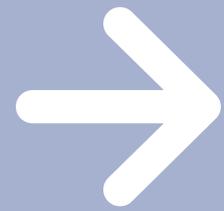


# Message from the President



**Yoshinori Ida**  
President & Representative Director

Fiscal 2005 (ended March 31, 2005) was a pivotal year for Isuzu, being the final year of our New Three-Year Business Plan when we expected programs to be well on track and see evidence that our earnings structure had improved. We overcame challenging business conditions and posted record profits at all levels, with overseas sales and subsidiaries compensating for lower parent earnings.

Despite growing pressure on the operating environment from a reactionary downturn in domestic demand, rising raw materials prices, and increased R&D expenses, we posted record profit at all levels on 4% sales growth in fiscal 2005 (ended March 31, 2005). Consolidated-basis sales grew 4.4% from a year earlier to ¥1,493,567 million, operating income was up 3.2% to ¥87,214 million, working profit rose 12.1% to ¥91,555 million, and net income grew 9.7% to ¥60,037 million. Since these results indicate that we succeeded through the New Three-Year Business Plan in restructuring our business base into a highly profitable one, we decided to resume dividends for the first time in seven terms.

Fiscal 2006 (ended March 31, 2006) is the critical first year of our next three-year business plan—the Isuzu Mid-term Business Plan (April 2005–March 2008) that we announced in November 2004. We anticipate flat domestic demand in the first half, but an increase in the second half as demand grows in the Tokyo, Nagoya, Osaka and Hyogo areas for low-NOx/low-PM vehicles that comply with the NOx/PM law. We anticipate a temporary increase in expenses to finance aggressive R&D and capital investment on top of projected continued increases in prices of raw materials such as steel and rubber, but nonetheless expect to achieve and surpass our earnings targets and build foundations for future growth by absorbing the increase in spending with domestic and overseas sales growth and streamlining efforts.

Our balance sheet still leaves some scope for improvement. Some say that we have completed our restructuring program by repurchasing some preferred stock and paying a dividend, but there is still much more to do. We have reduced borrowings (excluding convertible bonds) to below ¥400,000 million, and continue to decrease interest-bearing debt, working toward our target DER of 1.0 as well as increasing equity capital beyond the current level of around ¥160,000 million. It is also important for us not only to pay dividends, but to do so in a way that makes sense to our investors.

The next three years promise to be a challenge financially, and much depends on finding and maintaining the right balance of management resources. We intend to continue our efforts to strike the right balance in distributing our net income in the form of dividends, R&D and capital investment at the same time as keeping our finances on an even keel, thereby enhancing corporate value and strengthening our competitiveness to bring us a step closer to our goal of becoming the world's leading CV/DE company.

We also went ahead with organizational reform prior to the start of the new Isuzu Mid-term Business Plan. The three main objectives are to rejuvenate the organization on completion of a major phase of our business restructuring program, actively welcome personnel from outside the company so we can make progress with expanding our overseas business under the Isuzu Mid-term Business Plan, and streamline the management structure by reducing the number of business units from 83 to 75.

The Isuzu Mid-term Business Plan (April 2005–March 2008) starting in fiscal 2006 is positioned as three years of aggressive investment to lay the foundations for sustained business growth in the coming years. Fiscal 2006 is the all-important first year of the plan, when we need to proceed with caution to avoid unnecessary mistakes.

Our goal for fiscal 2006 is to maintain our earnings momentum and post record profit for the third consecutive term. Operating conditions began turning against us in fiscal 2005, such as a sharp

increase in steel and crude oil prices, but these challenges are to be expected when running a business. Having established a business structure able to remain profitable regardless of some instability in the business environment as a result of the New Three-Year Business Plan, I am confident that we can overcome adversity through effort and creative management.

Our Future Vision outlined in the Isuzu Mid-term Business Plan is to become a leading global company in the commercial vehicle and diesel engine (CV/DE) markets. The definition of “leading global company” is likely to vary between business units—we may be referring to volume, technology, or profit margins. We strive to be the No. 1 CV/DE company with three No. 1 technologies—safety (superb product reliability), economy (excellent product life-cycle cost), and environmental technology based on our super-clean diesel engines.

Numerical targets for the Isuzu Mid-term Business Plan are consolidated-basis sales of ¥1,600,000 million and operating profit of ¥100,000 million. We also plan to expand CV sales volume overseas from the current 150,000 vehicles per year to 300,000 vehicles per year in the fiscal year ended March 2008. During the same period we aim to increase our share of the domestic CV market from 26% to 30% in the heavy-duty segment and from 36% to 40% in the 2–3t class, and raise our annual ASEAN LCV production volume from 200,000 units to 300,000 units. It is up to each business unit to formulate an action plan to make continual progress toward these goals.

After a period of cutting back on investment, we will be investing more in R&D and sales. We have started investing in a major development program to integrate light-duty and medium-duty trucks and effect a full model change. On the sales front, we plan to invest in reorganization of overseas distributor networks and strengthening domestic sales channels. Since these investment programs have the potential impact of transforming Isuzu's business structure, we should always be aware of why we are investing. Aggressive investment can only weigh on earnings without careful consideration of the role technology and facilities play, and striking a balance between domestic and overseas operations.

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 business—and ensuring sustainable growth. We look to establish the CV business in Japan as a stable earnings base by capturing and maintaining top market share, and grow the overseas CV business by securing a sound volume base. We plan to strengthen the LCV business globally so it develops into a significant profit base, and develop the DE business as a new mainstay in terms of revenue and profit.

As we start the first year of a new three-year business plan, we look forward to your continued support as we embark on our mission to become a global leader in the commercial vehicle business.

June 2005



Yoshinori Ida  
President & Representative Director