

## A Third-party Opinion



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**Mr. Keisuke Takegahara,**

In this fiscal year, your corporate group has drastically changed its system of disclosure of non-financial data. The new integrated report has begun to encompass strategies and the value creation story which have been described in Part 1 of CSR Report until last fiscal year. Part 2 of the CSR Report, details of specific activities and achievements, is now covered by the Sustainability Report, which is treated as an independent medium. This opinion belongs to the latter, but concerns both since the two media are inseparable.

As far as the integrated report is concerned, I was impressed by how you have pushed forward with the integration of non-financial value and your management strategy, something you have been strongly aware of from the last fiscal year. This has added to the clarity of your value creation story. This is summarized in the message from the president to deliver the Group's value creation story. You emphasize two major pillars of your new medium-term management plan, "carbon neutrality (CN)" and "contribution to the evolution of logistics," which speak of your specific commitment and related plans. I get the impression that the message embodies the outside-in approach to synchronizing solutions to social issues with your growth scenario.

For CN, you announced a goal of establishing a full lineup that will work until 2040 to achieve the long-term vision by 2050. A new-age power train structure for commercial vehicles, characterized by the electrification of major models, the sophistication of internal-combustion engines and the use of CN fuel, is shown with 2030 as the milestone. This is supported by the "CASE-compatible" alliance which was built in accordance with the previous medium-term plan. The mechanism is very easy to understand.

In terms of contributing to the evolution of logistics, you have an approach unique to a commercial vehicle manufacturer, namely offering solutions to the labor shortage and many other challenges encountered in the worksites of truck logistics, through connected cars and automatic driving technologies. This is very convincing.

You focus on innovation and regard it as a common keyword. You also say that being a

group capable of achieving innovation is the purpose of the group's existence. This eloquently expresses the Isuzu Group's value creation story and the direction of "evolution into ESG-oriented management" to support your quest for that purpose.

Based on the above, the following diagram of the Isuzu Group's value creation story helps to deepen our understanding about the system and intention of the story. The establishment of the Sustainability Committee led to the development of an integrated promotion system. In addition, your support for TCFD, signing the United Nations GC, commencement of human rights due diligence and numerous other elements have been added to functions as the foundation of the value creation story. They are reinforcing the significant changes happening in this fiscal year.

As of the time of writing, the draft Sustainability Report, which has taken over Part 2 from past issues, is not significantly different from the previous issue. It conveys the editor's serious intent to take the wide-ranging CSR activities one by one and communicate their value to many different stakeholders. On the other hand, given the rapid and significant systematization of the integration report, the question of how to connect and link the two remains. Changing the structure without changing its content may work in providing integrated report readers with easy access while also utilizing the advantages of Sustainability Report. More specifically, a detailed explanation about the "source of competitiveness" and "foundation of value creation," components of the value creation story of your integrated report, may be regarded as a sustainability report. Making the two compatible with each other and linking them online may be worth considering. Many different approaches are conceivable. Examples are, among many others, reorganizing items of the Sustainability Report in accordance with the value creation story and inserting into the top of the report a table for comparison with the value creation story. In doing so, applying the TCFD framework, which was adopted in the recent climate change-related disclosure, to other expandable items may make the format look more unified and may be able to lead the way in standardizing the disclosure of non-financial information, which is likely to progress going forward.

The potential of the new information disclosure system that looks ahead to the next generation adds to our expectations for the future. This is a big challenge. But it will hopefully lead you to a commitment to continued improvement, the KPI for which is visualizing the value to offer to society through value creation; in other words, measuring the impact. This requires clarification of a long-term vision and goals relating to the elements that comprise value creation. Currently, Isuzu Environmental Vision 2050 and the medium-term goal based on the Vision are implemented. Showing similar mechanisms in other domains will be necessary. In advancing these efforts, the recently established Sustainability Committee is expected to play an important role. Hopefully this will be a good example of a governance function compatible with the times when materiality changes dynamically.

I look forward to Isuzu's progress going forward.

## A Third-party Opinion

### Response to the Third-Party Opinion

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We would like to express our sincere appreciation for Mr. Keisuke Takegahara's valuable opinions on the Isuzu Group's ESG activities, which follow the opinions he provided last year.

This year, we created Isuzu's first integrated report to disclose our financial and non-financial data in an integrated manner. The Sustainability Report is aimed at comprehensively disclosing our ESG activities supporting our value creation and, via the two media, to report the overall picture of our value creation to our stakeholders.

The integrated report describes, in a series of value creation stories, our intention to resolve social issues by creating innovation through "evolution into ESG-oriented management," while utilizing the source of our competitiveness and the foundation of our value creation which have evolved on the basis of the medium-term management plan 2024. Mr. Takegahara had high regard for this. With that in mind, we will stay committed to improving the integrated report.

We take into consideration Mr. Takegahara's opinion on the connection and linkage between the integrated report and the Sustainability Report, in reviewing the structure of the report and clarifying the relationship between the two.

Mr. Takegahara also pointed out the need to visualize long-term visions and goals concerning the elements of value creation, disclose KPIs and show the degree of improvement. We understand this is a huge and important challenge and will discuss procedures for disclosure and other related topics at meetings of the Sustainability Committee and other relevant organizations. Going forward, we will heed the opinions from Mr. Takegahara and work to develop an information disclosure system and raise the level of our ESG activities in an effort to live up to the expectations of our stakeholders.

**Sustainability Dept.**