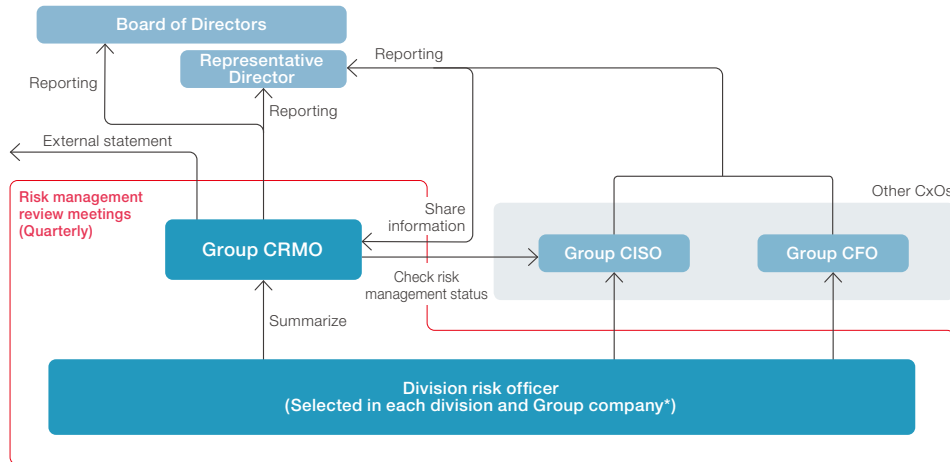
In its Compliance Guidebook, Isuzu requires all of its officers and employees to thoroughly comply with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the Act Against Delay in Payment of Subcontract Proceeds, Etc. Periodically we inspect the relevant internal divisions' compliance with laws and provide education on the Act Against Delay in Payment of Subcontract Proceeds, Etc. and other related subjects whenever necessary in thorough pursuit of compliance with the laws.

Risk Management

Basic Mindset

In 2020, the Isuzu Group shifted to a new risk management structure. A Group CRMO (Chief Risk Management Officer) is appointed and supervises risk management processes throughout the Isuzu Group. Group CRMO periodically identifies and evaluates risks in the management and execution of the Isuzu Group's business operations in an effort to properly control and in particular to reduce these risks. Risk Management Confirmation Meeting is held regularly to keep updated on the progress of measures against risks and the manifestation of risks and to tirelessly review measures and risk awareness. If a risk becomes manifest and turns into a crisis, Group CRMO assumes responsibility to form a task force and minimize the impact. In this way, Group CRMO plans and implements measures against risks. Results of the measures are reported to the management as appropriate. By doing so, the Group CRMO always takes comprehensive measures to manage risks.

Management System

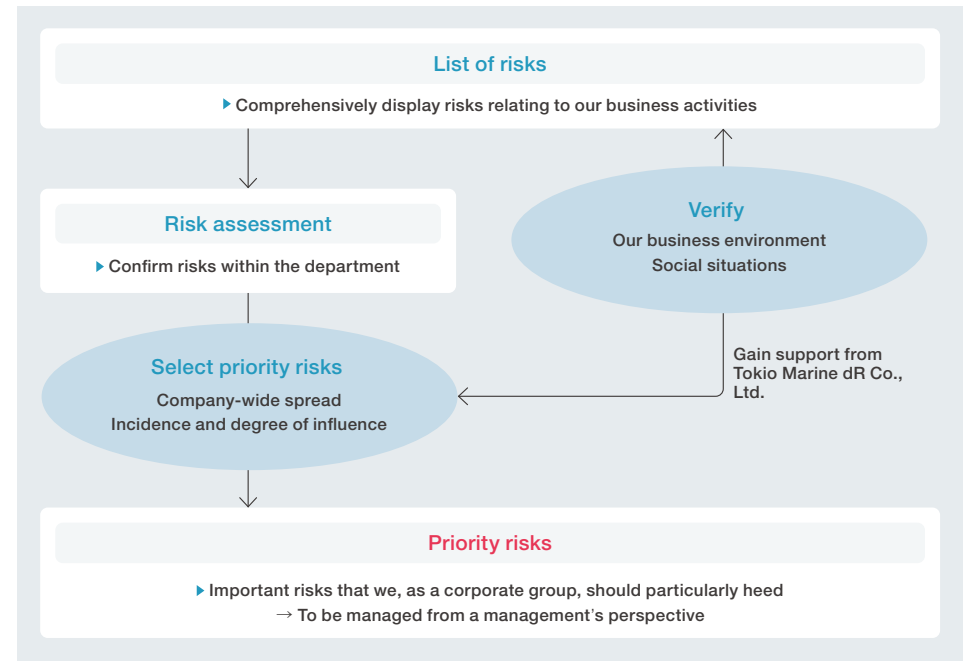


* In addition to risk management review meetings, separate meetings are held to liaise between the secretariat and members.

Risk Management Process

Isuzu comprehensively defines and assesses risks relating to its business activities before selecting priority risks that we, as a corporate group, should particularly heed.

Diagram of Our Risk Management Process



Risk Management

Business and Other Risks

The following are the risk factors in the development of Isuzu Group's operations that relate to the business information, financial information and other information stated in the annual securities report and that may materially affect the judgment of investors.

These forward-looking statements are based on the judgments of the Group as of the date of submission of the annual securities report (June 25, 2021).

Risk item	Action
Risks attributable to global economy, financial market or automobile market	
(1) Fluctuation in economic situations and aggregate demand in major markets	<ul style="list-style-type: none"> Accurately identify prospects of economic situations and demand. Disperse markets to sell our products.
(2) Competition in the automobile market	<ul style="list-style-type: none"> Achieve improvements in terms of product performance, safety, fuel efficiency, environmental impacts, prices and after-sales service among others. Continuously develop, manufacture and sell competitive products and provide after-sales service for such products.
(3) Fluctuations in exchange and interest rates	<ul style="list-style-type: none"> Encourage local production. Utilize derivatives including forward exchange contract transactions.
Risks associated with business operations	
(4) Reacting to phenomena such as technological innovations and changes in business models	<ul style="list-style-type: none"> Set up permanent departments to swiftly address technological and social changes and promote multiple projects all across the Isuzu Group.
(5) Research and development	<ul style="list-style-type: none"> Develop new technologies and products through the prediction of market needs and prioritization of R&D fields. Obtain new technologies and products through alliance and cooperation with parts manufacturers.
(6) Joint ventures and other forms of alliance	<ul style="list-style-type: none"> Discuss the necessity for partnership formation based on a broad range of information, such as management conditions and governance of a joint venture partner or an alliance partner and other important non-financial information.
(7) Reliance on specific channels in sales and supply	<ul style="list-style-type: none"> Maintain relations with major clients and find new clients to disperse risks.
(8) Delays and shortages in procurement of materials and parts and soaring procurement costs	<ul style="list-style-type: none"> Keep regularly updated on production capacity and credit risks of suppliers and the quality and costs of products etc.
(9) Compliance reputation	<ul style="list-style-type: none"> Build preparedness for preventing violations of laws and for taking action in the event that a compliance-related problem is identified. Set up a compliance committee consisting of learned individuals from the outside (e.g. attorneys).

(10) Product defects	<ul style="list-style-type: none"> Follow strict quality control standards in manufacturing products. Find failure-related information early and share it through the Quality & Customer Satisfaction Improvement Committee, discuss quality improvements across the Isuzu Group and supervise the operation of Group-wide quality management practices. Join products liability insurance.
(11) Information security risks faced by an IT society	<ul style="list-style-type: none"> Appoint a person responsible for handling information security risks and set up an organization specialized in information security. Implement safety measures aimed to maintain and improve our information security by, for example, protecting personal and confidential data, keeping data and systems available and preventing falsification of data. Conclude agreements with alliance partners on information security.
(12) Risks concerning protection of intellectual property	<ul style="list-style-type: none"> Promote efforts to protect intellectual property.
(13) Secure and retain good human resources and ensure that performance is demonstrated	<ul style="list-style-type: none"> Systematically recruit employees. Properly assign or reassign the right persons to the right positions. Operate the system concerning employees' education, training and career advancement. Properly use the personnel appraisal system.
(14) Legal restrictions etc.	<ul style="list-style-type: none"> Gather information about legal restrictions and related issues from different countries, especially Japan, United States, Thailand, China and Europe. Make investments and develop new technologies and products in preparation for changes in legal restrictions.
(15) Risks latent in international activities and overseas expansion	<ul style="list-style-type: none"> Keep updated on the following risks in different countries. <ul style="list-style-type: none"> Fluctuation of political and economic situations. Unilateral changes in policies on permission, authorization and other issues and direct or indirect expropriation of the Isuzu Group's assets. Potentially negative effects on taxes. Restrictions on money transfer and redemption. Difficulty to recruit and secure human resources. Underdeveloped technological and social infrastructure (e.g. electric power, water and sewage, roads, ports). Social confusion resulting from terrorism, warfare, natural disaster, economic sanction and other factors.
(16) Disasters, etc.	<ul style="list-style-type: none"> Periodically inspect all equipment for prevention of disasters. Formulate action plans in case a disaster or any other problem occurs, and provide training based on the plans. Formulate preventive and action plans against new types of influenza and other unknown infectious diseases, and provide training based on the plans. At an early stage, use outside consultants and other resources to obtain global information on new types of influenza and other unknown infectious diseases. Properly stockpile masks and other necessary supplies.
(17) Climate change	<ul style="list-style-type: none"> Formulate the Isuzu Environmental Vision 2050. Sophisticate our preparedness to continue our business operations. Develop and market GHG-free products.

*For details of these risk items, also see our annual securities report.

Risk Management

COVID-19

Isuzu continues to take measures to prevent infections while keeping its production and after-sales service operating with the aim of, as a commercial vehicle manufacturer, maintaining the social infrastructure for purposes such as transportation of medical supplies and daily commodities.

As one of our initiatives to contribute to local communities, Isuzu Hospital and other Isuzu-affiliated facilities are opened for use as COVID vaccination venues at the request from municipal governments.

As for products, our commitment to route buses includes industry-government-academia cooperation in the simulation of in-vehicle ventilation. Results of the simulation are available on our website^{*1}. Based on the results of the simulation, we took actions such as launching products for drivers to prevent droplet infection and adding optional aerosol filters which are equally effective to in-vehicle ventilation with open windows.

The COVID-19 pandemic is changing people's values. Despite this, we will endeavor to identify needs from customers and communities and promptly take action.

^{*1} A notice on the simulation of internal ventilation of a route bus

Information Security

As the risks of information security become more serious, we are working to reinforce our information security under the leadership of the Isuzu Group CISO (Chief Information & Security Officer) across the Group.

To facilitate the management of our information security, we maintain the Isuzu Group Information Security Policy and lay out rules for companies of the Isuzu Group. Each of the rules is based on the Cybersecurity Management Guidelines provided by the Ministry of Economy, Trade and Industry, ISO21434, ISO27001, NIST SP800-171 and other laws, regulations and standards. Furthermore, we take part in Auto-ISAC^{*2}, an organization that has started operating in Japan and the United States and gathers and analyzes information on vehicles' cybersecurity. In this way, we are structurally growing capable of collecting and addressing the issues detected within the industry.

^{*2} Auto-ISAC: Automotive Information Sharing and Analysis Center, an automobile cyber security organization based in North America. Japan Automotive ISAC was established in Japan in February 2021.

Information Security Management Structure

