Financial Section

ISUZU MOTORS LIMITED
ANNUAL REPORT 2008

Consolidated Five-Year Summary

	Millions of yen					Thousands of U.S. dollars
	2008	**2007**	**2006**	**2005**	**2004**	**2008**
For the Year:						
Net sales	**¥ 1,924,833**	¥1,662,925	¥1,581,857	¥1,493,567	¥1,430,339	**$ 19,211,829**
Cost of sales	**1,666,656**	1,413,402	1,347,861	1,268,483	1,214,763	**16,634,961**
Gross profit	**258,176**	249,523	233,996	225,083	215,576	**2,576,868**
Selling, general and administrative expenses	**148,603**	142,542	143,334	137,869	131,085	**1,483,214**
Operating income	**109,573**	106,980	90,661	87,214	84,490	**1,093,654**
Income before extraordinary items	**122,322**	114,697	93,843	91,555	81,678	**1,220,906**
Income before income taxes	**110,604**	107,483	79,625	68,767	55,357	**1,103,950**
Net income	**76,021**	92,394	58,956	60,037	54,713	**758,771**
At Year-End:						
Total assets	**¥ 1,245,947**	¥1,232,181	¥1,168,697	¥1,142,580	¥1,077,816	**$ 12,435,847**
Net assets	**415,278**	389,061	271,167	172,652	112,886	**4,144,910**

Non-Consolidated Five-Year Summary

	Millions of yen					Thousands of U.S. dollars
	2008	**2007**	**2006**	**2005**	**2004**	**2008**
For the Year:						
Net sales	**¥ 1,027,349**	¥ 973,884	¥ 917,895	¥ 880,072	¥ 890,336	**$ 10,254,009**
Cost of sales	**879,123**	813,229	753,078	728,369	730,395	**8,774,563**
Gross profit	**148,225**	160,654	164,816	151,702	159,941	**1,479,446**
Selling, general and administrative expenses	**100,035**	99,163	111,309	91,135	92,945	**998,458**
Operating income	**48,190**	61,491	53,506	60,566	66,995	**480,988**
Income before extraordinary items	**50,168**	68,273	64,149	53,907	57,561	**500,730**
Income before income taxes	**46,856**	69,111	47,122	22,345	32,221	**467,677**
Net income	**43,504**	68,325	46,476	27,019	38,857	**434,224**
At Year-End:						
Total assets	**¥ 886,390**	¥ 899,783	¥ 867,698	¥ 812,521	¥ 808,674	**$ 8,847,092**
Net assets	**284,177**	292,807	231,289	169,353	151,722	**2,836,390**

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥100.19=US$1; the approximate exchange rate prevailing on the Foreign Exchange Market on March 31, 2008.

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

The following provides an analysis of the financial condition and results of operation in fiscal 2008. The following information contains forward-looking statements that reflect the judgment of management as of June 27, 2008.

(1) Significant accounting policies and estimates

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. Due to the uncertain nature of estimates, in some cases actual results may vary from initial estimates, and this may have a negative impact on business results.

(2) Results of operations

A. Overview of fiscal 2008

Fiscal 2008 was the final year in the Mid-term Business Plan adopted in 2004 (which extended through the fiscal year ended March 31, 2008), and the Group worked to develop new products and strengthen its business structure in order to establish a solid basis for sustainable future growth. Additionally, the Group changed the end date of the fiscal year for eight subsidiaries located in the ASEAN region from December 31 to March 31, in order to better facilitate the appropriate disclosure of consolidated financial data.

Results of operation in fiscal 2008 reflect the effects of increased costs due to higher depreciation associated with changes in the tax code and increases in equipment costs associated with new vehicles as well as raw material costs, changes in the end date of the fiscal year for eight subsidiaries located in the ASEAN region, increased export sales, and efforts to rationalize material and other costs. Sales of ¥1,924,833 million (up 15.7% from the previous year), operating income of ¥109,573 million (up 2.4% from the previous year), working income of ¥122,322 million (up 6.6% from the previous year), and net income of ¥76,021 (down 17.7% from the previous year) reflect record sales, operating income, and working income.

B. Sales

In fiscal 2008, Isuzu's consolidated-basis sales rose 15.7% from the previous year to ¥1,924,833 million.

In the domestic commercial vehicle market, Isuzu was able to continue to maintain high market share through the introduction of products with superior fuel efficiency and economy as well as group-wide sales initiatives, capturing 31.4% of the medium-duty and heavy-duty trucks market (up 2.1% from the previous year) and 38.6% of the light-duty (2-3 ton) truck market (down 0.4% from the previous year). However, demand for medium-duty and heavy-duty trucks declined significantly to 85,116 (down 19.3% from the previous year), as did demand for light-duty trucks at 89,831 (down 25.7% from the previous year). A fall in replacement demand for vehicles compliant with new NOx (nitrogen oxide) and PM (particulate matter) emissions regulations contributed to increasingly competitive market conditions. As a result, domestic sales fell 5.7% to ¥654,720 million.

Sales in Asia ballooned 41.1% from the previous year to ¥643,907 million on brisk sales of pickup trucks in the ASEAN region and a change in the end date of the fiscal year for eight subsidiaries located in the ASEAN region. In the Thai market, where pickup trucks account for around 60% of total market sales, Isuzu Group pickup trucks captured a 36% market share, sustaining steady sales growth in the face of intensifying competition.

North American sales fell 19.0% to ¥141,998 million as the sub-prime mortgage crisis weighed on the U.S. economy.

Sales to other regions soared 43.9% to ¥484,206 million due primarily to an aggressive drive to open up new markets and the addition of new consolidated subsidiaries in Europe and South Africa.

C. Operating income

Operating income in fiscal 2008 hit a record ¥109,573 million, up 2.4% from a year earlier.

A change in the end date of the fiscal year for certain subsidiaries contributed ¥7,600 million; rationalization including material costs added ¥17,200 million; and improvements in profitability contributed ¥11,000 million. Offsetting these were ¥8,200 million in economic fluctuations such as increased raw material prices, ¥11,300 million in sales fluctuations and structural changes in the breakdown of sales, and ¥13,700 million associated with launching redesigned models.

Looking at each of Isuzu's key business areas, operating income at the parent company fell ¥13,301 million from the previous year to ¥48,190 million on increased costs due to higher depreciation associated with changes in the tax code and increases in equipment costs associated with new vehicles as well as raw material costs.

Sales subsidiaries in Japan posted an operating income of ¥3,800 million, down ¥500 million from the previous year. Faced with lower income due to continuing intense competition, consolidated sales subsidiaries in Japan are steadily building an ability to secure profit through service and other businesses that are less exposed to the fluctuations of new vehicle sales.

In North America, operating income fell ¥1,600 million compared to the previous year to ¥3,200 million as the sub-prime mortgage crisis weighed on the U.S. economy.

In the ASEAN region, operating income was ¥38,700 million, up ¥16,600 million from the previous year due to increasing overseas sales of pickup trucks produced locally in Thailand and the effect of exchange conversions caused by part costs offsetting a slowdown in demand accompanying political uncertainty in the area. Results for the Group's eight subsidiaries in the ASEAN region reflect 15 months of financial results from January 1, 2007, to March 31, 2008.

(The figures shown for each of Isuzu's 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, Isuzu's operating margin fell 6.4% to 5.7% in the current consolidated fiscal year.

D. Non-operating gains/losses

In fiscal 2008, Isuzu posted a non-operating profit of ¥12,748 million, an increase of ¥5,032 million from the previous year.

Growth in equity-method investment profit of ¥3,162 million to ¥15,502 million was primarily due to tax benefits applied to European engine manufacturing affiliates, to which equity-method accounting is applied.

Progress in reducing interest-bearing debt and reviewing borrowing interest rates resulted in a net interest (interest and dividends received minus interest paid) loss of ¥2,226 million, an improvement of ¥2,185 million compared to the previous year.

E. Extraordinary gains/losses

In fiscal 2007, Isuzu posted an extraordinary loss of ¥7,213 million. Extraordinary gains included profit from the proxy portion of returned employees' pension funds, while extraordinary losses included the disposal of fixed assets, additional losses associated with the dismantling of the former Kawasaki plant, and fixed asset impairment losses. In fiscal 2008, the extraordinary loss deteriorated ¥4,502 million to ¥11,715 million on extraordinary losses associated with the disposal of fixed assets, special warranty expenses, and losses associated with the Group's exit from the North American SUV business.

F. Taxes

Isuzu's net tax expense in fiscal 2007 including corporate income taxes, municipal taxes, and business taxes as well as deferred corporate income taxes was ¥7,819 million. In fiscal 2008, the net tax expense was ¥22,941 million, reflecting an increase in taxes with increased profit in ASEAN region.

G. Minority interests

Minority interests consist primarily of profits returned to the minority shareholders of Isuzu's locally incorporated subsidiaries in the ASEAN region and North America and its Japanese parts manufacturers. Minority interests in fiscal 2008 increased to ¥11,641 million, compared to ¥7,270 million in fiscal 2007.

H. Net profit

Net profit in fiscal 2008 was ¥76,012 million, a decrease of ¥16,373 million from the previous year. Earnings per share came to ¥44.60 and fully diluted earnings per share to ¥44.36.

(3) Financial conditions

A. Cash flow

Isuzu generated consolidated-basis cash and cash equivalents ("net cash") of ¥149,721 million in fiscal 2008, up ¥9,358 million from the previous year. Cash flow from operating activities provided ¥151,761 million in the face of record-setting profits, offsetting aggressive repayment of interest-bearing debt and the acquisition and retirement of preferred stock.

Cash flow from operating activities

Net cash provided by operating activities increased 32.6% to ¥151,761 million, growing by ¥37,283 million compared to fiscal 2007 due to an increase in net profit before tax and other adjustments, combined with higher depreciation costs and a reduction in accounts receivable due to slowing sales in Japan and the United States.

Cash flow from investing activities

Net cash used in investing activities increased 42.8% to ¥48,219 million, reflecting expenditures of ¥42,111 million for fixed asset purchases under an aggressive program of capital investment designed to lay the groundwork for future growth under the Mid-term Business Plan. Expenditures associated with purchases of investment securities grew ¥4,321 million to ¥8,066 million due in part to purchases of shares in affiliates.

Cash flow from financing activities

Net cash used in financing activities increased 85.7% to ¥91,224 million. The Company continued to repay interest-bearing debt during fiscal 2008 using net cash provided by operating activities and spent ¥40,000 million acquiring all Class III and Class IV preferred stock.

B. Assets

As of March 31, 2008, combined consolidated assets totaled ¥1,245,947 million, an increase of ¥13,766 million from the previous year.

The main factors contributing to this increase were cash and deposits (up ¥5,367 million from ¥134,136 million to ¥139,503 million) and inventory assets (up ¥18,985 million from ¥133,083 million to ¥152,068 million). The increase in cash and deposits is primarily attributable to an increase in cash flow from operating activities reflecting strong export sales, which offset the acquisition and retirement of preferred stock. The increase is primarily due to an increase in inventory assets of the Company.

The significant decrease in notes and accounts receivable (down ¥15,352 million from ¥272,154 million to ¥256,802 million) is chiefly the result of a contraction in accounts receivable at domestic sales subsidiaries and locally incorporated subsidiaries in the ASEAN region.

C. Liabilities

Total liabilities at March 31, 2008, decreased ¥12,452 million from the previous year to ¥830,668 million. Interest-bearing liabilities (total of short-term borrowing, corporate bonds, and long-term borrowing) decreased ¥40,451 million from ¥297,227 million to ¥256,776 million. The Company continued to use net cash provided by operating activities to repay Group borrowing, particularly its own.

D. Capital

Capital (excluding minority shareholders' equity) grew ¥18,213 million in fiscal 2008 to ¥360,256 million.

The primary causes of this increase were net profit of ¥76,012 million in fiscal 2008, the acquisition and retirement of preferred stock, a reduction in the foreign exchange adjustment account due to the strengthening of the Japanese yen against major currencies, and a decrease in unrealized holding gain on securities as a result of fluctuations in the stock market.

As a result, Isuzu's equity ratio improved 1.1 percentage points from a year earlier to 28.9%.

The Company also acquired and retired all remaining Class III and Class IV preferred stock that had been issued as part of its financial restructuring program. This measure signals the completion of the restructuring process in both name and reality.

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 prices, and these risks are outlined below. (The following information includes forward-looking statements that reflect the judgment of management as of June 27, 2008.)

1. Economic situation/supply and demand trends in Isuzu's 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 where Isuzu sells vehicles. Therefore, economic recession and an ensuing decline in demand in the Group's major markets—Japan, North America, and other Asian countries—could have a negative impact on the Group's performance and financial position. Price competition also entails the risk of price fluctuation for Isuzu products.

2. Interest rate fluctuations

The Isuzu Group has tightened its cash flow management and continues to concentrate on shrinking interest-bearing debt. In fiscal 2008 Isuzu allocated profit from business operations and other funds to the reduction of interest-bearing debt, the balance of which stood at ¥256,776 million at the end of the year, a reduction of ¥40,451 million from the previous year. The Group remains vulnerable to the risk of higher interest payments having a negative impact on its performance and financial position 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 Isuzu's 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. Moreover, because foreign exchange fluctuations influence the prices paid by the Group for raw materials denominated in foreign currencies as well as the pricing of the products the Group sells, they may have a negative impact on the Group's performance and financial position. Generally, a strengthening of the yen relative to other currencies has a negative impact on the Group's business, and a weakening of the yen has a positive impact.

4. Dependence on General Motors Corporation and other major customers

The Isuzu Group supplies vehicle components to General Motors Corporation (Detroit, MI) and its affiliates as well as to other vehicle manufacturers. 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 impact on the Group's performance and financial position.

5. Suppliers and other providers of parts, materials, etc.

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 Isuzu may be unable to source these items in sufficient volume. Shortages or delays in the supply of parts and other materials could have a negative impact on the Group's performance and financial position. It is also possible that a tight supply-demand situation would result in price increases for raw materials and other supplies, which could also have a negative impact on the Group's performance and financial position by triggering rising costs if the increases cannot be absorbed internally, for example through improved productivity, or passed on to sales prices.

6. Product defects

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

7. Joint ventures

The Isuzu Group engages in business in some countries in the form of joint ventures due to legal and other requirements in those countries. Changes in the management policy, operating environment, etc., of these joint ventures could affect their performance, which could in turn produce a negative impact on the Group's performance and financial position.

8. Disasters, power outages, and other interruptions

The Isuzu Group regularly conducts disaster prevention inspections and facilities examinations at all sites in order to minimize the potential of a negative impact due to an interruption in the manufacturing process. However, the Group 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 Group's performance and financial position. Isuzu provides management guidance and advice to companies—including those in which it has invested through non-marketable securities—that can have a strong influence on its own business results. However, if the financial condition of the companies in which Isuzu has invested were to deteriorate due to factors such as a worsening business environment, this could have a negative impact on the Group's performance and financial position.

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. Due to the uncertain nature of estimates, in some cases actual results may vary from initial estimates, and this could have a negative impact on the Group's performance and financial position.

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 Group's performance and financial position:

- Unfavorable changes in the political or business climate
- Difficulties in recruiting and retaining personnel
- Inadequate technological infrastructure could have a negative impact on the Group's manufacturing activities or its customers' support of its 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 differentiate it from its rivals; however, in certain regions due to legal restrictions the Group is unable to fully protect, or can only partly protect, its proprietary technology and expertise through intellectual property rights. As a result, the Group may be unable to effectively prevent third parties from using its 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, statutes related to national security, tariffs, and other import and export regulations. The Group is also subject to legal requirements concerning areas such as commerce, antitrust, patents, consumer rights, taxation, foreign exchange, environment conservation, recycling, and safety. Unexpected changes in these regulations could have a negative impact on the Group's performance and financial position. 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 Group's performance and financial position.

Consolidated Balance Sheets (As of March 31, 2008, 2007 and 2006)

Assets	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
Current Assets:				
Cash and time deposits (Note 2, 4)	**¥ 139,503**	¥ 134,136	¥ 108,642	**$ 1,392,385**
Receivables:				
Notes and accounts (Note 4)	**256,802**	272,154	252,441	**2,563,153**
Less : allowance for doubtful receivables	**(2,342)**	(2,947)	(3,393)	**(23,385)**
Securities (Note 3)	**5,400**	—	—	**53,897**
Inventories	**152,068**	133,083	137,754	**1,517,802**
Deferred tax assets (Note 6)	**28,428**	34,312	27,632	**283,744**
Other current assets	**32,639**	34,481	31,063	**325,777**
Total Current Assets	**612,499**	605,221	554,141	**6,113,375**
Investments and Advances:				
Investments (Note 3):				
Unconsolidated subsidiaries and affiliated companies	**72,820**	71,947	58,652	**726,824**
Others	**31,765**	33,293	36,576	**317,049**
Long-term loans	**3,799**	4,155	15,404	**37,926**
Deferred tax assets (Note 6)	**10,298**	7,358	6,369	**102,790**
Other investments and advances	**21,545**	20,109	29,218	**215,045**
Less : allowance for doubtful accounts	**(8,867)**	(10,073)	(15,107)	**(88,504)**
Total Investments and Advances	**131,362**	126,791	131,114	**1,311,131**
Property, Plant and Equipment (Note 4)				
Land	**268,680**	270,884	267,687	**2,681,714**
Buildings and structures	**238,061**	236,045	229,744	**2,376,101**
Machinery and equipment	**600,191**	586,405	595,752	**5,990,529**
Construction in progress	**17,284**	13,556	18,365	**172,515**
Less : accumulated depreciation	**(630,739)**	(616,397)	(637,286)	**(6,295,434)**
Net Property, Plant and Equipment	**493,478**	490,495	474,264	**4,925,425**
Other Assets				
	8,607	9,672	9,177	**85,915**
Total Assets	**¥ 1,245,947**	¥ 1,232,181	¥ 1,168,697	**$ 12,435,847**

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Millions of yen 2008	2007	2006	Thousands of U.S. dollars 2008
Current Liabilities:				
Bank loans	**¥ 69,833**	¥ 75,154	¥ 91,971	**$ 697,013**
Current portion of bonds	**12**	3,410	—	**119**
Notes and accounts payable	**323,664**	309,713	297,370	**3,230,510**
Accrued expenses	**65,774**	61,561	61,172	**656,492**
Accrued income taxes (Note 6)	**13,478**	7,921	10,933	**134,532**
Deposits received	**3,410**	2,738	3,768	**34,044**
Other current liabilities	**37,745**	25,750	32,043	**376,740**
Total Current Liabilities	**513,920**	486,249	497,260	**5,129,454**
Long-Term Debt (Note 4)	**186,931**	218,663	257,688	**1,865,768**
Accrued Retirement and Severance Benefits (Note 5)	**57,186**	57,320	62,257	**570,778**
Deferred Tax Liabilities (Note 6)	**3,843**	9,545	9,455	**38,365**
Deferred Tax Liabilities Related to Land Revaluation (Note 8)	**55,827**	55,827	55,827	**557,214**
Other Long-Term Liabilities	**12,960**	15,513	15,040	**129,355**
Contingent Liabilities (Note 9)				
Net Assets				
Shareholders' Equity : (Note 7)				
Common stock and preferred stock	**40,644**	40,644	40,644	**405,677**
Preferred stock:				
Class I-authorized 37,500,000 shares; issued 37,500,000 shares in 2006				
Class III-authorized 25,000,000 shares; issued 25,000,000 shares in 2007 and 2006				
Class IV-authorized 25,000,000 shares; issued 25,000,000 shares in 2007 and 2006				
Common stock:				
Authorized 3,369,000,000 shares in 2008, 2007 and 2006				
Issued 1,696,845,339 shares in 2008 and 2007, 1,141,289,786 shares in 2006				
Capital surplus	**50,427**	50,427	50,427	**503,319**
Retained earnings	**185,601**	156,467	68,689	**1,852,495**
Less: treasury stock, at cost 1,759,316 common shares in 2008	**(463)**	(334)	(229)	**(4,630)**
Total Shareholders' Equity	**276,209**	247,205	159,532	**2,756,861**
Accummulated Gain (Loss) from Revaluation and Translation Adjustments				
Unrealized holding gain on securities	**7,415**	12,319	15,014	**74,013**
Unrealized holding gain on hedging activities	**245**	39	—	**2,452**
Variance of land revaluation (Note 8)	**73,956**	73,981	74,138	**738,166**
Foreign currency translation adjustments	**2,428**	8,498	(4,334)	**24,243**
Total accummulated gain (loss) from revaluation and translation adjustments	**84,047**	94,837	84,818	**838,876**
Minority Interests	**55,021**	47,018	26,816	**549,172**
Total Net Assets	**415,278**	389,061	271,167	**4,144,910**
Total Liabilities and Net Assets	**¥ 1,245,947**	¥ 1,232,181	¥ 1,168,697	**$ 12,435,847**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income (For the years ended March 31, 2008, 2007 and 2006)

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
Net Sales	**¥1,924,833**	¥ 1,662,925	¥ 1,581,857	**$19,211,829**
Cost of Sales	**1,666,656**	1,413,402	1,347,861	**16,634,961**
Gross Profit	**258,176**	249,523	233,996	**2,576,868**
Selling, General and Administrative Expenses	**148,603**	142,542	143,334	**1,483,214**
Operating Income	**109,573**	106,980	90,661	**1,093,654**
Other Income (Expenses):				
Interest and dividend income	**4,304**	3,980	3,129	**42,967**
Interest expense	**(6,530)**	(8,391)	(10,551)	**(65,176)**
Equity in earnings of unconsolidated subsidiaries and affiliates	**15,502**	12,340	10,673	**154,735**
Others, net	**(528)**	(212)	(69)	**(5,273)**
Income before Extraordinary Items	**122,322**	114,697	93,843	**1,220,906**
Extraordinary Items:				
Gain on sales of investments	**489**	108	212	**4,888**
Gain on the settlement of North America project	**—**	—	4,897	**—**
Gain on dissolution of employee's pension funds	**—**	685	1,391	**—**
Gain on transfer of the substitutional portion of the employee's pension funds	**—**	2,531	—	**—**
Gain on reversal of allowance for doubtful accounts	**401**	—	—	**4,010**
Loss on sales or disposal of property, plant and equipment, net	**(3,691)**	(4,315)	(3,927)	**(36,849)**
Loss on revaluation of investments	**(208)**	(1,094)	(1,079)	**(2,084)**
Impairment loss on fixed assets (Note 11)	**(86)**	(1,000)	(2,600)	**(867)**
Loss on restructuring of domestic subsidiaries & affiliates	**—**	—	(933)	**—**
Dismantlement and other cost on former Kawasaki Factory	**—**	(1,534)	(5,257)	**—**
Special warranty cost	**(3,015)**	—	(3,247)	**(30,096)**
Loss on withdrawal from the North American SUV project	**(3,397)**	—	—	**(33,909)**
Others, net	**(2,208)**	(2,594)	(3,673)	**(22,047)**
Income before Income Taxes and Minority Interests	**110,604**	107,483	79,625	**1,103,950**
Income Taxes (Note 6):				
Current	**21,611**	14,260	12,891	**215,700**
Deferred	**1,330**	(6,441)	2,555	**13,279**
Minority Interests in Income of Consolidated Subsidiaries	**11,641**	7,270	5,222	**116,198**
Net Income	**¥ 76,021**	¥ 92,394	¥ 58,956	**$ 758,771**

	Yen			U.S. dollars
Per Share of Common Stock				
Net Income				
Basic	**¥ 44.60**	¥ 64.83	¥ 48.75	**$ 0.45**
After dilution of potential stock	**44.36**	51.54	31.67	**0.44**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Change in Net Assets (Note 7) (For the years ended March 31, 2008, 2007 and 2006)

	Millions of yen								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain on securities	Unrealized holding gain on land revaluation	Unrealized gain on hedging activities	Foreign currency translation adjustments	Minority interests
Balance at March 31, 2005	¥ 32,617	¥ 42,435	¥ 10,460	¥ (220)	¥ 8,324	¥ 77,791	¥ —	¥ (12,946)	¥ 14,188
Cash dividends			(2,614)						
Reversal of unrealized holding gain and loss on land revaluation			(688)						
Net income			58,956						
Exercise of stock acquisition right	8,027	7,972							
Disposal of treasury stock		18							
Acquisition of treasury stock				(9)					
Changes in the scope of consolidation			2,726						
Changes in the scope of equity method			(150)						
Net changes on items other than shareholders' equity					6,689	(3,652)		8,611	12,628
Balance at March 31, 2006	40,644	50,427	68,689	(229)	15,014	74,138	—	(4,334)	26,816
Cash dividends			(4,428)						
Reversal of unrealized holding gain and loss on land revaluation			156						
Net income			92,394						
Acquisition of treasury stock				(104)					
Changes in the scope of consolidation			(371)						
Changes in the scope of equity method			26						
Net changes on items other than shareholders' equity					(2,694)	(157)	39	12,832	20,201
Balance at March 31, 2007	40,644	50,427	156,467	(334)	12,319	73,981	39	8,498	47,018
Cash dividends			(7,587)						
Reversal of unrealized holding gain and loss on land revaluation			122						
Net income			76,021						
Acquisition of treasury stock				(129)					
Acquisition of preferred stock				(40,000)					
Cancellation of preferred stock			(40,000)	40,000					
Changes in the scope of equity method			578						
Net changes on items other than shareholders' equity					(4,903)	(24)	206	(6,069)	8,003
Balance at March 31, 2008	¥ 40,644	¥ 50,427	¥ 185,601	¥ (463)	¥ 7,415	¥ 73,956	¥ 245	¥ 2,428	¥ 55,021

	Thousands of U.S. dollars								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain on securities	Unrealized holding gain on land revaluation	Unrealized gain on hedging activities	Foreign currency translation adjustments	Minority interests
Balance at March 31, 2007	$ 405,677	$ 503,319	$ 1,561,704	$ (3,336)	$ 122,957	$ 738,409	$ 389	$ 84,821	$ 469,293
Cash dividends			(75,733)						
Reversal of unrealized holding gain and loss on land revaluation			1,222						
Net income			758,771						
Acquisition of treasury stock				(1,294)					
Acquisition of preferred stock				(399,241)					
Cancellation of preferred stock			(399,241)	399,241					
Changes in the scope of equity method			5,772						
Net changes on items other than shareholders' equity					(48,943)	(242)	2,063	(60,578)	79,878
Balance at March 31, 2008	$ 405,677	$ 503,319	$ 1,852,495	$ (4,630)	$ 74,013	$ 738,166	$ 2,452	$ 24,243	$ 549,172

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows (For the years ended March 31, 2008, 2007 and 2006)

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
Cash Flows from Operating Activities				
Net income before income taxes and minority interests	¥ **110,604**	¥ 107,483	¥ 79,625	**$ 1,103,950**
Depreciation and amortization	**41,323**	27,922	24,672	**412,449**
Equity in earnings of unconsolidated subsidiaries and affiliates	**(15,502)**	(12,340)	(10,673)	**(154,735)**
Provision for retirement benefits, less payments	**984**	(5,081)	708	**9,828**
Provision for allowance for product warranty	**649**	(648)	1,533	**6,487**
Provision for bonus accounts	**(534)**	1,474	1,660	**(5,333)**
Provision for allowance for doubtful accounts	**(1,551)**	(1,006)	(2,029)	**(15,481)**
Interest and dividend income	**(4,304)**	(3,980)	(3,129)	**(42,967)**
Interest expenses	**6,530**	8,391	10,551	**65,176**
Gain on disposal of property assets	**(763)**	(1,327)	(4,383)	**(7,616)**
Loss on disposal of property assets	**4,454**	5,642	8,311	**44,465**
Gain (Loss) on sales of securities, net	**(467)**	260	(203)	**(4,664)**
Loss on impairment of fixed assets	**86**	1,000	2,600	**867**
Other extraordinary loss	**331**	1,029	826	**3,310**
Decrease (Increase) in receivable	**13,821**	(2,506)	8,338	**137,956**
Decrease (Increase) in inventories	**(15,747)**	2,969	(11,321)	**(157,178)**
Decrease (Increase) in other current assets	**714**	6,924	563	**7,133**
Increase (Decrease) in notes and accounts payable	**12,958**	(630)	8,359	**129,335**
Increase (Decrease) in accrued expenses and taxes	**3,669**	(4,586)	2,545	**36,626**
Increase (Decrease) in deposit received	**(12)**	(1,607)	(8,148)	**(119)**
Increase (Decrease) in other current liabilities	**499**	(465)	(8,804)	**4,981**
Others	**(156)**	37	(24)	**(1,561)**
Cash received from interest and dividend	**15,712**	11,292	5,243	**156,822**
Cash paid for interest	**(6,018)**	(8,401)	(10,369)	**(60,071)**
Cash paid for income taxes	**(15,521)**	(17,367)	(14,002)	**(154,924)**
Net Cash Provided by Operating Activities	**151,761**	114,478	82,448	**1,514,740**
Cash Flows from Investing Activities				
Payment on purchase of securities	**(8,066)**	(3,745)	(9,717)	**(80,516)**
Proceeds from sales of securities	**740**	1,146	960	**7,386**
Payment on purchase of property, plant and equipment	**(42,111)**	(49,340)	(36,306)	**(420,313)**
Proceeds from sales of property, plant and equipment	**2,815**	3,662	15,797	**28,099**
Payment on long-term loans receivable	**(118)**	(451)	(4,958)	**(1,181)**
Collection of long-term loans receivable	**147**	6,507	3,045	**1,468**
Increase (Decrease) in short-term loans receivable	**895**	(26)	3,497	**8,940**
Increase (Decrease) in finance receivable of overseas subsidiary	**—**	—	16	**—**
Increase (Decrease) in fixed deposits	**2**	1,560	1,957	**28**
Proceeds from the transfer of investment	**—**	—	5,607	**—**
Others	**(2,523)**	6,925	(980)	**(25,192)**
Net Cash Used in Investing Activities	**(48,219)**	(33,760)	(21,080)	**(481,280)**
Cash Flows from Financing Activities				
Increase (Decrease) in short-term debt	**(7,693)**	(16,655)	(58,056)	**(76,792)**
Proceeds from long-term debt	**19,042**	17,100	38,008	**190,058**
Payment on long-term debt	**(49,956)**	(54,834)	(75,464)	**(498,616)**
Proceeds from issuance of bonds	**60**	—	40,000	**598**
Payment on bonds	**(3,600)**	—	—	**(35,931)**
Increase (Decrease) in bonds with warrant attached	**—**	—	(40,000)	**—**
Proceeds from minority shareholders	**1,428**	11,750	1,172	**14,254**
Payment on acquisition of preferred stock	**(40,000)**	—	—	**(399,241)**
Payment on acquisition of treasury stock	**(112)**	(102)	(71)	**(1,120)**
Payment on dividends made by parent company	**(7,574)**	(4,411)	(2,602)	**(75,605)**
Payment on dividends to minority shareholders	**(2,817)**	(1,975)	—	**(28,122)**
Others	**—**	—	(478)	**—**
Net Cash Used in Financing Activities	**(91,224)**	(49,128)	(97,493)	**(910,517)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(5,966)**	2,512	4,544	**(59,552)**
Net Increase (Decrease) in Cash and Cash Equivalents	**6,351**	34,101	(31,581)	**63,390**
Cash and Cash Equivalents at Beginning of the Year	**140,363**	106,495	135,252	**1,400,975**
Increase (Decrease) in Cash and Cash Equivalents due to change in scope of consolidation	**3,006**	(233)	2,823	**30,010**
Cash and Cash Equivalents at End of the Year (Note 2)	¥ **149,721**	¥ 140,363	¥ 106,495	**$ 1,494,376**

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 Financial Instruments 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 have 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 ¥100.19= US$1, the approximate exchange rate prevailing on the Foreign Exchange Market on March 31, 2008. 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 2007 and 2006 financial statements to conform to the presentation for 2008.

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.

The excess of cost of investments in the subsidiaries and affiliates over the fair value of the net assets of the acquired subsidiary at the dates of acquisition, consolidation goodwill, is being amortized over an estimated period not exceeding 20 years.

b) Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate of the balance sheet date, and differences arising from the translation are included in the financial statements of income as a gain or loss. The Company translates the balance sheet accounts of foreign consolidated subsidiaries into Japanese yen at the exchange rate of the balance sheet date of each of those subsidiaries. Financial statement of income accounts of consolidated overseas subsidiaries are translated using the average exchange rate of the statement of income's period. Foreign currency translation adjustments are included in the foreign currency translation adjustments account and minority interests account in the balance sheet.

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 net assets. 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 amortized 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 and its domestic consolidated companies have 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 of projected benefit obligation and the fair value of the pension plan assets at the end of the balance sheet date. Prior service costs are 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 gains or losses are amortized in the year following the year using the straight-lined method over the average of the remaining service lives of mainly 10 years commencing with the following periods, which are shorter than the average remaining years of service of the eligible employees.

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.

Basis for the calculation of net income per share at the year ended March 31, 2008 is as follows:

	Millions of yen	Thousands of U.S. dollars
Net Income	¥ 76,021	$ 758,771
Net Income pertaining to common stock	¥ 76,021	$ 758,771
Average outstanding shares:		
Common stock (share):	1,695,173,876	
Class IV preferred stock (share):	9,243,401	

k) Appropriation of Retained Earnings

The appropriation of retained earnings is recorded in the fiscal year in which such appropriation is approved by the Board of Directors or Shareholders.

l) Cash and Cash Equivalents

For the purpose of the consolidated statements 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 consolidated statements of cash flows for the years ended March 31, 2008 is as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and time deposits on the consolidated balance sheets	¥ 139,503	$1,392,384
Time deposits with maturities exceeding three months	(588)	(5,872)
Bonds with maturities within three months	5,406	53,966
Certificates of deposit	5,400	53,897
Cash and cash equivalents on the statement of cash flows	¥ 149,721	$1,494,376

m) Accounting Changes

1. Change in method of depreciation of property, plant and equipment

The Company has changed the depreciation method with respect to property, plant and equipment acquired on or after April 1, 2007 in the current consolidated fiscal year, in association with the revision of the Corporation Tax Law promulgated on March 30, 2007 (Law to Revise Part of Income Tax Law, etc. (Law No. 6 of March 30, 2007) and the Cabinet Order to Revise Part of Corporation Tax Law Enforcement Order (Cabinet Order No. 83 of March 30, 2007)). The effect of this change on profits and losses is not material.

(Additional information)

Following the revision of the Corporation Tax Law, the Company adopted the method of depreciation for property, plant and equipment acquired on or before March 31, 2007 stipulated in the revised Corporation Tax Law. For those assets that have been depreciated and reached 5% of their acquisition value using the method of calculating depreciation based on the Corporation Tax Law before the revision, The residual book-value, the remaining 5% of the acquisition value will be written off in equal amounts over the five-year period beginning with the year following the year when the book value is depreciated to 5% of the acquisition value. This amount is included in depreciation.

Consequently, the operating income, income before extraordinary items and income before income taxes and minority interests decreased by ¥3,748 million ($37,410 thousands), as compared with the figures calculated using the former method.

2. Change in accounting term of overseas subsidiaries

In the past, the Company made calculations on a consolidated basis, based on the financial statements for the relevant business year of 23 consolidated subsidiaries whose balance sheet dates were December 31, different from the consolidated balance sheet date, because the difference between these dates was within three months. However, to more properly disclose the consolidated results, the Company has changed the accounting date of 8 consolidated subsidiaries in the ASEAN area to March 31 in the current consolidated fiscal year.

As a result of this change, the current consolidated fiscal year for such overseas subsidiaries is the 15-month period from January 1, 2007 to March 31, 2008. Consequently, the consolidated net sales, operating income, income before extraordinary items, income before income taxes and minority interest and net income increased by ¥133,229 million ($1,329,766 thousands), ¥7,589 million ($75,751 thousands), ¥8,330 million ($83,150 thousands), ¥8,323 million ($83,077 thousands) and ¥4,203 million ($41,950 thousands), respectively, as compared with the figures calculated using the former method.

3. Securities

Fair value of securities of other securities as of March 31, 2008 and 2007 are as follows:

2008 (as of March 31, 2008)	Millions of yen: Acquisition costs	Carrying value	Unrealized gain (loss)	Thousands of U.S. dollars: Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:						
Stocks	¥ 8,912	¥ 21,033	¥ 12,120	$ 88,958	$ 209,936	$ 120,977
Other:						
Corporate bonds	—	—	—	—	—	—
Investment Trusts	—	—	—	—	—	—
Total	¥ 8,912	¥ 21,033	¥ 12,120	$ 88,958	$ 209,936	$ 120,977
Unrealized loss:						
Stocks	¥ 4,435	¥ 3,450	¥ (984)	$ 44,271	$ 34,442	$ (9,829)
Total	¥ 4,435	¥ 3,450	¥ (984)	$ 44,271	$ 34,442	$ (9,829)

2007 (as of March 31, 2007)	Millions of yen: Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	¥ 10,245	¥ 29,252	¥ 19,006
Other:			
Corporate bonds	—	—	—
Investment Trusts	10	10	—
Total	¥ 10,256	¥ 29,263	¥ 19,006
Unrealized loss:			
Stocks	¥ 2,439	¥ 2,063	¥ (376)
Total	¥ 2,439	¥ 2,063	¥ (376)

Proceeds from sales of securities classified as other securities amounted to ¥537 millions ($5,368 thousands) with an aggregate gain on sales of ¥483 millions ($4,826 thousands) and an aggregate loss on sales of ¥12 millions ($126 thousands) for the year ended March 31, 2008.

Non-marketable securities classified as other securities at March 31, 2008 amounted to ¥7,280 millions ($72,671 thousands).

4. Long-Term Debt

Long-term debt at March 31, 2008 and 2007 are as follows:

	Millions of yen: 2008	2007	Thousands of U.S. dollars: 2008
1.59% straight bonds due 2010	¥ 10,000	¥ 10,000	$ 99,810
1.24% straight bonds due 2010	20,000	20,000	199,620
1.55674% straight bonds due 2012	10,000	10,000	99,810
1.579% straight bonds due 2012	10,000	10,000	99,810
3.3% Guaranteed debentures of Isuzu Motors Co., (Thailand) Ltd. No.1/2547 due 2007	—	3,410	—
1.32% straight bonds of ISUZU MARINE ENGINE INC., due 2013	60	—	598
Loans	188,658	218,526	1,883,008
Less: current portion	51,787	53,273	516,890
	¥ 186,931	¥ 218,663	$ 1,865,768

The annual maturities of long-term debt at March 31, 2008 are summarized as follows:

Planned maturity date	Millions of yen	Thousands of U.S. dollars
Over 1 year within 2 years	¥ 61,622	$ 615,058
Over 2 years within 3 years	59,601	594,880
Over 3 years within 4 years	30,325	302,677
Thereafter	35,382	353,152
Total	¥ 186,931	$ 1,865,768

The assets pledged as collateral for certain loans and other liabilities at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash and time deposits	¥ —	¥ 280	$ —
Notes and accounts receivable	—	375	—
Building and structures	46,474	51,729	463,863
Machinery and equipment	51,017	56,915	509,212
Land	162,485	184,311	1,621,771
Others	30	33	303

5. Retirement Benefit Obligation and Pension Plan

The Company has defined benefit plans, i.e., corporate pension fund and lump-sum payment plans. The consolidated subsidiaries have defined benefit plans, i.e., corporate pension fund, welfare pension fund plans, tax-qualified pension funds and lump-sum payment plans. Several of the domestic consolidated subsidiaries have defined contribution pension plans for parts of the unfunded lump-sum benefit plans.

(1) Retirement benefit obligation as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Retirement benefit obligation at end of the year	¥ (121,663)	¥ (118,660)	$ (1,214,330)
Fair value of plan assets	39,766	39,416	396,906
Accrued retirement benefits obligation on balance sheets	57,186	57,320	570,778
Prepaid pension cost	(594)	(1,013)	(5,937)
Net	¥ (25,306)	¥ (22,935)	$ (252,583)
(Details on net amount)			
Unrecognized actuarial net loss	¥ (26,278)	¥ (23,983)	$ (262,286)
Unrecognized prior service cost	¥ 972	¥ 1,047	$ 9,702
Net	¥ (25,306)	¥ (22,935)	$ (252,583)

The substitutional 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, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service cost	¥ 5,392	¥ 4,122	$ 53,822
Interest cost on projected benefit obligation	2,668	2,562	26,631
Expected return on plan assets	(1,266)	(1,088)	(12,638)
Amortization of actuarial net loss (gain)	4,102	3,732	40,947
Amortization of prior service cost	(121)	236	(1,212)
Net retirement benefit cost	¥ 10,775	¥ 9,564	$ 107,550
Gains on return of benefits related to past employee service under the substitutional portion	¥ —	¥ (2,531)	$ —
Gain and loss on adoption of defined contribution pension plan, net	—	35	—
Other	105	73	1,049
Total	¥ 10,880	¥ 7,141	$ 108,599

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

	2008	2007
Discount rate	2.3–2.5%	2.3%
Expected rate of return on plan assets	1.5–3.5%	1.5–2.5%
Amortization period of prior service cost	1–10 years	1–10 years
Amortization period of actuarial net loss (gain)	10–19 years	10–19 years
Amortization period of net obligation arising from accounting changes	1 year	1 year

6. Income Taxes

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

The significant components of the Company and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Accrued retirement benefits	¥ 20,543	¥ 21,729	$ 205,047
Loss from revaluation of investments and Allowance for doubtful accounts	12,280	15,439	122,575
Accrued expenses	14,408	12,637	143,812
Accrued bonus cost	5,030	5,415	50,207
Loss from inventory write down	1,218	1,185	12,158
Loss carried forward	55,233	75,291	551,291
Unrealized profit eliminated in consolidation etc.	4,979	4,900	49,696
Others	14,260	13,166	142,329
Total gross deferred tax assets	127,954	149,765	1,277,120
Valuation allowance	(80,204)	(102,552)	(800,522)
Total deferred tax assets	47,750	47,213	476,597
Deferred tax liabilities			
Reserve for deferred income tax of fixed assets	(1,167)	(748)	(11,653)
Unrealized holding gain on securities	(3,073)	—	(30,674)
Depreciation adjustment of foreign consolidated subsidiaries	(4,158)	(4,209)	(41,507)
Others	(623)	(583)	(6,227)
Total deferred tax liabilities	(9,023)	(5,541)	90,062
Net deferred tax assets	¥ 38,726	¥ 41,671	$ 386,535
Deferred tax liabilities:			
Reserve for deferred income tax of fixed assets	1,130	1,679	11,280
Unrealized holding gain on other securities	86	5,592	862
Others	2,627	2,273	26,222
Net deferred tax liabilities	¥ 3,843	¥ 9,545	$ 38,365

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2008 and 2007 are as follows:

	2008	2007
Normal effective statutory tax rate	40.0%	40.0%
Net Valuation allowance	(10.3)	(28.2)
Different tax rates applied to foreign subsidiaries	(5.8)	(3.3)
Loss for this fiscal year by consolidated subsidiaries	1.0	0.5
Equity in earnings of unconsolidated subsidiaries	(5.6)	(4.6)
Foreign withholding tax	1.2	1.1
Others	0.3	1.7
Effective tax rate after adoption of tax-effect accounting	20.7	7.3

7. Shareholders' Equity

Changes in the numbers of shares issued and outstanding during the years ended March 31, 2008 and 2007 are as follows:

Common stock outstanding

	2008	2007
Balance at the beginning of the year	1,696,845,339	1,141,289,786
Increase due to convertible stocks converted	—	555,555,553
Balance at the end of the year	1,696,845,339	1,696,845,339

Treasury stock outstanding

	2008	2007
Balance at the beginning of the year	1,492,689	1,258,960
Increase due to purchase of odd stocks	266,627	233,729
Balance at the end of the year	1,759,316	1,492,689

8. 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 domestic consolidated subsidiaries and domestic affiliates was revalued, and the unrealized gain on the revaluation of land, net of deferred tax, was reported as "Variance of Land Revaluation" within Net Assets, and the relevant deferred tax was reported as "Deferred Tax Liabilities related to Land Revaluation" in Liabilities for the fiscal year ended 31 March, 2008.
Revalued Date: 31 March, 2000

In accordance with the Law concerning Revaluation of Land enacted on March 31, 1998, the land used for business owned by some of the Company's non-consolidated subsidiaries and affiliates accounted for by the equity method were revalued.
Revalued Date: 31 March, 2001

The method of revaluation is as follows:

Under article 2-4 of the Enforcement Ordinance on Law concerning Revaluation of Land, the land price for the revaluation is determined based on the official notice prices assessed and published by the Commissioner of National Tax Agency of Japan as basis for calculation of Landholding Tax as stipulated in article 16 of the Landholding Tax Law. Appropriate adjustments for the shape of land and the timing of the assessment has been made. The land price for the revaluation for some of the land is based on land appraisal.

The difference of the total fair value, revalued based on the article 10 of the Enforcement Ordinance on Law concerning Revaluation of Land, of business land for the end of this fiscal year and the total book price for the business land revalued was ¥55,758 millions ($556,528 thousands).

9. Contingent Liabilities

Contingent liabilities at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Guarantees of bank loans	¥ 2,026	¥ 2,417	$ 20,231
Export bills discounted	145	159	1,455
Notes endorsed	—	—	—
Notes discounted	3	—	31

10. 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, 2008 and 2007 concerning the finance lease assets:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Acquisition costs	¥ 38,448	¥ 39,187	$ 383,754
Accumulated depreciation	19,203	20,417	191,672
Net balance	19,244	18,770	192,081

ii) Future payment obligations of finance lease expenses as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Portion due within one year	¥ 8,868	¥ 8,380	$ 88,521
Thereafter	11,414	11,094	113,930
Total	20,283	19,474	202,451

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, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Portion due within one year	¥ 920	¥ 1,047	$ 9,187
Thereafter	1,189	1,402	11,874

b) As a lessor

Future receivable income of operating lease commitment as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Portion due within one year	¥ —	¥ 80	$ —
Thereafter	—	—	—

11. Impairment loss on Fixed Assets

Impairment loss on fixed assets recognized in the consolidated financial statements for the fiscal year ended March 31, 2008 is as follows:

Location	Usage	Type	Millions of yen	Thousands of U.S. dollars
Fujisawa-shi, Kanagawa prefecture	Idle Assets	Buildings, Machinery and other	65	657
Ohira-machi, Shimotsuga-gun, Tochigi prefecture	Idle Assets	Machinery	0	3
Iida-shi, Nagano prefecture	Idle Assets	Buildings and other	20	206
Total			¥ 86	$ 867

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 assets for rent. However, for idle assets that were in need for impairment due to the fall in land prices and for business assets that had been decided to be disposed, carrying amount was reduced to the amount recoverable.

As for business assets that had been decided to be disposed, impairment loss, if any, is recognized at the point of time when the decision is made on the disposal.

Breakdown of the impairment loss by asset type is as follows:

Type	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥ 22	$ 228
Machinery and equipment	50	504
Other	13	134

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.

12. Segment Information

(1) The business segment information for the company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007

As net sales, operating income and total assets from the automotive business of the Company and its consolidated subsidiaries constituted more than 90% of the consolidated totals for the year ended March 31, 2008 and 2007, the business segment information for fiscal year 2008 and 2007 is not shown.

(2) The geographical segment information for the company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007 were as follows:

	Japan	North America	Asia	Other	Total	Eliminations	Consolidated
Year ended March 31, 2008	Millions of yen						
Sales to third parties	1,077,412	131,287	636,953	79,179	1,924,833	—	1,924,833
Inter-area sales and transfers	174,796	2,663	60,099	1,680	239,240	(239,240)	—
Total sales	1,252,208	133,951	697,053	80,859	2,164,073	(239,240)	1,924,833
Operating expenses	1,188,312	132,629	656,859	75,607	2,053,410	(238,150)	1,815,260
Operating income	63,895	1,321	40,193	5,251	110,663	(1,089)	109,573
Total assets	969,320	62,090	182,917	40,132	1,254,461	(8,513)	1,245,947
	Thousands of U.S. dollars						
Sales to third parties	10,753,688	1,310,389	6,357,459	790,291	19,211,829	—	19,211,829
Inter-area sales and transfers	1,744,650	26,584	599,856	16,773	2,387,864	(2,387,864)	—
Total sales	12,498,338	1,336,973	6,957,316	807,065	21,599,694	(2,387,864)	19,211,829
Operating expenses	11,860,593	1,323,782	6,556,140	754,645	20,495,161	(2,376,986)	18,118,175
Operating income	637,745	13,191	401,176	52,420	1,104,532	(10,878)	1,093,654
Total assets	9,674,821	619,728	1,825,702	400,567	12,520,820	(84,972)	12,435,847

	Japan	North America	Asia	Other	Total	Eliminations	Consolidated
Year ended March 31, 2007	Millions of yen						
Sales to third parties	1,034,727	161,294	429,751	37,152	1,662,925	—	1,662,925
Inter-area sales and transfers	167,645	7,429	44,795	1,746	221,617	(221,617)	—
Total sales	1,202,372	168,723	474,546	38,899	1,884,542	(221,617)	1,662,925
Operating expenses	1,123,885	163,742	452,434	37,416	1,777,479	(221,534)	1,555,944
Operating income	78,487	4,981	22,112	1,482	107,063	(82)	106,980
Total assets	989,356	66,259	171,965	16,755	1,244,337	(12,156)	1,232,181

Change in method of depreciation of property, plant and equipment

As stated in Note 2, the Company has changed the depreciation method of property, plant and equipment. As a result of this change, the operating expenses of Japan increased by ¥3,748 million ($37,410 thousands) and the operating income decreased by the same amount.

Change in accounting term of overseas subsidiaries

As stated in Note 2, the Company has changed the accounting date of 8 consolidated subsidiaries in the ASEAN area to March 31 in the current consolidated fiscal year. As a result of this change, total sales and operating income of Asia increased by ¥133,229 million ($1,329,766 thousands) and ¥7,589 million ($75,751 thousands).

(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, 2008 and 2007 were as follows:

	North America	Asia	Other	Total
Year ended March 31, 2008	Millions of yen			
Overseas sales	141,998	643,907	484,206	1,270,112
Consolidated net sales	—	—	—	1,924,833
Overseas sales per consolidated net sales	7.4%	33.5%	25.2%	66.0%
	Thousands of U.S. dollars			
Overseas sales	1,417,288	6,426,868	4,832,886	12,677,043
Consolidated net sales	—	—	—	19,211,829
Overseas sales per consolidated net sales	7.4%	33.5%	25.2%	66.0%

	North America	Asia	Other	Total
Year ended March 31, 2007	Millions of yen			
Overseas sales	175,379	456,408	336,506	968,294
Consolidated net sales	—	—	—	1,662,925
Overseas sales per consolidated net sales	10.5%	27.4%	20.2%	58.2%

Change in accounting term of overseas subsidiaries

As stated in Note 2, the Company has changed the accounting date of 8 consolidated subsidiaries in the ASEAN area to March 31 in the current consolidated fiscal year. As a result of this change, overseas sales in Asia and Other areas increased by ¥112,240 million ($1,120,275 thousands) and ¥20,989 million ($209,500 thousands).

Report of Independent Auditors

Report of Independent Auditors

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 31,2008, 2007 and 2006 and the related consolidated statements of operations, changes in net assets, 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, 2008, 2007 and 2006, 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.

Supplemental Information:

1) As described in Note2, the Company has changed the accounting date of 8 consolidated subsidiaries to March 31.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 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.

Ernst & Young ShinNihon

June 27, 2008