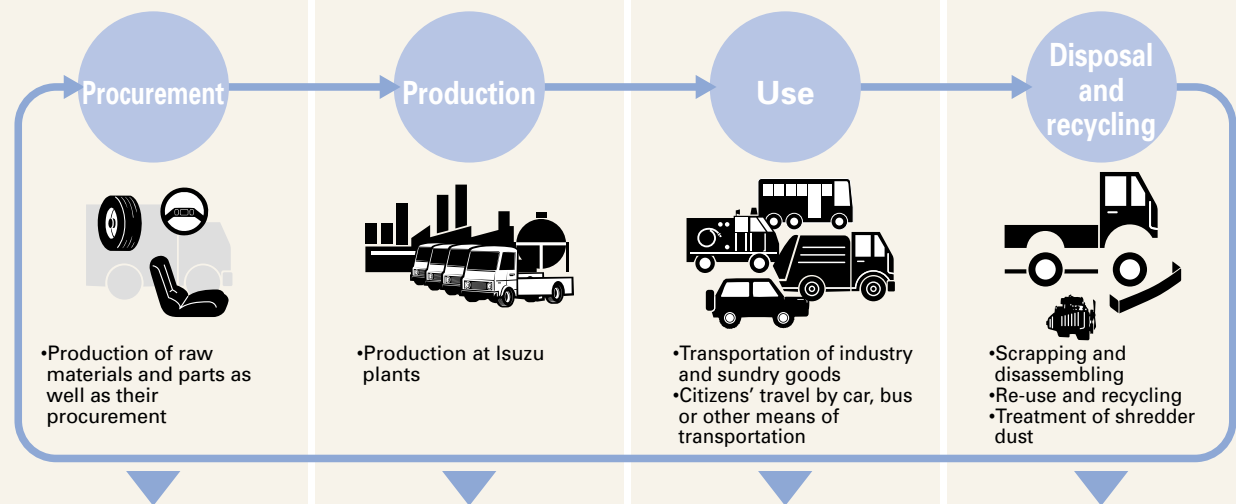


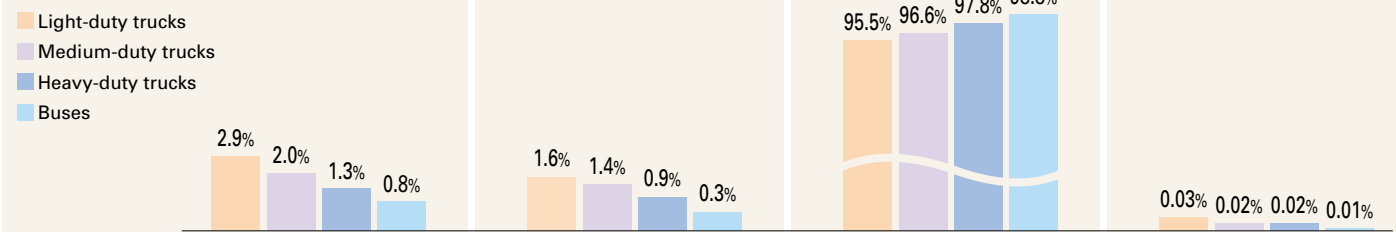
# Overview of Isuzu's Environmental Activities, Efforts to Reduce Environmental Impact, and Environmental Accounting

Based on our assessment of the environmental impact of a vehicle's life cycle, from materials procurement to recycling and disposal, we are striving to reduce our environmental impact, with priority on the areas where it is greater.

## Life Cycle of Isuzu Products



### Ratio of CO<sub>2</sub> emissions



### Major factors responsible for environmental impact

- Procurement:**
  - Consumption of resources and energy
  - Discharge of industrial waste
  - Discharge of NO<sub>x</sub>, dust, etc. into air and water
  - Use of environmental impact substances
- Production:**
  - Consumption of resources and energy
  - Discharge of industrial waste
  - Discharge of NO<sub>x</sub>, dust, etc. into air and water
  - Use of environmental impact substances
- Use:**
  - CO<sub>2</sub> emissions
  - Exhaust gases (PM, NO<sub>x</sub>)
  - Noise
  - Discharge of packaging waste
- Disposal and recycling:**
  - Discharge of shredder dust
  - Discharge of industrial waste
  - Discharge of environmental impact substances

## Isuzu's Major Initiatives

- Procurement:**
  - Tie-up with suppliers
  - Green procurement promotion
  - Introduction and operation of chemical substance management system

(p. 35-p. 36 and p. 50)
- Production:**
  - Prevention of global warming
  - Reduction in industrial waste
  - Reduction in environment impact substances
  - Prevention of air and water pollution
  - Effective use of resources

(p. 5-p. 6 and p. 33-p. 36)
- Use:**
  - Improvement of fuel efficiency (to reduce CO<sub>2</sub>)
  - Cleaning of exhaust gases
  - Development of clean energy vehicles
  - Reduction in vehicle external noise
  - Support for efforts toward improvement in driving skills (*Mimamori-kun* vehicle diagnostic and information system to improve driving skills)

(p. 25-p. 30)
- Disposal and recycling:**
  - Positive efforts toward recycling
  - Improvement in the efficiency of disassembly and separation
  - Utilization of recycled materials and parts
  - Waste reduction
  - Appropriate treatment of environment impact substances

(p. 31-p. 32)

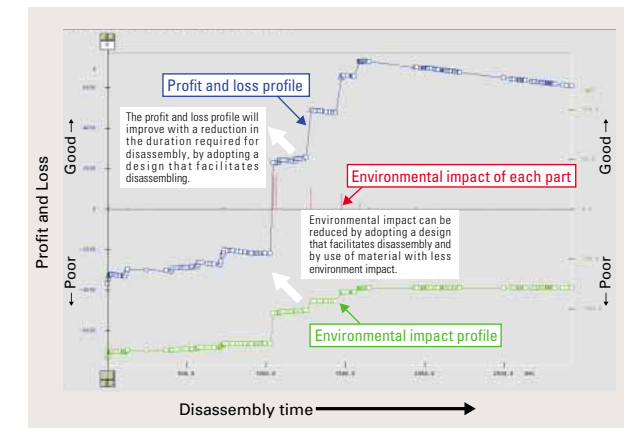
## Environmental Impact per Vehicle and Isuzu's Efforts for Reduction

Isuzu is addressing environmental issues, based on a study of the Life Cycle Assessment (LCA) method. The environmental impact in a vehicle's service period (life cycle) mostly occurs during its use. CO<sub>2</sub> and exhaust emissions such as PM and NO<sub>x</sub> are the main causes of such environmental impact. Because of this, Isuzu is stepping up its efforts to improve fuel efficiency, that is, reduction of CO<sub>2</sub> and decrease in exhaust gases, by using "soft" and "hard" tools. On the hardware side, we are focused on the development of fuel-efficient and clean engines and vehicles (see p. 25-p. 28). On the software side, we are trying to educate our customers on fuel-efficient driving skills (see p. 29-p. 30).

Also, as a positive effort towards improving recycling, an effort is being made towards the efficiency of disassembly and separation based on DFE\* (Design For Environment). The following graph indicates an analysis example, where improvements in the efficiency of profit and

loss (disassembly efficiency) and environmental impact are being strived for by adopting an optimal disassembly process (disassembly order).

Examples of DFE-based Vehicle Assessment (Disassembly of a Light-duty Truck)



\* DFE: Design For Environment

## Environmental Accounting

### Fiscal 2006 environmental accounting

Environmental accounting, aimed at assessing environmental costs and their effects, is an important means for promoting environmental protection and business activities continuously and efficiently. To this end, Isuzu utilizes an environmental accounting system for management decisions. Environmental accounting is disclosed to its customers and stakeholders in its Environmental Report. We plan to upgrade the disclosure by improving the accuracy of information and expanding the scope of cost-effectiveness analysis.

### Environmental protection costs

In fiscal 2006, the total amount of investment in and cost for environmental protection amounted to ¥36.3 billion (of this, ¥34.3 billion was spent on research and development into measures to meet emission regulations, both domestic and overseas). These figures were tallied in accordance with the guidelines of the Ministry of the Environment. Combined costs, including non-environmental protection costs, were totaled with a proportional calculation.

### Effects of environmental protection

Through research and development, we were able to improve product performance (refer to p. 23-p. 24 for environmental goals and achievements). At our plants, CO<sub>2</sub> emissions were reduced by full-scale operation of a cogeneration system and the introduction of a multi-can type combustor boiler, and the final landfill waste was reduced by recycling incinerator ash.

Environmental Protection Costs Target period: April 1, 2006 to March 31, 2007

(Unit: million yen [fractions rounded to nearest million])

| Classification of environmental protection costs |  | Amount of investment | Costs         | Details of major activities  |
|--|--|----------------------|---------------|--|
| 1)   | Environmental protection costs to curb environmental impact caused by main business activities: business-area cost                                     | 193                  | 547           | Modification/installation of a waste water treatment system, improvement in energy conservation (modification for heat insulation on the plant roof) and industrial waste treatment costs            |
|  | 1. Costs for pollution prevention  | 92                   | 164           |  |
|  | 2. Costs for environmental protection  | 100                  | 43            |  |
|  | 3. Costs for resource circulation, costs for disposal of industrial waste (including landfill)   | 0                    | 340           |  |
| 2)   | Environmental protection costs to curb environmental impact caused by major upstream and downstream business operations: Upstream and downstream costs | 0                    | 736           | Costs for rebuilding engines and transmissions, operation/management costs for boilers and waste water treatment systems, etc.   |
| 3)   | Environmental protection costs in management activities: Management activity costs   | 136                  | 251           | Costs for addressing the Recycling Law internally, costs related to ISO compliance, soil investigation, etc.   |
| 4)   | Environmental protection costs in research and development: Research and development costs   | 5,428                | 28,835        | Activities to reduce the environmental impact of products, measures to comply with domestic and overseas emissions regulations, such as post new long-term emissions regulations in Japan and Euro V |
| 5)   | Environmental protection costs in social activities: Social activity costs   | 0                    | 56            | Costs for recycling activities, support for social contributions and environmental protection activities, such as sending a delegation to the South Pole, etc.                                       |
| 6)   | Costs to deal with environmental damage: Environmental damage recovery costs   | 12                   | 90            | Surcharge on pollution impact, legal costs, etc.   |
| 7)   | Other environmental protection-related costs: Other costs  | 0                    | 0             |  |
| <b>Total</b>                                     |  | <b>5,769</b>         | <b>30,516</b> |  |

### Effects of Environmental Protection

| Effects of Cost Reductions                                    | (Unit: million yen) |
|---|---------------------|
| Cost reductions through energy conservation                   | 77                  |
| Reduction in waste disposal costs                             | -4                  |
| Reduction in costs for tap water and water for industrial use | 13                  |
| <b>Total</b>  | <b>86</b>           |

### Effects of Quantitative Reduction

|                           |                        |
|---------------------------|------------------------|
| CO <sub>2</sub> emissions | 4,500 t                |
| Amount of landfill waste  | 53.5 t                 |
| Water usage               | 120,000 m <sup>3</sup> |