These documents have been translated from the Japanese original documents for reference purposes only. In the event of any discrepancy between these translated documents and the Japanese original, the original shall prevail. The financial statements included in the following translation have been prepared in accordance with Japanese GAAP.

ITEMS DISCLOSED ON INTERNET CONCERNING NOTICE OF CONVOCATION OF THE 120TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

MATTERS CONCERNING THE INDEPENDENT AUDITOR

SYSTEMS FOR ENSURING THE PROPRIETY OF OPERATIONS AND STATUS OF OPERATIONS OF THE SYSTEMS

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN NET ASSETS

NOTES ON THE FINANCIAL STATEMENTS

(April 1, 2021 to March 31, 2022)

June 7, 2022

ISUZU MOTORS LIMITED

Matters concerning the Independent Auditor

(1) Name of the Independent Auditor: Ernst & Young ShinNihon LLC

(2) Fee and Other Amounts Payable to the Independent Auditor:

	Amount Payable (JPY million)
Independent Auditor's fee payable by the Company for the current business term	150
Total cash and other financial profits payable by the Company and its subsidiaries to the Independent Auditor	416

NOTES:
1. Amounts have been rounded down to the nearest one million yen.
2. The Audit and Supervisory Committee agreed to the fee and other amounts payable to the Independent Auditor after careful consideration of the details of the audit plan, time taken by the audit, personnel allocation plan, performance of duties in past business years, and rationale for the calculation of fees, in accordance with the "Practical Guidelines for Cooperation with Independent Auditor" of the Japan Audit & Supervisory Board Members Association.
3. The Company and the Independent Auditor have signed an Audit Contract. This contract, however, does not make a clear distinction between the auditing fees stipulated in the Companies Act and those defined in the Financial Instruments and Exchange Act. These fees cannot be practically separated. The above fee, therefore, is the aggregate amount of these fees.
4. Ernst & Young ShinNihon LLC or Deloitte Touche Tohmatsu LLC serve as the Independent Auditors for significant subsidiaries of the Company in Japan, and significant overseas subsidiaries of the Company are subject to the audit of Ernst & Young or Deloitte Touche Tohmatsu.

(3) Non-audit Duties of the Independent Auditor

The Company received advice from the Independent Auditor regarding the maintenance, operation, and evaluation of internal controls over financial closing matters and financial reporting related to its subsidiaries.

(4) Policy regarding Decision to Dismiss or Not Reappoint Independent Auditors

1) If anything occurs to negatively impact the qualifications or independence of the Independent Auditor, leading the Audit & Supervisory Committee to believe that the Independent Auditor is unlikely to properly perform an audit, the Audit & Supervisory Committee will determine the contents of the proposal about dismissing or not reappointing the Independent Auditor as the proposal submitted to the General Meeting of Shareholders.

2) If the Audit & Supervisory Committee unanimously agrees, it will dismiss the Independent Auditor when it confirms that the Independent Auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act and the proper performance of an audit by the Independent Auditor is seriously impaired.

SYSTEMS FOR ENSURING THE PROPRIETY OF OPERATIONS AND STATUS OF OPERATIONS OF THE SYSTEMS

“Basic policies regarding the development of systems for ensuring the propriety of operations” which was resolved by the Board of Directors Meeting in accordance with the Companies Act and the Regulation for Enforcement of the Companies Act and “general descriptions of the status of operations of systems” which was confirmed by the Board of Directors Meeting are as follows:

The Company has constructed and maintains a system to ensure the propriety of its operations by adopting the following basic policies:

1) System for ensuring that Directors of the Board and employees execute their duties in compliance with the laws and regulations and the Articles of Incorporation

<General description of contents of resolution>

- The Company places utmost importance on thorough compliance. The Company defines “compliance” to mean that all Directors of the Board and employees comply with the laws, and behave in line with high ethical standards to gain the trust of society.
- To secure thorough compliance, we will make sure that all Directors of the Board and employees are familiar with and fully understand the “Basic Policy Measures Relating to Compliance” and the “Code of Conduct Relating to Compliance.”
- The Compliance Committee including outside experts provides the Company with objective advice, supervision, and assessments regarding its compliance promotion system and activities. The Legal Dept. manages and promotes compliance activities which are developed across the Company through the “Compliance Promotion Meeting” that is attended by representatives from each division. Additionally, compliance-related internal auditing functions are secured via auditing by the Corporate Audit Dept.
- The Company has independent Outside Directors of the Board to bring more objectivity, neutrality, and transparency to the Board of Directors in their function as supervisors of our business operations.
- The Company rejects any relationships with antisocial forces or groups, and will respond to them resolutely and refuse their unreasonable demands in the future.

<General description of the status of operations of systems>

- The Compliance Committee held meetings and responded to advice, supervision, and assessments provided regarding the Company’s compliance measures, as well as issues that are reported to the meyasubako (helpline) sited at an outside law firm.
- To increase the effectiveness of internal compliance activities, the Company distributes compliance guidebooks to Directors of the Board and employees, and ensures that they are familiar with and fully understand policies and standards.
- Also, the Company periodically holds council meetings for promoting compliance among the members, who are elected from each division to promote compliance, internally develop compliance-related measures, and monitor the activities of each division.
- To eliminate relationships with antisocial forces or groups, the Company incorporates a clause concerning the elimination of antisocial forces in all written agreements with domestic corporations.

2) System for maintaining and managing information relating to Directors’ performance of their duties

<General description of contents of resolution>

- Minutes of the Board of Directors Meetings and other information relating to the Directors of the Board’s performance of their duties are appropriately maintained and managed by different departments in accordance with laws and regulations, the “Board of Directors Regulation,” and the Company’s other bylaws, designating what information is handled by which department. The Chief Executive for Confidential Information Management manages confidential information appropriately in accordance with laws and regulations and the “Rules for Handling Confidential Information.”
- The “Information Security Management Meeting” composed of the Group CISO (Chief Information & Security Officer) and division representatives evaluates the implementation status of measures for managing information and information security at each division. The meeting collaborates with the Group CRMO (Chief Risk Management Officer) as necessary, puts in place an appropriate information management system and reports on its status to the Board of Directors when needed to implement thorough information management.

<General description of the status of operations of systems>

- The Company appropriately maintains and manages the minutes of Board of Directors Meetings in accordance with laws and regulations, and the “Board of Directors Regulation.” Other information relating to the performance of duties by Directors of the Board is appropriately maintained and managed by designated departments in accordance with the Company’s bylaws, such as “Rules for Handling Confidential Information.”
- In order to prevent the mixing or leaking of confidential information obtained from multiple collaboration partners in the course of simultaneous collaborative projects with such collaboration partners, the “Rules for Handling Collaboration Information” were newly established, and training was conducted for Directors of the Board and employees regarding its thorough compliance.
- For information security, the Company’s bylaws on information security and the information security management system were drafted under the Group CISO; Directors of the Board and employees were provided training on such bylaws and systems.
- Security measures were implemented by each division and the results of implementation were evaluated by the Information Security Management Meeting participated in by the Group CISO and division representatives to confirm the management status.

3) Rules and other systems for managing loss risk

<General description of contents of resolution>

- In accordance with the “Rules for Risk Management,” based on three lines of defense, each Division Executive as a risk owner responds to such risks related to the division including the Group companies through business operations, the Group CRMO manages those risk responses by each division, and the Corporate Audit Department, which is independent from divisions and the Group CRMO, decides rationality of risk management structure and systems.
- The Group CRMO convenes the “Risk Management Confirmation Meeting” on a regular basis to follow up the progress of countermeasures for risks, identify the risks that are manifested, and review countermeasures and risk recognition on an ongoing basis. The status of risk management is followed up and assessed by the Board of Directors Meetings on a regular basis. In a crisis, the Company ensures thorough risk management by having the Group CRMO oversee such risk managements, determine, and implement proper responses (including implementation systems), and report on their progress to the Board of Directors as necessary.

<General description of the status of operations of systems>

- In addition to enforcing the risk management structure by the Group CRMO based on three lines of defense, the Company regularly implements a PDCA cycle in accordance with the amendment of “Rules for Risk Management.” The Risk Management Confirmation Meeting which was regularly convened by the Group CRMO confirmed the status of progress in risk countermeasures, which include the identification of risks and risk response system and identified the risks that were manifested. A Review of the status of identifying and addressing risks regarding COVID-19 infections, supply chains, and the general international situation was conducted, but no issues required a crisis response. Nonetheless, the Company will continue to monitor the situation closely.
- At the Management Meeting held every quarter, the Company shared information and evaluated management’s track record and its responses to company-wide risks during the current business term, including the outcome of the Risk Management Confirmation Meeting, and the Board of Directors Meetings received reports of the result.

4) System for assuring Directors of the Board’s efficient execution of their duties

<General description of contents of resolution>

- Decision-making of all or some important business operations will be delegated to Directors of the Board in accordance with Article 399-13, Paragraph 6 of the Companies Act and Article 25 of the Articles of Incorporation. Directors who have been delegated as such by the Board of Directors will make decisions on important business operations and abide by the “Approval Standards and Rules” and other rules.
- In addition to establishing a Mid-term Business Plan, etc. that is the basic policy regarding business and serves as guideline to decisions made by a Director of the Board regarding business operations, the Board of Directors will monitor whether the Director of the Board makes decisions in line with such policies.
- The Company employs the Executive Officer System to help the Directors of the Board perform their duties properly, and appoints a Group CxO (Chief Officer for each field).

<General description of the status of operations of systems>

- In addition to delegating the decision-making regarding important business operations from the Board of Directors Meeting to Members of the Board, the Approval Standards and Rules were amended and promoted the delegation of authority to the Management Meeting and its subordinate bodies to ensure efficient execution of operations.
- The Board of Directors confirmed the status of business operations by Directors through reporting at Board of Directors Meetings held, on principle, once per month as well as on a necessary basis, whereby the Board of Directors Meeting confirmed that Directors made decisions in line with basic policies regarding business operations.
- Each Executive Officer and Group CxO (Chief Officer for each field) selected by the Board of Directors Meeting executed operations delegated by the Board of Directors Meeting appropriately and efficiently.

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5) System for ensuring the propriety of operations of the Corporate Group consisting of the Company and its subsidiaries

<General description of contents of resolution>

- With the objective of enhancing public trust in the Company and the Group based on our policy of serving society in meaningful ways, the Company has established the “Group Vision,” the “Corporate Mission,” and the “Group Basic Compliance Initiative.” The Company takes proper measures to ensure that all Directors of the Board, Audit & Supervisory Board Members and employees of the Group act in accordance with the “Group Vision,” the “Corporate Mission,” and the “Group Basic Compliance Initiative.”
- The Company has asked the Group companies to develop their own compliance systems suited to their respective circumstances and to fully implement said systems, and has additionally asked to develop appropriate risk management structure and response to risks.
- The Company has established “Group Company Management Rules” and “Detailed Rules for Group Company Management,” and taken steps to strengthen systems for ensuring the propriety of the Group company operations.
- Company Management continually monitors the activities of the Group companies’ managements, receives reports on the status of compliance and risk management and systems for ensuring business efficiency at the Group companies, and requests improvements if the Company determines that they are necessary.
- The Company adopts a system to ensure the reliability of financial reports made under the Financial Instruments and Exchange Act.

<General description of the status of operations of systems>

- The Company has established the “Group Vision,” the “Corporate Mission,” and the “Group Basic Compliance Initiative,” while ensuring that the Group companies thoroughly comply with them.
- As an action to enhance compliance for the Group companies, the Company convened in principle on a monthly basis the Group Company Compliance Promotion Meeting, whose members were from domestic group companies and were responsible for compliance. They promoted the development of compliance systems in each Group company and strengthened compliance of the entire Group through information exchanges among such companies.
- As part of risk management activities for the Group companies, the Group introduced measures to enhance risk management for the Group as a whole by promoting risk assessment and development of a risk management structures at each Group company.
- Once a year, Company Management solicits the opinions of managers of each Group company about the state of the management in their company, and also receives reports on the state of compliance and risk management and systems for improving business efficiency at Group companies.
- To enhance the effectiveness of internal controls over financial reports in accordance with the practice standards of the Financial Services Agency, the Company develops company-wide internal controls and operational process controls and evaluates how these controls are performed. As a result from this evaluation, the Company determined that internal controls regarding the financial standing and reporting of the Company were effective as of the last day of the current business term.

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6) Matters regarding employees who assist Audit & Supervisory Committee Members in their duties when Audit & Supervisory Committee Members request the assignment of such employees

<General description of contents of resolution>

- At the request of Audit and Supervisory Committee Members, the Company has set up a department called “the Audit and Supervisory Committee Member Support Group,” and has assigned employees to assist the Audit and Supervisory Committee Members with their duties.

<General description of the status of operations of systems>

- The Company has set up the Audit and Supervisory Committee Group and assigned employees to assist, including dedicated employees. They assist the Audit and Supervisory Committee with their duties to ensure the effectiveness of audits, while carrying out administrative duties pertaining to audits by the Audit and Supervisory Committee as well as the affairs of the secretariat of the Audit and Supervisory Committee and the Management Audit Meeting.

7) Maintaining the independence of employees who assist Audit & Supervisory Committee Members from Director of the Board and enhancing the effectiveness of instructions to employees

<General description of contents of resolution>

- The Company ensures that employees who assist Audit and Supervisory Committee Members with their duties are independent from the Directors (excluding Directors serving as Audit and Supervisory Committee Members) and that instructions to such employees are effective. In order to achieve this, such employees are placed under the direct control and supervision of Audit and Supervisory Committee and the Company obtains the prior consent of the Audit and Supervisory Committee when changing, assessing, rewarding, or punishing them.

<General description of the status of operations of systems>

- The Company has established “Audit and Supervisory Committee Support Staff Regulations” to ensure independence from Directors (Excluding Directors Serving as Audit and Supervisory Committee Members) who are also members of the Audit and Supervisory Committee Group.
- The Company listens to the Audit and Supervisory Committee’s opinions in advance and assigns, changes, and assesses dedicated employees who belong to the Audit and Supervisory Committee Group with the consent of the Audit and Supervisory Committee.

8) System for encouraging Directors of the Board, employees, and others of the Company and its subsidiaries to report to Audit & Supervisory Committee Members

<General description of contents of resolution>

- The Company adopts a system in which Directors (excluding Directors serving as Audit and Supervisory Committee Members) and Executive Officers and those of equivalent rank and employees of the Company and the Group companies report to Audit and Supervisory Committee on the status of business operations, the status of the Company’s and the Group companies’ management, and any other matters that need to be reported as agreed by the Company and Audit and Supervisory Committee, to disclose or report necessary and sufficient information whenever requested by Audit and Supervisory Committee.
- The Company cooperates with a liaison conference held on a regular basis to enhance and strengthen audits of the entire Group through mutual collaboration among Audit and Supervisory Committee Members of the Company and the Group as necessary.

<General description of the status of operations of systems>

- Requests concerning the audit plan for the current business term formulated by the Audit and Supervisory Committee and for ensuring the effectiveness of the Audit and Supervisory Committee’s audit were reported to the Board of Directors’ Meeting. Directors (excluding Directors serving as Audit and Supervisory Committee Members) were asked for their understanding and cooperation with the Audit and Supervisory Committee’s audit. At the meeting, it was decided to have Standing Audit & Supervisory Committee Members attend important meetings, such as the Management Meeting, as necessary and, under the system for reporting to the Audit and Supervisory Committee, regularly or temporarily make reports on necessary matters as agreed with the Audit and Supervisory Committee. Additionally, minutes of meetings and materials for which regular interviews or access is required were presented in a specific manner. Audit and Supervisory Committee carried out these activities smoothly in conjunction with their regular audits.
- The Company has asked Directors (excluding Directors serving as Audit and Supervisory Committee Members) and employees to comply with requests from the Audit and Supervisory Committee for explanations and reports. They promptly explained and reported information whenever requested by Audit and Supervisory Committee Members.
- Isuzu Group Standing Audit and Supervisory Committee Members Liaison Conferences, whose members are the Standing Audit and Supervisory Committee Members of specific domestic Group companies and Standing Audit and Supervisory Committee Members of the Company, were periodically held, at which members shared and exchanged information on procedures for audits of the Isuzu Group by the Audit and Supervisory Committee and Audit & Supervisory Board Members.

9) System for ensuring that those who make a report to Audit and Supervisory Committee Members are not treated unfairly for making such a report

<General description of contents of resolution>

- The Company prohibits any discriminatory treatment of those who has made a report to the Audit and Supervisory Committee Members in accordance with the preceding Paragraph, and ensures that all Directors of the Board, Audit and Supervisory Committee and employees of the Company and Group companies are familiar with and fully understand the above.

<General description of the status of operations of systems>

- The Company has ensured that all Directors of the Board, Audit and Supervisory Committee Members, and employees were familiar with and fully understood that it is prohibited to treat those who make a report to Audit and Supervisory Committee Members unfairly for doing so. There were no cases of anyone being treated unfairly on such grounds.

10) Policy for advance payment or reimbursement of expenses relating to Audit & Supervisory Committee Members' execution of duties and other handling of expenses or obligations arising from the execution of such duties

<General description of contents of resolution>

- If a Director serving as Audit and Supervisory Committee Members requests the Company to make an advance payment of expenses, reimburse expenses, or fulfill obligations related to the execution of his or her duties, the Company promptly deals with such expenses or obligations in accordance with laws and regulations.
- The Company will annually allot an appropriate budget to pay expenses arising from the execution of duties by Directors serving as Audit and Supervisory Committee Members and other costs.

<General description of the status of operations of systems>

- The Company paid expenses arising from the execution of duties of Directors serving as Audit and Supervisory Committee Members promptly after they were incurred.
- A system was developed so that Directors serving as Audit and Supervisory Committee Members may ask the Company to pay expenses if they exceed a previously allocated budget on an emergency or a temporary basis.

11) Other systems for ensuring effective audits by Audit & Supervisory Committee Members

<General description of contents of resolution>

- The Company will ensure that the Corporate Audit Dept. has a direct reporting line to the Audit and Supervisory Committee in addition to a reporting line to the President
- The Company will obtain the prior consent of the Audit and Supervisory Committee regarding personnel transfers of corporate officers who rank above the General Manager of Corporate Audit Dept. in the chain of command.
- The Company ensures opportunities for Directors serving as Audit and Supervisory Committee Members to attend Management Meetings.
- In addition, with the aim of establishing systems to help Audit and Supervisory Committee Members audit effectively, the Company holds regular discussions with Audit and Supervisory Committee Members and takes necessary steps to meet their requests.

<General description of the status of operations of systems>

- The Corporate Audit Dept. appropriately reports the status of its activities to the President and Audit and Supervisory Committee in accordance with the basic policy of the "Internal Controls system."
- The Audit and Supervisory Committee periodically had meetings with the President to enhance the effectiveness of audits by the Audit and Supervisory Committee. At the meetings, they reported their auditing activities and heard the President's opinions on the management policy and management challenges. They also solicited the Directors' (excluding Directors serving as Audit and Supervisory Committee Members) opinions regarding the performance of their duties, and actively expressed their opinions from the perspectives of the Audit and Supervisory Committee.
- A three-way (Audit and Supervisory Committee, Independent Auditor and Corporate Audit Dept.) liaison conference on the audit of internal controls was periodically held, during which information and opinions were exchanged on the audit plan and the status of its implementation, and reports were received on the results of internal audits and when necessary, the results of audits by Independent Auditors with the aim of strengthening collaboration.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2021 through March 31, 2022)

(millions of yen)

	SHAREHOLDERS' EQUITY				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	**40,644**	**42,599**	**849,673**	**(54,090)**	**878,826**
Changes of items during period					
Dividends of surplus			(37,314)		(37,314)
Profit attributable to owners of parent			126,193		126,193
Reversal of revaluation reserve for land			(71)		(71)
Acquisition of treasury shares				(2,259)	(2,259)
Disposal of treasury shares		(10,109)		53,059	42,949
Transfer from retained earnings to capital surplus		10,109	(10,109)		–
Change in capital surplus due to transactions with non-controlling interests		7			7
Net changes of items other than shareholders' equity					
Total change of items during period	–	7	78,698	50,800	129,505
Balance at the end of current period	**40,644**	**42,606**	**928,371**	**(3,290)**	**1,008,332**

	ACCUMULATED OTHER COMPREHENSIVE INCOME						NON-CONTROLLING INTEREST	TOTAL NET ASSETS
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Balance at beginning of current period	**52,942**	**(796)**	**83,881**	**7,830**	**(901)**	**142,955**	**183,230**	**1,205,013**
Changes of items during period								
Dividends of surplus								(37,314)
Profit attributable to owners of parent								126,193
Reversal of revaluation reserve for land								(71)
Acquisition of treasury shares								(2,259)
Disposal of treasury shares								42,949
Transfer from retained earnings to capital surplus								–
Change in capital surplus due to transactions with non-controlling interests								7
Net changes of items other than shareholders' equity	1,048	(305)	71	41,629	370	42,813	17,093	59,906
Total change of items during period	1,048	(305)	71	41,629	370	42,813	17,093	189,411
Balance at the end of current period	**53,990**	**(1,102)**	**83,952**	**49,459**	**(531)**	**185,768**	**200,324**	**1,394,425**

NOTE: Amounts have been rounded down to the nearest one million yen.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

Basis for Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 100

(2) Principal subsidiaries: ISUZU MOTORS SALES LTD.; Isuzu Motors Kinki Co., Ltd.; ISUZU MOTOR SYUTOKEN CO., LTD.; UD Trucks Corporation; Isuzu Motors America, LLC.; Isuzu Motors Co., (Thailand) Ltd.

(3) Changes in scope of consolidation

(i) UD Trucks Corporation, Newmech Corporation, UD Financial Services Corporation, UD Trucks Singapore (PTE.) Ltd., UD Trucks India Private Limited, UD Trucks Malaysia SDN BHD, UD Trucks(Thailand) Co., Ltd., UD Trucks Corporation (Thailand) Co., Ltd., TMBP Ltd., Thai-Swedish Assembly Co., Ltd., TSA Land Co., Ltd., UD Trucks North America, Inc., UD Trucks Business Services (Tianjin) Co., Ltd., UD Trucks Southern Africa (Pty) Ltd. and UD Trucks Middle East FZE are included in the scope of consolidation due to the acquisition of their shares.

(ii) Isuzu Yamato Engines Inc. and I-PACK corporation are excluded from the scope of consolidation because they were merged by absorption-type by Isuzu Motors Engine Sales Inc. and ISUZU LINEX CORPORATION, respectively.

(iii) Truck Service Hokkaido Corporation is excluded from the scope of consolidation because of its completion of liquidation procedures.

(4) Principal non-consolidated subsidiaries: Hokkaido Isuzu Motors Ltd.

(5) Reasons for excluding subsidiaries from consolidation

The non-consolidated subsidiaries are small in terms of their total assets, net sales, net income or loss, and retained earnings (attributed to the Company earnings). Thus, they only have minor effects on the consolidated financial statements.

2. Scope of Equity Method

(1) Number of companies accounted for by the equity method: 54

(2) Principal companies accounted for by the equity method

Non-consolidated subsidiaries: ISUZU INSURANCE SERVICE Limited
Affiliates: J-Bus Limited

(3) Changes in scope of equity method accounting

(i) UD Trucks Doto Corporation, UDTrucks Niigata Corporation and PT Astra International are affiliates accounted for under the equity method due to the acquisition of their shares.

(ii) Isuzu Motors Sweden AB is an affiliate accounted for under the equity method as it is a newly established company.

(4) Principal companies not accounted for by the equity method

Non-consolidated subsidiaries: Hokkaido Isuzu Motors Ltd.
Affiliates: Suzuki Unyu Ltd.

(5) Reasons for not accounting by the equity method

These companies are not accounted for by the equity method because their effect on the consolidated financial statements is not significant, either individually or collectively.

3. Fiscal Period of Consolidated Subsidiaries

Of the consolidated subsidiaries, the accounting date for 3 domestic subsidiaries and 31 overseas subsidiaries is primarily December 31.

In preparing consolidated financial statements, the Company uses the respective financial statements of subsidiaries as of the accounting date. If significant transactions have been made between the two accounting dates, the Company may make the necessary adjustments.

The accounting date for 29 domestic subsidiaries and 37 overseas subsidiaries are the same as the consolidated accounting date.

4. Significant Accounting Policies

(1) Valuation methods for securities

Other securities

i) Securities other than non-marketable securities, etc.

Securities other than non-marketable securities, etc. are measured at fair value. Changes in unrealized holding gain or loss are directly included in net assets. The cost of securities sold is calculated by the moving average method.

ii) Non-marketable securities, etc.

Non-marketable securities, etc. are measured at cost determined by the moving average method.

(2) Valuation methods for inventories

i) Parent company

Inventories are measured at the cost determined by the gross average method.
(Balance sheet values are measured by the method of devaluing book price to reflect decreases in profitability.)

ii) Consolidated subsidiaries

Inventories are principally measured at cost determined by the specific identification method.
(Balance sheet values are measured by the method of devaluing book value to reflect decreases in profitability.)

(3) Valuation methods for derivative financial instruments

Derivative financial instruments are measured at fair value.

(4) Depreciation of non-current assets

i) Depreciation of property, plant and equipment (excluding lease assets)

Depreciation of property, plant and equipment is calculated principally by the straight-line method. Some non-current assets are calculated by the declining balance method.

ii) Amortization of intangible assets (excluding lease assets)

Amortization of intangible assets is calculated by the straight-line method. “Software,” included in intangible assets, is amortized by the straight-line method based on the estimated useful lifetime in-house (5 years).

iii) Lease assets

Lease assets relating to finance lease transactions without transfer of ownership are depreciated over the lease contract’s lifetime by the straight-line method. In addition, the residual value is the guaranteed residual value if a guaranteed residual value has been arranged under the lease agreement, and in other cases the residual value is zero.

(5) Basis for provisions and allowances

i) Allowance for doubtful accounts

With a view to providing for bad debt losses on account receivables and loan receivables, etc., and bad debt expenses, the Company and domestic consolidated subsidiaries provide estimated irrecoverable amount based on the historical default rate for normal receivables and through the individual examination of recoverability for particular receivables such as claims to obligors with high possibility of business failure. Foreign consolidated subsidiaries determine allowances for doubtful accounts by assessing each individual account. The Company makes necessary adjustments to allowance for doubtful accounts in consolidation of elimination of receivables and payables among consolidated subsidiaries.

ii) Accrued bonus costs

Accrued bonus costs are provided in an amount estimated to cover the bonus payment for services rendered by employees during the fiscal year.

iii) Accrued directors’ bonus costs

Accrued directors’ bonus costs are provided in an amount estimated to cover the bonus payment for services rendered by directors during the fiscal year.

iv) Provision for warranty costs

Provisions for warranty costs are provided to cover the cost of all services anticipated to be incurred during the entire warranty period in accordance with the warranty contracts. These provisions are calculated based on past experience.

v) Provision for maintenance costs

Provision for maintenance costs is provided for the portion corresponding to the already leased period out of the total amount anticipated to be incurred during the entire lease period for maintenance costs based on lease contracts, such as lease automobile maintenance costs.

(vi) Provision for management board incentive plan trust

Provision for management board incentive plan trust is provided in an amount estimated to cover the payment of Company stock benefits to Directors of the Board and others during the current fiscal year.

(6) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into yen at the foreign exchange spot rate on the date of the balance sheet, and differences arising from the translation are included in the statement of income as gains or losses. The Company translates assets and liabilities of foreign consolidated subsidiaries into yen at the foreign exchange spot rate on the date of the balance sheet of each of those subsidiaries. Statement of income accounts are translated using the average foreign exchange rate of the statement of income's period. Translation adjustments are included in the foreign currency translation adjustments account and non-controlling interests account of net assets.

(7) Hedge accounting

i) Hedge accounting

a. Forward foreign exchange contracts and currency options

Designated hedge accounting is adopted.

(except transactions which do not fulfill the required conditions)

b. Interest rate swaps and interest rate options

Deferral hedge accounting or exceptional accounting method specified in the accounting standard for financial instruments is adopted.

ii) Hedging instruments and hedged items

a. Hedging instruments

Interest rate swaps, interest rate options, forward foreign exchange contracts, and currency options.

b. Hedged items

Receivables and payables denominated in foreign currencies, and borrowings.

iii) Hedging policy

The Company utilizes derivative financial instruments to avoid risks related to future fluctuations of market prices, within the limits of receivables and payables denominated in foreign currencies and borrowings.

iv) Assessment of hedge effectiveness

The Company determines hedge effectiveness by comparing the cumulative changes in cash flows from hedging instruments with those from hedged items. However, this assessment excludes the effectiveness of interest rate swaps accounted by exceptional accounting method.

v) Other

The Company has a bylaw on derivative transactions and executes its transactions and risk management based on this bylaw, which stipulates policies, procedures, retention limits, and reporting systems.

(8) Recognition of material revenue and expenses

i) Profit on finance lease transactions

Profit on finance lease transactions is recognized based on accounting methods for net sales and cost of sales upon the receipt of lease fees.

ii) Profits and expenses

The Group's principal business activities domestically and overseas are CVs and LCVs, such as heavy-duty trucks /buses (Hereinafter, " Heavy-duty (and medium-duty) vehicles"), light-duty trucks /pick-up trucks and variants (Hereinafter "Light-duty vehicles"), as well as powertrains (Hereinafter, "Engines and components") which consist of parts for overseas production and engines, transmissions and driveline components, as well as the sale of parts, maintenance and servicing, and sales of used vehicles (Hereinafter, "Others").

The Company recognizes revenue from domestic sales of heavy-duty (and medium-duty) vehicles, Light-duty vehicles, engines and components as well as parts, etc. principally at the time of delivery when the customer obtains control of the product, and the performance obligation is satisfied.

The Company recognizes revenue from overseas sales of heavy-duty (and medium-duty) vehicles, Light-duty vehicles, parts for overseas production, engines and components as well as parts, etc. principally at the time of delivery when the customer obtains control of the

product and the performance obligation is satisfied, at the time of shipment, etc.
The Company recognizes revenue from maintenance and servicing, and sales of used vehicles, etc. at the time of delivery, such as when the services are rendered or the customer obtains control of the product and the performance obligation is satisfied.

(9) Amortization of goodwill and period
The Company estimates the period for goodwill to remain in effect and in principle amortizes that account over 20 years or less after recognition under straight-line method.

(10) Other
Recognition of net defined benefit liability
To provide for payments of retirement benefits for employees, net defined benefit liability is accounted for by posting an amount obtained by deducting pension plan assets expected from projected benefit obligations as of the end of the current fiscal year. Upon calculating net retirement benefit liability, the method of attributing the expect amount of payments of retirement benefits up until the period of the consolidated fiscal year is based on the benefit formula method. Prior service costs are amortized using the straight-line method over a period (mainly 10 years) less than the average remaining years of service of eligible employees. Actuarial gain or loss is amortized using the straight-line method or declining balance method over periods shorter than the average remaining years of service of eligible employees (mainly 10 years) from the following fiscal year of incurrence. Unrecognized actuarial gain or loss and unrecognized prior service costs are posted to remeasurements of defined benefit plans under accumulated other comprehensive income in the net assets section after adjusting for tax effects.

5. Changes in accounting policies
(Adoption of Accounting Standard for Revenue Recognition)
The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Standard for Revenue Recognition”), etc. from the beginning of the current fiscal year, according to which revenue is recognized when control of promised goods or services is transferred to the customer, at the amounts expected to be received in exchange for such goods or services.

Consequently, part of consideration paid to customers, such as sales commissions previously recorded as selling, general and administrative expenses, is now reduced from transaction prices. In regards to transactions wherein the Company’s subsidiaries act as agents, the revenue was recognized as the total sum of consideration received from customers; however, the revenue is now recognized as the net amount calculated by subtracting the amount paid to suppliers from the amount received from customers. Furthermore, in regards to paid supply transactions, the paid supply materials were recognized as extinguished; however, where the Company is obliged to buy them back, they now are not recognized as extinguished.

As a result, in the current fiscal year, net sales decreased by 9,601 million yen, cost of sales decreased by 2,757 million yen, and selling, general and administrative expenses decreased by 6,844 million yen. On the other hand, inventory and other current liabilities rose by 4,963 million yen and 4,963 million yen, respectively.

Because the Standard for Revenue Recognition, etc. was adopted, “Trade notes and accounts receivable”, which was shown in the “Current Assets” section of the previous fiscal year’s consolidated balance sheets, is now included in the “Trade notes, accounts receivable and contract assets” from the beginning of this current fiscal year.

(Adoption of Accounting Standard concerning Fair Value Measurement)
The Company has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”), etc. from the beginning of the current fiscal year, applying new accounting policies defined in the Fair Value Measurement Standard over the future, according to the transitional treatment specified in Paragraph 19 of the Fair Value Measurement Standard and in Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This adoption has no influence on the Company’s consolidated financial statements of the current fiscal year.

6. Notes Concerning Accounting Estimates

(1) Obligations related to field measures (recalls, etc.)

i) Amounts recorded on the consolidated financial statements for the current fiscal year

	Consolidated balance sheet amount
Accrued expenses related to field measures (recalls, etc.)	12,822 million yen

ii) Information related to the contents of significant accounting estimates for the identified item

The Group manufactures various products at its plants in Japan and abroad in conformity with stringent quality management standards accepted globally. To maintain and improve quality, the Group strives for early detection and sharing of failure information, conducts assessment for quality improvement throughout the company, and monitors the operational status of company-wide quality management through the Quality Assurance & Customer Satisfaction Improvement Committee.

The Group records accrued expenses to provide for the cost of product recalls, etc.

Such accrued expenses are calculated by multiplying the estimated number of vehicles subject to recalls, etc. by an amount of field measures to be incurred per vehicle.

Major assumptions used in calculating obligations related to recalls, etc. are an estimated number of vehicles subject to recalls, etc. for each case and an amount of field measures per vehicle.

An estimated number of vehicles subject to recalls, etc. is calculated by taking into account the number of vehicles based on notifications, etc. submitted to a competent government agency and implementation rates of free repairs for respective cases. An amount of field measures per vehicle is calculated by estimating the costs of parts and operation man-hours, etc. that are deemed necessary for conducting free repairs for respective cases based on notifications, etc. submitted to a competent government agency.

The Group reviews these estimates on an ongoing basis through examination of the status of actual costs incurred for respective cases of recall, etc.

Obligations related to recalls, etc. that were calculated by the Group have so far been appropriate and there has been no material gap between actual results and calculated amounts.

However, in the estimation of obligations related to recalls, etc., there are uncertainties in major assumptions and therefore if the actual cost of recalls, etc. deviates from estimated amounts, estimated obligations may need to be revised.

Furthermore, if conducting a new large-scale recall campaign, etc., the Group's business results and financial position may be adversely and significantly affected.

(2) Allocation of acquisition cost to intangible assets in business combinations

i) Amounts recorded on the consolidated financial statements for the current fiscal year

	Accounting item	Consolidated balance sheet amount
Acquisition of UD Trucks Corporation	Goodwill	20,280 million yen
	Trademark rights	18,974 million yen
	Patent rights	18,435 million yen
	Customer-related assets	5,673 million yen

ii) Information related to the contents of significant accounting estimates for the identified item

The Group acquired the entire stake of UD Trucks Corporation in the current fiscal year. Intangible Assets and goodwill recorded due to this business combination are calculated by allocating the acquisition cost to the identifiable assets and liabilities at the date of business combination.

The fair value of intangible assets identified in the business combination is calculated using the income approach that discounts the future cash flows expected to be generated by the intangible assets based on the business plan used in enterprise valuation and conducted using an outside specialist.

Trademark rights and patent rights are valued using the Relief from Royalty Method of the income approach as the valuation model, and customer-related assets are valued using the Excess Earnings Method of the income approach as the valuation model.

Goodwill is the difference between the acquisition cost and the amount allocated to identifiable assets as well as liabilities at the date of the business combination, including intangible assets.

The key assumptions used in the calculation of the fair value of identifiable intangible assets are, for trademark rights and patent rights, royalty rates and discount rates, as well as growth rates that are taken into account in the business plan; for customer-related assets, the key assumptions is the expected rate of return and discount rate.

The discount rate applied to intangible assets is set by using the WACC (Weighted average capital cost) and adding a risk premium set according to the degree of risk for each intangible asset.

The Group believes that the assumptions used to achieve the fair value of the intangible assets and amount of goodwill at the time of the business combination are reasonable. However, these assumptions may be affected by future changes in uncertain economic conditions, and should it become necessary to revise the assumptions, this could have a significant impact on the amounts of intangible assets and goodwill acquired through the business combination in the consolidated financial statements of the next fiscal year.

(3) Impairment of property, plant and equipment

i) Amounts recorded on the consolidated financial statements for the current fiscal year

Asset group	Accounting item	Consolidated balance sheet amount
Manufacturing and sales subsidiary based in India	Property, plant and equipment	5,864 million yen

ii) Information related to the contents of significant accounting estimates for the identified item

In anticipation of the expansion of logistics demand and the commercial vehicles market in emerging countries, the Group positions certain emerging markets as priority regions and promotes sales activities.

Property, plant and equipment that were acquired by overseas subsidiaries for the purpose of manufacturing commercial vehicles (CV) and pickup trucks and derivatives (LCV) for such emerging markets are primarily recorded as buildings and structures, machinery, equipment and vehicle and land on the consolidated balance sheet.

The Group classifies asset groups into business assets, idle assets and assets for rent, while identifying each of the individual idle assets and assets for rent as a stand-alone asset group.

When indication of impairment is identified on such business assets and assets for rent on account of a decline in market prices and decreased profitability, etc., the Group examines their recoverability on an individual basis.

The recoverable amount of property, plant and equipment is determined based on value in use or net realizable value, whichever is higher.

Value in use is calculated by discounting to the present value the estimated future cash flows generating from the asset group, based on the business plan which was approved by the management of the manufacturing and sales subsidiary. Assumptions that may have a material impact on the calculation of future cash flows include total market demand and share, as well as growth rate. An assumption that may have a material impact on the calculation of value in use is a discount rate. Total market demand and share, as well as growth rate factors in relevant markets take into consideration trends and changes in the operating environment based on the information currently available, with reference to the Group’s past results and forecast data by a third-party information agency. WACC (Weighted average capital cost) is used as a discount rate.

Net realizable value is calculated by subtracting the estimated costs of disposal from the fair value of asset or asset group. Fair value, in principle, is based on appraisal values by a third party and is considered a price based on observable market prices. However, if no market price is observable, another price reasonably calculated according to the characteristics of the asset is used as fair value, such as a price calculated by the cost approach with obsolescence taken into account.

Factoring in the uncertainties due to the spread of COVID-19, calculations are based on the premise that a decline in demand in emerging markets seen in the current fiscal year will continue in and after the next fiscal year. The Group reviews these forecasts based on the latest information available on an ongoing basis.

As a result of the examination of recoverability during the fiscal year, there is no significant impairment loss recognized.

Demand for vehicles is strongly affected by economic conditions. As such, if economies decelerate and cause total demand in the market to decrease, leading to poor performance of investees in the future, the Group may be required to record an impairment loss.

If uncertainties heighten over the future economic conditions in each emerging market, accounting estimates and assumptions may be significantly affected, which may impair the property, plant and equipment that were acquired by overseas subsidiaries for the purpose of manufacturing CV and LCV for respective emerging markets.

There is no significant impact in the next fiscal year regarding the South Africa-based subsidiary that manufactures and sells pick-up trucks and other products, which in the previous fiscal year recorded a significant accounting estimate for impairment of property, plant and equipment, as its performance improved in the current fiscal year.

Notes on the Consolidated Balance Sheet

1. Pledged Assets

Assets pledged as collateral

Inventories	98 million yen
Machinery, equipment and vehicle	4 million yen

Secured liabilities

Accounts payable	4,352 million yen

2. Accumulated Depreciation of Property, Plant and Equipment 1,232,902 million yen

3. Revaluation of Business Land

The Company revaluates its business land pursuant to the Act on Partial Amendment to the Law to Revise Part of the Land Revaluation Law (Law No. 24 of March 31, 1999). The tax corresponding to this revaluation variance has been stated in liabilities as "deferred tax liabilities for land revaluation," and the amount deducted this has been stated in net assets as "unrealized holding gain or loss on land revaluation."

The difference between the total fair value of the revaluated business land at the end of the current consolidated fiscal year and the total book value after revaluation was 62,588 million yen.

Notes on the Consolidated Statement of Changes in Net Assets

1. Number of Shares Issued and Outstanding at the End of the Fiscal Year
   Common stock 777,442,069 shares

2. Details of Dividends Paid as Distribution of Profits
   (1) Amount of dividends paid

Date of Resolution	Type of Stock	Source of Funds for Dividends	Total Amount of Dividends Paid (millions of yen)	Dividend per Share	Record Date	Effective Date
June 25, 2021 General Meeting of Shareholders	Common stock	Retained earnings	14,768	20.00 yen	March 31, 2021	June 28, 2021
November 8, 2021 Board of Directors Meeting	Common stock	Retained earnings	22,545	29.00 yen	September 30, 2021	November 30, 2021

   (2) Of the dividends whose record date belongs to the current fiscal year, the dividend whose effective date falls in the following fiscal year

Planned Date of Resolution	Type of Stock	Source of Funds for Dividends	Total Amount of Dividends Paid (millions of yen)	Dividend per Share	Record Date	Effective Date
June 28, 2022 General Meeting of Shareholders	Common stock	Retained earnings	28,765	37.00 yen	March 31, 2022	June 29, 2022

Notes on Financial Instruments

1. Matters Relating to the Status of Financial Instruments

The Company restricts investments only for part of deposits and obtains funds mainly from bank borrowings and issuance of bonds. Customer credit risks in connection with trade notes, accounts receivable and contract assets are carefully managed by constantly monitoring receivable balances to customers, in accordance with the Company's internal accounting manual. Investment securities are mainly equity securities issued by affiliates, and it continually monitors their market prices in accordance with the Company's internal rules for securities. Derivatives are used for avoiding risks related to future fluctuations of market prices, within the limits of receivables and payables denominated in foreign currencies and borrowings.

2. Matters Relating to the Fair Values of Financial Instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheet and their fair values as of March 31, 2022 (at the end of the current fiscal year) as well as their variances. Non-marketable stocks, etc. are not included in the following table. (See NOTE 1)

(millions of yen)

	Consolidated balance sheet amount (*2)	Fair value (*2)	Variance
(1) Lease receivables and lase investment assets	190,522	190,290	(232)
(2) Investment securities (*3)	182,054	170,022	(12,032)
(3) Bonds payable	(80,000)	(79,611)	389
(4) Long-term borrowings (*4)	(369,710)	(368,682)	1,027
(5) Derivatives (*5)	(1,441)	(1,441)	-

*1 "Cash and deposits," "Trade notes, accounts receivable and contract assets," "Trade notes and accounts payable," "Electronically recorded obligations – operating," "Short-term borrowings" and "Accrued expenses" have been omitted because the fair value approximates the book value due to cash and short term settlements.

*2 The figures in parentheses indicate those posted in liabilities.

*3 Investment securities includes shares of listed affiliates accounted for by the equity method, and the difference in amount is due to the fair values valuation of those shares.

*4 Long-term borrowings include those falling due within one year.

*5 Assets and liabilities arisen from derivatives are offset against each other and stated in net.

NOTE 1:

Non-marketable stocks, etc. are not included in "(2) Investment securities." The amounts of such financial instruments are recorded in the Consolidated Balance Sheet as below.

Category	This fiscal year (millions of yen)
Non-listed stocks	2,009
Stocks of non-consolidated subsidiaries and affiliates	65,768

3. Matters Relating to the Breakdown of the Fair Value of Financial Instruments by Appropriate Classification

The fair value of financial instruments is classified into the following three levels based on the observability and importance of inputs used in valuation of the fair value.

Level 1 fair value: Of observable inputs used in calculation of fair value, fair value for assets or liabilities that is calculated based on quoted prices in an active market

Level 2 fair value: Of observable inputs used in calculation of fair value, fair value that is calculated using inputs other than Level 1 inputs

Level 3 fair value: Fair value that is calculated using inputs for unobservable fair value calculations

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified into the level with the lowest priority in the calculation of fair value, among the levels to which each of the inputs belongs.

(1) Financial instruments recorded by fair value in the Consolidated Balance Sheet

Category	Fair Value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities	156,265	-	641	156,907
Total Assets	156,265	-	641	156,907
Derivatives Currency related	-	(1,441)	-	(1,441)
Total Liabilities	-	(1,441)	-	(1,441)

(2) Financial instruments recorded not by fair value in the Consolidated Balance Sheet

Category	Fair Value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Lease receivables and lase investment assets	-	-	190,290	190,290
Investment securities	13,114	-	-	13,114
Total Assets	13,114	-	190,290	203,404
Bonds payable	-	(79,611)	-	(79,611)
Long-term loans payable	-	(368,682)	-	(368,682)
Total Liabilities	-	(448,293)	-	(448,293)

NOTE :

Explanation of assessment methods used for calculation of fair value and inputs used in calculation of fair value

Lease receivables and lase investment assets

The fair values of lease investment assets are based on present values discounted by an interest rate which takes into account the period until maturity and credit risk for receivable amounts for each type of receivable as classified according to certain periods. This is categorized under Level 3 fair value.

Investment securities

The fair values of listed shares are classified as level 1 because they are measured based on quoted market prices in active markets. In addition, the fair values of unlisted shares are classified as level 3 as they are measured using valuation techniques, etc. based on the value of net assets.

Bonds payable

Measured based on market prices. This is categorized under Level 2 fair value.

Long-term borrowings

The fair values of long-term borrowings are measured by discounting the future cash flows of principals and interests at an interest rate that would apply for a new loan borrowed under similar conditions. This is categorized under Level 2 fair value.

Derivatives

Derivatives are calculated based on prices, etc. quoted by financial institutions with which we do business and are classified as Level 2 fair value.

Matters on Investment and Rental Property

Disclosures are omitted due to immateriality in amounts.

Notes on Revenue Recognition

(1) Information on disaggregation of revenues arising from contracts with customers

Information on the disaggregation of revenues arising from contracts with customers is as follows.

(millions of yen)

	Heavy-duty (and medium-duty) vehicles	Light-duty vehicles	Parts for overseas production	Engines and components	Others	Total
Domestic	298,105	96,568	-	58,296	325,864	778,833
Overseas	264,579	1,067,255	54,926	112,093	137,094	1,635,948
Revenues from contracts with customers	562,684	1,163,823	54,926	170,390	462,958	2,414,782
Revenues from other sources						99,508
Total						2,514,291

NOTE :
Sale of parts, maintenance and servicing, and sales of used vehicles are included in “Others.”

(2) Information to provide a basis for understanding revenue arising from contracts with customers

The Group conducts sales of powertrains and CVs and LCVs such as heavy-duty (and medium-duty) and light-duty vehicles, etc., with domestic and overseas sales companies and consumers as customers.

Customers for parts for overseas production are overseas Group companies that manufacture locally.

For engines, the Group mainly sells industrial engines, of which customers are domestic and overseas industrial machinery manufacturers.

The main customers for components are overseas manufacturers, including Group companies.

The Group reduces a portion of the consideration paid to customers, such as sales commissions, from the transaction price.

The consideration for the sale of products and provision of services is generally received within approximately one year after control of the product is transferred to the customer; no significant financial elements are included.

(Note) “CV,” “LCV,” and “powertrains” indicate “commercial vehicles,” “pickup trucks and derivatives,” and “engines, transmissions and driveline components,” respectively.

(3) Information to understanding the amount of revenue for the current fiscal year and subsequent fiscal years

(i) Contract balance

The balance of receivables arising from customer contracts and contractual liabilities at the beginning and end of the current fiscal year are as follows.

(millions of yen)

	Beginning of current fiscal year (April 1, 2021)	End of current fiscal year (March 31, 2022)
Receivables arising from customer contracts (NOTE 1)	325,354	360,788
Contractual liabilities (NOTE 2)	10,709	10,289

NOTE 1:

Included in the trade notes, accounts receivable and contract assets of the Consolidated balance sheet. Amounts are before the deduction of allowance for doubtful accounts.

NOTE 2:

Included in “Others (Current liabilities)” of the Consolidated balance sheet.

Contractual liabilities are consideration received by the Group from customers prior to the delivery of products, and are reclassified to revenue when the Group satisfies its performance obligations. Revenue recognized in the current fiscal year included in the contractual liability balance at the beginning of the period amounted to 5,934 million yen.

The amount of revenue recognized from performance obligations that were satisfied (or partially satisfied) in past periods is immaterial in the current fiscal year.

(ii) Transactions allocated to remaining performance obligations

The total transaction price allocated unfulfilled performance obligations at the end of this current fiscal year and the breakdown by period in which revenue is expected to be recognized are as follows.

(millions of yen)

	End of current fiscal year (March 31, 2022)
Within 1 year	79,896
Over 1 year	44,745
Total	124,641

The above table does not include information related to remaining performance obligations with original expected terms of one year or less, applying practical expedients.

Notes on Business Combination

The Company acquired the entire stake in UD Trucks Corporation on April 1, 2021.

1. Overview of Business combination

(1) Name of acquired company and business description

Name of acquired company: UD Trucks Corporation (hereinafter “UD”)

Business description: Development, manufacture, export and sales of trucks; manufacture and sales of vehicle components

(2) Main reason for business combination

The automobile industry faces a once-in-a-century period of profound transformation, and particularly in the commercial vehicle segment, various issues surrounding the logistics industry and the wide-ranging needs of customers across the globe are calling for new solutions including the application of advanced technologies.

The Company and Aktiebolaget Volvo (headquartered in Gothenburg, Sweden, hereinafter “AB Volvo”) share this awareness, and based on the Master Agreement for forming a strategic alliance in the commercial vehicle segment executed on October 30, 2020, the companies will advance collaboration for sharing existing technologies and developing advanced technologies for commercial vehicles by complementing each other’s capabilities and by leveraging both companies’ outstanding technologies as well as economies of scale.

In the first step of this strategic alliance, to create a stronger heavy-duty truck business in Japan and across international markets and to accelerate the fruition of the strategic collaboration, the Company acquired the entire stake owned by AB Volvo in UD (hereinafter “Share Acquisition”).

Together with UD, the Company will, based on a stronger relationship with AB Volvo, strive to generate synergies over the long term and resolve future issues in the logistics sector.

(3) Date of business combination

April 1, 2021

(4) Legal form of business combination

Share acquisition with cash as consideration

(5) Name of company after business combination

There is no change.

(6) Voting rights acquired

100.0%

(7) Grounds for determining acquiring company

The Company acquired the entire stake in the company with cash as consideration.

(8) Other matters related to overview of transaction

As a result of Share Acquisition, 14 subsidiaries and three affiliates of UD became group companies of the Company.

2. Time period of the acquired company's business results included in consolidated financial statements

From April 1, 2021 to December 31, 2021

3. Acquisition cost of the acquired company and breakdown by class of consideration

Consideration for the acquisition	Cash	56,898 million yen
Earn-out clause	Cash	1,880 million yen
Acquisition cost		58,778 million yen

(Note) The aforementioned consideration for the acquisition has reflected the transfer price adjustment according to the share transfer agreement for the UDT Share acquisition. In addition, the said share transfer agreement includes an earn-out clause with 15,000 million yen as the upper limit to be paid.

The borrowings (261,534 million yen) of UD and its subsidiaries from AB Volvo group companies were repaid in subrogation performance by the Company. As a result, the amount of payment to AB Volvo was 320,312 million yen, when combined with the consideration for the share acquisition.

4. Descriptions and amounts of major acquisition-related costs

Advisory fees and commissions: 1,810 million yen

5. Amount of goodwill generated, cause for this generation, amortization method and period

(1) Generated Goodwill

22,716 million yen

(2) Reason for generation

This goodwill represents future excess earning power expected from future business development.

(3) Amortization method and amortization period

Equal amortization over seven years

6. Breakdown of assets acquired and liabilities assumed at the date of the business combination and the corresponding amounts

Current assets	207,415 million yen
non-current assets	206,156 million yen
Total	413,571 million yen
Current assets	353,245 million yen
non-current assets	24,263 million yen
Total	377,508 million yen

7. Details of the earn-out clause in the contract of business combination and its accounting policy for the current fiscal year and beyond

The share transfer agreement includes an agreement to pay an additional earn-out clause with an upper limit amount of 15,000 million yen in accordance with the future achievement level of acquired company's business plan. If any additional payment to the said clause is made, the payment will be regarded as having been paid at the time of acquisition, with the acquisition price and the amount of goodwill and its amortization revised accordingly.

8. Amount posted as intangible assets other than goodwill and its breakdown by major items with their weighted average amortization periods

(1) Amount posted as intangible assets

46,755 million yen

(2) Breakdown by major items and their amortization periods

Trademark rights	20,513 million yen	amortization period	10 years
Patent rights	20,342 million yen	amortization period	8 years
Customer-related assets	5,900 million yen	amortization period	20 years

9. Estimated amounts of influence on the consolidated income statements for the Consolidated Statements of Income in the current fiscal year on the assumption that the business combination was completed at the beginning of the current fiscal year, and their calculation method

Net Sales	67,047 million yen
Operating Profit	1,052 million yen

(Calculation method for the estimated amounts)

The estimated amounts of influence were calculated based on information on net sales, profits, and losses of the acquired business from January 1, 2021 to March 31, 2021, a period until the date of the business combination on the assumption that the business combination was completed at the beginning of the current fiscal year. In addition, the estimated amounts of influence were calculated with the goodwill, etc. recognized at the time of the business combination regarded as having accrued at the beginning of the current fiscal year. Please note that the aforementioned estimated amounts and their calculation method did not receive any audit certification.

Notes on Net per Share

Net Assets per Share	1,540.51 yen
Net Income per Share	162.87 yen

Notes on Subsequent Events

There are no relevant items.

STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2021 through March 31, 2022)

(millions of yen)

	SHAREHOLDERS' EQUITY							
	Capital stock	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital reserve	Other capital surplus	Total capital surpluses	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of current period	**40,644**	**49,855**	**–**	**49,855**	**486,749**	**486,749**	**(54,060)**	**523,189**
Changes of items during period								
Dividends of surplus					(37,314)	(37,314)		(37,314)
Profit					88,928	88,928		88,928
Purchase of treasury shares							(2,258)	(2,258)
Disposal of treasury shares			(10,109)	(10,109)			53,059	42,949
Reversal of revaluation reserve for land					(71)	(71)		(71)
Transfer from retained earnings to capital surplus			10,109	10,109	(10,109)	(10,109)		–
Net changes on items other than shareholders' equity								
Total changes of items during period	–	–	–	–	41,432	41,432	50,800	92,233
Balance at the end of current period	**40,644**	**49,855**	**–**	**49,855**	**528,182**	**528,182**	**(3,259)**	**615,422**

	VALUATION AND TRANSLATION ADJUSTMENTS				TOTAL NET ASSETS
	Valuation difference on available-for-sale securities	Deferred gains or losses hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of current period	**51,512**	**(796)**	**83,881**	**134,597**	**657,786**
Changes of item during period					
Dividends of surplus					(37,314)
Profit					88,928
Purchase of treasury shares					(2,258)
Disposal of treasury shares					42,949
Reversal of revaluation reserve for land					(71)
Transfer from retained earnings to capital surplus					–
Net changes on items other than shareholders' equity	1,843	(305)	71	1,608	1,608
Total changes of items during period	1,843	(305)	71	1,608	93,842
Balance at the end of current period	**53,355**	**(1,102)**	**83,952**	**136,205**	**751,628**

NOTE: Amounts have been rounded down to the nearest one million yen.

NOTES ON THE FINANCIAL STATEMENTS

Basis for Financial Statements

1. Valuation Standards and Methods for Securities
   (1) Security investments in subsidiaries and affiliates
   Securities investment in subsidiaries and affiliates are measured at cost determined by the moving average method. Some of the securities have been written-off.
   (2) Other securities
   i) Securities other than non-marketable securities, etc.
   Securities other than non-marketable securities, etc. are measured at fair value. Changes in unrealized holding gain or loss are directly included in net assets. The cost of securities sold is calculated by the moving average method.
   ii) Non-marketable securities, etc.
   Non-marketable securities, etc. are measured at cost determined by moving average method.

2. Valuation Methods for Derivative Financial Instruments
   Derivative financial instruments are measured at fair value.

3. Valuation Methods for Inventories
   Inventories are measured at the cost determined by the gross average method.
   (Balance sheet values are measured by the method of devaluing book price to reflect decreases in profitability.)

4. Depreciation of Non-Current Assets
   (1) Depreciation of property, plant and equipment (excluding lease assets)
   Depreciation of property, plant and equipment is calculated by the straight-line method.
   Property with an acquisition cost of 100 thousand yen or more and less than 200 thousand yen is depreciated equally over 3 years.
   (2) Amortization of intangible assets (excluding lease assets)
   Amortization of intangible assets is calculated by the straight-line method.
   "Software" included in intangible assets, is amortized by the straight-line method based on the estimated useful lifetime (5 years).
   (3) Lease assets
   Lease assets relating to finance lease transactions without transfer of ownership are depreciated over the lease contract's lifetime by the straight-line method. In addition, the residual value is the guaranteed residual value if a guaranteed residual value has been arranged under the lease agreement, and in other cases the residual value is zero.

5. Basis for Provisions and Allowances
   (1) Allowance for doubtful accounts
   With a view to providing for bad debt losses on account receivables and loan receivables, etc., and bad debt expenses, the Company provides estimated irrecoverable amount based on the historical default rate for normal receivables and through the individual examination of recoverability for particular receivables such as claims to obligors with high possibility of business failure.
   (2) Accrued bonus costs
   Accrued bonus costs are provided in an amount estimated to cover the bonus payment for services rendered by employees during the fiscal year.
   (3) Accrued directors' bonus costs
   Accrued directors' bonus costs are provided in an amount estimated to cover the bonus payment for services rendered by directors during the fiscal year.
   (4) Provisions for warranty costs
   Provisions for warranty costs are provided to cover the cost of all services anticipated to be incurred during the entire warranty period in accordance with warranty contracts. The provisions are calculated based on past experience.
   (5) Accrued retirement benefits
   Accrued retirement benefits are calculated in an amount based on the projected benefit obligation expected and the pension plan assets expected at the end of the current fiscal year. Upon calculating payments of retirement benefit liability, the method of attributing the expect amount of payments of retirement benefits up until the period of the consolidated

fiscal year is based on the benefit formula method. Prior service costs are amortized by the straight-line method over periods shorter than the average remaining years of service of eligible employees (1 year). Actuarial gain or loss is amortized by the straight-line method over periods shorter than average remaining years of service of eligible employees (10 years) from the following fiscal year when the actuarial gain or loss is incurred.

(6) Provision for management board incentive plan trust

Provision for management board incentive plan trust is provided in an amount estimated to cover the payment of Company stock benefits to Directors of the Board and others during the current fiscal year.

6. Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated into yen at the foreign exchange spot rate on the date of the balance sheet, and any differences arising from the translation are included in the statement of income as gains or losses.

7. Hedge Accounting

(1) Hedge accounting

i) Forward foreign exchange contracts and currency options

Designated hedge accounting is adopted.
(except transactions which do not fulfill the required conditions)

ii) Interest rate swaps and interest rate options

Deferral hedge accounting or exceptional accounting method specified in the accounting standard for financial instruments is adopted.

(2) Hedging instruments and hedged items

i) Hedging instruments

Interest rate swaps, interest rate options, forward foreign exchange contracts, and currency options.

ii) Hedged items

Receivables and payables denominated in foreign currencies, and borrowings.

(3) Hedging policy

The Company utilizes derivative financial instruments to avoid risks related to future fluctuations of market prices, within the limits of receivables and payables denominated in foreign currencies and borrowings.

(4) Assessment of hedge effectiveness

Hedge effectiveness is determined by comparing the cumulative changes in cash flows from the hedging instruments with those from the hedged items. However, this assessment excludes the effectiveness of interest rate swaps accounted by exceptional accounting method.

(5) Other

The Company has a bylaw on derivative transactions and executes its transactions and risk management based on this bylaw, which stipulates policies, procedures, retention limits and reporting systems.

8. Recognition of Revenue and Expenses

The Company’s prinicipal business activities domestically and overseas include the sales of CVs such as heavy-duty trucks / buses (Hereinafter, ”Heavy-duty (and medium-duty) vehicles”) and light-duty trucks (Hereinafter “Light-duty vehicles”), as well as powertrain (Hereinafter, “Engines and components”) which consist of parts for overseas production and engines, transmissions and driveline components, as well as the sale of parts, maintenance and servicing, and sales of used vehicles (Hereinafter, “Others”).

The Company recognizes revenue from domestic sales of heavy-duty (and medium-duty) vehicles, light-duty vehicles, engines and components, and parts, etc. principally at the time of delivery when the customer obtains control of the product and the performance obligation is satisfied.

The Company recognizes revenue from oversea sales of heavy-duty (and medium-duty) vehicles, light-duty vehicles, parts for overseas production, engines and components, and parts, etc. principally at the time of delivery when the customer obtains control of the product, at the time of shipment, etc.

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9. Deferred Assets

Deferred assets are all accounted as an expense on payment.

10. Other

Accounting related to retirement benefits

The method of accounting for unprocessed amounts of unrecognized actuarial gain or loss and unrecognized prior service costs relating to retirement benefits differs from the method of accounting for these items in the consolidated financial statements.

11. Changes in Accounting Policies

(Adoption of Accounting Standard for Revenue Recognition)

The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Standard for Revenue Recognition”), etc. from the beginning of the current fiscal year, according to which revenue is recognized when control of the promised goods or services is transferred to the customer, at the amounts expected to be received in exchange for such goods or services.

Consequently, part of consideration paid to customers, such as sales commissions previously recorded as selling, general and administrative expenses, is now reduced from transaction prices. In regards to transactions wherein the Company’s subsidiaries act as agents, the revenue was recognized as the total sum of consideration received from customers; however, the revenue is now recognized as the net amount calculated by subtracting the amount paid to suppliers from the amount received from customers.

As a result, net sales decreased by 7,910 million yen, cost of sales decreased by 4,712 million yen, and selling, general and administrative expenses decreased by 3,198 million yen.

(Adoption of Accounting Standard concerning Fair Value Measurement)

The Company has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”), etc. from the beginning of the current fiscal year, applying new accounting policies defined in the Fair Value Measurement Standard over the future, according to the transitional treatment specified in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This adoption has no influence on the Company’s non-consolidated financial statements of the current fiscal year.

12. Notes Concerning Accounting Estimates

(1) Obligations related to field measures (recalls, etc.)

i) Amounts recorded on the financial statements for the current fiscal year

	Balance sheet amount
Accrued expenses related to field measures (recalls, etc.)	8,020 million yen

ii) Information related to the contents of significant accounting estimates for the identified item

The calculation method of the amount of i) is omitted because the same information is provided in “Basis for Consolidated Financial Statements 6. Notes Concerning Accounting Estimates (1) Obligations related to field measures (recalls, etc.)” of the NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS.

(2) Impairment loss of shares of subsidiaries and associates

i) Amounts recorded on the financial statements for the current fiscal year

Investees	Balance sheet amount
Investments in capital of a manufacturing and sales subsidiary based in India	3,402 million yen

ii) Information related to the contents of significant accounting estimates for the identified item

The Company makes business investments in various countries including emerging markets. For shares of subsidiaries and associates, etc., if the actual values significantly decline due to deterioration in the financial standing of the issuing companies, and when their recoverability is not substantiated by sufficient proof, the Company recognizes impairment of shares of subsidiaries and associates, etc. and records them in actual values on the balance sheet.

Accrual values of shares of subsidiaries and associates, etc. are, in principle, calculated by multiplying net assets per share by the number of shares held by the Company. Net assets per share are calculated based on the latest financial statements of the issuing companies prepared in accordance with accounting principles generally accepted in the countries, plus subsequent items with significant impact on their financial positions, with valuation difference, etc. taken into account based on the fair values of assets.
When an actual value of shares of subsidiaries and associates, etc. falls to 50% or more of the acquisition price, the Company recognizes a significant decline in the actual value.

If the determination of recoverability is necessary, the Company determines recoverability based on business plans. Assumptions that may have a significant impact on the estimation of business plans in determining recoverability include market total demand and share. The Company reviews these forecasts based on the latest information available on an ongoing basis.

As a result of examining recoverability, the acquisition price of shares of subsidiaries and associates, of which actual values have significantly declined and their recoverability was not substantiated by sufficient proof, is reduced to the actual value. In the current fiscal year, there were no significant shares of subsidiaries and associates, etc. whose actual values have significantly declined for which an examination of recoverability was necessary.

Demand for vehicles is strongly affected by economic conditions. As such, if economies decelerate and cause total demand in the market to decrease, leading to poor performance of investees in the future, the Company may be required to record an impairment loss.

There is no significant impact in the next fiscal year regarding the South Africa-based subsidiary that manufactures and sells pick-up trucks and other products, which in the previous fiscal year recorded a significant accounting estimate for impairment of property, plant and equipment, as its performance improved in the current fiscal year.

Notes on the Balance Sheet

1. Accumulated Depreciation of Property, Plant and Equipment	523,719 million yen

2. Debts and Credits to Subsidiaries and Affiliates

Short-term credits	315,829 million yen
Long-term credits	127,928 million yen
Short-term debts	102,190 million yen
Long-term debts	190 million yen

3. Revaluation of Business Land

The Company revaluates its business land pursuant to the Act on Partial Amendment to the Law to Revise Part of the Land Revaluation Law (Law No. 24 of March 31, 1999). The tax corresponding to this revaluation variance has been stated in liabilities as "deferred tax liabilities for land revaluation," and the amount deducted this has been stated in net assets as "unrealized holding gain or loss on land revaluation."

The difference between the total fair value of the revaluated business land at the end of the current fiscal year and the total book value after revaluation was 62,588 million yen.

Notes on the Statement of Income

Transactions with Subsidiaries and Affiliates

Sales to subsidiaries and affiliates	904,061 million yen
Purchases from subsidiaries and affiliates	308,445 million yen
Selling, general and administrative expenses	111,732 million yen
Other	62,824 million yen

Notes on the Statement of Changes in Net Assets

Type and Number of Shares Held as Treasury Stocks at the End of the Fiscal Year

Common stock	2,259,815 shares

(Note) Number of shares held as treasury stocks includes 2,251,865 shares held with a trust whose beneficiaries are Directors of the Board, etc.

Notes on Tax-Effect Accounting

1. Significant Components of Deferred Tax Assets and Deferred Tax Liabilities

Deferred tax assets	
Accrued expenses	5,565 million yen
Provisions for warranty costs	1,733 million yen
Accrued bonus costs	3,076 million yen
Accrued enterprise tax	752 million yen
Inventory write-offs	781 million yen
Accrued retirement benefits	14,945 million yen
Write-off of investments	13,980 million yen
Asset retirement obligations	666 million yen
Other	6,717 million yen
Valuation allowance	(16,675) million yen
Total amount of deferred tax assets	31,542 million yen
Deferred tax liabilities	
Unrealized holding gain or loss on securities	21,704 million yen
Expenses associated with asset retirement obligations	88 million yen
Dividends income	641 million yen
Total amount of deferred tax liabilities	22,434 million yen
Net amount of deferred tax assets	9,108 million yen

2. Reconciliation of the Effective Tax Rate and the Statutory Tax Rate

Statutory tax rate	30.6%
(Adjustment)	
Changes in valuation allowance	(1.0)%
Foreign withholding tax	4.4%
Dividends received (excluded from taxable income)	(18.3)%
Tax credit	(10.2)%
Other	(3.7)%
Effective tax rate after application of tax-effect accounting	9.0%

Notes on Transactions with Related Parties

Refer to the attachment “Notes on Transactions with Related Parties.”

Notes on Revenue Recognition

Disclosures are omitted because the same information is provided in “Notes on Revenue Recognition” of the NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS.

Notes on Business Combination

Disclosures are omitted because the same information is provided in “Notes on Business Combination” of the NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS.

Notes on Net per Share

Net Assets per Share	969.62 yen
Net Income per Share	114.77 yen

Notes on Subsequent Events

There are no relevant items.

(Attachment)
Notes on Transactions with Related Parties

Transactions with Subsidiaries
(millions of yen)

Name of Subsidiary	Percentage of Voting Right Owned	Connections with Related Parties	Details of Transactions	Amount of Transaction	Account	Balance Outstanding
ISUZU MOTORS SALES LTD.	Direct 75.0%	Sales of products	Sales of vehicles and parts (NOTE 1)	340,130	Accounts receivable	75,085
ISUZU MOTORS INTERNATIONAL FZE	Direct 100.0%	Sales of products	Sales of vehicles and parts (NOTE 1)	68,042	Accounts receivable	16,128
Isuzu Australia Limited	Direct 100.0%	Sales of products	Sales of vehicles and parts (NOTE 1)	72,155	Accounts receivable	14,976
UD Trucks Corporation	Direct 100.0%	Loans of funds; Dispatched Director	Loans of funds (NOTE 2)	150,167	Short-term loans receivable	111,849
			Collection of loans receivable	38,318		
			Loans of funds (NOTE 2)	135,300	Long-term loans receivable (NOTE 3)	135,300
IJTT Co., Ltd.	Direct 43.2% Indirect 0.1%	Purchase of engines and forged and casted drivetrain parts	Purchase of raw materials, etc. (NOTE 1)	127,435	Accounts payable	21,566

Transaction conditions and policy on determining transaction conditions
NOTES:

1. Prices and other transaction conditions are determined through negotiation while giving appropriate consideration to market prices and so forth.
2. For loans of funds, interest rates are reasonably determined by consideration of market rates. And some of these Short-term loans receivable is by Cash Management System
3. Includes long-term loans receivables due within one year.