ISUZU

ISUZU MOTORS LIMITED

ANNUAL REPORT 2006

Year ended March 31, 2006

Profile

Tracing its roots back to 1916 as one of Japan's oldest automakers, Isuzu today strives to be a global market leader in transportation, commercial vehicles, and diesel engines, supporting our customers and respecting the environment around the world. Not only does Isuzu manufacture the best-selling light duty trucks in Japan, but in 2004 it led the world in medium-duty truck production as well as being one of only three manufacturers to produce over 90,000 units of medium and heavy-duty trucks in a single country. Isuzu vehicles held the top spot in many markets around the world, and in the US, truck dealers voted Isuzu the top medium-duty truck brand in 2005 for the sixth time in the past seven years.

From the beginning, Isuzu has focused on development and manufacture of commercial vehicles and diesel engines that contribute to people's wellbeing. Our expansion of operations across the globe means that Isuzu products now benefit people in well over 100 countries.

Customers expect the same quality and performance of our products regardless of country or region. We are meeting this universal need for quality by developing standardized products for the global market and providing a sophisticated system of worldwide customer support.

Isuzu aspires to excellence in environmental performance as well. Our diesel engines are some of the cleanest available today, and we are developing eco-friendly vehicles to meet the challenges of fossil fuel depletion and increasingly stringent emissions regulations. Isuzu is dedicated to meeting the challenges of tomorrow.

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Forward-Looking Statements

Our Corporate Vision

Isuzu will always mean the best

A leader in transportation, commercial vehicles and diesel engines, supporting our customers and respecting the environment

Our Corporate Mission

Trust, Action, Excellence

A global team delivering inspired products and services committed to exceeding expectations

Our Corporate Statement

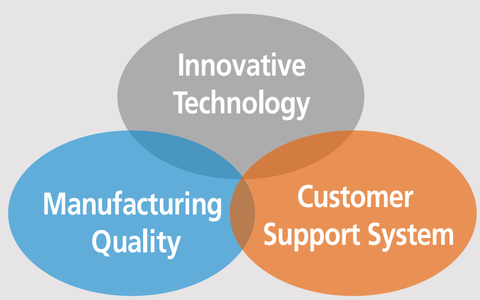
Trucks for life

ISUZU

Positioned to Lead the Future

The three key components of the Isuzu brand are innovative technology, manufacturing quality, and an excellent customer support system. As a global leader in commercial-vehicle and diesel-engine (CV/DE) markets, Isuzu aspires to excellence in all aspects of its brand. This is one of the themes of the Mid-term Business Plan, in which the company is laying the groundwork and investing aggressively for sustained growth in future years.

The Isuzu Brand



Always an innovator, Isuzu is meeting the challenge of creating the world's best CV technology founded on reliability. By bringing together advanced safety, economy, and environmental performance, Isuzu is growing as a global brand.

Isuzu's current mission in R&D is to develop global, strategic products to reinforce our product range and establish a solid overseas business base. CV/DE products must meet common global standards in performance and quality. State-of-the-art environmental performance brings real benefits only when taken beyond national borders. For this reason, Isuzu has shifted its development focus from the domestic market to the idea of global design. Environmental regulations in individual countries are no longer a factor, since Isuzu sells its most advanced diesel engines around the world.

"Gaining the trust of people everywhere" is an Isuzu development philosophy, supported by the See technology concept of pursuing technological excellence in the three critical areas of Safety, Economy, and Environment. We are developing heavy-duty trucks that meet the needs of Asian markets, as well as integrated light and medium-duty trucks as strategic global products.

As well as offering the best performance, Isuzu's original technologies reduce lifecycle costs. Innovative driving systems like the auxiliary braking retarder and Hill Start Aid (HAS) assist uphill starting. Reducing total running costs and improving fuel economy are among our top priorities in vehicle engineering. An example is the 4-bag air suspension system, which Isuzu was the first to introduce among Japanese CV manufacturers. Another is the Smoother range of automatic transmission systems, based on manual transmission design with automatic clutch and gear changes. These transmission systems maximize fuel efficiency and driving safety, as well as reducing lifecycle costs, contributing toward the cost-effective operation of logistics companies.

Isuzu plays an essential role in DE engineering and production in the GM Group. With cutting-edge technology, Isuzu is bringing diesel into a new age. Developing super-clean diesel engines is Isuzu's goal. Super-clean diesels combine the advantages of diesel over other internal combustion engines (e.g., fuel efficiency, lower CO_2 emissions, and durability) with reduced exhaust gases and particulate matter (PM), and powerful performance by incorporating combustion optimization, after-treatment technology, and comprehensive electronic control. The Isuzu Clean Air Solutions (I-CAS) system can optimize these three key technologies to cut exhaust gases, lower emissions, and boost power.

Giga Series Heavy-Duty Truck

Gala Heavy-Duty Bus

Converter for Mimamori-kun Online Service

Isuzu leads the world in electronic control technology, having accumulated expertise in this field by developing its own engine control software. Striving to develop electronic control systems that maximize hardware capabilities, Isuzu is a world leader in the field of homogenous premix combustion, which relies on precise control of the electronic common-rail fuel injection system as a technology base. It is a highly complex technology that eliminates PM and NOx in diesel emissions.

Uncompromising manufacturing quality is Isuzu's heritage. Isuzu is constantly raising the quality of its workforce and manufacturing system to ensure uniform global quality. The Manufacturing Division follows a strict quality control system and efficient manufacturing practices. Today's vehicle chassis and engines have so many parts that it is very difficult to identify and fix the defective part or parts after completion. To prevent this from happening, Isuzu ensures that the job performed at each manufacturing step conforms 100% to quality standards, and by having specialized line inspectors at key sections. The Isuzu Manufacturing Management (IMM) system standardizes the company's quality control know-how so that product quality is the same worldwide. IMM is implemented at Isuzu plants in Japan and overseas, giving customers the assurance that Isuzu quality is the same the world over.

Commercial vehicles have a range of configurations and specifications to satisfy individual customer requirements. The Fujisawa Plant, which is Isuzu's major manufacturing base, is consolidating the assembly of medium and heavy-duty vehicles on the same line by enhancing flexibility of the manufacturing process. Isuzu is constantly working to maintain quality and improve efficiency in the manufacture of small quantities of various models.

Isuzu's manufacturing bases are also uncompromising in their environmental standards. All Isuzu plants in Japan and our major overseas plants are ISO 14001 certified. Plants in Japan achieved their "zero emission" targets early and are now working on saving energy and resources. For example, Isuzu's domestic plants easily surpassed the original target for reducing CO_2 emissions by 30% from the 1990 level by 2010, achieving a 50% reduction in 2003.

Isuzu approaches customer support from both the "hard" and "soft" aspects of its business. The "soft" aspect consists of comprehensive, sophisticated after-sales service available to customers everywhere. Trucks worldwide operate on grueling schedules, sometimes doing mileages of more than one million kilometers. Isuzu's network of approximately 250 Ohayaku Center service bases in Japan offers on-site repairs 24 hours a day, and a new parts delivery system was introduced to expedite repairs. Isuzu is expanding its advanced, round-the-clock service system developed in Japan to overseas markets to maximize the uptime of customers' vehicles and meeting their expectations of a standardized, excellent quality service system without borders.

Another "soft" aspect of customer support is about sharing information to promote safer, more fuel-efficient driving. Isuzu started running its own driving seminars for truck drivers in 1995. The regular Transport Strategies Seminars with actual vehicle demonstrations are especially popular, with over 10,000 customers in Japan attending so far. This seminar is also available to overseas customers in China, ASEAN, and Central America. Isuzu plans to extend its seminar program in Japan and abroad.

The company learned in the process of running seminars that more extensive, real-time information was required to provide better support on a day-to-day basis. This led to the development of the Mimamori-kun Online Service—the first, full-scale telematics system for commercial vehicles. The system collects and analyzes voluminous data on driving operations and conditions obtained by computers fitted to the vehicle. State-of-the-art communications technology links vehicles with logistics companies, their customers, and Isuzu. Mimamori-kun helps truck drivers save fuel and drive safely by real-time monitoring of vehicle location and operational conditions. The service is available for all Isuzu commercial vehicles in Japan.

Isuzu is excited about the global business potential of Mimamori-kun, which is being trialed by six companies in New Zealand. Since data is collected by trucks during operation, the system could become a part of social infrastructure. Isuzu will continue to explore opportunities for the Mimamori-kun service, which we plan to introduce in major export markets and countries where Isuzu vehicles are assembled locally.

Consolidated Financial Highlights

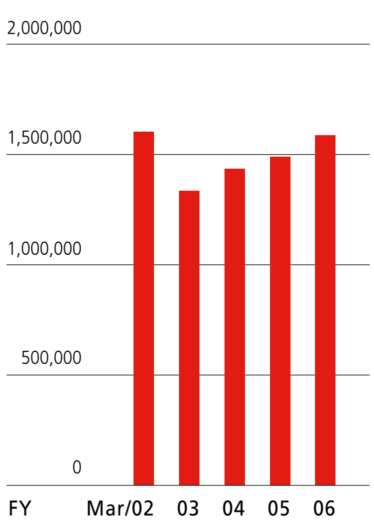
	Millions of yen			Thousands of U.S. dollars
Year ended March 31	**2006**	2005	2004	**2006**
For the Year:				
Net sales	**¥1,581,857**	¥1,493,567	¥1,430,339	**$13,466,056**
Net income	**58,956**	60,037	54,713	**501,887**
At Year End:				
Total assets	**¥ 1,168,697**	¥ 1,142,580	¥1,077,816	**$ 9,948,898**
Shareholders' equity	**244,350**	158,463	109,753	**2,080,111**

	Yen			U.S. dollars
	2006	2005	2004	**2006**
Per Share:				
Net income – primary	**¥ 48.75**	¥56.64	¥72.37	**$ 0.41**

Note: U.S. dollar figures have been calculated at the rate of ¥117.47=U.S.$1, the approximate rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2006.

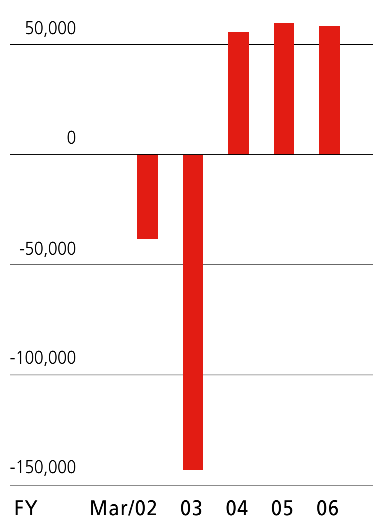
Net Sales

(Millions of yen)



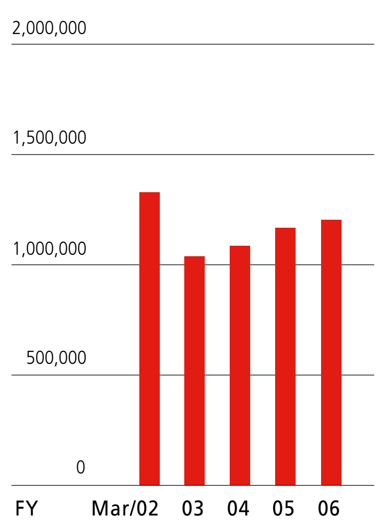
Net Income (Loss)

(Millions of yen)



Total Assets

(Millions of yen)



Isuzu in Figures

Isuzu Around the World

Isuzu aims to be the global leader in commercial vehicles and diesel engines. Isuzu is the market leader in at least one product category in 22 different countries, and our products are found in over 130 countries around the world. Isuzu's medium-term goal is sustained earnings growth by expanding our overseas operations, with a consolidated sales target of ¥1.6 trillion in the year ended March 2008.

Trucks

Isuzu trucks are trusted around the world for their reliability and durability, even under the most testing conditions. We are the world's leading manufacturer of light-duty trucks—with sales of our N series reaching 200,000 units annually, placing them at the top of their class—and one of the top three manufacturers of medium and heavy-duty trucks. Isuzu trucks surpass today's strict emissions standards, as well as offering advanced safety features, easy handling, and excellent fuel economy.

Buses

Isuzu's ERGA and ERGA Mio buses are powered by fuel-efficient, low-emission Isuzu diesel engines, with CNG power plants on some models. Our buses comply with the latest, stringent emissions regulations as well as meeting tough European standards for vehicle rollover performance. The Isuzu GALA HD-9 large sightseeing bus underwent a full model change in February 2006 and now complies with Japan's new long-term emissions regulations.

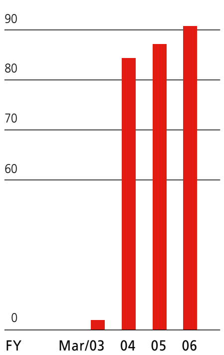
Pickup Trucks, AUVs and SUVs

Isuzu pickups are top sellers in many countries and regions. The Isuzu D-MAX pickup is the uncontested market leader in Thailand, where Isuzu has a 37% market share. Isuzu closed its SUV manufacturing operation in the U.S. in July 2004, but introduced the new MU-7 manufactured in Thailand in November.

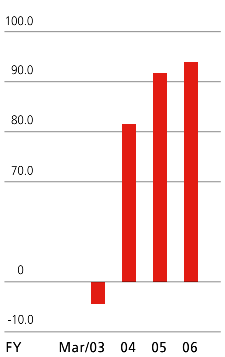
Powertrains

Isuzu powertrains have come to symbolize unsurpassed quality. Diesel emits less CO_2 than gasoline-powered engines and offers excellent fuel economy. Diesel engines account for a growing share of the automotive market in Europe, and Isuzu engines are used in GM pickup and other trucks in the U.S. and Opel, and Renault vehicles in Europe.

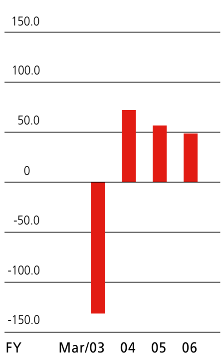
Operating Income (Billions of yen)



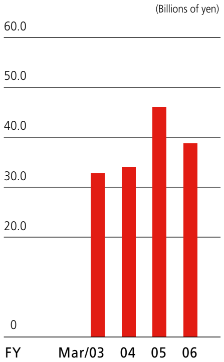
Working Profit (Billions of yen)



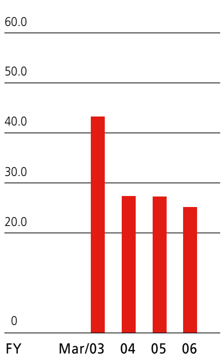
Net Income per Share (Yen)



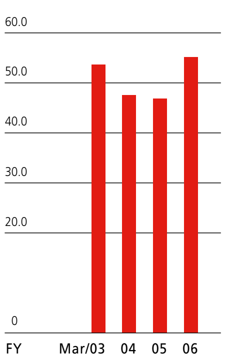
Investment in Plant & Equipment (Billions of yen)



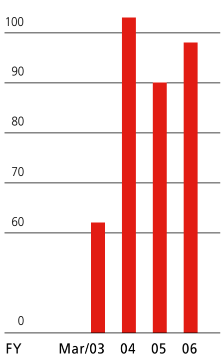
Depreciation Expenses (Billions of yen)



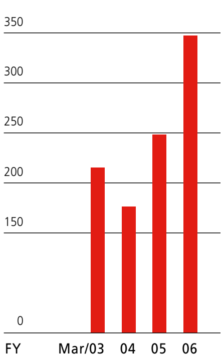
R&D Investment (Billions of yen)



Domestic Sales Volume (1,000 Units)



Export Sales Volume (1,000 Units)

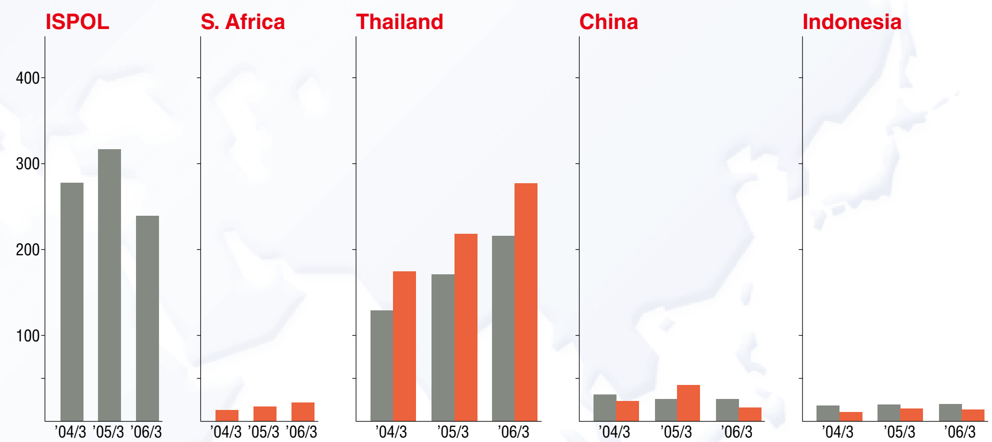


Sales by Segment (Billions of Yen)

	Parent	Japanese DLR's	North America	Asean	Others	Consolidated Adjustment
FY2004	890	471	235	233	186	-585
FY2005	880	475	199	296	197	-553
FY2006	918	519	170	444	214	-683

Operating Income by Segment (Billions of Yen)

	Parent	Japanese DLR's	North America	Asean	Others	Consolidated Adjustment
FY2004	67	8	-1	7	6	-2
FY2005	61	6	0	15	5	0
FY2006	54	4	5	21	8	-1



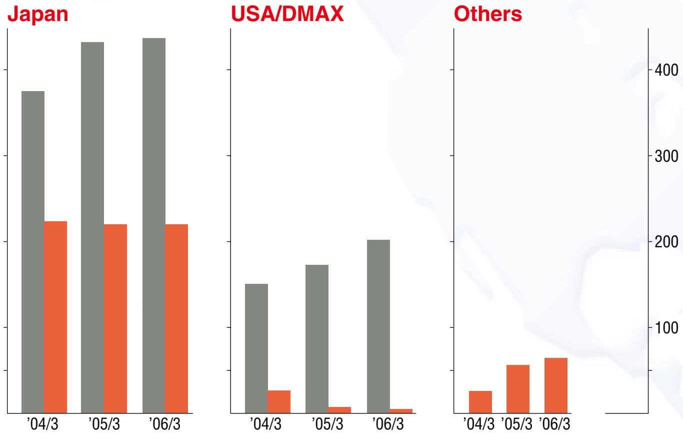
World Ranking of Truck Production

Rank	Manufacturer	2004 Production Medium-duty	Heavy-duty	Total
1	DaimlerChrysler	27,582	75,630	103,212
2	Freightliner	34,720	60,152	94,872
3	**Isuzu**	**75,944**	**16,088**	**92,032**
4	Navistar	43,899	22,773	66,672
5	Hino	41,112	24,811	65,923
6	Mitsubishi Fuso	49,455	11,041	60,496
7	Ford	48,678	0	48,678
8	Man	0	42,533	42,533
9	Renault	13,877	26,276	40,153
10	GM	35,945	0	35,945

Vehicle Export Trends by Category (Units)

	2003	2004	2005
Heavy-Duty Vehicles	22,054	21,217	19,786
Light-Duty Vehicles	109,652	108,732	100,891
KD & Component*	279,132	358,190	401,253
Total	410,838	488,139	521,930

*Export data of KD & Component includes RV KD and component shipped to SIA, IBC and Thailand and translated into numbers of vehicle units.



Total Global Production

	Engines	Vehicles
'04/3	969,000	512,000
'05/3	1,139,000	578,000
'06/3	1,143,000	621,000

Number of Employees (FY)

	Mar/03	04	05	06
Male	7,339	7,034	7,037	7,107
Female	295	275	261	264
Total	7,634	7,309	7,298	7,371
Average age (yrs.)	37.8	38.8	39.3	39.5
Working experience (yrs.)	16.1	17.0	17.6	17.7

Vehicle Exports by Area (Millions of Yen)

	2003		2004		2005	
	Units	Sales*	Units	Sales*	Units	Sales*
North America	17,650	87,588	23,231	84,972	19,692	78,422
Southeast Asia	35,150	114,467	31,688	138,296	29,648	130,587
Europe	9,778	58,829	8,466	49,221	13,406	41,268
Central & South America	18,249	32,065	18,086	39,356	16,985	49,296
Middle East/Africa	35,918	55,070	35,511	65,839	30,605	81,966
Oceania	8,200	27,564	10,208	36,393	9,774	35,980
China	6,761	48,835	2,759	40,649	587	14,789
Total	131,706	424,418	129,949	454,726	120,677	432,326

*Sales data include completed units. KD, engine, components and supply parts

Message from the President

Fiscal 2006 was the critical first year of our Mid-term Business Plan (April 2005–March 2008)—the first step toward sustained growth. Our task was to lay the groundwork for turning our corporate vision of becoming a global leader in commercial vehicles and diesel engines (CV/CE) into reality. We posted record profits, strengthened our balance sheet, and expanded overseas operations. It was also a pivotal year for Isuzu in that we completed the restructuring process of the previous Plan.

Yoshinori Ida
President & Representative Director

Amid an increasingly unforgiving operating environment, including a steep rise in crude oil prices that had a severe impact on the logistics industry—our main customers—domestic demand did not increase as much as expected despite the new emissions regulations. The rising price of steel and other raw materials also put pressure on earnings. Nonetheless we posted sales and profit growth for the third consecutive term, posting record profit again in fiscal 2006 (ended March 31, 2006). Consolidated-basis sales grew 5.9% to ¥1,581,857 million, operating profit was up 4.0% to ¥90,661 million, working profit rose 2.5% to ¥93,843 million, but net income fell 1.8% to ¥58,956 million due to completion of restructuring. We made steady progress with balance sheet improvement, with the debt-equity ratio moving closer to our target of 1.0 at 1.4 at the end of fiscal 2006 compared with 2.5 a year earlier.

Looking ahead to fiscal 2007, business conditions remain challenging with no sign of weakness in raw materials and crude oil prices. We therefore cannot expect demand to increase in Japan and other established markets, but we forecast a similar level of sales as in fiscal 2006 as a result of pioneering new overseas markets, aiming for a fourth consecutive year of record sales, operating profit, and working profit.

Fiscal 2006 proved to be a milestone year in more ways than one. Notably we finally managed to clear our "negative legacy" of extraordinary losses associated with restructuring in the fiscal year ended March 2006, marking the completion of the corporate restructuring process. With a healthy management structure, we are now poised to begin expanding our business in earnest. Another achievement was that our operations in all markets went into the black—the result of price reviews that reflect product value as well as cost reduction efforts. We intend to maintain our "price for value" concept as we pioneer new markets going forward. At the same time we are not neglecting the domestic market. We are striving to increase market share while making a fair profit, and exploring a more comprehensive business model, offering our customers a broad range of products and services.

The future vision outlined in the Isuzu Mid-term Business Plan is to become a global leader in the commercial vehicle and diesel engine (CV/DE) markets. This is not a hazy dream, but a goal that we are committed to achieving in the not-too-distant future. What do I mean by a global leader? My definition consists of three basic, minimum components—world-class people, products, and quality.

People make or break a project. We are looking to our development division to carry Isuzu's critical undertaking—developing a standard strategic global product range of light-duty and medium-duty trucks developed to overseas standard specifications. These strategic products designed for the world market will play a key role in our efforts to expand our overseas CV market share and increase overseas CV sales to 300,000 units. Since fiscal 2006, we have been building the foundations for growing our overseas business, such as establishing a sales company in Mexico, making our Australian sales company a wholly owned subsidiary, and expanding operations in the Ukraine.

The integrated light and medium-duty trucks that we are introducing in stages from fiscal 2007 are strategic, standardized vehicles for the global market. These are totally new trucks developed to global standard specifications. Customers expect the same superior performance and durability of Isuzu vehicles regardless of the country or region. Our new range of world-class trucks maximizes our competitive advantage, incorporates the SEE technology in development, and can match and surpass the best that our competitors have to offer.

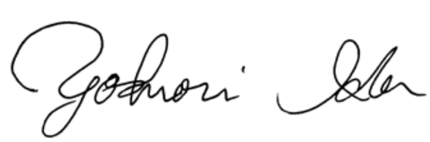
Quality is an eternal theme for manufacturers. Quality defects that emerged in fiscal 2006 represented a serious setback for Isuzu. We are making renewed efforts to prevent quality problems by rigorous change management, and resolving any issues that occur at the earliest possible stage.

Attaining the targets of our current Mid-term Business Plan entails five major undertakings. First, we must ensure that we never overlook information about a possible defect, and willingly share it with all concerned. We need to become more sensitive to information about defects that customers and sales companies provide, ensure that it is passed on to others in the company, and resolve problems as quickly as possible. Second, we must implement rigorous change point management practices. This will prevent most defects, which are caused by a lack of attention to detail in change point management. Third, we need to maintain and maximize our strengths as the "real truck professionals." Customers come to Isuzu to buy professionally built trucks. At the same time we must study their requirements so that we can give them what they are looking for. Fourth, managers should spare no effort in putting themselves in the position of their front-line workers, keeping track of day-to-day developments and taking personal responsibility for completing tasks. Hands-on involvement helps managers keep their fingers on the pulse of business activity and identify problems at an early stage. Fifth, each and every employee must have a thorough and accurate understanding of compliance and business ethics. The behavior of Isuzu management and employees must be beyond reproach.

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 businesses—and ensuring sustainable growth. This requires finding and maintaining the right balance of management resources. We are looking ahead at meeting the Post New Long-Term Emissions Regulations that take effect in 2009, and strengthening collaboration with General Motors as we move into a new phase of our relationship with the company following the dissolution of the equity partnership. In addition to the numerous successful collaborations in development, manufacturing, and distribution of vehicles and engines worldwide, we will be taking advantage of GM's extensive sales network in emerging markets in the Middle East, South Africa, and Latin America.

With two years left to run of our Mid-term Business Plan, we look forward to your continued support as we forge ahead with our mission to become a global leader in the commercial vehicle business.

June 2006



Yoshinori Ida
President & Representative Director

Interview with the President

Yoshinori Ida
President & Representative Director

Q1: How will you deal with the projected decline in domestic truck demand?

A1: We are trying to minimize the impact of declining domestic truck demand by increasing market share as well as expanding fringe profits of domestic sales. We are aiming for sales share of 30% in medium-duty and heavy-duty trucks and 40% in light-duty trucks in or before the fiscal year ended March 2008. Currently we are making progress ahead of plan, with sales share of 28.8% and 39.7%, respectively. Meanwhile we are also working on improving the earnings capability of sales companies, concentrating on increasing profits from ancillary businesses such as service and parts, used vehicles, and insurance, and reducing or restructuring borrowings to develop a management structure that is able to make a profit even when there is a significant decline in new vehicle demand. We are developing a new life-cycle business model for domestic operations so that we can offer customers a more comprehensive, value-added service.

Q2: Isuzu's new Mid-term Business Plan is focusing on expanding and strengthening overseas operations. What progress have you made so far and what is your outlook for the rest of the plan period?

A2: Overseas sales accounted for 57% and domestic sales 43% of the total in the fiscal year ended March 2006. Although the increase in the overseas sales ratio is modest, the overseas operating profit ratio improved dramatically from approximately 30% (domestic 70%) to 60% (domestic 40%) in the fiscal year ended March 2006. We sustained top market share in commercial vehicles for the 23rd consecutive year in Thailand and 17 years in Australia, and recorded earnings growth in many other regions outside Japan. It is also worth mentioning that all unprofitable businesses returned to the black, especially the North American SUV business. Moving forward, we expect the growth of our overseas business to compensate easily for the decline in domestic earnings.

We have continued to strengthen our overseas sales structure, establishing sales companies in Spain, Benelux, and Malaysia in the fiscal year ended March 2005, and establishing a sales company in Mexico and making our Australian sales company a wholly owned subsidiary in the following fiscal year. We recently established a joint venture with a local company to begin selling trucks and buses in a big way in the Ukraine. We plan to continue expanding our sales capability in other regions moving forward, thereby steadily increasing sales volume and increasing our already large overseas weighting.

Q3: Isuzu is planning a full model change of its light-duty and medium-duty trucks that are positioned as global products. What are the main features and competitive advantage of these products?

A3: Their main features are substantial cost savings made possible by the use of component modules, and improved profit margins resulting from synergy effects of global standard design. In comparison with competing products, our global products offer newly designed vehicles with cutting-edge environmental performance, low fuel consumption, and superior safety features at a fair price due to steeply reduced costs.

We have full confidence in our new, strategic global product range of light-duty and medium-duty trucks. They are developed to world standards, incorporating the See technology to maximize our competitive advantage, yet satisfying the common transportation requirement around the world.

We can achieve significant cost savings through integration and module sharing between our medium-duty truck business, with annual sales volume of approximately 40,000 units, and our light-duty truck business whose annual sales volume is approximately 200,000 units.

We used to develop domestic products with top-of-the-range specifications, then simplified these specifications for overseas markets, but made no headway in cost reduction and had to sacrifice profit to remain competitive with other manufacturers. This is the first time that we have developed overseas standard specifications, with the concept of domestic specifications incorporating luxury add-ons. This approach makes substantial cost savings possible.

Q4: In what ways do you think that Isuzu's balance sheet needs improvement?

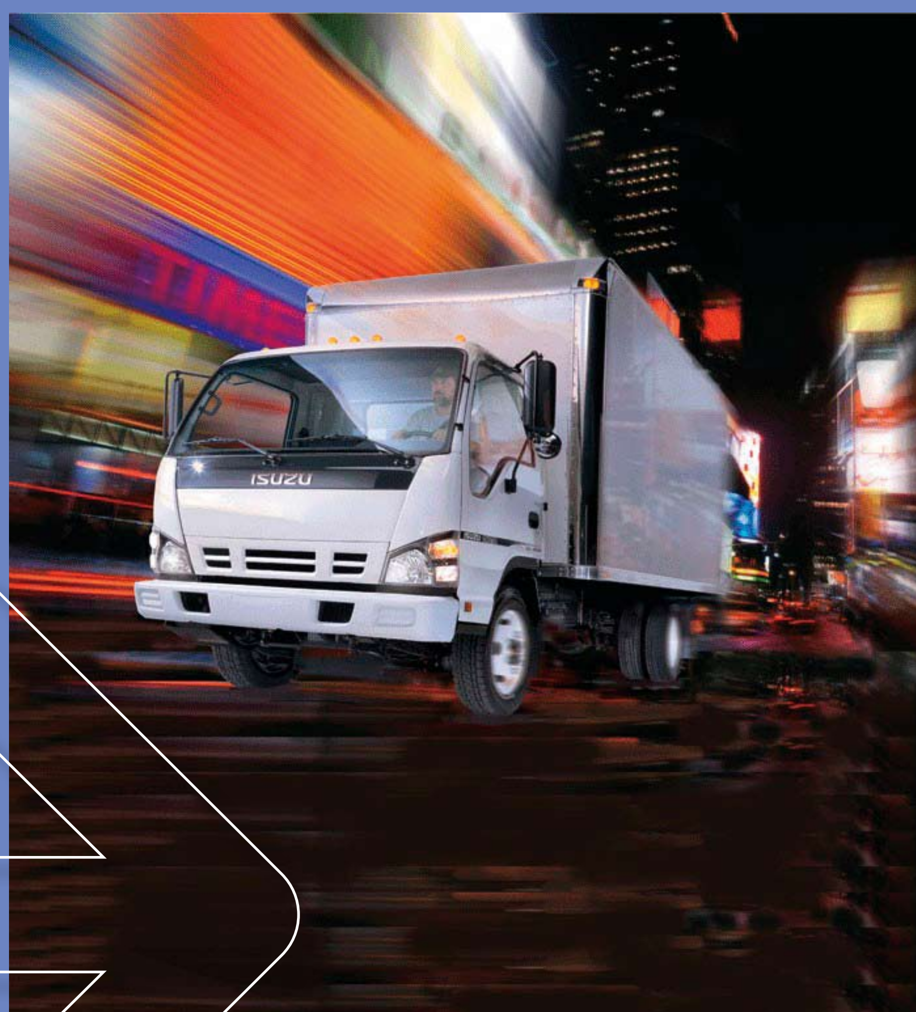
A4: We finally managed to clear our "negative legacy" of extraordinary losses associated with restructuring in the fiscal year ended March 2006. This is a milestone for Isuzu, marking the completion of the corporate restructuring process. With a healthy management structure, we are now poised to begin expanding our business in earnest. From this fiscal year, we intend to invest aggressively to enable sustained growth and increase topline earnings.

Looking at the balance sheet as a financial base for such investment, with a capital ratio of only 20.9% Isuzu's equity capital is still fragile, and interest-bearing debt remains high. Thus our primary goal is to lower the debt-equity ratio—which improved from 2.5 at the end of March 2005 to 1.4 at the end of March 2006—to 1.0 or less by the end of March 2008.

Isuzu Developments

A new approach to development

As a global leader of commercial vehicles, Isuzu has adopted a new approach to truck development. Our new light-duty and medium-duty trucks will have significantly lower development costs due to the use of common components, while our heavy-duty trucks—previously developed separately for each region—will be developed to a basic global standard with add-ons to meet specific regional requirements.



New development method for light-duty and medium-duty trucks reduces costs of global strategic products

In 2006, Isuzu adopted a new, cost-saving approach to new vehicle development. We previously developed light-duty and medium-duty truck models separately, but from now on we are integrating design and development processes for light-duty and medium-duty trucks, advancing shared use of components, and reducing overall development costs by approximately 20%. We have positioned these new trucks as global strategic products, designed for global markets to world standards. The first models developed under this new system are scheduled to go on sale in Japan in late 2006.

Development of basic heavy-duty truck model with add-ons to fulfill regional specifications

We have also reviewed the way we develop heavy-duty trucks. Our traditional approach was to develop a model for the Japanese market, and then develop separate models for each region based on the domestic model. Moving forward, we intend to develop and design basic safety and other features for the most basic model supplied to markets such as Southeast Asia and China, and provide add-ons as required to meet the specifications for other markets like the US, Europe, and Japan. We expect to begin selling heavy-duty trucks developed under this new system in a few years' time.

Leading the way in in-house development

Isuzu has continued to invest in R&D of its core powertrain technologies despite the financial pressures of restructuring, because of the highly sophisticated technological standards required of today's diesel engines for trucks and buses in the context of increasingly stringent environmental regulations. The new long-term exhaust emissions regulations that went into force in October 2005 are said to be the toughest in the world, requiring an 85% reduction in particulate matter (PM) and 40% NOx reduction compared with the previous short-term regulations introduced in 2003. New models and existing models in continuing production cannot be sold unless they satisfy these requirements by September 1, 2007. Improving powertrain performance by the use of sophisticated control technology is essential in order to comply with these standards.

Because of the level of technical sophistication required, most manufacturers opted to outsource development to leading automotive suppliers. But Isuzu decided to develop its own with electronic component company, Transtron Inc., founded as a joint venture with Fujitsu in 1990. Management consensus about the need to make a point of difference in development overrode skepticism about whether the company was capable of the task.

The first model to incorporate Isuzu's own control technology was the light-duty truck ELF KR, which went on sale in 2002. It drove our steep earnings recovery as a best-selling model that complied with the 2003 emissions regulations before they went into force.

Isuzu also developed its own control software capable of precision control of the whole engine, including fuel injection technology controlled by units of 0.001 second. The technology came into its own in the 4HK1 engine for the FORWARD medium-duty truck, which complied with the new long-term emissions regulations. The new control technology enabled Isuzu to improve engine performance without relying on complex exhaust gas after-treatment technologies like many of our competitors.

Even tougher emissions regulations are on their way. From 2009, emissions regulations for diesel engines will be similar to those for gasoline engines, requiring a 40%–65% reduction in NOx compared with the new long-term regulations and virtually zero PM. Isuzu is tackling this challenge with a three-pronged approach to clean diesel engine technology.

Super-clean diesel technology with I-CAS

The three key technologies for super-clean diesel engines are integrated in the Isuzu Clean Air Solutions (I-CAS) system. I-CAS aims to maximize the advantages of diesel engines—durability, excellent fuel efficiency, and lower CO_2 emissions—while overcoming their disadvantages by integrating optimal combustion technology, after-treatment technology, and comprehensive electronic control. By optimizing these three key technologies, I-CAS reduces exhaust gases, lowers CO_2 emissions, and boosts performance.

Isuzu's optimal combustion technology consists of an intercooler for turbo and fuel injection technologies that achieves ultra-high-pressure fuel injection to control and optimize the injection pressure, timing, and amount. After-treatment technology further cleans exhaust expelled by the engine using a catalytic agent. Isuzu developed an oxidizing catalytic converter and Diesel Particulate Defuser (DPD) to cut PM emissions, and is working on research and development of the Urea-Selective Catalytic Reduction catalyst and NOx catalyzing technologies to reduce NOx emissions. Our electronic control software precisely controls these two technologies with the use of an engine sensor and feedback control technologies.

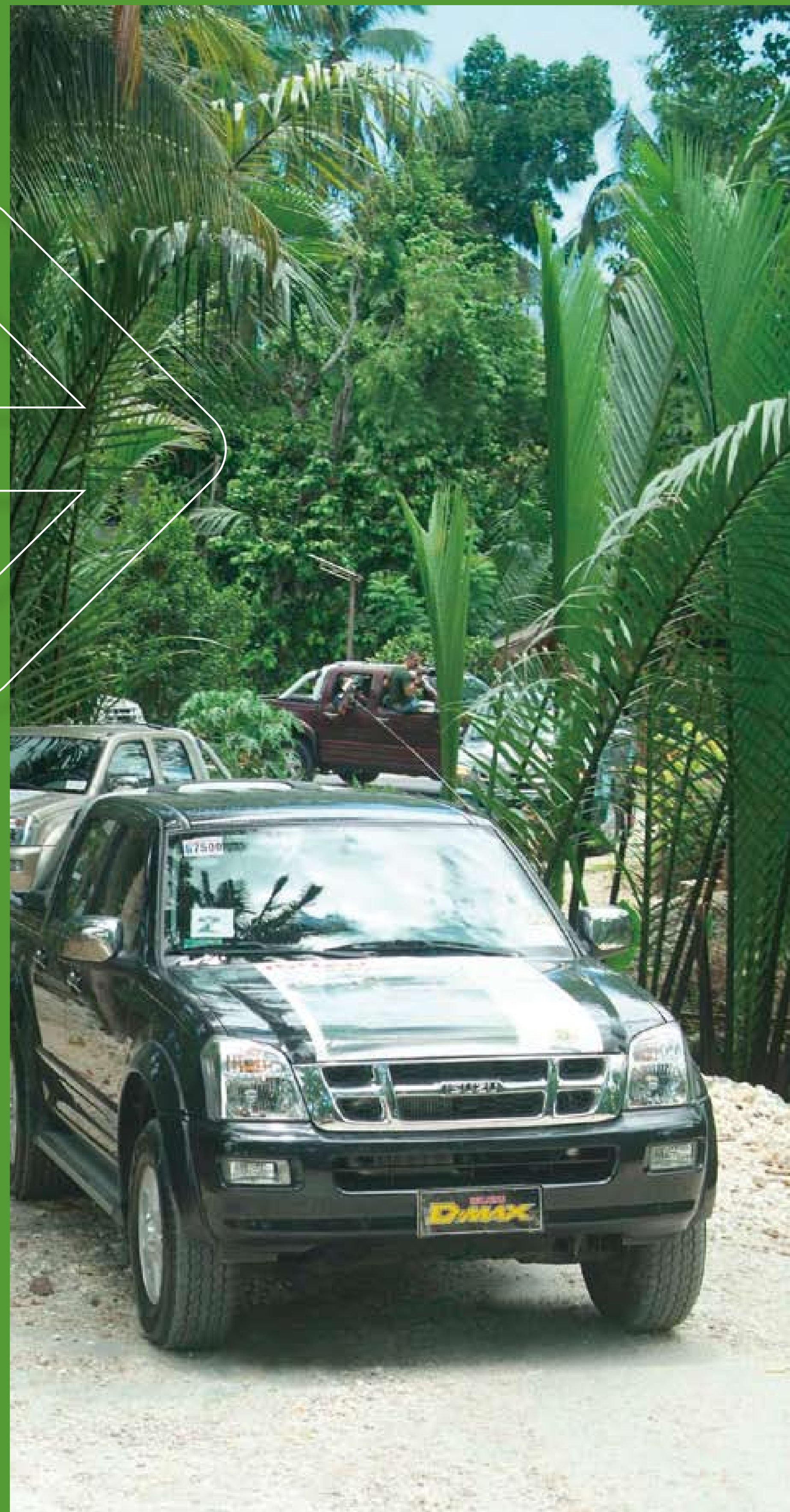
Having developed our own electronic control technology, Isuzu today leads the industry in electronic control software that maximizes the capabilities of diesel engines. One of the technologies critical to the development of super-clean diesel engines is homogenous combustion, which relies on precise control of the electronic common-rail fuel injection system. Isuzu is one of the Japanese diesel engine manufacturers excelling in this technology, which eliminates PM and NOx in diesel emissions.

Development of DPD

The Diesel Particulate Defuser (DPD) is an after-treatment system that uses a ceramic filter to collect and burn the particulate matter in exhaust emissions. The DPD burns PM efficiently and cleans exhaust emissions by employing common rail fuel injection with multistage injection control, and an exhaust throttle in addition to Isuzu's unique exhaust temperature control. This fuel injection control system achieves optimal combustion treatment by optimal fuel injection pressure, timing, quantity, and frequency with automatic control.

In April 2005, we launched our Mid-term Business Plan with the aim of becoming a global leader in commercial vehicles and diesel engines. For Isuzu, "global leader" does not refer only to profits, but also to our commitment to the environment and society.

Environmental & Social Responsibilities



Our environmental management vision

As an industry leader in environmental responsibility, we take a two-pronged approach—developing cleaner vehicles and minimizing the environmental burden of our manufacturing facilities. Isuzu currently has three steps in developing environmental products in terms of timeframe. In the short term, since diesel engines are fuel-efficient, we are working to make emissions cleaner while maintaining their advantages. In the medium term, we aim to reduce CO_2 emissions by making our products more fuel-efficient, and in the long term, from an energy security perspective, we are starting to reduce our dependency on fossil fuels.

Reducing environmental impact (product lifecycle)

Over 90% of the environmental impact caused by automobiles occurs during their use, and most of that impact consists of exhaust emissions such as particulate matter (PM), NOx and CO_2. Isuzu tackles the challenge of reducing emissions from the "hard" and "soft" aspects of our business. The "hard" aspect is developing clean diesel engines, while the "soft" aspect includes driver education programs on safety and fuel-efficient driving.

Isuzu works on reducing environmental impact of its vehicles and manufacturing facilities throughout the product life cycle. In addition to the efforts involved in the Team Minus 6% project, there are initiatives during the manufacturing stage to reduce industrial waste, managing and reducing environment-impacting substances, preventing air and water pollution, and encourage efficient resource use. At the disposal and recycling stage, Isuzu is active in recycling efforts such as improving vehicle disassembly and waste separation, reusing recycled materials and parts, and minimizing waste.

Environmental management/audit system

To tackle the environmental issues throughout the Isuzu group worldwide, we initiated a Consolidated Environmental Management System to regulate the activities of financially consolidated domestic and overseas manufacturers and sales companies, including subsidiaries and equity-method companies. The goal of Isuzu's Environmental Management System is continual reduction of the environmental impact caused by our business activities and to strengthen the company's environmental controls. We distribute the Isuzu Charter on the Global Environment to group companies to ensure the spread of our environmental activities worldwide.

Isuzu conducts annual audits to ensure that the Environmental Management System is being implemented correctly and to evaluate progress. There are one or two internal environmental audits per year, and monitoring and reviews by third-party certifying organizations. All domestic plants and the Engineering Division were monitored in fiscal 2004 and no problems were found.

Environmental-friendly products (ELF CNG, hybrid)

The two mainstay eco-friendly vehicles in Isuzu's current product range are hybrid and compressed natural gas (CNG) powered vehicles. The ELF CNG-MPI is the latest model of Japan's best-selling CNG vehicle, with approximately 70% market share. With its multipoint injection (MPI) system with highly precise electronic controls, the new ELF CNG-MPI became the first vehicle in Japan to meet the CNG vehicle emissions standards of the New Long-Term Emissions Regulations. This model achieved the cleanest exhaust emissions of all clean energy vehicles. It produces virtually no PM or black smoke emissions, and boasts low-noise performance, making it ideal for early morning and late evening deliveries in urban areas.

Diesel hybrid vehicles are highly fuel-efficient and emit low levels of CO_2. The ELF Hybrid is a practical clean energy vehicle with no facilities constraints in that it can use existing diesel refueling facilities. Featuring the newest diesel engine and a hybrid system optimal for light-duty vehicles, it is assisted by an electronic motor and highly efficient to operate. Compared with the 2003 emissions regulations, fuel consumption was reduced by 35%, CO_2 emissions by 25%, PM by 85%, and NOx by more than 25%. The ELF Hybrid offers 10–20% better fuel efficiency and 9–17% less CO_2 emissions than current diesel models in general city driving.

Environment-friendly plants

An example of Isuzu's ongoing efforts to reduce environmental impact is the upgrading of the cogeneration system at the Fujisawa plant, which is Isuzu's main manufacturing plant. The new cogeneration system replaces the first system introduced in 1991, which used a turbine powered by natural gas to generate electricity and reused the waste heat to generate additional electricity and steam for plant air-conditioning and some production processes. Isuzu improved the efficiency of the system's power generation by replacing the turbine with a gas-powered engine. The fuel for the system's boiler was also changed from heavy oil to natural gas. As a result, the new system consumes 4.3% less energy and releases 10.2% less CO_2 emissions than the previous system. The power output has increased 4.5 times to 18MW/h.

Social Responsibility

Isuzu addresses its responsibility to local and wider communities in multiple ways. In Japan, we take part in local events, support community service initiatives like working with the disabled, and participate in environmental clean-up activities. We engage in similar activities overseas.

Isuzu group and its employees have also been active in providing financial and material assistance to the victims of earthquakes and tsunamis, floods and landslides, and weather and other calamities—all around the world. Since 2004, they have given over ¥90 million, beginning with ¥23 million in cash donations and materiel following the October 2004 earthquakes that struck Niigata, Japan, and extending to ¥1.5 million for the victims of February 2005's mudslides in the Philippines, ¥7.2 million for those affected by Hurricane Katrina in the U.S. in September 2005, ¥5.6 million for the victims of the October 2005 earthquakes in Pakistan, and—most recently—¥12 million to help the people of central Java recover from the May 27, 2006, earthquake and its aftershocks. Most significantly, Isuzu group and its employees contributed some ¥41 million in cash, materiel, and labor (including traveling repair teams to fix broken down vehicles) to help those whose lives were affected by the December 2004 earthquakes off Sumatra (Indonesia) and the resulting tsunamis.

Corporate Governance & Compliance Policy

Corporate governance and compliance remain a major management priority at Isuzu. Companies are under growing pressure to be accountable for management decisions and actions, providing effective checks and balances, and maintaining the confidence of investors and the public by means of timely and appropriate disclosure.

In recent years, we have taken the following steps to enhance our corporate governance:

- To strengthen local management structures, we unified the oversight of North American and ASEAN operations in 2003, and for China in 2004.
- In December 2003, our president and representative director certified that the contents of the first half earnings report submitted to Japanese regulatory authorities were accurate.
- In April 2004, the Audit Group of the General Affairs and HR Department became the Business Audit Group, an independent structure under which we began conducting our internal audits.
- As part of our sustainability governance program, in 1999 we began publishing an annual Environmental Report that records the company's environmental management performance and progress with a range of initiatives to reduce environmental impact, reduce waste, and promote recycling. The first English version of the Environmental Report was published in 2000.

Isuzu is committed to disclosure of information in the interests of fair business practice and corporate transparency. We distribute information via various channels, including a comprehensive corporate website, and provide extensive English-language information for our shareholders and other stakeholders around the globe.

Isuzu's corporate governance structure incorporates a five-member Audit Committee with two outside auditors, a Management Committee empowered to make decisions on critical business matters, and an executive officer system that transfers the authority for executing strategies to the operating level. In addition we have implemented a Vehicle Line Executive (VLE) system. VLEs are responsible for each of our product areas—commercial vehicles, light commercial vehicles, and powertrains—and report directly to the Management Committee.

In April 2005, Isuzu established a Compliance Committee to provide impartial advice, oversight and assessment of progress and organizational structures for compliance. To ensure fairness and transparency, the Compliance Committee includes legal professionals from outside the company. We also established a Compliance Management Department to administer and promote compliance-related business activities. The department reports directly to the president and consists of two groups—the Compliance Group responsible for compliance planning, implementation and review, and the Internal Audit Group. As well, we set up a helpline at a law firm that employees could use to report compliance issues in confidence. The purpose of the helpline is to obtain information about compliance issues in the company.

In May 2005, we announced the Isuzu Basic Compliance Initiative. Our corporate vision is "Isuzu will always mean the best: A leader in transportation, commercial vehicles and diesel engines, supporting our customers and respecting the environment." It is crucial for all Isuzu executives and employees to conduct themselves in accordance with the highest values so that we earn society's trust and fulfill our vision. The Basic Compliance Initiative is for both internal and external use, designed with the goal of complete compliance, appropriate disclosure, and public accountability.

The seven principles of the Basic Compliance Initiative are:

1. Gaining customers' trust by providing socially valuable products and services

2. Fair and sound activities, i.e., conducting our business in the spirit of free and fair competition

3. Disclosure of corporate information to shareholders and the public in a fair and timely manner

4. Respecting employees by providing a safe, comfortable working environment where they can make the most of their abilities

5. Protecting the environment in our business activities as well as through community work

6. Making a positive contribution to society as good corporate citizens

7. Living in harmony with local and global communities, respecting the cultures and customs of different countries and regions and contributing to the development of these areas through our business

Isuzu aims to achieve a high level of compliance by ensuring that all employees and executives share a common awareness of its importance through regular education and training, providing a consultation function when problems cannot be resolved within the organization, and responding quickly to rectify violations to ensure they do not recur. Isuzu's management is strongly aware of its responsibility to present a model of compliance to the rest of the company at all times, as well as also taking the initiative to investigate and resolve any violations, and exercise public accountability by disclosing accurate information without delay.

A recent compliance issue is the Personal Information Protection Law, which was enacted in April 2005 in Japan following a spate of personal information leaks and mounting information security problems. Keenly aware of the important responsibility as a trusted partner to protect personal information, Isuzu began working on information security improvements and raising awareness of the issue at an early stage, establishing a Personal Information Protection Committee before the Law was enacted. In March 2005, Isuzu announced its Privacy Policy for protecting personal information, and has since published a Personal Information Protection Law Guidebook for distribution to all Isuzu dealers to raise awareness. Isuzu will continue to take a rigorous and comprehensive approach to compliance, working from the inside out to improve awareness and achieve the highest standards expected of us.

Board of Directors

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DIRECTORS

President and Representative Director	1	Yoshinori Ida
Executive Vice Presidents	2	Susumu Hosoi
	3	Hiroshi Suzuki
	4	Shigeki Toma
Directors	5	Hirokichi Nadachi
	6	Ryozo Tsukioka
	7	Yoshio Kinouchi
	8	Eizou Kawasaki
	9	Goro Shintani
	10	Yoshihiro Tadaki
	11	Naotoshi Tsutsumi

CORPORATE AUDITORS

Standing Corporate Auditors	Michio Kamiya
	Koji Yamaguchi
	Shigeaki Wakabayashi
Corporate Auditors	Yasuharu Nagashima
	Susumu Tsuchida

EXECUTIVE OFFICERS

Senior Executive Officers	Shigeji Nakamori
	Hakaru Shibata
	Akira Shinohara
	Takashi Urata
	Tsutomu Yamada
	Shunichi Satomi
	Yasuaki Shimizu
	Fujio Anzai
Executive Officers	Masanori Katayama
	Yukio Narimatsu
	Kazuharu Shimizu
	Kazuhiko Ito
	Kuniharu Nakagawa
	Shunichi Tokunaga
	Takafumi Ozawa
	Katsumasa Nagai
	Masaru Odajima
	Makoto Sasaki

(As of June 29, 2006)

Financial Section

ISUZU MOTOR LIMITED

ANNUAL REPORT 2006

Consolidated Five-Year Summary

	Millions of yen					Thousands of U.S. dollars
	2006	2005	2004	2003	2002	**2006**
For the Year:						
Net sales	**¥1,581,857**	¥1,493,567	¥1,430,339	¥1,349,449	¥1,597,701	**$ 13,466,056**
Cost of sales	**1,347,861**	1,268,483	1,214,763	1,171,366	1,355,190	**11,474,089**
Gross profit	**233,996**	225,083	215,576	178,083	242,510	**1,991,967**
Selling, general and administrative expenses	**143,334**	137,869	131,085	162,621	227,376	**1,220,180**
Operating income	**90,661**	87,214	84,490	15,462	15,134	**771,786**
Income (loss) before extraordinary items	**93,843**	91,555	81,678	(4,200)	(1,984)	**798,872**
Income (loss) before income taxes	**79,625**	68,767	55,357	(111,527)	(28,506)	**677,840**
Net income (loss)	**58,956**	60,037	54,713	(144,301)	(42,991)	**501,887**
At Year-End:						
Total assets	**¥1,168,697**	¥1,142,580	¥1,077,816	¥1,028,844	¥1,324,144	**$ 9,948,898**
Shareholders' equity	**244,350**	158,463	109,753	26,434	61,084	**2,080,111**

Non-Consolidated Five-Year Summary

	Millions of yen					Thousands of U.S. dollars
	2006	2005	2004	2003	2002	**2006**
For the Year:						
Net sales	**¥ 917,895**	¥ 880,072	¥ 890,336	¥ 760,608	¥ 761,904	**$ 7,813,872**
Cost of sales	**753,078**	728,369	730,395	656,576	655,719	**6,410,817**
Gross profit	**164,816**	151,702	159,941	104,032	106,185	**1,403,055**
Selling, general and administrative expenses	**111,309**	91,135	92,945	90,904	98,098	**947,560**
Operating income	**53,506**	60,566	66,995	13,128	8,086	**455,495**
Income before extraordinary items	**64,149**	53,907	57,561	4,880	2,123	**546,092**
Income (loss) before income taxes	**47,122**	22,345	32,221	(146,966)	(45,898)	**401,141**
Net income (loss)	**46,476**	27,019	38,857	(189,447)	(56,224)	**395,647**
At Year-End:						
Total assets	**¥ 867,698**	¥ 812,521	¥ 808,674	¥ 717,601	¥ 876,680	**$ 7,386,556**
Shareholders' equity	**231,289**	169,353	151,722	82,743	159,062	**1,968,922**

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥117.47=US$1; the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2006.

Management's Discussion and Analysis of Financial Condition and Results of Operation

Results of Operations

Significant accounting policies

The consolidated financial statements of the Isuzu group are prepared in accordance with the generally accepted accounting principles of Japan. In the preparation of these statements, the amounts recorded for items including bad debt allowance, inventory, investments, income taxes, retirement benefits, and provisions for product warranties are estimates that reflect the judgment of management. Because of the uncertain nature of estimates, in some cases actual results may vary from initial estimates, and this may have a negative impact on earnings results.

Sales

In fiscal 2006 (ended March 31, 2006), Isuzu's consolidated-basis sales rose 5.9% from the previous year to ¥1,581,857 million.

In the domestic commercial vehicle market, sustained replacement demand for vehicles compliant with the new NOx and particulate matter (PM) emissions regulations contributed to modest growth in overall demand—a 5.9% increase in standard truck demand to 105,504 units and 2.6% growth in demand for 2–3 ton trucks to 117,093 units. In this environment, Isuzu gained market share through the introduction of products with superior fuel efficiency and economy and group-wide sales initiatives to capture 28.8% share of the standard truck market (up 1.4 percentage points from the previous year) and 39.7% of share of the 2–3 ton truck market, an increase of 1.3 percentage points from the previous year. As a result, domestic sales grew 9.5% to ¥684,993 million.

Sales in Asia grew 18.2% from the previous fiscal year to ¥442,181 million from the impact of consolidating Thai manufacturing operations and brisk sales of pickup trucks in the ASEAN region, especially in Thailand. In the Thai market, where pickup trucks account for around 60% of the total, Isuzu pickup trucks held 37% market share, sustaining steady sales growth despite intensifying competition.

North American sales fell 14.4% to ¥183,143 million as we withdrew from local SUV production and shifted emphasis to profit.

Operating income

Operating income for fiscal 2006 was a record ¥90,661 million, up 4.0% from a year earlier. Rationalization, including raw material expense reduction, contributed ¥21,500 million, improved sales mix primarily as a result of domestic vehicle sales growth contributed ¥14,500 million, and consolidation of manufacturing operations in Thailand added ¥5,200 million, offset against ¥19,200 million negative impact from increased raw material expenses and other economic fluctuations, ¥8,700 million increase in R&D expenses, and ¥9,800 million due to other factors.

Looking at each of our key business areas, operating income at the parent company declined ¥7,060 million from the previous year to ¥53,506 million because of increased R&D expenses associated with full model changes in the domestic light-duty and medium-duty truck range, despite absorbing the impact of higher crude oil prices by rationalization efforts.

Consolidated sales subsidiaries in Japan posted an operating income of ¥4,400 million, down ¥1,600 million from the previous year. Although sales increased as a result of higher sales volume, increased competition (especially in the first half of the fiscal year) weighed on profits.

In North America, operating income grew ¥5,500 million to ¥5,100 million due to progress with profit-focused sales activities in the SUV business and steady earnings growth in the CV business.

In ASEAN, operating income grew ¥5,800 million to ¥21,000 million due to the consolidation of Thai manufacturing operations and sustained brisk pickup truck sales in Thailand.

(The figures shown for each of our key business areas above reflect the simple addition of the profits and losses of the parent company and consolidated subsidiaries, grouped according to the characteristics of each unit).

As a result, our operating margin contracted 0.1 percentage point from 5.8% in fiscal 2005 to 5.7% in fiscal 2006.

Non-operating gains/losses

In fiscal 2006, we posted a non-operating profit of ¥3,181 million, deteriorating ¥1,159 million from the previous year.

Equity-method profit declined ¥5,138 million to ¥10,673 million because of lower shipments at engine manufacturing operations in Poland (an equity-method company) due to model changes, and the decrease in the number of equity-method companies in Thailand following the consolidation of Thai manufacturing operations.

Progress with reduction of interest-bearing debt resulted in a ¥1,515 million improvement in net interest (interest received minus interest paid) to ¥9,013 million.

Extraordinary gains/losses

In fiscal 2005, we posted an extraordinary loss of ¥22,788 million associated with the consolidation and reorganization of our domestic sales network and disposal of fixed assets accompanying the relocation the Kawasaki plant. In fiscal 2006, the extraordinary loss improved ¥8,569 million to ¥14,218 million, mainly associated with disposal of fixed assets and additional losses incurred in the dismantling of the former Kawasaki plant, service warranty expenses on RV products, and fixed asset impairment losses.

Taxes

In fiscal 2005, Isuzu's net tax expense, including corporate income taxes, municipal taxes, and business taxes and after adjustments was a ¥6,245 million expense because of increased corporate tax payments at the parent and ASEAN subsidiaries. In fiscal 2006, the net tax expense was ¥15,446 million, because of an increase in corporate income tax adjustments and higher corporate tax payments by overseas subsidiaries.

Minority interests

Minority interests consist primarily of profits returned to the minority shareholders of our locally incorporated subsidiaries in ASEAN and North America. The figure increased from ¥2,484 million in fiscal 2005 to ¥5,222 million in fiscal 2006.

Net profit

In fiscal 2006, our net profit was ¥58,956 million, a decrease of ¥1,080 million from the previous year. Earnings per share came to ¥48.75 and fully diluted earnings per share to ¥31.67.

Financial Condition

Cash flow

In fiscal 2006, Isuzu generated cash flow of ¥106,495 million, down ¥28,757 million from the previous year, primarily because it used net cash flow from operating activities of ¥82,448 million and part of the fiscal 2005 net cash flow of ¥135,252 million to repay interest-bearing debt and redeem convertible bonds ahead of schedule.

Net cash provided by operating activities increased ¥16,917 million (25.8%) from the previous year to ¥82,448 million, because of an increase in net profit before tax and other adjustments and recovery of receivables that increased temporarily in the previous year, despite some cash outflows such a rise in inventory.

Net cash used in investing activities increased ¥13,284 million (170.4%) to ¥21,080 million, primarily because of active capital investment. Investment in the purchase of investment securities increased to ¥9,717 million as a result of raising our stake in Qingling Motors Co., Ltd., a partner in light and medium-duty commercial vehicle production and sales in the Chinese market, to 20%. Ongoing aggressive capital investments in expanding production facilities resulted in expenditure of ¥36,306 million in the purchase of fixed assets.

Net cash used in financing activities increased ¥71,127 million (269.8%) from the previous year to ¥97,493 million. While we raised ¥100,000 million from our second unsecured convertible bond issue in fiscal 2005, we concentrated on repayment of borrowings in fiscal 2006, and redeemed the full outstanding balance of ¥40,000 million ahead of schedule.

Assets

As of March 31, 2006, total consolidated assets were ¥1,168,697 million, an increase of ¥26,116 million from a year earlier.

The main factors contributing to the increase were inventory (up ¥13,228 million from ¥124,526 million to ¥137,754 million), tangible fixed assets (up ¥15,650 million from ¥458,613 million to ¥474,264 million), and investment securities (up ¥29,889 million from ¥65,339 million to ¥95,229 million). The increase in inventory is the result of sales growth in Japan and ASEAN, while the increase in tangible fixed assets is due to former equity-method company Automobile Foundry Co., Ltd. becoming a consolidated subsidiary at the end of fiscal 2006. The main reasons for the increase in investment securities are acquiring additional shares in Qingling Motors Co., Ltd., a partner in light and medium-duty commercial vehicle production and sales in the Chinese market, substantial increase in the market value of securities holdings amid Japanese stock price appreciation, and equity-method profit.

Cash and deposits declined ¥30,715 million from ¥139,357 million to ¥108,642 million, mainly due to repayment of interest-bearing debt and redeeming the outstanding balance of our second unsecured convertible bond issue ahead of schedule.

Liabilities

Total liabilities decreased ¥72,398 million from the previous year to ¥897,529 million. Interest-bearing liabilities (total of short-term borrowings, corporate bonds, and long-term borrowings) decreased ¥43,444 million from ¥393,103 million to ¥349,659 million. We issued corporate bonds totaling ¥40,000 million in fiscal 2006, using the funds and cash flow from operating activities to repay group borrowings.

The balance of our second unsecured convertible bond stood at ¥56,000 million at the end of fiscal 2005, of which ¥16,000 million converted to capital on exercise and the remaining ¥40,000 million was redeemed ahead of schedule, reducing our liabilities by ¥56,000 million from the previous year.

Capital

In fiscal 2006, our capital grew ¥85,886 million from a year earlier to ¥244,350 million. In addition to the exercise of ¥16,000 million of convertible bonds increasing capital by the same amount, ¥58,956 million of net profit was generated, there was an increase in valuation gains on securities due to stock price appreciation in the Japanese market, and an improvement in the foreign exchange adjustment account because of the yen weakening against major currencies. Consequently our equity ratio improved 7.0 percentage points from a year earlier to 20.9%.

Risks

There are certain risks that could have a significant impact on our earnings results, financial condition, and other information contained in the annual securities report, or share price, and these risks are outlined below. (The following information contains forward-looking statements that reflect the judgment of management as of March 31,2006).

1. Economic situation/supply and demand trends in our major markets

Vehicles account for an important portion of the Isuzu group's worldwide operating revenue, and demand for these vehicles is affected by the economic situation in the various countries and regions and markets where we sell vehicles. Therefore, economic recession and an ensuing decline in demand in our major markets—Japan, North America, and other Asian countries—could have a negative impact on the earnings and financial position of the Isuzu group. Price competition also entails the risk of price fluctuation for our products.

2. Interest rate fluctuations

The Isuzu group tightened its cash flow management and continues to concentrate on shrinking interest-bearing debt. In fiscal 2006, we allocated profit from business operations and other funds to the reduction of interest-bearing debt, whose balance stood at ¥349,659 million at the end of the fiscal 2006—¥43,444 million less than a year earlier. This is still a relatively large balance, however, leaving us vulnerable to the risk of higher interest payments having a negative impact on earnings and financial position of the Isuzu group should market rates rise sharply.

3. Foreign exchange fluctuations

The business of the Isuzu group includes manufacturing and marketing products in several regions around the world. Local currency amounts for sales, expenses, assets, and other items are therefore converted into Japanese yen in the preparation of our consolidated financial statements. Depending on the exchange rate in effect at the time of conversion, the yen amount for these items may change even if the underlying local currency value has not changed. Generally, a strengthening of the yen relative to other currencies has a negative impact on the business of the Isuzu group, and a weakening of the yen has a positive impact.

4. Dependence on General Motors Corporation and other major customers

The Isuzu group supplies vehicles and vehicle components to General Motors Corporation (Detroit, MI) and its affiliates as well as to other vehicle manufacturers on an OEM basis. Sales to these customers are affected by fluctuations in production and sales at these customer companies, and other factors over which the Isuzu group has no control, and therefore they could have a negative effect on the earnings and financial position of the Isuzu group.

5. Suppliers, subcontractors, etc., of parts and materials

The Isuzu group sources the raw materials, components, and products required for production from outside suppliers. Should supply-demand conditions significantly exceed suppliers' capacity, it is possible that we are unable to source sufficient volume. Shortages of, and delays in the supply of parts, etc., could have a negative impact on the earnings and financial position of the Isuzu group. It is also possible that a tight supply-demand situation for raw materials, etc., may result in price increases, which may also have a negative impact on the earnings and financial position the Isuzu group if we are unable to absorb them through our own efforts such as improving productivity or by passing on sales prices, resulting in rising costs.

6. Product defects

At its plants both inside and outside of Japan, the Isuzu group manufactures its products according to the strictest globally accepted quality control standards. However, in the unusual event of a large-scale recall or product liability award (we are covered by product liability insurance, but in the case of costs exceeding insurance cover), there could be a negative impact on the earnings and financial position of the Isuzu group.

7. Joint ventures

The Isuzu group engages in business in some countries in the form of joint ventures due to legal and other requirements of each country. Changes in management policy, operating environment, etc., of these joint ventures can affect their earnings performance, which could produce a negative impact on the earnings and financial position of the Isuzu group.

8. Disasters, power outages, and other interruptions

To minimize the potential of a negative impact due to an interruption in the manufacturing process, the Isuzu group regularly conducts disaster prevention inspections and facilities examinations at all our sites. However, we may not be able to completely eliminate or minimize the impact that would arise from a disaster, power outage, or other interruption during the manufacturing process.

9. Securities investments

The Isuzu group invests in securities to produce, sell, and distribute its products as well as to build and maintain good relationships with its business partners. For marketable securities, a downturn in share prices could have a negative impact on the earnings and financial position of the Isuzu group. Isuzu provides management guidance and advice to companies—including those in which we have invested through non-marketable securities—that can have a strong influence over our own business results. However, if the financial condition of the companies in which we have invested were to deteriorate due to factors such as a worsening business environment, this could have a negative impact on the earnings and financial position of the Isuzu group.

10. Retirement obligations and deferred tax assets

The figures recorded for "retirement obligations" and "deferred tax assets" are estimates that reflect the judgment of management. Because of the uncertain nature of estimates, in some cases actual results may vary from initial estimates, and this could have a negative impact on earnings results.

11. Potential risks associated with international activities and foreign ventures

The Isuzu group conducts some of its manufacturing and marketing activities outside of Japan—in the U.S. and in developing and emerging markets in Asia. The following risks are inherent in such overseas business development, and could have a negative impact on the earnings and financial position of the Isuzu group.

- Unfavorable changes in the political or business climate
- Difficulties in recruiting and retaining personnel
- Inadequate technological infrastructure could have a negative impact on our manufacturing activities or our customers' support of our products and services
- Potential negative tax consequences
- Social unrest stemming from terrorism, war, or other factors

12. Limits on intellectual property protection

The Isuzu group has accumulated technology and expertise that differentiates us from our rivals; however, in certain regions due to legal restrictions we are unable to fully protect, or we are able to only partly protect some of our proprietary technology and expertise through intellectual property rights. As a result, we may be unable to effectively prevent third parties from using our intellectual property to make similar products.

13. Legal requirements

The Isuzu group is subject to various government regulations in the countries in which it does business, such as business and investment approvals, export controls designed to protect national security, and other import/export regulations such as tariff rules. We are also subject to legal requirements concerning areas such as commerce, antitrust, patents, consumer rights, taxation, foreign exchange, environmental preservation, recycling, and safety. Unexpected changes in these regulations could have a negative impact on the earnings and financial position of the Isuzu group. Exhaust emissions regulations are generally being tightened amid growing environmental awareness. Since substantial investment is required to comply with these regulations, failure to generate sufficient sales to recover this investment could have a negative impact on the earnings and financial position of the Isuzu group.

14. Sale of Kawasaki Plant property

We have been notified of a claim for damages stemming from soil contamination of natural origin at a parcel of property at our Kawasaki Plant location, which we sold in July 2001 to the Urban Renaissance Agency, an independent administrative institution. Depending on the course of this claim, this could have a negative impact on the earnings and financial position of the Isuzu group.

15. Preferred shares

Isuzu issued preferred shares on December 26, 2002. These shares could be exchanged for common shares at some time in the future, and this could result in the dilution of existing common shares.

Consolidated Balance Sheets (As of March 31, 2006, 2005 and 2004)

	Millions of yen			Thousands of U.S. dollars
Assets	2006	2005	2004	2006
Current Assets:				
Cash and cash equivalents (Note 2, 4)	**¥ 108,642**	¥ 139,357	¥ 113,315	**$ 924,853**
Receivables:				
Notes and accounts (Note 4)	**252,441**	248,744	216,934	**2,148,985**
Less : allowance for doubtful receivables	**(3,393)**	(5,055)	(4,806)	**(28,889)**
Inventories	**137,754**	124,526	112,938	**1,172,681**
Deferred taxes (Note 6)	**27,632**	28,480	27,651	**235,231**
Other current assets	**31,063**	32,162	31,618	**264,436**
Total Current Assets	**554,141**	568,215	497,651	**4,717,298**
Investments and Advances:				
Investments (Note3, 4):				
Unconsolidated subsidiaries and affiliated companies	**58,652**	36,537	32,152	**499,301**
Others	**36,576**	28,801	30,321	**311,365**
Long-term loans	**15,404**	22,291	27,409	**131,138**
Deferred taxes (Note 6)	**6,369**	8,576	8,484	**54,222**
Other investments and advances	**29,218**	32,859	38,847	**248,730**
Less : allowance for doubtful accounts	**(15,107)**	(20,983)	(12,895)	**(128,604)**
Total Investments and Advances	**131,114**	108,084	124,321	**1,116,154**
Property, Plant and Equipment (Note 4)				
Land	**267,687**	267,868	273,639	**2,278,774**
Buildings and structures	**229,744**	216,436	205,689	**1,955,775**
Machinery and equipment	**595,752**	573,951	535,231	**5,071,527**
Construction in progress	**18,365**	7,473	7,956	**156,340**
Less : accumulated depreciation	**(637,286)**	(607,114)	(573,386)	**(5,425,096)**
Net Property, Plant and Equipment	**474,264**	458,613	449,131	**4,037,322**
Other Assets	**9,177**	7,666	6,713	**78,123**
Total Assets	**¥ 1,168,697**	¥ 1,142,580	¥ 1,077,816	**$ 9,948,898**

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity	Millions of yen 2006	2005	2004	Thousands of U.S. dollars 2006
Current Liabilities:				
Bank loans	**¥ 91,971**	¥ 151,513	¥ 256,762	**$ 782,938**
Current portion of bonds	**—**	—	15,000	**—**
Commercial paper	**—**	—	1,800	**—**
Notes and accounts payable	**297,370**	278,511	268,206	**2,531,456**
Accrued expenses	**61,172**	54,045	42,451	**520,751**
Accrued income taxes (Note 6)	**10,933**	10,588	6,501	**93,073**
Deposits received	**3,768**	11,206	12,824	**32,082**
Other current liabilities	**32,043**	36,053	40,401	**272,783**
Total Current Liabilities	**497,260**	541,918	643,948	**4,233,085**
Long-Term Debt (Note 4)	**257,688**	297,591	179,102	**2,193,649**
Accrued Retirement and Severance Benefits (Note 5)	**62,257**	60,057	60,284	**529,985**
Deferred Tax Liabilities (Note 6)	**9,455**	4,693	5,016	**80,497**
Deferred Tax Liabilities Related to Land Revaluation (Note 9)	**55,827**	49,571	57,167	**475,247**
Other Long-Term Liabilities	**15,040**	16,096	19,411	**128,035**
Minority Interests	**26,816**	14,188	3,132	**228,285**
Contingent Liabilities (Note 10)				
Shareholders' Equity :				
Common stock and preferred stock (Note 7,8)	**40,644**	32,617	67,564	**346,002**
Preferred stock:				
Class I-authorized 37,500,000 shares; issued 37,500,000 shares in 2006, 2005 and 2004				
Class II-authorized 37,500,000 shares; issued 37,500,000 shares in 2004				
Class III-authorized 25,000,000 shares; issued 25,000,000 shares in 2006, 2005 and 2004				
Class IV-authorized 25,000,000 shares; issued 25,000,000 shares in 2006, 2005 and 2004				
Common stock:				
Authorized 3,369,000,000 shares in 2006, 2005 and 2004				
Issued 1,141,289,786 shares in 2006, 1,073,619,832 shares in 2005 and 878,105,748 shares in 2004				
Capital surplus (Note 7)	**50,427**	42,435	67,461	**429,280**
Retained earnings (Accumulated deficit)	**68,689**	10,460	(111,058)	**584,743**
Variance of land revaluation (Note 9)	**74,138**	77,791	90,485	**631,128**
Unrealized holding gain on securities	**15,014**	8,324	7,518	**127,811**
Foreign currency translation adjustments	**(4,334)**	(12,946)	(12,049)	**(36,898)**
Less: treasury stock, at cost 1,258,960 common shares in 2006	**(229)**	(220)	(168)	**(1,955)**
Total Shareholders' Equity	**244,350**	158,463	109,753	**2,080,111**
Total Liabilities, Minority Interests and Shareholders' Equity	**¥ 1,168,697**	¥ 1,142,580	¥ 1,077,816	**$ 9,948,898**

Consolidated Statements of Income (For the years ended March 31, 2006, 2005 and 2004)

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Net Sales	**¥ 1,581,857**	¥ 1,493,567	¥ 1,430,339	**$ 13,466,056**
Cost of Sales	**1,347,861**	1,268,483	1,214,763	**11,474,089**
Gross Profit	**233,996**	225,083	215,576	**1,991,967**
Selling, General and Administrative Expenses (Note 5)	**143,334**	137,869	131,085	**1,220,180**
Operating Income	**90,661**	87,214	84,490	**771,786**
Other Income (Expenses):				
Interest and dividend income	**3,129**	3,002	2,370	**26,637**
Interest expense	**(10,551)**	(12,564)	(13,116)	**(89,819)**
Equity in earnings of unconsolidated subsidiaries and affiliates	**10,673**	15,811	10,362	**90,858**
Others, net	**(69)**	(1,909)	(2,428)	**(590)**
Income before Extraordinary Items	**93,843**	91,555	81,678	**798,872**
Extraordinary Items:				
Gain (Loss) on sales or disposal of property, plant and equipment, net	**(3,927)**	(12,377)	(7,865)	**(33,433)**
Gain on sales of investments	**212**	5,807	5,488	**1,805**
Revenue from the settlement of North America project	**4,897**	—	—	**41,693**
Gain on dissolution of employee pension fund (Note 2,5)	**1,391**	—	—	**11,845**
Loss on revaluation of investments	**(1,079)**	(6,056)	(5,333)	**(9,188)**
Loss on restructuring of domestic subsidiaries & affiliates	**(933)**	(5,573)	—	**(7,949)**
Loss on investment for affiliated company restructuring	**—**	—	(7,785)	**—**
Dismantlement and other cost on former Kawasaki Plant	**(5,257)**	—	—	**(44,754)**
Special warranty cost	**(3,247)**	—	—	**(27,641)**
Loss on impairment on fixed assets (Note 12)	**(2,600)**	—	—	**(22,134)**
Others, net	**(3,673)**	(4,586)	(10,824)	**(31,275)**
Income before Income Taxes and Minority Interests	**79,625**	68,767	55,357	**677,840**
Income Taxes (Note 6):				
Current	**12,891**	14,648	7,828	**109,747**
Deferred	**2,555**	(8,403)	(7,905)	**21,750**
Minority Interests in Income of Consolidated Subsidiaries	**5,222**	2,484	720	**44,455**
Net Income	**¥ 58,956**	¥ 60,037	¥ 54,713	**$ 501,887**

	Yen			U.S. dollars
Per Share of Common Stock				
Net Income				
Basic	**¥ 48.75**	¥ 56.64	¥ 72.37	**$ 0.41**
After dilution of potential stock	**31.67**	25.79	20.90	**0.27**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity (For the years ended March 31, 2006, 2005 and 2004)

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Common Stock and Preferred Stock:				
Balance at beginning of the year	**¥ 32,617**	¥ 67,564	¥ 55,545	**$ 277,669**
Add:				
The exercise of stock acquisition right	**8,027**	25,053	12,019	**68,332**
Deduct:				
Capital deduct (retirement of class II preferred stock)	**—**	(60,000)	—	**—**
Balance at end of the year	**¥ 40,644**	¥ 32,617	¥ 67,564	**$ 346,002**
Capital Surplus:				
Balance at beginning of the year	**¥ 42,435**	¥ 67,461	¥131,850	**$ 361,247**
Add:				
The exercise of stock acquisition right	**7,972**	24,946	11,980	**67,872**
Unrealized gain by dispose of treasury stock	**18**	27	—	**161**
Deduct:				
Capital surplus deduct (off-set with deficit)	**—**	(50,000)	(76,369)	**—**
Balance at end of the year	**¥ 50,427**	¥ 42,435	¥ 67,461	**$ 429,280**
Variance of Land Revaluation				
Balance at beginning of the year	**¥ 77,791**	¥ 90,485	¥ 90,064	**$ 662,222**
Add:				
Reversal of land revaluation	**688**	—	19	**5,865**
Other	**—**	—	401	**—**
Deduct:				
Transfer to retained earnings	**—**	(12,565)	—	**—**
Others	**(4,341)**	(129)	—	**(36,959)**
Balance at end of the year	**¥ 74,138**	¥ 77,791	¥ 90,485	**$ 631,128**
Retained Earnings (Accumulated deficit):				
Balance at beginning of the year	**¥ 10,460**	¥(111,058)	¥(242,546)	**$ 89,049**
Add:				
Reduction of capital reserve	**—**	50,000	76,369	**—**
Transfer from variance of land revaluation	**(688)**	12,565	(19)	**(5,865)**
Net income	**58,956**	60,037	54,713	**501,887**
Other	**2,726**	—	550	**23,208**
Deduct:				
Dividend	**(2,614)**	—	—	**(22,252)**
Other	**(150)**	(1,083)	(126)	**(1,284)**
Balance at end of the year	**¥ 68,689**	¥ 10,460	¥ (111,058)	**$ 584,743**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows (For the years ended March 31, 2006, 2005 and 2004)

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	2006
Cash Flows from Operating Activities				
Net income before income taxes and minority interests	¥ 79,625	¥ 68,767	¥ 55,357	$ 677,840
Depreciation and amortization	24,672	27,170	27,401	210,032
Equity in earnings of unconsolidated subsidiaries and affiliates	(10,673)	(15,811)	(10,362)	(90,858)
Provision for retirement benefits, less payments	708	(2,209)	2,591	6,030
Provision for allowance for product warranty	1,533	(1,098)	648	13,051
Provision for allowance for bonus	1,660	1,032	2,394	14,137
Provision for allowance for doubtful assets	(2,029)	8,361	(5,245)	(17,275)
Interest and dividend income	(3,129)	(3,002)	(2,370)	(26,637)
Interest expenses	10,551	12,564	13,116	89,819
Gain on disposal of property assets	(4,383)	(3,211)	(2,893)	(37,318)
Loss on disposal of property assets	8,311	15,589	10,758	70,751
Loss on investment for affiliated company restructuring	—	—	241	—
Gain on sales of securities	(203)	(5,300)	(3,524)	(1,735)
Loss on impairment of fixed assets	2,600	—	—	22,134
Other extraordinary loss	826	1,409	1,186	7,031
Decrease (increase) in receivable	8,338	(31,466)	(17,293)	70,982
Decrease (increase) in inventories	(11,321)	(8,836)	(6,852)	(96,379)
Decrease (increase) in other current assets	563	(2,504)	9,622	4,794
Increase (decrease) in notes and accounts payable	8,359	17,721	26,724	71,160
Increase (decrease) in accrued expenses and taxes	2,545	12,841	(4,359)	21,668
Increase (decrease) in deposit received	(8,148)	(1,449)	(2,127)	(69,365)
Increase (decrease) in other liabilities	(8,804)	(2,243)	4,010	(74,948)
Others	(24)	(1,844)	(441)	(208)
Cash received from interest and dividends	5,243	3,112	2,646	44,633
Cash paid for interest	(10,369)	(12,511)	(13,105)	(88,272)
Cash paid for income taxes	(14,002)	(11,550)	(2,831)	(119,200)
Net Cash Provided by Operating Activities	82,448	65,531	85,292	701,870
Cash Flows from Investing Activities				
Payment on purchase of securities	(9,717)	(2,204)	(3,672)	(82,719)
Proceeds from sales of securities	960	11,319	11,333	8,180
Payment on purchase of property, plant and equipment	(36,306)	(44,645)	(30,394)	(309,068)
Proceeds from sales of property, plant and equipment	15,797	16,865	15,752	134,477
Payment on long-term loans receivable	(4,958)	(4,105)	(4,805)	(42,213)
Collection of long-term loans receivable	3,045	4,955	3,905	25,927
Increase (decrease) in short-term loans receivable	3,497	1,289	(1,833)	29,770
Increase (decrease) in finance receivable of overseas subsidiary	16	396	3,023	136
Increase (decrease) in fixed deposits	1,957	7,046	301	16,666
Proceeds from the transfer of investment	5,607	—	—	47,737
Others	(980)	1,286	721	(8,350)
Net Cash Used in Investing Activities	(21,080)	(7,795)	(5,668)	(179,454)
Cash Flows from Financing Activities				
Increase (decrease) in short-term debt	(58,056)	(88,374)	(49,074)	(494,219)
Increase (decrease) in commercial paper	—	(1,800)	1,800	—
Proceeds from long-term debt	38,008	275,789	78,655	323,555
Payment on long-term debt	(75,464)	(249,544)	(76,834)	(642,418)
Increase (decrease) in bonds	40,000	(2,350)	(15,500)	340,512
Increase (decrease) in bonds with warrant attached	(40,000)	100,000	30,000	(340,512)
Payment on retirement of prefered stock	—	(60,000)	—	—
Payment on dividend	(2,602)	—	—	(22,154)
Others	621	(86)	1,956	5,292
Net Cash Used in Financing Activities	(97,493)	(26,366)	(28,997)	(829,944)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	4,544	(256)	(1,061)	38,684
Net Increase (Decrease) in Cash and Cash Equivalents	(31,581)	31,112	49,564	(268,843)
Cash and Cash Equivalents at Beginning of the Year	135,252	102,579	52,951	1,151,377
Increase (Decrease) in Cash and Cash Equivalents from the Addition or Exclusion of Consolidated Companies	2,823	1,560	63	24,038
Cash and Cash Equivalents at End of the Year (Notes 2)	¥ 106,495	¥ 135,252	¥ 102,579	$ 906,572

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presenting the Financial Statements

The accompanying consolidated financial statements of Isuzu Motors Limited ("the Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirement of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

In order to facilitate the understanding of readers outside Japan, certain reclassifications have been made to the consolidated financial statements prepared for domestic purposes and relevant notes and statements of stockholders' equity has been added.

The yen amounts are rounded down in millions. Therefore, total or subtotal amounts do not correspond with the aggregation of such account balances.

U.S. dollar amounts have been translated from Japanese yen for convenience only at the rate of ¥117.47 = US$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2006. The translations should not be construed as a representation that Japanese yen have been or could be converted into U.S. dollars at that rate. The U.S. dollar amounts are then rounded down in thousands.

Certain reclassifications have been made in the 2005 and 2004 financial statements to conform to the presentation for 2006.

2. Summary of Significant Accounting Policies

a) Consolidation

The consolidated financial statements include the accounts of the Company and significant subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

Investments in main unconsolidated subsidiary and significant affiliated companies (15% to 50% owned) are accounted for by the equity method.

The differences at the time of acquisition between the cost and underlying net equity of investments in consolidated subsidiaries and in unconsolidated subsidiaries and affiliated companies accounted for under the equity method are, as a rule, amortized over periods of five years after appropriate adjustments.

b) Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated into yen at the exchange rate of the balance sheet date, and differences arising from the translation are included in the statements of income. The balance sheet accounts and revenue and expense accounts of the foreign consolidated subsidiaries are translated into yen at the exchange rate of the balance sheet date and translation adjustments are included in "minority interests" and "foreign currency translation adjustments" accounts of shareholders' equity. The components of shareholders' equity are translated at historical exchange rates.

c) Investments

The accounting standard for financial instruments requires that securities be classified into three categories: marketable, held-to-maturity or other securities.

Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in stockholders' equity. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

d) Inventories

Inventories of the Company are valued at cost using the weighted average method. Inventories of consolidated subsidiaries are principally valued at cost using the specific identification method.

e) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries is calculated principally by the straight-line method based on the estimated useful lives. Depreciation of property, plant and equipment of few consolidated subsidiaries is calculated by declining balance method.

f) Software

Software used by the Company and its consolidated subsidiaries is depreciated using the straight-line method, based on the estimated useful life as determined by the Company and its consolidated subsidiaries (generally 5 years).

g) Leases

Finance lease transactions, except for those which meet the conditions that the ownership of the lease assets is substantially transferred to the lessee, are accounted for on a basis similar to ordinary rental transactions.

h) Employees' Retirement Benefits

Employees' retirement benefits covering all employees are provided through an unfunded lump-sum benefit plan and a funded pension plan. Under the plans, eligible employees are entitled, under most circumstances, to severance payments based on compensation at the time of severance and years of service.

The Company has adopted the Financial Accounting Standard for retirement benefits in Japan. In accordance with this standard, accrued employees' retirement benefits are provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the end of the current fiscal year. Prior service cost is being amortized as incurred by straight-line method over periods, which are shorter than the average remaining years of service of the eligible employees. Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by straight-line method over periods, which are shorter than the average remaining years of service of the eligible employees.

(Additional Information)

On August 1, 2005, pension funds of several consolidated companies obtained approval from the Minister of Health, Labor and Welfare of exemption from the benefits related to future employee service under the substitutional portion. Estimated plan assets to be returned to the government on March 31,2006 were ¥3,791 million ($32,279 thousands). If the estimated plan assets had been returned to the government on March 31,2006 and the transitional measurement of accounting standard for employees' retirement benefits as stipulated in the Accounting Committees Report No.13, Article 44-2 by the Japanese Institute of Certified Public Accountants had been adopted, the effect of the adoption on the consolidated income statement for the year ended March 31, 2006 would be ¥3,033 million ($25,820 thousands).

i) Income Taxes

Income taxes are accounted for on an accrual basis. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of deferred tax assets and liabilities of a change in tax rate are recognized in income in the period that includes the enacted date.

j) Net Income per Share

Net income per share of common stock is calculated based upon the weighted average number of shares of common stock outstanding during each year. Under the revised financial statements regulations in Japan, the weighted average number of shares is calculated based on the number of issued shares less the number of treasury stocks from the fiscal year ended March 31, 2002.

Effective from the fiscal year ended March 31, 2003, the Company applied early adoption of the Financial Accounting Standard No. 2 "Financial Accounting Standard for Earnings per Share" and the Financial Accounting Standard Implementation Guidance No. 4 "Implementation Guidance for Accounting Standard for Earnings per Share" issued by the Accounting Standards Board of Japan on September 25, 2002.

Basis for the calculation of net income per share at the year ended March 31, 2006 is as follows:

	Millions of yen	Thousands of U.S. dollars
Net Income	¥ 58,956	$501,887
Less: Components not pertaining to common shareholders;		
Dividend to preferred stock (Class II excluded)	584	4,971
Net income pertaining to common stock	¥ 58,372	$496,916
Average outstanding shares:		
Common stock (share):	1,130,109,701	—
Class IV preferred stock (share):	67,340,067	—

k) Appropriation of Retained Earning

The appropriation of retained earnings is recorded in the fiscal year in which such appropriation is approved by the shareholders meeting.

l) Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Reconciliation for cash and cash equivalents at end of the year on the statement of cash flows for the years ended March 31, 2006 is as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and time deposits on the consolidated balance sheet	¥ 108,642	$ 924,853
Time deposits with original maturities over three month at the time of purchase	(2,147)	(18,280)
Cash and cash equivalents on the statement of cash flows	¥ 106,495	$ 906,572

m) Adoption of New Accounting Standards

From this fiscal year, the Company, its consolidated domestic subsidiaries and its equity method-applied domestic affiliates adopted the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The effect of adopting the new accounting standard on the consolidated statement of income for the year ended March 31, 2006 was to decrease income before income taxes and minority interests by ¥2,600 million ($22,134 thousands). Also, the impaired fixed assets are presented in the consolidated balance sheet net of accumulated impairment.

3. Securities

Fair Value of Securities of other securities as of March 31, 2006 is as follows:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:						
Stocks	¥ 10,145	¥ 32,558	¥ 22,412	$ 86,364	$ 277,160	$ 190,796
Bonds:						
Corporate bonds	—	—	—	—	—	—
Investment trusts	19	19	0	167	168	0
Total	¥ 10,164	¥ 32,577	¥ 22,412	$ 86,531	$ 277,328	$ 190,797
Unrealized loss:						
Stocks:	¥ 2,325	¥ 2,088	¥ (236)	$ 19,793	$ 17,768	$ (2,017)
Total	¥ 2,325	¥ 2,088	¥ (236)	$ 19,793	$ 17,768	$ (2,017)

For the year ended March 31, 2006, proceeds from sales of securities classified as other securities amounted to ¥955 million ($8,131 thousands) with an aggregate gain on sales of ¥431 million ($3,675 thousands) and an aggregate loss on sales of ¥12 million ($105 thousands).

Non-marketable securities classified as other securities at March 31, 2006 amounted to ¥1,910 million ($16,260 thousands).

4. Long-Term Debt

Long-term debt at March 31, 2006 is as follows:

	Millions of yen	Thousands of U.S. dollars
1.59% straight bonds due 2010	¥ 10,000	$ 85,128
1.24% straight bonds due 2010	20,000	170,256
1.55674% straight bonds due 2012	10,000	85,128
1.579% straight bonds due 2012	10,000	85,128
3.3% Guaranteed debentures of Isuzu Motors Co., (Thailand) Ltd. No.1/2547 due 2007	2,870	24,431
Loans	256,077	2,179,941
Less: current portion	¥ 51,259	$ 436,364
	¥ 257,688	$ 2,193,649

The Company issued 2nd Series Unsecured Convertible Bonds in fiscal year 2005. The Company has redeemed all of these bonds before maturity in June 17, 2005.

The annual maturities of long-term debt at March 31, 2006 are summerized as follows:

Planned maturity date	Millions of yen	Thousands of U.S. dollars
Over 1 year within 2 years	¥ 53,304	$ 453,770
Over 2 years within 3 years	46,872	399,015
Over 3 years within 4 years	56,186	478,303
Thereafter	101,324	862,560
Total	¥ 257,688	$ 2,193,649

The assets pledged as collateral for certain loans and other liabilities at March 31, 2006 is as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and time deposits	¥ 111	$ 948
Notes and accounts receivable	2,471	21,043
Building and structures	51,309	436,787
Machinery and equipment	44,581	379,511
Land	181,218	1,542,679
Securities	3,137	26,705
Others	37	317

5. Retirement Benefit Obligation and Pension Plan

The Company has defined benefit plans, i.e., employee pension fund, tax-qualified pension funds and lump-sum payment plans. The employee pension fund was amended to establish a cash balance pension plan on September 1, 2003. The consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans, tax-qualified pension funds and lump-sum payment plans. Pension funds of several consolidated companies obtained approval from the Minister of Health, Labor and Welfare of exemption from the benefits related to future employee service under the substitutional portion.

(1) Retirement benefit obligation as of March 31, 2006 is as follows:

	Millions of yen	Thousands of U.S. dollars
Retirement benefits obligation at end of the year	¥ (117,305)	$ (998,598)
Fair value of plan assets	32,624	277,727
Accrued retirement benefits obligations on balance sheets	62,257	529,985
Prepaid pension cost	(26)	(228)
Net	¥ (22,450)	$ (191,114)
(Details on net amount)		
Unrecognized actuarial net loss	¥ (22,309)	$ (189,918)
Unrecognized prior service cost	¥ (140)	$ (1,195)
Net	¥ (22,450)	$ (191,114)

The substitution portion of the benefits under the welfare pension fund plans has been included in the amounts shown in the above table.

(2) Retirement benefit cost for the year ended March 31, 2006 is as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 3,975	$ 33,840
Interest cost on projected benefit obligation	2,041	17,382
Expected return on plan assets	(383)	(3,265)
Amortization of actuarial net loss (gain)	3,578	30,462
Amortization of prior service cost	1,279	10,895
Net retirement benefit cost	¥ 10,491	$ 89,315

(3) Actuarial assumptions used to determine costs and obligations for retirement.

	2006
Discount rate	2.3%
Expected rate of return on plan assets	1.5–2.5%
Recognition period of prior service cost	1 year
Amortization period of actuarial net loss (gain)	10 years
Amortization period of net obligation arising from accounting changes	1 year

6. Income Taxes

Accrued income taxes in the balance sheets include corporation tax, inhabitant taxes and enterprise tax. Income taxes in the statements of operations include corporation tax and inhabitant taxes and enterprise tax.

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2006 is as follows:

	Millions of yen	Thousands of U.S. dollars
Deferred tax assets:		
Accrued retirement benefits	¥ 21,191	$ 180,401
Loss from revaluation of investments and allowance for doubtful accounts	47,158	401,450
Accrued expenses	14,535	123,734
Accrued Bonus cost	4,841	41,217
Loss from inventory write down	1,489	12,676
Loss carried forward	26,460	225,253
Unrealized profit eliminated in consolidation etc.	4,849	41,286
Other	45,385	386,356
Total gross deferred tax assets	165,911	1,412,376
Valuation allowance	(125,844)	(1,071,293)
Total deferred tax assets	40,066	341,082
Deferred tax liabilities:		
Reserve for deferred income tax of fixed assets	(981)	(8,353)
Depreciation adjustment of foreign consolidated subsidiaries	(4,381)	(37,295)
Other	(702)	(5,978)
Total deferred tax liabilities	¥ (6,064)	$ (51,628)
Net deferred tax assets	¥ 34,002	$ 289,453
Deferred tax liabilities:		
Reserve for deferred income tax of fixed assets	1,700	14,477
Unrealized holding gain on other securities	6,987	59,484
Other	767	6,534
Total deferred tax liabilities	¥ 9,455	$ 80,497

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2006 is as follows:

	2006
Normal effective statutory tax rate	40.0%
Net valuation allowance	(22.1)
Different tax rate applied to foreign subsidiaries	(3.8)
Loss for this fiscal year by consolidated subsidiaries	7.3
Equity in earnings of unconsolidated subsidiaries	(5.4)
Additional income tax	2.0
Foreign withholding tax	0.6
Others	0.8
Effective tax rate after adoption of tax-effect accounting	19.4

7. Shareholders' Equity

The legal reserves of the consolidated subsidiaries are included in retained earnings in the accompanying consolidated financial statements.

The Company issued new common stock due to the exercise of stock acquisition right. As the effect of the issuance, the Company's common stock increased by ¥8,027 millions ($68,332 thousands), the Company's capital surplus increased by ¥7,972 millions ($67,872 thousands).

8. Preferred Stock

The Company issued the preferred stock (Class I, Class II, Class III and Class IV) in the fiscal year 2003. The Company has retired Class-II preferred stock in fiscal year 2005. No other dividends of surplus than specified in a) (1), b) (1), and c) (1) respectively shall be paid to preferred shareholders or to preferentially registered stock pledgees. When the amount of surplus to be paid to the preferred shareholders or preferentially registered stock pledgees in a given business year does not reach the amount of the preferred dividend, the shortfall will not be carried over to the next business year for accumulation.

When the residual property of the Company is to be distributed, ¥800 per share of the preferred stocks shall be paid to the preferred shareholders or to the preferentially registered stock pledgees before the ordinary shareholders or the ordinarily registered stock pledgees.

No other residual property than the above shall be distributed to the preferred shareholders or to the preferentially registered stock pledgees.

The Company can always purchase preferred stocks and cancel them according to law. The preferred shareholders shall not have a voting right at the General Meeting of Shareholders.

The Company shall not make the consolidation or division of preferred stocks unless otherwise stipulated by law.

The Company shall not give the rights to receive allotments of offered shares or to receive allotments of offered share warrants to the preferred shareholders.

Payment of dividends and distribution of residual property to each class of the preferred stock shall be made according to the same order of priority.

a) Outline of the Issue of Class-I Preferred Stock

(1) Preferred Dividend

Class-I preferred dividend shall be calculated according to the following formula. Class-I preferred dividend shall be calculated to four places of decimals of less than yen and rounded off at the fourth place of decimals. However, when the calculation result exceeds ¥80, Class-I preferred dividend will be set at ¥80.

Class I preferred dividend = ¥800 × (Japanese Yen TIBOR + 0.750%)

Any portion of dividend which exceeds the amount of the Class-I preferred stocks shall not be paid to Class-I preferred shareholders and Class-I preferentially registered stock pledgees.

(2) Right of Claim for Acquisition

(i) Period for Claiming Acquisition

Period for claiming the acquisition of the Class-I preferred stocks shall be from October 1, 2006 to September 30, 2022.

(ii) Conditions for Acquisition

Shareholders of the Class-I preferred stocks can claim the common stocks of the Company to be issued, whose number is obtained from the equation (iii) below based on the per-share acquisition price of the Class-I preferred stocks that is determined by a) (1) above, in exchange for the Company's acquiring the Class-I preferred stocks.

(a) Initial Acquisition Price = ¥54

(b) Revision of Acquisition Price

Acquisition price is revised to the average price on October 1 every year from October 1, 2007 to September 30, 2022 (hereinafter referred to as the date of revision of acquisition price respectively) when the average price (excluding days without closing price) of daily closing prices (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days starting from 45th business day preceding the date of revision of acquisition price (hereinafter referred to as actual value calculation period respectively) is below the initial acquisition price (revised acquisition price shall be calculated to the first decimal point and then rounded up. In addition, if during the actual value calculation period, a revision specified in (c) below has to be necessary, the average price shall be revised to an amount judged appropriate by the Board of Directors in accordance with (c). However, when after calculation, the revised acquisition price is below the price equal to 70% of the initial acquisition price (calculated to the first decimal point and then rounded up, hereinafter referred to as floor acquisition price and revised according to (c).), the floor acquisition price shall be treated as the revised acquisition price.

(c) Adjustment of Acquisition Price

After the issue of Class-I preferred stocks, if any of the followings applies, the acquisition price shall be adjusted by the formula below (hereinafter referred to as formula for the adjustment of acquisition price). In this formula, figures shall be calculated to the first decimal point and then rounded up.

$$\text{Adj. acquisition price} = \text{Pre-adjust acquisition price} \times \frac{\text{No. of issued common stocks} + \dfrac{\text{No. of new and disposal common stocks} \times \text{Amount paid per share}}{\text{Market value per share}}}{\text{No. of issued common stocks} + \text{No. of new and disposal common stocks}}$$

(iii) The Number of Common Stocks to be issued in exchange for the Acquisition of the Class-I Preferred Stocks

The number of common stocks of the Company to be issued in exchange for the acquisition of the Class-I preferred stocks shall be as follows.

$$\text{No. of common stocks issued in exchange for the acquisition of the Class-I preferred stocks} = \frac{\text{Total value equal to paid-in amount of the Class-I Preferred Stocks submitted by Shareholders asking for Acquisition}}{\text{Acquisition Price}}$$

(3) Mandatory Acquisition
The Class-I preferred stocks which are not requested for acquisition during the period in which a request for acquisition is possible shall become common stocks on the day determined by the Board of Directors' Meeting which is held on the next day of the last day of the said period (hereinafter referred to as the base date of Mandatory acquisition) and the number of the common stocks is obtained from dividing the amount equal to the amount paid per stock of the Class-I preferred stocks by the average price (calculated to the first decimal point and then rounded up) of the daily closing price (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days (excluding days without closing price) starting from the 45th business day preceding the base date of Mandatory acquisition.

When the average price is lower than the floor acquisition price, the Class-I preferred stocks shall become common stocks whose number is obtained from dividing the amount equal to the amount paid per stock of the Class-I preferred stock by the floor acquisition price. Also, when the average price is more than the maximum acquisition price, they shall become common stocks whose number is obtained from dividing the amount equal to the amount paid per stock of the Class-I preferred stocks by the maximum acquisition price.

The maximum acquisition price is equal to the initial acquisition price (subject to "Adjustment of Acquisition Price" described in the above (2)(ii)(c).

When fractions less than 1 are produced in calculating the above number of common stocks, they shall be treated according to the treatment specified in the Article 234 of the Company Law.

b) Outline of the Issue of Class-III Preferred Stock

(1) Preferred Dividend
Class-III preferred dividend shall be calculated according to the following formula. Class-III preferred dividend shall be calculated to four places of decimals of less than yen and rounded off at the fourth place of decimals. However, when the calculation result exceeds ¥80, Class-III preferred dividend will be set at ¥80.

Class-III preferred dividend = ¥800× (Japanese Yen TIBOR+1.500%)

Any portion of dividend which exceeds the amount of the Class-III preferred stocks shall not be paid to Class-III preferred shareholders and Class-III preferentially registered stock pledgees.

(2) Right of Claim for Acquisition
(i) Period for Claiming Acquisition
Period for claiming the acquisition of the Class-III preferred stocks shall be from October 1, 2010 to September 30, 2027.

(ii) Conditions for Acquisition
Shareholders of the Class-III preferred stocks can claim the common stocks of the Company to be issued, whose number is obtained from the equation (iii) below based on the per-share acquisition price of the Class-I preferred stocks that is determined by a) (1) above, in exchange for the Company's acquiring the Class-I preferred stocks.

(a) Initial Acquisition Price
The average price of daily closing prices (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days (excluding days without closing price) starting from 45th business day preceding the first day of period for claiming acquisition (calculated to the first decimal point and then rounded up the first decimal point and then rounded up.)

(b) Revision of Acquisition Price
Acquisition price is revised to the average price (excluding days without closing price) of daily closing prices (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days starting from 45th business day preceding the date of revision of acquisition price (hereinafter referred to as actual value calculation period respectively) on October 1 every year from October 1, 2011 to September 30, 2027 (hereinafter referred to as the date of revision of acquisition price respectively). (Revised acquisition price shall be calculated to the first decimal point and then rounded up. In addition, if during the actual value calculation period, a revision specified in (c) below becomes necessary, the average price shall be revised to an amount judged appropriate by the Board of Directors in accordance with (c).). However, after the above calculation, when the revised acquisition price is below the price equal to 50% of the initial acquisition price (calculated to the first decimal point and then rounded up, hereinafter referred to as floor acquisition price and revised according to (c).), the floor acquisition price shall be treated as the revised acquisition price. Also after the above calculation, when the revised acquisition price is above the price equal to 200% of the initial acquisition price (calculated to the first decimal point and then rounded up, hereinafter referred to as the maximum acquisition price and revised according to (c).), the maximum acquisition price shall be treated as the revised acquisition price.

(c) Adjustment of Acquisition Price
After the issue of Class-III preferred stocks, if any of the followings applies, the acquisition price shall be adjusted by the formula below (hereinafter referred to as formula for the adjustment of acquisition price). In this formula, figures shall be calculated to the first decimal point and then rounded up.

$$\text{Adj. acquisition price} = \text{Pre-adjust acquisition price} \times \frac{\text{No. of issued common stocks} + \dfrac{\text{No. of new and disposal common stocks} \times \text{Amount paid per share}}{\text{Market value per share}}}{\text{No. of issued common stocks} + \text{No. of new common stocks}}$$

(iii) The Number of Common Stocks to be issued in exchange for the Acquisition of the Class-III Preferred Stocks
The number of common stocks of the Company to be issued in exchange for the acquisition of the Class-III preferred stocks shall be as follows.

$$\text{No. of common stocks issued in exchange for the acquisition of the Class-III preferred stocks} = \frac{\text{Total value equal to paid-in amount of the Class-III Preferred Stocks submitted by Shareholders asking for Acquisition}}{\text{Acquisition Price}}$$

(3) Mandatory Acquisition
The Class-III preferred stocks which are not requested for acquisition during the period in which a request for acquisition is possible shall become common stocks on the day determined by the Board of Directors' Meeting which is held on the next day of the last day of the said period (hereinafter referred to as the base date of Mandatory acquisition) and the number of the common stocks is obtained from dividing the amount equal to the amount paid per stock of the Class-III preferred stocks by the average price (calculated to the first decimal point and then rounded up) of the daily closing price (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days (excluding days without closing price) starting from the 45th business day preceding the base date of Mandatory acquisition.

When the average price is lower than the floor acquisition price, the Class-III preferred stocks shall become common stocks whose number is obtained from dividing the amount equal to the amount paid per stock of the Class-III preferred stock by the floor acquisition price. Also, when the average price is more than the maximum acquisition price, they shall become common stocks whose number is obtained from dividing the amount equal to the amount paid per stock of the Class-III preferred stocks by the maximum acquisition price.

When fractions less than 1 are produced in calculating the above number of common stocks, they shall be treated according to the treatment specified in the Article 234 of the Company Law.

c) Outline of the Issue of Class-IV Preferred Stock

(1) Preferred Dividend
Amount of preferred dividend per share (hereinafter referred to as "Class-IV preferred dividend") shall be calculated according to the following formula. Class-IV preferred dividend shall be calculated to four places of decimals of less than yen and rounded off at the fourth place of decimals. However, when the calculation result exceeds ¥80, Class-IV preferred dividend will be set at ¥80.

Class-IV preferred dividend = ¥800× (Japanese Yen TIBOR+2.000%)

When there is a residual profit after the Class-IV preferred dividend is paid, dividend of surplus can be paid to ordinary shareholders or ordinarily registered stock pledgees it becomes equal to Class-IV preferred dividend. Also when dividend of surplus is paid concerning the residual profit, the same amount of money per stock shall be paid to the Class-IV preferred shareholders or preferentially registered stock pledgees and ordinary shareholders or ordinarily registered stock pledgees.

(2) Right of Claim for Acquisition
(i) Period for Claiming Acquisition
Period for claiming the acquisition of the Class-IV preferred stocks shall be from October 1, 2012 to September 30, 2032.

(ii) Conditions for Acquisition
Shareholders of the Class-IV preferred stocks can claim the common stocks of the Company to be issued, whose number is obtained from the equation (iii) below based on the per-share acquisition price of the Class-I preferred stocks that is determined by a) (1) above, in exchange for the Company's acquiring the Class-I preferred stocks.

(a) Initial Acquisition Price
The average price of daily closing prices (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days (excluding days without closing price) starting from 45th business day preceding the first day of period for claiming acquisition (calculated to the first decimal point and then rounded up.)

(b) Revision of Acquisition Price
Acquisition price is revised to the average price (excluding days without closing price) of daily closing prices (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days starting from 45th business day preceding the date of revision of acquisition price (hereinafter referred to as actual value calculation period respectively) on October 1 every year from October 1, 2013 to September 30, 2032 (hereinafter referred to as the date of revision of acquisition price respectively).

(Revised acquisition price shall be calculated to the first decimal point and then rounded up. In addition, if during the actual value calculation period, a revision specified in (c) below becomes necessary, the average price shall be revised to an amount judged appropriate by the Board of Directors in accordance with (c).). However, after the above calculation, when the revised acquisition price is below the price equal to 50% of the initial acquisition price (calculated to the first decimal point and then rounded up, hereinafter referred to as floor acquisition price and revised according to (c).), the floor acquisition price shall be treated as the revised acquisition price. Also after the above calculation, when the revised acquisition price is above the price equal to 200% of the initial acquisition price (calculated to the first decimal point and then rounded up, hereinafter referred to as the maximum acquisition price and revised according to (c).), the maximum acquisition price shall be treated as the revised acquisition price.

(c) Adjustment of Acquisition Price
After the issue of Class-IV preferred stocks, if any of the followings applies, the acquisition price shall be adjusted by the formula below (hereinafter referred to as formula for the adjustment of acquisition price). In this formula, figures shall be calculated to the first decimal point and then rounded up.

$$\text{Adj. acquisition price} = \text{Pre-adjust acquisition price} \times \frac{\text{No. of issued common stocks} + \dfrac{\text{No. of new and disposal common stocks} \times \text{Amount paid per share}}{\text{Market value per share}}}{\text{No. of issued common stocks} + \text{No. of new common stocks}}$$

(iii) The Number of Common Stocks to be issued in exchange for the acquisition of the Class-IV Preferred Stocks
The number of common stocks of the Company to be issued in exchange for the acquisition of the Class-IV preferred stocks shall be as follows.

$$\text{No. of common stocks issued in exchange for the acquisition of the Class-IV preferred stocks} = \frac{\text{Total value equal to paid-in amount of the Class-IV Preferred Stocks submitted by Shareholders asking for Acquisition}}{\text{Acquisition Price}}$$

(3) Mandatory Acquisition
The Class-IV preferred stocks which are not requested for acquisition during the period in which a request for acquisition is possible shall become common stocks on the day determined by the Board of Directors' Meeting which is held on the next day of the last day of the said period (hereinafter referred to as the base date of Mandatory acquisition) and the number of the common stocks is obtained from dividing the amount equal to the amount paid per stock of the Class-IV preferred stocks by the average price (calculated to the first decimal point and then rounded up) of the daily closing price (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days (excluding days without closing price) starting from the 45th business day preceding the base date of Mandatory acquisition.

When the average price is lower than the floor acquisition price, the Class-IV preferred stocks shall become common stocks whose number is obtained from dividing the amount equal to the amount paid per stock of the Class-IV preferred stock by the floor acquisition price. Also, when the average price is more than the maximum acquisition price, they shall become common stocks whose number is obtained from dividing the amount equal to the amount paid per stock of the Class-IV preferred stocks by the maximum acquisition price.

When fractions less than 1 are produced in calculating the above number of common stocks, they shall be treated according to the treatment specified in the Article 234 of the Company Law.

9. Land Revaluation

In accordance with the Law concerning Revaluation of Land enacted on 31 March, 1999, the land used for business owned by the Company and its consolidated subsidiaries was revalued, and the unrealized gain on the revaluation of land, net of deferred tax, was reported as "Variance of Land Revaluation" within Stockholders' Equity, and the relevant deferred tax was reported as "Deferred Tax Liabilities related to Land Revaluation" in Liabilities for the fiscal year ended 31 March, 2006.
Revalued Date: 31 March, 2000

In accordance with the Law concerning Revaluation of Land enacted on March31, 1998, the land used for business owned by some of the Company's consolidated subsidiaries and affiliates accounted for by the equity method were revalued.
Revalued Date: 31 March, 2002

The method of revaluation is as follows:
Under article 3-3 of the enforcement ordinance for the law, the land price for the revaluation is determined based on the official notice prices assessed and published by the National Land Agency of Japan, after appropriate adjustments for the shape of land and the timing of the assessment on 31 March, 1998.

The difference of the total fair value, revalued based on the law on revaluation of land article 10, of business land for the end of this fiscal year and the total book price for the business land revalued was ¥56,149 millions ($477,986 thousands).

10. Contingent Liabilities

Contingent liabilities at March 31, 2006 is as follows:

	Millions of yen	Thousands of U.S. dollars
Guarantees of bank loans	¥ 2,647	$ 22,539
Export bills discounted	99	843
Notes endorsed	—	—
Notes discounted	725	6,172

11. Lease Transactions

(1) Finance lease transactions, except for those which meet the conditions that the ownership of the leased assets is substantially transferred to the lessee, is as follows.

a) As a lessee

(i) Amounts equivalent to acquisition costs, accumulated depreciation and net balance as of March 31, 2006 and 2005 concerning the finance lease assets:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Acquisition Costs	¥ 35,817	¥ 41,910	$ 304,907
Accumulated Depreciation	20,121	24,374	171,290
Net Balance	15,695	17,536	133,616

(ii) Future payment obligations of finance lease expenses as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Portion due within one year	¥ 6,182	¥ 6,319	$ 52,628
Thereafter	10,742	12,593	91,144
Lease expense paid	7,367	8,490	62,717

Amounts equivalent to interest expenses are calculated by the interest method based on an excess of the aggregate sum of lease payments over amounts equivalent to acquisition costs.

(2) Operating lease is as follows.

a) As a lessee

Future payment obligations of operating lease expenses as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Portion due within one year	¥ 820	¥ 677	$ 6,984
Thereafter	975	1,189	8,307

b) As a lessor

Future receivable income of operating lease commitment as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Portion due within one year	¥ 46	¥ 19	$ 397
Thereafter	46	29	397

12. Loss on impairment of fixed assets

Loss on impairment of fixed assets recognized in the consolidated financial statements is as follows:

Location	Usage	Type	Millions of yen	Thousands of U.S. dollars
Ohira-machi, Shimotsuga-gun, Tochigi prefecture	Idle Assets	Machinery and other	¥ 409	$ 3,484
Fujisawa-shi, Kanagawa prefecture	Idle Assets	Machinery and other	420	3,579
Ebina-shi, Kanagawa prefecture and other	Idle Assets	Land and machinery	184	1,569
Ueki-machi, Kamoto-gun, Kumamoto prefecture and others	Idle Assets	Land and machinery	1,585	13,500
		total	¥ 2,600	$ 22,134

As a general rule, assets were grouped into business assets, idle assets and assets for rent. As for idle assets and assets for rent were individually grouped by each item. There were no signs of necessity of impairment for business assets and assets for rent. However, for idle assets that were in need for impairment due to the fall in land prices, the carrying amount was reduced to the amount recoverable.
Breakdown of the loss on impairment by asset type is as follows:

Type	Millions of yen	Thousands of U.S. dollars
Land	¥ 1,703	$ 14,500
Buildings	12	107
Machinery	818	6,970
Other	65	555

The recoverable amount of an asset is estimated based on the net amount that the asset could be sold (net selling amount) for land and buildings, the net selling amount is estimated by appraisal amount based on real estate appraisal standards.

13. Subsequent Events

a) The following appropriations of retained earnings of the Company were approved at the shareholders' meeting held on June 29, 2006:

	Millons of yen	Thousands of U.S. dollars
Year-end cash dividends		
Preferred Stock (Class I) (¥6.944=U.S.$0.059 per share)	¥ 260	$ 2,213
Preferred Stock (Class III) (¥12.944=U.S.$0.110 per share)	323	2,749
Preferred Stock (Class IV) (¥16.944=U.S.$0.144 per share)	423	3,600
Common Stock (¥3.000=U.S.$0.025 per share)	3,420	29,113

b) Dissolution of capital alliance between the Company and General Motors Corp.
On April 2006, the Company and General Motors Corp. (GM) has agreed to dissolve their capital alliance. Following this agreement, General Motors Ltd., a 100% subsidiary of GM, sold 40,000,000 shares, out of 90,090,000 shares of the Company common stock that it owned, to Mitsubishi Corporation. It also sold 40,000,000 shares to Itochu Corp. and 10,090,000 shares to Mizuho Corporate Bank, Ltd. As a result, Mitsubishi Corp. now holds 42,420,000 shares (shareholding; 3.72%), Itochu Corp. holds 48,251,000 shares (shareholding; 4.23%) and Mizuho Corporate Bank, Ltd. holds 41,931,411 shares (shareholding; 3.67%) of the Company. The Company and GM, however, have also agreed keep their business partnership the same as it has been.

14. Segment Information

(1) The business segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2006 and 2005

As net sales, operaring income and total assets from the automotive business of the Company and its consolidated subsidiaries constituted more than the consolidated totals for the year ended March 31, 2006 and 2005, the business segment information for fiscal 2006 and 2005 is not shown.

(2) The geographical segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2006 and 2005 were as follows:

	Japan	North America	Asia	Other	Total	Eliminations	Consolidated
Year ended March 31, 2006	Millions of yen						
Sales to third parties	967,149	165,309	413,259	36,138	1,581,857	—	1,581,857
Inter-area sales and transfers	150,704	6,951	33,321	696	191,673	(191,673)	—
Total sales	1,117,853	172,260	446,581	36,834	1,773,531	(191,673)	1,581,857
Operating expenses	1,054,511	166,841	425,944	35,364	1,682,661	(191,466)	1,491,195
Operating income	63,342	5,419	20,637	1,470	90,869	(207)	90,661
Total assets	960,741	67,577	139,143	14,682	1,182,146	(13,449)	1,168,697
	Thousands of U.S. dollars						
Sales to third parties	8,233,164	1,407,249	3,518,002	307,640	13,466,056	—	13,466,056
Inter-area sales and transfers	1,282,915	59,174	283,662	5,928	1,631,680	(1,631,680)	—
Total sales	9,516,079	1,466,423	3,801,664	313,568	15,097,737	(1,631,680)	13,466,056
Operating expenses	8,976,860	1,420,289	3,625,981	301,052	14,324,183	(1,629,914)	12,694,269
Operating income	539,219	46,134	175,682	12,516	773,553	(1,766)	771,786
Total assets	8,178,613	(1,071,293) 575,278	1,184,505	124,990	10,063,388	(114,489)	9,948,898

	Japan	North America	Asia	Other	Total	Eliminations	Consolidated
Year ended March 31, 2005	Millions of yen						
Sales to third parties	971,729	195,917	292,903	33,016	1,493,567	—	1,493,567
Inter-area sales and transfers	116,132	4,970	3,694	176	124,974	(124,974)	—
Total sales	1,087,862	200,888	296,598	33,192	1,618,542	(124,974)	1,493,567
Operating expenses	1,014,931	201,117	282,516	31,870	1,530,436	(124,083)	1,406,353
Operating income Total assets	72,931	(229)	14,082	1,322	88,106	(891)	87,214
Total assets	963,719	56,879	125,541	14,426	1,160,567	(17,986)	1,142,580

(3) Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than export to Japan) of the foreign consolidated subsidiaries for the years ended March 31, 2006 and 2005, were as follows:

	North America	Asia	Other	Total
Year ended March 31, 2006	Millions of yen			
Overseas sales	183,143	442,181	271,539	896,864
Consolidated net sales	—	—	—	1,581,857
Overseas sales per consolidated net sales	11.6%	28.0%	17.2%	56.7%
	Thousands of U.S. dollars			
Overseas sales	1,559,067	3,764,209	2,311,564	7,634,840
Consolidated net sales	—	—	—	13,466,056
Overseas sales per consolidated net sales	11.6%	28.0%	17.2%	56.7%

	North America	Asia	Other	Total
Year ended March 31, 2005	Millions of yen			
Overseas sales	213,901	374,172	279,744	867,818
Consolidated net sales	—	—	—	1,493,567
Overseas sales per consolidated net sales	14.3%	25.1%	18.7%	58.1%

Report of Independent Auditors

To The Board of Directors
Isuzu Motors Limited

We have audited the accompanying consolidated balance sheets of Isuzu Motors Limited and consolidated subsidiaries as of March 31, 2006, 2005 and 2004, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Isuzu Motors Limited and consolidated subsidiaries at March 31, 2006, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 2, Isuzu Motors Limited, its consolidated domestic subsidiaries and its equity method-applied domestic affiliates adopted a new accounting standard for impairment accounting for fixed assets as adoption of the standard was permitted from the fiscal year ended March 31,2006.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon

June 29, 2006
Tokyo, Japan

Corporate Directory

PRINCIPAL DOMESTIC SUBSIDIARIES AND AFFILIATES

Isuzu Motors Kinki Co., Ltd.
Isuzu Motors Tokai Co., Ltd.
Kanagawa Isuzu Motors Ltd.
Tokyo Isuzu Motors Ltd.
Automobile Foundry Co., Ltd.
Isuzu LINEX Corporation
J-Bus Limited
Jidosha Buhin Kogyo Co., Ltd.
TDF Corporation
Nippon Fruehauf Co., Ltd.

PRINCIPAL OVERSEAS SUBSIDIARIES AND AFFILIATES

Asia

Isuzu Motors Asia Ltd. (IMA)
9 Temasek Boulevard, #22-03, Suntec City Tower II, Singapore 038989
Tel: 65-6339-9301

Isuzu (China) Holding Co., Ltd.
Room No. 1510, Beijing Fortune Building, No.5 Dong San Huan North Road, Chao Yang District, Beijing, The People's Republic of China
Tel: 86-10-6590-8951

Qingling Motors Co., Ltd.
1, Xiexing Road, Zhong Liang Shan, Jiu Long Po District, Chongqing, The People's Republic of China
Tel: 86-23-6526-4125

ISUZU (Shanghai) Tradetech Co., Ltd.
4F, No. 710 Dong Fang Road, Pudong New Area, Shanghai, The People's Republic of China
Tel: 86-21-6876-2718

Guangzhou Isuzu Bus Co., Ltd.
68 Yuan Gang Road Yan Ling, Guangzhou City, The People's Republic of China
Tel: 86-20-3708-6936

Isuzu Motors Off-Highway Diesel Engine Trading (Shanghai) Co., Ltd.
Rm. 3104, New Town Centre No. 83 Loushanguan Rd., Shanghai, China
Tel: 021-6236-8395

Taiwan Isuzu Motors Co., Ltd. (TIM)
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Tel: 63-2-842-0241

Isuzu Autoparts Manufacturing Corporation (IAMC)
114 North Main Avenue, Phase III, Special Economic Zone, Laguna Technopark, Binan, Laguna 4024, Philippines
Tel: 63-49-541-1458

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Tel: 66-2-394-2541

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Tel: 66-2-326-0916~9

Thai International Die Making Co., Ltd. (TID)
331-332 Bangpoo Industrial Estate, Sukhumvit Road, Amphur Muang, Samutprakan 10280, Thailand
Tel: 66-2-324-0511

IT Forging (Thailand) Co., Ltd. (ITF)
Siam Eastern Industrial Park 60/7 Moo 3.T.Mabyangporn A. Pluakdaeng, Rayong 21140, Thailand
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Tri Petch Isuzu Sales Co., Ltd. (TIS)
1088 Vibhavadi Rangsit Road, Ladyao Chatuchak, Bangkok 10900, Thailand
Tel: 66-2-966-2111~30

Isuzu Operations (Thailand) Co., Ltd. (IOT)
1088 Vibhavadi Rangsit Road, Ladyao, Chatuchak, Bangkok 10900, Thailand
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Isuzu Technical Center of Asia Co., Ltd. (ITA)
6th Floor, 38Kor. Moo9 Poochaosamingprai Road, Samrong-Tai, Phrapradaeng, Samutprakan 10130, Thailand
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P.T. Pantja Motor (PM)
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Tel: 62-21-6501000

P.T. Mesin Isuzu Indonesia (MII)
JL.Kaliabang No.1. Pondok Ungu, Kelurahan Medan Satria, Kec. Bekasi Barat, Bekasi, West Java, Indonesia
Tel: 62-21-8879994

P. T. Asian Isuzu Casting Center (AICC)
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Tel: 62-21-8904590

Malaysian Truck & Bus Sdn. Bhd. (MTB)
Kawasan Perindustrian, Peramu Jaya, P.O.BOX 6, 26607 Pekan, Pahang Darul Makmur, Malaysia
Tel: 60-9-426-0340

Isuzu Malaysia Sendirian Berhad
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Europe

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Isuzu Motors Europe Ltd. (ISZE)
Suite 24, The Courtyards, Croxley Business Park, Hatters Lane, Watford, Hertfordshire WD18 8NS, U.K.
Tel: 44-1923-231-580

Isuzu Truck (UK) Ltd.
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Tel: 44-1920-463962

Isuzu Motors Germany GmbH (IMG)
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Tel: 49-6134-558-0

Isuzu Motors Polska Sp. zo.o. (ISPOL)
Ul. Towarowa 50, 43-100 Tychy, The Republic of Poland
Tel: 48-32-219-9600

Isuzu Benelux N.V.
Pierstraat 233-2550, Konitch, Belgium
Tel: 32-3-450-1761

Isuzu Automotive Company, Ukraine
8, Novokonstantinovskaya str., Kiev, 04080, Ukraine
Tel: 380-44-417-15-37

Africa

General Motors Egypt S.A.E. (GME)
Abu-El Feda Building, 3 Abu El Feda Street, Zamalek, Cairo, Egypt
Tel: 20-2-735-4004/736-2116

Isuzu Iberia S.L.
Felipe IV, 7, 28014 Madrid, Spain
Tel: 34-91-532-6179

North America

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Tel: 1-562-229-5458

Isuzu Commercial Truck of America, Inc. (ICTA)
13340 183rd Street, Cerritos, California 90702-6007, U.S.A.
Tel: 1-562-229-5000

DMAX, Ltd.
3100 Dryden Road, Moraine, Ohio 45439, U.S.A.
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Central America

Isuzu Motors de Mexico S.de R.L.
Paseo de la Reforma 287, piso 7, Delg. Cuauhtemoc, C.P. 06500, Mexico, D.F., United Mexican States
Tel: 52-55-5328-1300

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Isuzu Australia Limited (IAL)
858 Lorimer Street, Port Melbourne, Victoria 3207, Australia
Tel: 52-55-5328-1300

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Tel: 86-10-6590-8957

Belgium
Z.3 Doornveld 112, 1731 Zellik, Belgium
Tel: 32-2-463-0990

History

Isuzu's history can be traced back to Tokyo Ishikawajima Shipbuilding & Engineering Co., Ltd., which was founded in 1893 and produced the first truck made in Japan in a joint venture with British automaker Wolseley Motor Ltd in 1922.

Tokyo Ishikawajima Shipbuilding & Engineering's automotive arm became a separate company, Ishikawajima Automotive Works Co., Ltd. in 1929. Following another merger in which Ishikawajima Automotive Works took over DAT Automobile Manufacturing, the company changed its name to Automobile Industries Co., Ltd. in 1933. Automobile Industries Co. developed two air-cooled diesel engine models, the DA4 and DA6—the foundation of all subsequent generations of Isuzu diesel engines.

Automobile Industries Co., Ltd. further merged with Tokyo Gas & Electric Co. and changed its name to Tokyo Automobile Industries Co., Ltd. on April 9, 1937, the date Isuzu regards as its founding. Tokyo Automobile Industries changed its name to Diesel Automobile Industry Co., Ltd. in 1941, and then in 1949—taking the name adopted in 1934 for its government-standard–model cars developed in 1933—it changed its name to Isuzu Motors Ltd.; the Isuzu was named after the Isuzugawa, a river that flows past Mie Prefecture's Ise Shrine, Japan's oldest.

In 1959, Isuzu launched the ELF, today Japan's top-selling light-duty truck. The FORWARD medium-duty truck series went on sale in 1970, and the C&E series of heavy-duty trucks and tractors, the forerunners of which had been on the market since 1959, underwent a major overhaul in 1995 that resulted in the GIGA series. Isuzu began selling the GALA large-size bus in 1996, and in 2004, the company launched the Mimamori-kun Online Service—the first telematics system for commercial vehicles in Japan.

Isuzu entered a tie-up with General Motors Corporation in 1971. Since then, Isuzu has expanded its overseas operations, highlighted by our opening of overseas operations in Thailand (1974), North America (1975), and China (1985), and starting diesel engine manufacture in Poland (1999) and the U.S. (2000).

As an established world-class manufacturer of commercial vehicles, Isuzu today is devoting its energies to developing the next generation of vehicles.

Special achievements

In more ways than one, 2004 was a milestone year for Isuzu. In 2004, Isuzu manufactured 75,944 trucks with gross vehicle mass (GVM) of 6.1–16 tons in Japan, marking the fourth consecutive year at the top of the league table in the production of medium-duty trucks in a single country. The figures are released by automobile manufacturer associations around the world.

Isuzu was also the top Japanese truck maker in domestic output of combined medium and heavy-duty trucks, producing 92,032 units with GVM of 6.1 tons and over. Although there was a reactionary decline in demand after the previous year when owners were preparing for new exhaust emission regulations in Japan, the company increased production of trucks with GVM of 6.1 tons and over by 6.6% or 5,678 units because of growth in exports to North America and Australia.

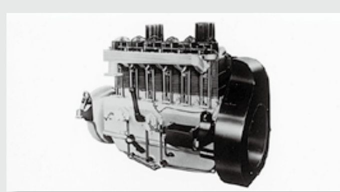
Also in 2004, the Isuzu N series (known as the ELF in Japan) strengthened its position as Japan's most registered cab-over truck of between two and three-ton payloads. Not only was the N Series top of its class for the fourth consecutive year, but also in 34 of the past 35 years. A total of 44,764 N-Series trucks were registered in 2004, according to figures compiled by Isuzu and the Japan Automobile Dealers Association. Although the total number of registered trucks declined after a sharp increase in the previous year in the lead-up to the government implementing new diesel emissions regulations in October 2003, the N series' category share increased 0.3 percentage point to 36.7%.

Milestones

The Wolseley CP Truck

Wolseley cars at Fukagawa Factory

TX35 Government Standard Model



DA6 Diesel Engine

BX91 Diesel-powered Bus

TX80 Truck

The Elf First Generation Model

Corporate Data

Isuzu Motors Limited


Head Office

Date of Establishment
April 9, 1937

Head Office
26-1, Minami-oi 6-chome, Shinagawa-ku, Tokyo 140-8722, Japan
Tel: +81-3-5471-1141
Fax: +81-3-5471-1043

Plants and Other Facilities

Tochigi Plant	Manufacturing of engines and parts
Fujisawa Plant	Manufacturing of trucks, engines, components and parts
Isuzu Engine Manufacturing Hokkaido Corporation	Manufacturing of engines
Wa.com Hokkaido Co., Ltd.	Overall road testing

Common Stock, Preferred Stock and Number of Shareholders

		Preferred Stock		
	Common Stock	Class I	Class III	Class IV
Shares authorized:	3,369,000,000	37,500,000	25,000,000	25,000,000
Shares issued:	1,141,289,786	37,500,000	25,000,000	25,000,000
No. of shareholders:	72,264	6	1	1

Major Shareholders (% of total)

Common Stock	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	9.23
Japan Trustee Services Bank, Ltd. (Trust Account)	8.50
General Motors Limited	7.89
Trust & Custody Services Bank, Ltd. (Trust Account)	5.27
Mizuho Corporate Bank, Ltd.	2.97
The Mitsubishi UFJ Trust and Banking Corporation	1.20
Isuzu Affiliates Shareholding Association	0.95
UBS AG London Asia Equities	0.93
Tokyo Marine & Nichido Fire Insurance Co., Ltd.	0.90
Morgan Stanley and Company Inc.	0.88

Class I Preferred Stock	%
Trust & Custody Services Bank, Ltd. (Money Trust Tax Account)	32.42
Mitsubishi Corporation	31.33
Itochu Corporation	21.93
The Mitsubishi UFJ Trust and Banking Corporation	6.00
The Master Trust Bank of Japan, Ltd. (Administration Trust Account — 79213)	5.15
The Bank of Yokohama, Ltd.	3.16

Class III Preferred Stock	%
Mizuho Corporate Bank, Ltd.	100.00

Class IV Preferred Stock	%
Mizuho Corporate Bank, Ltd.	100.00

Transfer Agent
Mitsubishi UFJ Trust and Banking Corporation
10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan

(As of March 31, 2006)

Trucks for life

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