

# The Mid-Term Business Plan



On November 18, 2004, Isuzu announced a new Mid-term Business Plan covering three financial years from April 2005 to March 2008. Setting out to operate under a new corporate vision—“the world-leading global CV/DE company,” Isuzu looks to expand its commercial vehicle and diesel engine business on a global basis. Earnings targets for the Plan are consolidated operating profit of ¥100 billion on consolidated sales of ¥1,600 billion in the financial year ending in March 2008.

The Mid-term Business Plan calls for aggressive investment by the company as a strategic stepping stone to future growth. We aim to establish a solid business base by enhancing the product line with the development of global, strategic products, reinforcing organizational capabilities and strengths in each business sector by product and market, and strengthening collaboration with General Motors Corporation.

More specifically, the plan targets 20% product cost reduction through modularization, component integration, and introduction of new products, selling strategic trucks to capture the No. 1 position in Japan, strengthening worldwide commercial vehicle distribution capability to achieve annual overseas commercial vehicle sales of 300,000 units by March 2008, and maximizing profit by integration of the light-duty commercial vehicle (LCV) platform and the introduction of derivative models. In addition, Isuzu plans to extend its role as a key player in the General Motors Group through joint development and manufacturing and actively strengthening the collaborative relationship with GM.

With these key themes, Isuzu will strive to grow its corporate value and fortify its basic strengths with the goal of consolidating its competitive advantage.

### The Mid-term Business Plan

The Mid-term Business Plan includes the following two main elements:

#### *Develop and introduce strategic products for global markets*

- Develop strategic products.
- Reinforce cost structures.
- Strengthen collaboration with GM.

#### *Reinforce business operations by product/market*

- Strengthen the CV business in Japan.
- Realign and reinforce the CV sales organization in overseas markets.
- Maximize LCV operating income.
- Expand and sustain growth of the DE business.

### Develop and introduce strategic products for global markets

Plans to develop strategic products include the "Asian Truck" in the heavy-duty segment targeted at the Chinese and ASEAN markets, integrated products in the medium and light-duty segments like the F-series and N-series trucks that meet global market requirements, integrating the pickup truck platform to enjoy volume benefits by global deployment, and a step-by-step program to convert the DE range into super-clean diesel engines.

Taking advantage of the opportunities presented by new product releases, Isuzu plans an extensive review of development concepts and processes to maximize production efficiency and reduce product cost by 20%.

Isuzu is also committed to strengthening collaboration with General Motors. As a key player of the GM group, Isuzu has started strategic studies with GM with a view to expanding Isuzu's role in joint product development and manufacturing. This includes expanding Isuzu's CV business and use of Isuzu DE within the GM Group and joint development of next-generation LCV models for the global market.

### Reinforce business operations by product/market

Isuzu is eager to reinforce the CV business in Japan. In our bid for the top spot in the Japanese CV market, we plan to introduce new strategic products including a new engine with superb fuel economy for the GIGA heavy-duty truck, and new medium and light-duty truck models built on integrated modules. Isuzu aims to capture 30% of the heavy-duty truck market and 40% of the light-duty truck market with renewed marketing efforts in weaker segments and regions.

Realigning and reinforcing the CV sales organization in overseas markets requires restructuring the distribution function to establish sales capability of 300,000 units per year in overseas CV markets by the end of the year to March 2008. In the ASEAN region, we plan to realign the distribution business in Indonesia—a key market for Isuzu—and strengthen service and after-market functions. We plan to expand sales channels and after-sales networks in China, while enhancing collaborative relationships with partner companies. Isuzu intends to extend the CV product range in North America by leveraging its leading position in the LCV market and strong brand equity. Elsewhere Isuzu plans to invest in sales operations in stages, entering aggressively into local sales businesses and partnerships in key markets and moving quickly into untapped markets to develop future profit opportunities.

Maximizing LCV operating income entails integrating pickup-truck platforms with those for AUV and derivative vehicles to maximize sales volume on a global basis, and optimizing operating efficiency by relocating engineering functions to Thailand and consolidating manufacturing and procurement functions. These steps should ensure that we retain capital to invest in next-generation global strategic vehicles.

Isuzu intends to increase the supply volume of diesel engines to the GM Group and grow the DE business in China to expand and sustain growth of the DE business. As the initial step, we plan to pioneer a customer base in the industrial machinery market to strengthen Isuzu's brand power alongside developing sales-related infrastructure.