

## TRANSLATION

## ISUZU MID-TERM BUSINESS PLAN

## - Isuzu "V" Plan -

Isuzu Motors Limited (Isuzu) today announced a Mid-term Business Plan for a period through March, 2004 that aims at far reaching, fundamental reform of business and corporate structure, to restore enterprise value and strengthen company's competitiveness.

In 1992, when a new business plan was established, Isuzu discarded the past management practices based on the so-called "Jack-of-all-trades" principle and refocused itself on three core operations, Commercial Vehicle(CV), RV and component. Since then, Isuzu has been running business operations aggressively. Among key initiatives taken since 1992 were optimization of manufacturing operations, reform of purchasing structure and expansion of overseas manufacturing activities. In the meantime, Isuzu made a significant leap forward in enhancing its collaborative relation with General Motors that greatly helped Isuzu re-define its positioning within the GM Group as a "Center of Expertise (COE)" for diesel engine and commercial vehicle businesses.

However, since the middle part of 90s, with Japan's long, persistent economic slump and market nosedive in ASEAN countries, the deteriorating business conditions had dealt a severe blow on Isuzu's operating performance. Being beset with aggravating business environment, Isuzu embarked upon a Group-wide Structural Reform in December 1998 to weather through the hardships and strengthen group-wide management vitality on consolidated basis. The reform initiatives taken in such areas as domestic dealership organization and workforce structure have resulted in positive improvements in our operating performance, especially in Japan.

Isuzu's financial results in the last three-year period to March 2001, however, continued to show significant losses. Clearly, Isuzu understands its fundamental earnings power still remains to be very weak, given the need to cope with rapidly changing business environment. Especially, the issue of high cost structure is the highest priority item for Isuzu, an issue that finds its origin in the past lopsided management emphasis given to the domestic operations and globalization drive based on Japan.

Isuzu new mid-term business plan aims at becoming a slender corporation thereby restoring enterprise value, and establishing globally-based business structure by leveraging Isuzu's own strengths and collaboration with General Motors.

Isuzu's new Mid-term Business Plan, dubbed "Isuzu V Plan", is the first step for "resurgence": it sets out challenges Isuzu has to grapple with, no matter how severe the business conditions maybe, and takes the Company to where we should be --- to become a corporation fully committed to provide high quality products to all the customers in the world --- and represents the wholehearted commitment of Isuzu Motors Limited.

<TARGET> By fiscal year ending March 2004 (Excluding financial sector)

(on consolidated basis in JPY bil.)

Sales:	1,520
Operating Profit:	Over 60
Net Income:	Over 30
Assets	1,110
Debt (Interest-bearing)	510

\* The V in "Isuzu V Plan" means "Victory" and "V-shaped rebound".

<OVERVIEW OF ISUZU "V" PLAN>

Right-sizing cost structure in Japan

Leverage Isuzu' own strengths/collaboration with GM

I. RESTORE ENTERPRISE VALUE	II. EXPAND BUSINESS
<ul style="list-style-type: none"> <li>• Consolidate manufacturing infrastructures in Japan</li> <li>• Reduce group-wide headcount</li> <li>• Material cost reduction</li> <li>• Compress total consolidated assets</li> <li>• Reinforce domestic dealers' earnings power</li> <li>• Realign Isuzu Group companies</li> <li>• Review SUV sales/business in Japan</li> <li>• Engineering program/efficiency improvement</li> </ul>	<ul style="list-style-type: none"> <li>• Establish globally-based business structure</li> <li>• Reinforce powertrain business</li> <li>• Reinforce Domestic Sales and Distribution Network</li> <li>• Enhance GM collaboration</li> </ul>

- - - Following summarizes specifics on each item - - -

**I. RESTORATION ENTERPRISE VALUE**

**Slim down bloated manufacturing and sales infrastructures in Japan to a right size. Reduce cost, compress total assets and achieve lean group structure free of redundancies and waste.**

**1) CONSOLIDATE MANUFACTURING INFRASTRUCTURES IN JAPAN**

**Right-size and consolidate worldwide manufacturing bases, and re-organize Japan production operations around 3 Plants.**

< TARGET>

**Total capacity utilization at over 90% (current: 50%) through optimal allocation of production operations.**

<INITIATIVES>

**KAWASAKI PLANT:**

- Close down completely by end of 2005, after relocation.
- Phased relocation by operation to Fujisawa and Tochigi to begin in 2002.

HD truck production: Be relocated to Fujisawa Medium Duty Truck manufacturing line by end of 2002, realizing mixed production of Heavy & Medium Duty trucks.

Engine production: Be relocated to Tochigi by end of 2005.

#### **CONSOLIDATE MANUFACTURING BASE:**

Vehicle assembly: Consolidate operations at Fujisawa Plant Relocate export pick-up truck production to Thailand from 2003. Shift SUV production to North America.

- Engine production:
- Tochigi: Engines for commercial vehicle use
  - Hokkaido: Engine component for overseas production operations
  - Fujisawa: Engines for RV use

## **2) REDUCE GROUP-WIDE HEADCOUNT**

### **<TARGET>**

**Reduce 9,700 Isuzu Group employees in 3 years**

**Current 38,000 persons → 28,000 persons(26% reduction)**

**Breakdown: Isuzu Parent company: 3,300**

**Domestic dealers: 2,000**

**Subsidiaries and affiliates: 4,400**

**Total: 9,700-person reduction**

### **<INITIATIVES>**

Reduction through attrition, hiring freeze and voluntary early retirement (700 employees of Isuzu parent company, by fiscal term ending March 2002):.....6,700 persons.

Reduction through divestiture and changes in equity position (700 domestic dealer employees and 2,300 subsidiaries and affiliates' employees):.....3,000 persons

## **3) MATERIAL COST REDUCTION**

### **<TARGET>**

**20% reduction in material cost in 3 years.**

### **< INITIATIVES>**

- Review specifications
- Reduce vehicle models by 70%
  - Reduce component varieties by 50%

Parts commonization - Expand scope of commonization between new and former models and between different models.

- All-out benchmarking: - Leverage access to and effective use of GM WWP (Worldwide Purchasing) information and expertise.
- Selective suppliers: - 470 current vendors be reduced to approx. 300 companies  
- Joint purchasing with GM WWP.
- Full-time function: - Reinforce cross-functional full-time team activities (180-strong workforce) among Engineering, Manufacturing and Purchasing Divisions  
- A new function "Overseas Sourcing & Control" in Purchasing Division

#### 4) COMPRESS TOTAL CONSOLIDATED ASSETS

**Sell assets and stock holding, and improve fund-raising capabilities and cashflow.**

<TARGET> (Excluding financial sector)

**Total consolidated assets:                    Approx. JPY 350 bil. reduction in 3 years.**  
**Current JPY 1,460 bil (at end of March 2001) be reduced to JPY 1,110 bil (at end of March 2004)**

**Interest-bearing consolidated debt: Approx. JPY 250 bil reduction in 3 years.**  
**Current JPY 750 bil (at end of March 2001) be reduced to approx. JPY 510 bil (at end of March 2004).**

#### <INITIATIVES>

- Asset sale:                    - Kawasaki Plant  
                                  - Head office, etc. JPY 65 bil.
- Sale of stock holding: - Resolution of cross-shareholding, etc. JPY 25 bil.
- Inventory:                   - 25% group-wide reduction (at March 2002) JPY 50 bil.
- Misc:                        - Securitization of receivables and reduction of receivables' collection period, etc. JPY 70 bil.

#### 5) REINFORCE EARNINGS POWER OF DOMESTIC DEALERS

##### <TARGET>

**Across-the-board profitability at all dealers: fiscal year ending March 2004**

##### < INITIATIVES>

Accelerate CV dealer consolidation: Total number of dealers in Japan be reduced to 25 (currently, 41).

- Full-line dealers: Combine H/D and L/D truck-exclusive dealers
- Expand sale territory per dealer: Merge dealers with overlapping sales territories.

Realign service outlets (Consolidate and reinforce functional capabilities):

- Total number of service outlets be reduced to approx. 320 (currently 400)
- Outlet realignment by service work categories

- Review of market coverage of service operations
- Reinvest savings from restructuring for service shop renewal and functional reinforcement

## **6) REALIGN ISUZU GROUP COMPANIES**

**Review entire Group-wide businesses, divest and/or restructure non-core businesses.**

**The 109 group companies be reviewed from the perspective of operational framework, and functions be consolidated and/or abolished.**

### **< TARGET >**

**40% reduction in total number of affiliates(current 109 companies).**

### **< INITIATIVES >**

- Merger into Isuzu parent company
- Merger between affiliates
- Liquidate unprofitable non-core businesses
- Sell businesses, change Isuzu's equity position

## **7) REVIEW SUV SALES/BUSINESS IN JAPAN**

**Realize reciprocal use of sales resources with GM, and aim at RV sales increase in Japan.**

### **< INITIATIVES >**

- Study sales outlet integration opportunities: Promote transformation of Isuzu sales outlets into GM AutoWorld (GMAW) shops.
- Supply Isuzu SUVs with Chevrolet badge: Primarily from Subaru-Isuzu Automotive Plant in the U. S.
- Active operational support to GMAW (service, after-sales parts, logistics)

## **8) ENGINEERING PROGRAM/EFFICIENCY IMPROVEMENT**

**Integrate platform to "Core platforms" and deploy derivative technologies to realize an all-out efficiency improvement.**

### **< INITIATIVES >**

Platform integration (Target completion in 2006)

- Current 7 platforms be reduced to 3 "Core platforms"
- Core platforms: H/D CV, M/& L/D CV, Pick-up truck

## **II. EXPAND BUSINESS**

**As a GM Group company playing a central role in diesel engine and commercial vehicle businesses, reinforce collaborative relation with GM by leveraging Isuzu's strengths and optimizing resources and functional allocation with a global perspective, and re-establish business structure on a global scale.**

## **ESTABLISH GLOBALLY-BASED BUSINESS STRUCTURE**

- Establish global work-sharing structure around 4 centers, Japan, ASEAN, China and America, and realize optimization of engineering, sourcing, production and sales efficiencies by each product line-up
- Develop strategic global model vehicle.
- In particular, ASEAN (LCV) and China (CV, bus) operations be given special focus for further reinforcement.
  - \* LCV (Light Commercial Vehicle, e.g., pick-up truck, multi-purpose vehicle, etc)

## **REINFORCE POWERTRAIN BUSINESS**

Forge the world No.1 DE manufacturer's position (Target : 1.8 mil. unit production in 2005)

## **REINFORCE DOMESTIC SALES & DISTRIBUTION NETWORK**

Strengthen sales operations in peripheral businesses beyond new vehicle sales, and offer comprehensive packaged products.

## **ENHANCE GM COLLABORATION**

- Effective use of GM resources and the volume merits
- Reciprocal use of Isuzu/GM sales channels
- Cooperative product development and product integration

--- More specifically ---

### **1) ESTABLISH GLOBALLY-BASED BUSINESS STRUCTURE**

#### **→ Effective product deployment and sales outlet alignment with thorough coverage of key market**

On a product-by-product basis, main operational center (sourcing/production/sales) be established.

Each operational center to serve world-wide market (completed vehicle, parts, component businesses)

- CV: Japan and China
- Pick-up truck & multi-purpose vehicle : ASEAN
- SUV: North America
- DE for CV use: Japan, China, Asia, America
- DE for cars: Europe

#### **→ Strategic "Global Vehicle Models"**

By positioning LCV and pick-up truck as Strategic Global Models, new vehicle models with novel concept be deployed globally.

LCV/pick-up truck derived model: Delivery truck, multi-purpose vehicle and SUV, etc., with novel concept

#### **→ Reinforcement of ASEAN and China operations**

- Thailand: - World production base of pick-up truck
  - Full-scale operational reinforcement in production facilities, sourcing/distribution
- Indonesia: - World production base of Global Multi-purpose vehicle
  - Establish solid business structure, leveraging local capital
- China: - Deploy H/D CV and bus full line-up
  - Parts/component supply base
  - Establish far-reaching sales network, leveraging service & parts operations

## **2) REINFORCE POWERTRAIN OPERATIONS**

Build up a solid position as a leading, premium brand DE manufacturer, in all aspects of advanced technology, production capabilities and business operations.

### **→ Explore new market opportunities and sustain new business undertakings**

- Expand DE sales to GM Group companies
- Increase DE sales to other auto manufacturers

### **→ Isuzu's self-supporting operations and businesses**

Globalization of production operations and product supply:

- Expand production at DMAX (the US), and ISPOL (Poland)
- Study spin-off of Hokkaido Plant to create an engine-exclusive plant.
- Leverage use of Thailand, Indonesia, China production operations
- Spin-off and reinforce industrial/marine engine businesses

### **→ Advanced DE technology**

Accelerate commercialization of super-clean DE with high power/torque

## **3) REINFORCE DOMESTIC SALES & DISTRIBUTION NETWORK**

**Create new value to meet customer needs**

### **→ Reinforce peripheral businesses around domestic sales operations**

- Service, financing, body-building, used-vehicle, CV leasing, re-manufacturing, etc.

### **→ Develop total package products of these related businesses including new car sales**

## **4) ENHANCE GM COLLABORATION**

Expand collaboration from the "product supply-based" to "function-based" undertakings

### **→ Engineering:**

- Reinforce Isuzu's position as a leading DE/CV/LCV engineering company within GM Group
- Leverage use of GM's advanced technology and expertise

→ **Purchasing:**

- Participate in GM WWP process, and realize cost reduction

→ **Manufacturing:**

- Promote reciprocal use of manufacturing infrastructure: In Thailand & North America

→ **Products:**

- Supply Isuzu CV and LCV to GM sales channels
- Introduce GM products in Isuzu sales channel

→ **Sales:**

- Pursue synergetic effects through integration of sales channels: In North America & Japan

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