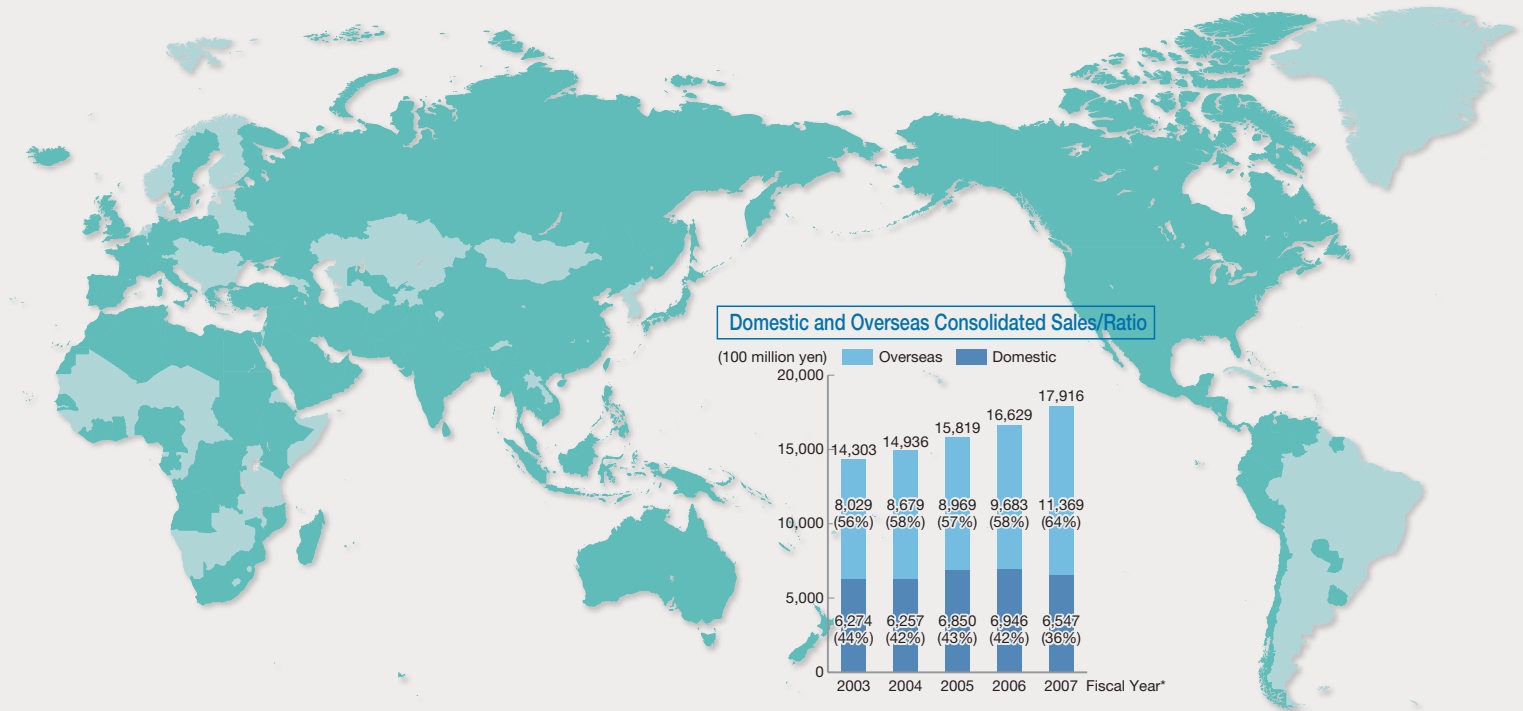


Isuzu Motors Limited Environmental & Social Report 2008



Isuzu vehicles and engines support people around the world where they are produced and sold.

Isuzu vehicle and engine markets in FY2007



*FY2007 totals do not reflect the effect of changes to the ASEAN accounting period

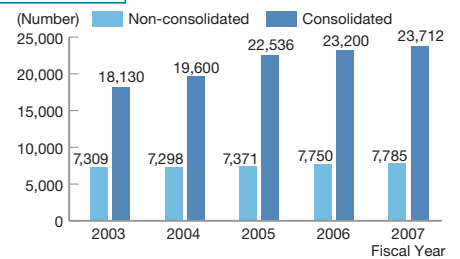
Products



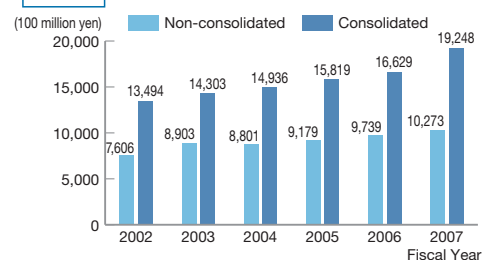
Corporate Facts (as of March 2008)

Company name: Isuzu Motors Limited
 Representatives: Yoshinori Ida, chairman and representative director; Susumu Hosoi, president and representative director
 Headquarters: 6-26-1 Minami-Oi, Shinagawa-ku, Tokyo 140-8722, Japan
 Established: April 9, 1937
 Capital: ¥40.6 billion
 Main business: Manufacture, sales, and service of motor vehicles, transport machinery and tools, engines, and related parts and materials
 Sales: Non-consolidated: ¥1,027.3 billion; Consolidated: ¥1,924.8 billion
 Ordinary profit: Non-consolidated: ¥43.5 billion; Consolidated: ¥122.3 billion
 Vehicle sales: Non-consolidated: 73,000 sold in Japan, 176,000 exported
 Consolidated: 74,000 sold in Japan, 435,000 exported
 Main products: Heavy-, medium-, and light-duty trucks, pickup trucks, utility vehicles, buses, and engines and other components
 Employees: Non-consolidated: 7,785; Consolidated: 23,712
 Offices and plants: Headquarters, Fujisawa Plant, and Tochigi Plant

Employees



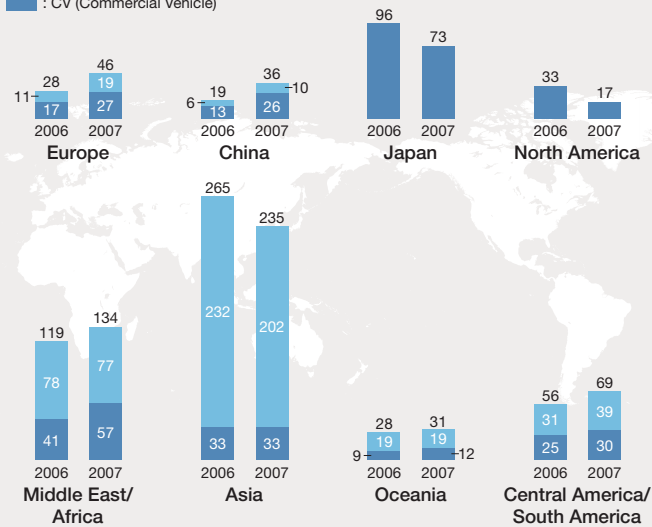
Sales



LCV and CV Shipment Trends, by Region

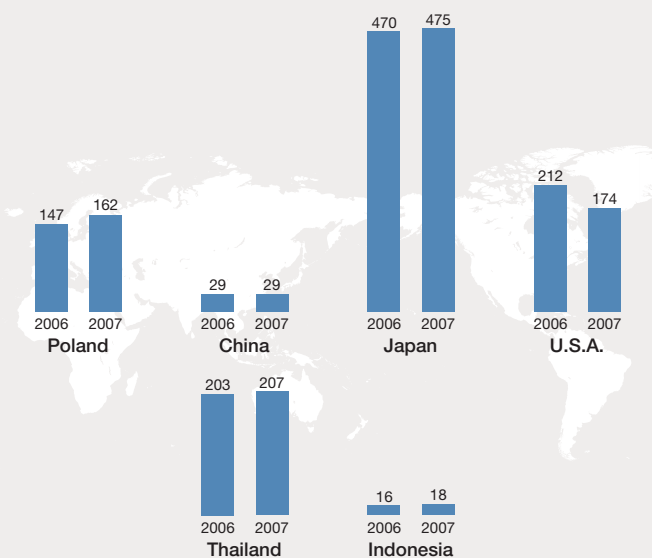
Finished vehicles (CVs and LCVs), kits, and others (unit: 1,000)

■ : LCV (Light Commercial Vehicle)
■ : CV (Commercial Vehicle)



Diesel Engine Production

Global production volume, by country: (unit: 1,000)



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■ Editorial Policy

This is our tenth annual environmental and social report, compiled to illustrate in a easy way to understand for a broad audience how Isuzu is working toward a sustainable society. We have taken the opportunity to revise the page layout of the environmental and social sections based on analysis results that represent what we and our stakeholders should consider key information. In preparing this report, we have referred to the Japanese Ministry of the Environment's Environmental Reporting Guidelines for 2007 and GRI's* Sustainability Reporting Guidelines for 2006. We invite you to submit any comments on the included questionnaire.

GRI: Global Reporting Initiative is an international organization that establishes globally applicable sustainability reporting guidelines, not only for environmental programs but also for social and economic activities.

■ Scope of Report

This report is focused on Isuzu's environmental activities but also introduces domestic and overseas group activities.

■ Period Covered

This report summarizes data from fiscal 2007 (April 1, 2007 to March 31, 2008) and includes some recent activities.

Knowing our responsibility as a leading fulfilling our mission

Isuzu will always mean the best

A year has passed quickly since my appointment as president of Isuzu. In retrospect, fiscal 2007 proved a year of dizzying social and economic change, including the U.S. economic slowdown (in the shadow of the subprime loan crisis) and surging crude oil prices. It was also a year when people everywhere voiced their concern about rapidly worsening environmental conditions from global warming.

Isuzu and other automakers around the world had already identified the environment as a top priority, but now more than ever, people seem to judge corporate value based on companies' ability to respond to global warming and a range of environmental issues. In these times, people also seem to be placing greater emphasis on products' economic performance. We can attribute this in part to higher crude oil prices. Indeed, this is a matter of survival for logistics companies and those who operate fleets of trucks. Isuzu and other truck manufacturers recognize that it represents a significant challenge.

In last year's report I promised that, backed by a wealth of experience and expertise, Isuzu will always mean the best. We have already taken on the challenge of increasing both environmental and economic performance, and we



have succeeded in combining these objectives at a high level. Yet both environmental responsiveness and technical expertise obviously take time to hone, and we have made significant investments. We have also reorganized to focus more closely on environmental needs. When people face tough times worldwide, it is exactly the right time to leverage all of Isuzu's tremendous potential and stand by our commitment—Isuzu will always mean the best.

Mission of a worldwide supplier

Isuzu is committed to achieving our corporate vision of becoming the global leading company in commercial vehicles and diesel engines. With 66% of our sales derived from overseas business in fiscal year ended March 2008, Isuzu products are now sold in more than a hundred countries around the world. This means that Isuzu trucks and diesel engines have a considerable environmental impact around the world, and the fact is that we bear some responsibility for the global environment.

Safety, fuel efficiency, and lower emissions are common performance requirements for trucks and diesel engines in the global arena, yet driving applications and conditions vary greatly from country to country. Solving the various problems in distribution and environmental conservation faced by many countries is therefore no easy task. But as a worldwide supplier, we believe it is a mission of ours to do our part, however modest, to help alleviate these problems through Isuzu products. Rejecting complacency, we are focused on supplying products that meet the needs of our customers and the international community.

Isuzu's Team Minus 6% activities

Isuzu also makes a difference through our employees, who volunteer in environmental conservation. One of these programs is "Isuzu Team Minus 6%." Here, we apply what we have learned from the government-led Team Minus 6% campaign. Cool Biz and Warm Biz (summer and winter dress codes) are now a tradition at Isuzu, helping reduce the energy required for cooling and heating our workplaces.

Employees are also actively involved in environmental conservation at home. To clarify Team Minus 6% practices, we distribute the latest edition of a pamphlet (Everyday Eco-Action) to all employees in June each year to promote relatively easy ecological habits. In fiscal 2007, an Everyday Eco-Action Database was created to compile data from company intranet users, and we calculated the monthly impact of these household habits in terms of CO₂ reduction.

company,

As a result, we determined that CO₂ emissions were reduced by 290,519 kg, thanks to the efforts of more than a thousand employees over the course of a year.

Even these limited contributions help build a sustainable society, and we intend to keep encouraging voluntary action by our employees.

We envision Isuzu as the global leading company in commercial vehicles and diesel engines, a goal we constantly pursue. To make our corporate vision a reality, we have been attempting to expand and reinforce our earnings base since our new three-year medium-term business plan took effect in April 2008. As we bear a greater corporate social responsibility, inevitably, we must make

a greater difference in the world through CSR activities. Remaining cognizant of what we are in a unique position to do, we will strive to make a broad and positive social contribution.



Susumu Hosoi
President and Representative Director
Isuzu Motors Limited

Corporate Vision

**Isuzu will always mean
the best**

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



Feature

What Isuzu Can Do Today

How Isuzu Takes on Climate Change (Global Warming)

- Offering innovative high-performance engines →P6
- Applying software to support fuel-efficient driving →P8

How Isuzu Works for Safety and Convenience in Society

- Refining and expanding safety technology →P9
- Developing public transportation →P10

How Isuzu Employees Contribute

- Meetings to envision Isuzu ten years from now →P11

Offering innovative high-performance engines

Moving ahead in development of environmentally friendly engines

Isuzu is pioneering commercial vehicle engines for a brighter future from three distinct approaches: diesel engines that efficiently convert energy to motive power; CNG engines powered by alternative fuel; and diesel hybrid engines combining diesel and hybrid technologies. Takashi Urata, senior executive officer and deputy division executive of the Engineering Division, describes CO₂ reduction to curb global warming and other efforts.

Constant advances in Isuzu engines

— Why is Isuzu developing three types of engines?

Urata: To enhance commercial vehicle engines, we have focused on improving exhaust efficiency and lowering CO₂ emissions. In other words, we are pursuing cleaner, greener engines. We have absolute confidence in Isuzu core competencies in diesel engines, and at the same time, our development reflects how seriously we take the issue of fossil fuel depletion. That is why we considered diesel as our base, CNG engine as alternative fuel solution, and develop fuel-efficient hybrid systems to combine with diesel engines.

— First, can you describe current diesel engine development at Isuzu?

Urata: Diesel engines have the advantage of being 20–30% more fuel-efficient than gas engines, with low CO₂ emissions. And because they offer high output and are exceptionally durable, they are widely used in trucks, buses, construction equipment, and so on. What can be improved is diesel emissions, which contain nitrogen oxides and particulate matter from combustion.

— How is Isuzu reducing NOx and PM in emissions and improving fuel efficiency?

Urata: Three approaches are involved. Combustion optimization technology supports precise control of combustion for cleaner exhaust. Exhaust after-treatment technology applies catalytic neutralization of exhaust hydrocarbons, as well as collection and burning of particulate matter before emission, by means of a DPD.* And electronic control technology enables a high level of control over these systems. At Isuzu, we call these three technologies I-CAS, or Isuzu Clean Air Solutions.

Next-generation diesel engines, environmentally sound and economical

— It is said that a revolutionary new Isuzu diesel engine was unveiled.

Urata: This is our D-CORE series of next-generation diesel engines. The series combines smaller displacement with supercharging, for both cleaner exhaust and lower CO₂

emissions.

— Explain smaller displacement and supercharging.

Urata: Smaller displacement reduces engine resistance, which, with a higher charging ratio, improves fuel efficiency. Drawbacks of smaller displacement are overcome with turbo supercharging. Now that we have developed powerful small-displacement engines, we have significantly lowered the displacement of engines in Isuzu trucks and reduced CO₂ emissions. Still, these engines rival traditional engines in terms of power. Drivers using trucks with these small-displacement engines will hardly notice the difference from traditional engines. In fact, people have said they appreciate how much quieter these engines are.

— Is this a quantum leap toward the ultimate engine?

Urata: Unlike gas engines, diesel engines enable us to control combustion. Integrate electronic control with the mechanical parts of the system (the software and hardware, so to speak), and revolutionary improvements in combustion are possible. We are improving both fuel efficiency and motive power, to offer engines that outperform gas engines and have superior technology.

*DPD: Diesel Particulate Diffuser, a form of exhaust after-treatment technology. Particulate matter collected by a ceramic filter is burned and continuously treated through filter regeneration. A combination of precise fuel injection (by an electronic common-rail system) and our original exhaust temperature control mechanism with an exhaust throttle enable efficient burning of PM, and the filter is regenerated.

Taking on the next challenge, foreseeing the next generation ①

Compressed natural gas engines

— In addition to diesel engines, Isuzu offers two other environmentally friendly engines. First, can you introduce us the CNG engines?

Urata: CNG engines use compressed natural gas as fuel. The advantage of natural gas is its low CO₂



Takashi Urata
Senior Executive Officer
Deputy Division Executive,
Engineering Division

and PM emissions, because natural gas has a different chemical composition than gas, diesel, or other fossil fuels.

— What aspect of this development was particularly difficult?

Urata: Because traditional technology for better fuel efficiency in diesel engines does not apply to CNG combustion, we introduced a new MPI* system as the fuel injection system. Fuel injectors are arranged at each engine cylinder, and by carefully controlling the fuel injection volume and timing, we have boosted combustion efficiency and significantly improved fuel efficiency.

— Isuzu has also met new CNG vehicle emission technology guidelines (new long-term standards).

Urata: Thanks to hardworking Isuzu employees. These are also certified as low-emission heavy-duty vehicles, and they boast the cleanest exhaust performance among practical low-pollution vehicles.

— CNG itself costs half as much as gas and 70–80% as much as diesel fuel, but what will really drive widespread adoption?

Urata: More CNG filling stations will be the key to popularizing this technology. There are currently 327 filling stations across Japan, which represents considerable progress, but we could not claim that CNG vehicles can freely travel anywhere, except in some large metropolitan areas.

— What kind of demand is expected?

Urata: These engines are quiet, with low levels of vibration, which is also a selling point. We consider city delivery trucks a viable application. We are promoting sales to convenience stores and courier services, who often deliver early in the morning or at night.

— How are prospects for overseas demand?

Urata: More than eight million CNG vehicles are already on the road worldwide. Several governments are expanding their CNG fleets as a matter of national policy, either to curb severe air pollution or for energy security. By taking the initiative in supplying Isuzu CNG vehicles with excellent exhaust performance to these areas, we can make a difference in environmental conservation.



*MPI: multipoint injection. Fuel injectors are arranged at each engine cylinder in a system that enables precise control over fuel injection volume and timing.

Taking on the next challenge, foreseeing the next generation ② Diesel hybrids

— Describe the other type of environmentally friendly engine, diesel hybrids.

Urata: Our advanced hybrid systems are built around next-generation D-CORE diesel engines, which we are very proud of.

— How do these hybrid vehicles work, basically?

Urata: Hybrids are highly efficient at recovering and storing kinetic energy lost when vehicles slow down, which provides an electric charge that is then reused. This enables long-lasting electric motor assistance during startup and acceleration, and drivers see benefits in energy efficiency.

— Energy originally produced by the diesel engine is essentially captured in a motor generator and reapplied to support vehicle movement.

Urata: Exactly. Isuzu hybrid systems employ a PTO-type parallel drive system with the motor and generator on an axle separate from the engine. In the event of system failure, they can run solely on the engine power, just like ordinary diesel trucks, which ensures the high level of reliability needed in commercial vehicles.

— Impressive. Would you like to mention any other highlights?

Urata: Where fuel efficiency is critical, hybrids are equipped with a special transmission that disengages the clutch automatically to recover energy that would have been lost from deceleration by the engine brake, as well as an idling stop-and-start system and other features as standard equipment. Exhaust and noise during idling are reduced, and fuel efficiency is improved.

— What are the likely applications for these vehicles?

Urata: Here, too, we see city delivery vehicles as a promising application.

— What would you like to see from Isuzu in the future?

Urata: People have proposed several candidates as next-generation automobiles, including clean diesel vehicles, natural gas vehicles, and hybrids, not to mention electric and fuel cell automobiles. Isuzu remains committed to engine development one step ahead of the times, while strengthening our ties with delivery and shipping businesses to ensure the welfare of the distribution sector.



Applying software to support fuel-efficient driving

Mimamori-kun driving system helps conserve fuel

More than 90% of distribution in Japan relies on deliveries by truck, and transportation companies are facing surging fuel costs. The annual fuel expense for a single heavy-duty truck traveling an average of 120,000 km a year can reach approximately 5 million yen. Yoshiyuki Miyatake, senior executive officer and division executive of the Sales Operations Support Division, promotes adoption of the Mimamori-kun driving management system as a way to ease the pressure on business from high fuel prices.

Skillful fuel-efficient driving makes a difference

— Higher fuel prices have put fuel-efficient driving in the spotlight again.

Miyatake: Fuel-efficient driving can save up to 20% in expenses over the course of a year. Calculated as 20% of about 5 million yen in annual truck fuel expenses, that is 1 million yen in cost reduction. How suddenly drivers start, brake, accelerate, and decelerate makes a difference. Skillful drivers avoid sudden starts and acceleration when possible, and they use techniques such as engine braking effectively.

— Mimamori-kun, developed by Isuzu, supports fuel-efficient driving. Can you explain how?

Miyatake: Formally called Mimamori-kun Online Service, this is an advanced driving information system that supports safety and fuel efficiency. Real-time monitoring of driving conditions is possible. Mimamori-kun integrates communication and digital tachograph functions, and it is the first of its kind in Japan that does not require a memory card. Eliminating the need for a memory card prevents potential card loss or damage, which would be costly. Even if drivers are far from their office, driving analysis is possible without requiring drivers to return.



Supporting eco-driving for all drivers

— What advice for fuel-efficient driving is available?

Miyatake: Various precise measurements are taken of movement involving the driver's hands and feet, which are linked to acceleration, braking, gear changes, and engine RPM. This enables accurate, individualized advice based on each driver's skill level. Sudden starts, unnecessary sudden acceleration, and other potential problems can be identified instantly, of course. By some estimates, Mimamori-kun can also save about 15–20% in fuel expenses. And there is a corresponding reduction in emissions—this is the equivalent of about 20 tons of CO₂ a year, in the case of a heavy-duty truck.

— Can you introduce some of the other services provided?

Miyatake: For one thing, communication functions are built in as a standard. Driving conditions and the current locations of

trucks can be monitored in real-time, and messages can be sent from the office to trucks in transit. Additionally, guidance can be provided to drivers on the spot, through graphics and audio information, to build eco-driving or safe driving skills. The system also serves a preventive role. Each Mimamori-kun unit puts the driver "on the radar" of their office, which can help prevent mechanical failure or accidents. By way of comparison, if the system were analyzing people instead of trucks, it could monitor a runner and recommend a physical exam if something seems suspicious.

— Under the Amended Energy Saving Law in Japan, companies must measure and report their CO₂ emissions. Can Mimamori-kun help?

Miyatake: With a Mimamori-kun, it is not difficult to submit the CO₂ emissions data. Data including driving records, fuel consumption, fuel efficiency, and transport volume (in ton-kilometers) can be easily extracted from the system. We trust that Mimamori-kun will continue to keep a watchful eye on drivers, as its name in Japanese implies.

Yoshiyuki Miyatake
Senior Executive Officer
Division Executive,
Sales Operations Support Division



COLUMN

Holding Seminars on Fuel-Efficient Driving

To popularize environmentally sound driving techniques, Isuzu has held seminars on fuel-efficient driving over the past 13 years, drawing more than 10,000 participants. Last year, some 200 workshops were held in Japan and overseas, and feedback has been positive. The fuel-efficient driving seminars have even been officially accepted as the curriculum of the Foundation for Promoting Personal Mobility and Ecological Transportation (certified by the Ministry of Land, Infrastructure, Transport and Tourism) for use in their eco-driving courses, as of April 2007. Students receive a certificate from both Isuzu and the foundation.

Enhancing and expanding safety technology

Applying safety technology to help eliminate truck accidents

Trucks or buses account for about 10% of all accidents. Accidents involving larger vehicles tend to be more serious, accounting for nearly 20% of fatal accidents. As a leading truck manufacturer, Isuzu also seeks to be an industry leader in truck safety. Here, we gain insight on Isuzu safety technology from Kengo Baba, executive officer and executive chief engineer, Heavy-Duty Truck & Bus.

Eliminating the kinds of accidents trucks are susceptible to

— People have the impression that truck accidents are disastrous.

Baba: According to nationwide traffic accident statistics, accidents involving large commercial vehicles are nearly 12 times as likely to be fatal than those with passenger vehicles.

— Isuzu safety technology was originally developed to protect drivers at the time of collision.

Baba: Years ago our priority was protection of drivers. Our safety technology can also be traced back to crash safety, an attempt to reduce driver injury from collision. Over the years, we have equipped vehicles with airbags, highly rigid cabs, collapsible steering wheels, and other features to protect drivers and passengers.

— When did people start considering the safety of other parties in accidents?

Baba: Probably after traffic accidents became a social problem and began affecting more people who are seen as particularly vulnerable, such as elderly people and children.

— This seems to have inspired the idea of preventative safety.

Baba: Preventative safety is the approach of anticipating danger and preventing accidents. One example is Isuzu's View Assist Technology (VAT), which supports drivers' vision. This system applies millimeter-wave radar, more accurate than laser beams. VAT extends vision in several ways: it warns drivers of the distance between vehicles; maintains a constant distance during adaptive cruise control; and monitors driving to detect erratic steering and help drivers concentrate.

— Trucks carry loads in many formats, but are they susceptible to some kinds of accidents in particular, which occur more often?

Baba: There is a risk that trucks with a high center of gravity speeding around curves may fail to navigate the curve and tip over. Additionally, semi-trailers may "jack-knife" if drivers turn too sharply. In this case, the trailer continues moving forward and slides across the road. For this reason, Giga heavy-duty trucks are equipped with Isuzu Electronic Stability Control (IESC), which stabilizes trucks by suppressing movement that may result in sliding sideways or tipping over. These systems integrate several safety technologies that were formerly used separately, and they are our attempt to eliminate the kinds of accidents trucks are susceptible to.

Future safety technology

— Everyone hopes we can eliminate accidents completely. But isn't this unrealistic or impossible to do?

Baba: Zero accident is also our worthy aspiration. To do it, we must make progress in preparing Isuzu vehicles against a variety of accidents. One example of technology we have been steadily developing is equipment to detect and prevent accidentally crossing over into another lane (over the center line, for instance), which may one day be used in automated driving applications. Additionally, I am confident that we may help prevent rear-end collisions around curves or in tunnels with information transmitted from road signs to vehicles, or with interactive vehicle-to-vehicle communication technology.

— It would be wonderful to have the kind of traffic safety we see in science fiction.

Baba: We may be surprisingly close to achieving a level of safety where drivers can simply remain seated in the driver's seat while being carried quickly to their destination on a freeway. We are making rapid progress in adaptive cruise control, which monitors and controls the distance between vehicles. Isuzu will also continue enhancing our safety technologies so that trucks can fulfill their mission of supporting distribution to ensure comfortable lifestyles for everyone.



Kengo Baba
Executive Officer
Executive Chief Engineer,
Heavy-Duty Truck & Bus



Working to popularize route buses designed for safety

Route buses fulfill a vital role in public transportation. Not only do they enable elderly riders to shop or visit hospitals and children to commute to school in sparsely populated areas, higher gas prices make them more popular in cities, where people commute to work or go shopping by bus. How can we ensure route buses continue serving in public transportation? Takeo Konno, executive officer and division executive of the Bus Business Division, shares his opinions.

Bus standardization gets underway

— We sometimes hear that bus operators are suffering because most people drive their own car.

Konno: Bus ridership has dropped to half its peak volume, from consumers using their own cars and from changes in the business environment for buses. Even higher fuel prices recently have worsened business conditions, and orders for new route buses are also at half the peak level.

— People must be struggling to stay in business. What strategies has Isuzu resorted to?

Konno: We have split off the manufacturing department of our bus business. Isuzu and Hino Motors have jointly launched a company named J-Bus, specializing in bus manufacturing. J-Bus currently operates two plants, and each founding company contributes their own manufacturing and supply expertise.

— Are any particular challenges unique to the bus business?

Konno: New buses are still much like custom-built homes—produced individually, as a rule. Each fleet operator has particular requirements in details such as doors, windows, poles, straps, seats, and floors, and specifications vary widely among operators.

— Standardizing equipment would be more economical. Has there been a movement toward standardization?

Konno: The Ministry of Land, Infrastructure, Transport and Tourism and others have proposed the Standard Specification Non-Step Bus Certification System. These models conform to the barrier-free transportation law, exhaust regulations, and other Japanese laws and regulations, so they are sold as a turnkey solution that meets standard specifications.

— Does standardization benefit riders by offering greater convenience?

Konno: Even new riders unfamiliar with buses are assured of convenience. That may be helpful for those of us who seldom ride and are often confused about where to pay the fare.

Expansion of the barrier-free transportation law and universal design

— Can you explain us the barrier-free transportation law?

Konno: This law was established for the convenience and

safety of elderly or disabled users of public transportation. Besides mandating lower floors on all buses, the law requires that some 18,000 buses (30% of the buses in Japan) be “non-step” buses for easier access by 2010.

— Can you describe the universal design?

Konno: The basic approach is to promote facilities that can be used easily and freely anywhere, by anyone. The Ministry of Land, Infrastructure, Transport and Tourism has established general principles about providing or improving physical or non-physical aspects of living environments and environments in transit. We strive to use interior layouts and color schemes that are easily recognizable to elderly or sight-impaired riders. In seats, poles, and aisles, as well as ceilings, paneling, floors, and signs by seating reserved for these riders, we use easily recognizable colors and pictograms.

Earning social recognition for the role of route buses

— Manufacturers and operators of route buses are working hard, but what can be done to establish the importance of the mobility these vehicles provide to society?

Konno: Because they are public buses used by many elderly passengers and children, onboard accidents from sudden braking or the like have been on the rise. Isuzu would like to study bus riding conditions more closely, and, in partnership with bus operators, act quickly to establish safety measures.

— Many companies are struggling under surging fuel prices. Can Isuzu support their business operations?

Konno: Mimamori-kun Online Service for trucks has won acclaim, and we formally deployed a version for buses in April 2008. This service makes a difference in fuel efficiency as well as safer driving. People are also talking about our next-generation D-CORE series diesel engines and the introduction of buses equipped with CNG engines. Isuzu will remain an ally of public transportation and continue to offer outstanding buses.



Takeo Konno
Executive Officer

Division Executive, Bus Business Division

Encouraging a change in employee awareness: Meetings to envision Isuzu ten years from now

Background

Isuzu has published environmental reports since 1999 and environmental and social reports since 2005. The 2008 edition thus marks a decade of publication. We took this opportunity to hold seminars on CSR and sustainability, asking participants to consider how Isuzu should be ten years from now.

At the seminars, younger employees selected from all departments heard talks by outside experts on a variety of issues facing Japan and the world in general. Discussions focused on our ideals as Isuzu employees, as well as what Isuzu should be like ten years from now.

Report from the First Seminar

Topics: Climate change and corporate risk

Speaker: **Takejiro Sueyoshi**
Special Advisor to the United Nations Environment Programme Finance Initiative



Here, the speaker discussed how in recent years the climate change crisis has not only changed the environment but also fundamentally altered how people feel businesses should operate, citing trends in the West and elsewhere.

The EU feels a particularly strong sense of urgency about global warming. In March 2007, the commission announced plans to reduce CO₂ emissions by 20% relative to 1990 levels during the period 2013–2020, after the commitment period of the Kyoto Protocol. Attaining this objective would require further efforts. The speaker discussed how investigations are underway both for targets in renewable natural energy usage in each country and for a system mandating the purchase of CO₂ credits by utility and chemical industries, among others. The commission is expected to enact laws regarding this CO₂ emissions trading in 2009.

Conditions have also changed significantly in the U.S., which had been viewed as behind the times in global warming measures. The Bush administration has recently announced plans to curb CO₂ emissions. Presidential candidates Obama and McCain are both intent on addressing global warming, and analysts expect the U.S. to establish a system limiting corporate CO₂ emissions soon. A “cap and trade” system is expected to be introduced as official recognition of this trading. What has set the scene for these trends is a change in public opinion on environmental conservation, as well as a shift among investors, who increasingly view climate change as a risk.

The speaker concluded by sharing his opinions. Here, he indicated the importance of a change in business models to a model in which corporations recognize CO₂ emissions as undesirable and attempt to use the CO₂ rights allocated to them as effectively as possible and take their time to market superior products.



Report from the Second Seminar

Topics: Human rights issues and the supply chain

Speaker: **Makoto Teranaka**
Secretary-General, Amnesty International Japan



This discussion focused on the fact that with increasing globalization of business activities at Isuzu and other companies, more complex supply chain management is closely linked with human rights issues.

Two examples were cited: human rights violations surrounding the Bhopal disaster more than 20 years ago at the plant of a global chemical company, and human rights violations and environmental destruction at oil production

sites in Nigeria. The speaker also pointed out how rare metals used in mobile phone handsets were linked to expanded fighting in Africa over mining of resources, an upstream process virtually impossible for manufacturers to grasp. Thought-provoking information was mentioned indicating that links may even exist, for example, between industrial diamonds used in plant production equipment and strife in the Congo. Currently, the activities of nearly all corporations are somehow tied to human rights issues, and companies must take steps to avoid associated risks.

The speaker emphasized that when considering CSR, corporations should see human rights as a central issue.

We gain a broader view of CSR from this opinion, when we consider issues of many kinds around the world as essentially human rights issues. Surely we can find new solutions, in this case.

At the same time, the speaker admitted that attempting to resolve each and every potential human rights issue throughout the entire supply chain beforehand would be unrealistic, and there is no need to demonstrate corporate stewardship this way. Instead, the speaker recommended admitting there are problems if they occur, thinking of improvements, clarifying what can and cannot be done, and responding in good faith.

Report from the Third Seminar

Topics: CSR efforts by each employee

Speaker: **Takashi Kiuchi**
Chairman, E-Square Incorporated



This speaker was disturbed to observe from personal experience that Japanese are often perceived overseas as a nation that does not respond to or dispute anything, and that many Japanese people tend to dissociate themselves from issues right in front of them. Being aware of issues involving us makes all the difference, and the speaker took this opportunity to present a variety of tips when treating CSR as a personal responsibility.

The speaker introduced a “100 questions” project that drew more than 60,000 questions from all around the world

via the Internet in response to a request from four young people. From these, he cited several questions on particular themes and invited seminar participants to think deeply, such as “Does humanity fail because of self-interest?” “Why is it easier to find a cold Coca-Cola than fresh drinking water?” and “Why do all of our time-saving inventions seem to increase our stress?”

Quoting from his own publications, he advised that what Japanese need today is to be satisfied with what they have, and to change when they notice mistaken conduct instead of stubbornly persisting. As a reason why no progress is made in solving various current problems, the speaker cited a lack of principles at work. He then presented 12 of his own principles, inspired by respect for nature.

The speaker concluded by addressing us as Isuzu employees and advising us to be kind in all regards to animals, plants, the natural environment, and people, and not to hesitate to promote economy, broadly conceived.

Post-Seminar Comments

Future Measures and Policies

Manager, Eco Planning Department **Yukio Hirano**

I invite all Isuzu stakeholders to join with us in considering what issues Isuzu will be facing in ten years. This idea forms the basis of holding these seminars to consider Isuzu a decade from now.

Our speakers this time presented a broad range of perspectives, with very valuable suggestions that we do not encounter in the course of our routine work.

The issues and commentary were thought-provoking and made quite an impact on us. As people first and company employees second, we were prompted by the seminars to

consider a perspective that is broad and global, far-sighted thinking, and the ability to act as leaders and see our plans through.

Discussions among the younger employees selected to represent these departments enabled us to put together proposals of all kinds regarding our vision of Isuzu in the future.

Looking ahead, we will be working to make this vision of the future a reality, building on the efforts of these employees and the participation of many others.

Corporate Governance

Isuzu Motors understands the importance of corporate governance, and as such we have created the organization necessary to ensure business soundness, compliance and transparency.

Basic Stance

Isuzu's basic stance on corporate governance is that earning a sustained profit on our business and enhancing our corporate value depend on establishing a corporate governance framework to monitor our business activities.

The principal aim of our corporate governance is to respect the viewpoints of all stakeholders and build good relationships with them. For that purpose, we are striving to ensure business fairness and transparency by providing timely and appropriate disclosure of critical information. Preparing the internal organization and environment is also an important part of corporate governance, especially for protecting shareholder rights and interests and securing equality among shareholders.

This also requires a functioning Board of Directors and Audit Committee, who together oversee business operations, as well as the practice of accountability to shareholders.

State of Corporate Governance Organization

To speed up managerial decision-making and business operations, Isuzu has set up a Management Committee that meets every other week as a rule to examine and make decisions on critical management concerns, in accordance with resolutions of the Board of Directors. In addition, we have introduced an executive officer system for properly supporting our directors' business operations. The Board of Directors receives a report on the state of

business operations at its monthly meetings, and also holds extraordinary meetings as needed to examine and make decisions on important business affairs.

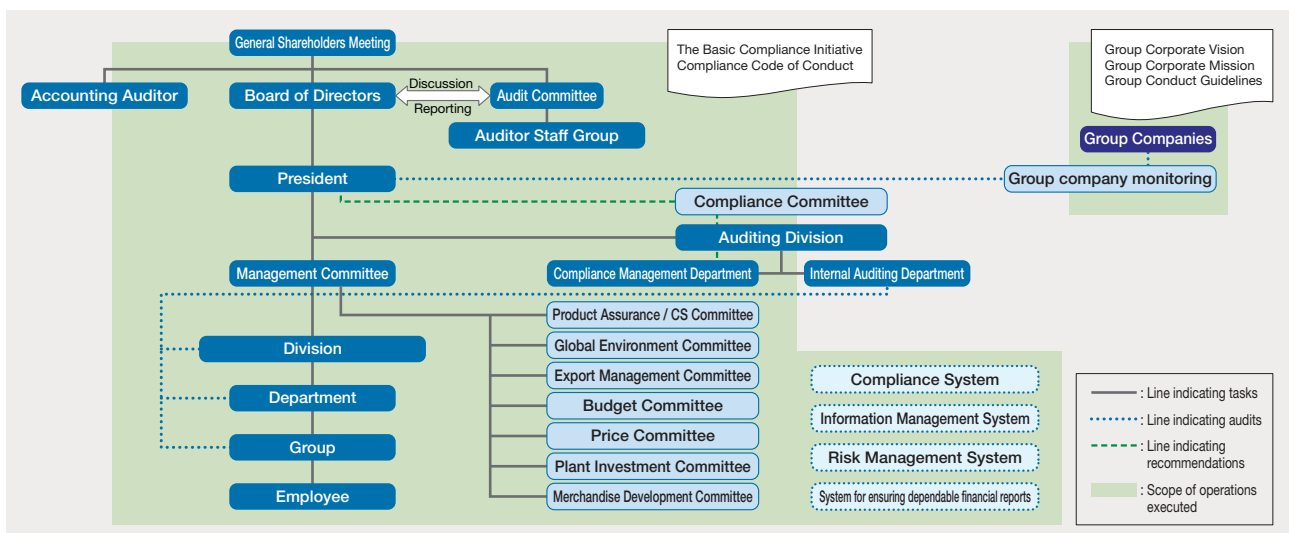
We have adopted an auditing system to monitor business management (five auditors, of which three are external). Auditors follow an auditing plan established by the Audit Committee and attend Board of Directors meetings and other important meetings. They additionally track business reports from the Board of Directors and others, review important decision documents, investigate the business and assets status of the head office and other key business sites, request business reports from affiliate companies when necessary, as well as conduct audits.

Other internal auditing functions include augmenting the staff of the Internal Auditing Department, and enhancing compliance with the law, reliability of financial reporting and effectiveness and efficiency of operations by conducting and supporting internal audits.

Risk Management

Isuzu strives for smooth corporate management, integrity and stability based on Risk Management Rules that provide a foundation for a comprehensive management system. This system understands risks to be any factor that inhibits the performance of corporate operations, as well as the danger of losses related to those operations. It then precisely identifies the status of those risks and implements any necessary actions against them.

Corporate Governance Organization



Compliance Initiatives

At Isuzu, compliance is of utmost importance for enhancing corporate value in keeping with our corporate vision. Thus, we have developed and continue to implement our Basic Compliance Initiative.

The Basic Compliance Initiative

Our corporate vision: Isuzu will always mean the best – A leader in transportation, commercial vehicles and diesel engines, supporting our customers and respecting the environment.

To ensure corporate value and continue fulfilling this vision, it is crucial to practice compliance but also to ensure that our executives and employees conduct themselves in accordance with the highest ethical standards, so that they may inspire trust from society.

Taking this as our highest management priority and seeking to spread it within and beyond our offices, we have stated our ideals in the form of a Basic Compliance Initiative.

Isuzu's top management assumes responsibility for leadership of this initiative. Should any violations occur, management is committed to resolving these issues and investigating their causes, in order to ensure that they do not recur. Management is also responsible for providing prompt and appropriate public disclosure and accountability.

1. Gaining Customers' Trust

We will gain our customers' trust by providing socially valuable products and services that enrich their lives.

2. Fair and Sound Activities

We will conduct business in the spirit of free and fair competition. Further, as private citizens committed to a healthy and fair relationship with host governments, we resolve to avoid contact with any anti-social groups or organizations.

3. Disclosure of Corporate Information

We will disclose corporate information to both shareholders and the public in a timely, appropriate and fair manner.

4. Respecting Employees

We will provide a safe, comfortable working environment, with respect for employees' individuality, so that they can make the most of their abilities.

5. Protecting the Environment

As global citizens, we will work to protect the environment through our business activities, while also actively promoting community and regional environmental protection.

6. Contributing to Society

As good corporate citizens, we will make a positive contribution to society.

7. Living in Harmony with the Global and Local Communities

We will respect the culture and customs of different countries and regions, and work to contribute to the development of these areas through our business activities

Compliance Activities

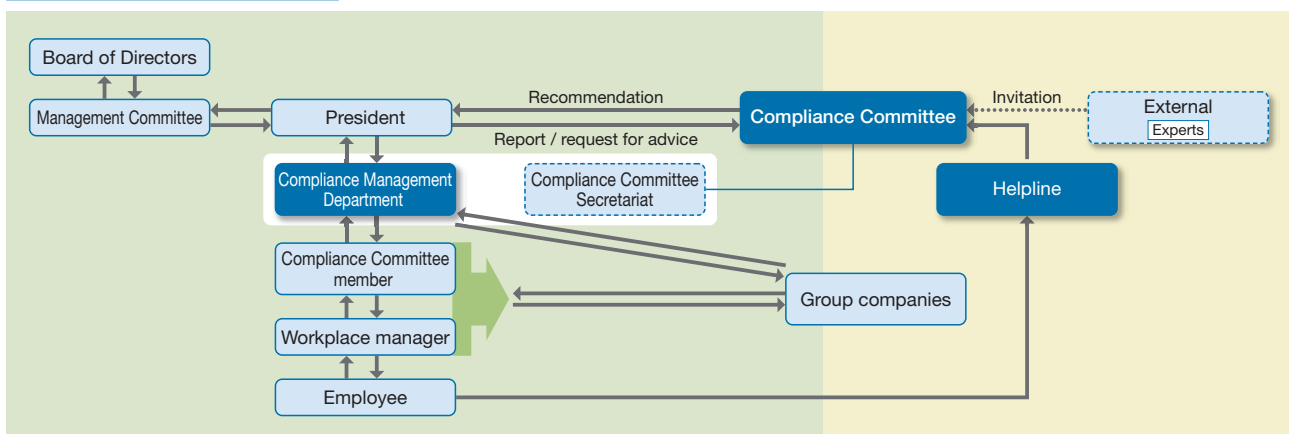
Within Isuzu, we have updated our Compliance Guidebook and Compliance Cards, distributing them to all employees and making sure they understand them.

We have additionally trained all management staff using a Compliance Conduct Manual that we have written.

Compliance training is given by e-learning, through the Isuzu intranet.

At Group companies, managers have received compliance training, and we have continuously endeavored to standardize our work procedures (for new vehicle registration, periodic automobile inspections, etc.) for sales companies in Japan.

Isuzu's Compliance Structure



The Isuzu Group: Working Together to Protect the Environment

Environmental protection is another way in which Isuzu can be a global leader by helping to halt global warming.

Consolidated Environmental Management

→P16

Environmental Policies in Business Activities

→P23

Climate Change Efforts

→P24

Reduction of Environmentally Hazardous Substances

→P28

Recycling Programs

→P30



The Isuzu Charter on the Global Environment (established in May 1992)

Policies in Coping with the Global Environment

1. We work to protect the environment throughout the life cycle of every vehicle, from production to usage and disposal.
2. We actively engage in community and regional environmental protection initiatives, not only as businesspeople but as citizens of the earth, so that our descendants can inherit an unspoiled world.

Action Directives

1. When manufacturing vehicles, we work to protect the environment by reducing energy consumption and vehicle emissions.
2. Throughout the development and production of vehicles, we work to reduce the exhaust, noise and so on that come from vehicle usage. In addition, we work to protect the environment by developing rational logistics systems.
3. Understanding that resources are finite, we design our vehicles to give customers many years of service, and to be easy to recycle when that service is over.

Consolidated Environmental Management

Led by our Global Environment Committee, Isuzu practices Consolidated Environmental Management to tackle global environmental issues Group-wide.

Consolidated Environmental Management

Recognizing the environment as one of our most important management concerns, the Isuzu Global Environment Committee, established in August 1990, is leading our environmental protection efforts in keeping with the Isuzu Charter on the Global Environment. Moreover, the environmental management system we have implemented is working continuously to reduce environmental impacts of our business activities and to strengthen Isuzu's environmental management. The Isuzu Group as a whole has shared the Isuzu Charter on the Global Environment since 2004, and works together to conduct Consolidated Environmental Management initiatives that are reducing environmental burdens.

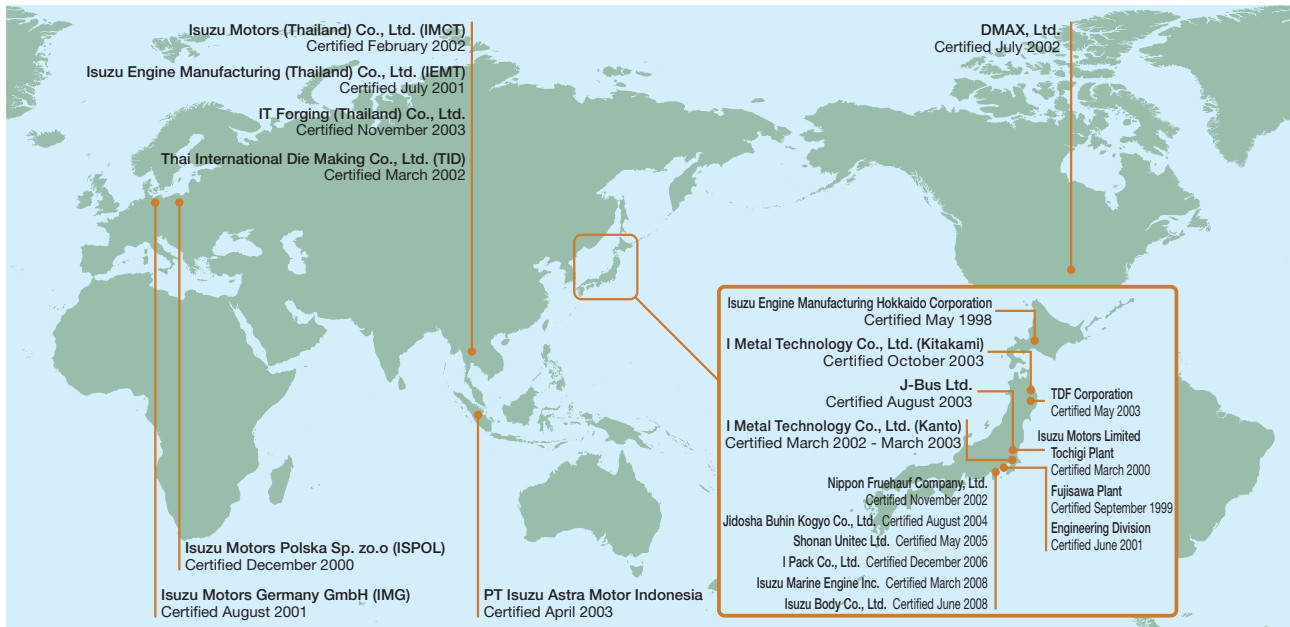
To expand the scope of Consolidated Environmental Management in Isuzu Group production plants, in Japan three new companies joined in 2007 for a total of 10 there, while outside Japan seven new companies joined in 2008 for a total of 13. All together, 23 companies are now in the

system, and all major Isuzu Group production companies belong as well. Group companies meet with each other in periodic plant environment meetings, during which they discuss progress on reaching Group targets (relating to global warming prevention, waste reduction and so on) and work to improve their environmental protection efforts.

Furthermore, our domestic sales companies began their own initiatives in April 2005 following Isuzu's original Environmental Measures Guidelines. By 2007, most of our 33 domestic dealers had become certified as Isuzu Eco Dealers, which is Step 1 of our program. At this time, they are endeavoring to build up their initiatives to meet Step 2 standards.

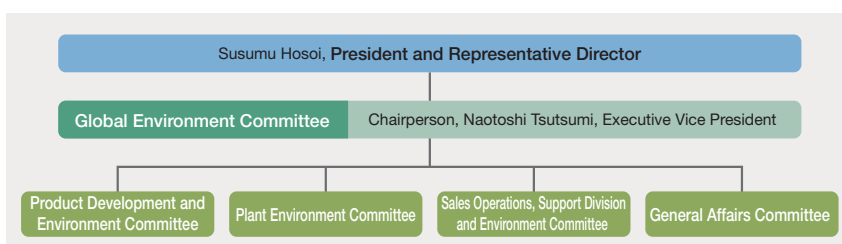
Isuzu's approach to the environment is a coordinated effort that includes manufacturing plants, product development, material and parts procurement functions and dealers. Hereafter, we will be advancing Consolidated Environmental Management in the office in addition to the plants.

ISO 14001-Certified Worksites



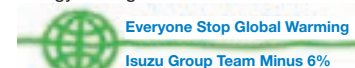
Global Environment Committee

The Global Environment Committee leads Isuzu's efforts for the environment.



Team Minus 6% Activities

Isuzu has engaged in Team Minus 6% activities since June 2005. Besides following Cool Biz (summer dress code) and Warm Biz (winter dress code) to save energy, employees also practice energy-saving skills in the home.



■ Isuzu Motors Initiatives

◆ Environmental Audits

Each year, Isuzu performs regular environmental audits to make sure that our environmental management system is operating properly and continually improving. During fiscal 2007, a third-party certifier conducted surveillance at both domestic plants (Fujisawa and Tochigi) and our product development division. There were three cases of minor non-conformity, which were immediately and properly corrected. We additionally undertook a periodic comprehensive review of our environmental assessments, and endeavored to further the skills of our ISO staff and internal auditors through periodic training sessions.

◆ Environmental Compliance

Since fiscal 2007, we have been making improvements in how we gather information about legal changes so that we can keep up with laws and regulations as they become more stringent. Instead of merely complying with national and local law, moreover, we have established even stricter voluntary standards and have evaluated our compliance with them, thus assuring that we surpass the legal requirements.

◆ Environmental Litigation and Product Recalls

Isuzu and other parties involved in litigation over Tokyo air pollution and the health impacts of auto exhaust reached a settlement among all the parties including our company on August 8, 2007 in the Tokyo High Court and Tokyo District Court. Isuzu faced no environment-related product recalls in fiscal 2007.

■ Environmental Accounting

◆ Fiscal 2007 Environmental Accounting

To ensure that we are efficiently and continually protecting the environment, Isuzu adds up its environmental protection costs and effects. The objective of this type of accounting is to provide a tool for making decisions on how to invest efficiently in environmental protection, and this information is additionally disclosed as a measure of our business.

• Environmental protection costs

In fiscal 2007, the total amount of investment in, and cost for, environmental protection came to ¥41.5 billion (14% more than the previous year). Major examples are shown in the table below.

• Environmental protection effects

Through research and development, we were able to improve product performance as shown on pp. 21-22 (Environmental Goals and Achievements). In our factories, we took measures to prevent pollution from the buildings themselves, and enhanced the efficiency of high-voltage substations.

Environmental protection costs

Target period: April 1, 2007 to March 31, 2008

(Unit: ¥1 million [fractions rounded to nearest million])

Classification of environmental protection costs		Amount of investment	Costs	Details of major activities
Business-area cost	Costs for pollution prevention	799	150	Removal of regulated substances from factory structures, removal of unused incinerators, etc.
	Costs for environmental protection	520	38	High-voltage substation efficiency improvements
	Costs for resource circulation	0	361	Waste processing costs, waste reduction costs
Upstream and downstream costs		0	759	Engine and transmission rebuilding costs Boiler and wastewater treatment facility operating and control costs
Management activity costs		138	237	Costs for internally addressing the Recycling Law, Costs related to ISO 14000 compliance
Research and development costs		5,545	32,887	R&D costs for mitigating product environmental burden Measures to comply with domestic and overseas emissions regulations (Post New Long-term, Euro V, US10), etc.
Social activity costs		0	61	Plant landscaping costs, costs of supporting environmental protection activities and sending a delegation to the South Pole
Environmental damage recovery costs		0	41	Surcharge on pollution impact, litigation costs
Total		7,002	34,533	

*Our accounting methods are based on Ministry of the Environment guidelines.

Effects of Environmental Protection

Effects of Cost Reductions

(Unit: ¥1 million)

Cost reductions through energy conservation	-89 (Increase)
Reduction in waste disposal costs	-21 (Increase)
Reduction in costs for tap water and water for industrial use	12
Increase	-98 (Increase)

Substance reduction effect

CO ₂ emissions	2,000 tons
Amount of landfill waste	8 tons
Water usage	60,000 m ³

Initiatives of Japanese Production Group

◆ Initiatives at Japanese Production Group Companies*

Isuzu and its domestic production group companies are working to reduce the environmental burden by making steady progress toward our goals for 2010.

One example is our "Iitokodori" initiative, in which Group companies take turns in sponsoring plant environmental meetings to introduce each company's environmental burden reduction efforts. In future, we will continue to challenge each other to new levels of performance.

◆ Data for Japanese Production Group Companies

Isuzu works closely with its 10 Japanese production group companies to advance environmental protection. These efforts address three major issues: preventing global warming, reducing waste and reducing environmentally harmful substances. Together, we have already met our fiscal 2010 targets for CO₂ emissions and waste sent to landfills.

1. Trends in CO₂ Emissions

(Unit: 1,000 tons)

Fiscal year	'04	'05	'06	'07	Target for 2008	Target for 2010	
Isuzu non-consolidated	207	190	186	184	184	220	
Consolidated (11 companies)	Emissions	409	401	403	413	(-)	(-)
	Unit (tons/¥100 million)	48.2	43.7	41.3	40.2	39.0	45.0*

*Target: Reduce units of emissions intensity 1%/year (by fiscal 2010, reduce by at least 6% vs fiscal 2004).

2. Trends in landfill disposal

(Unit: tons)

Fiscal year	'04	'05	'06	'07	Target for 2008	Target for 2010
Isuzu non-consolidated	157	65	13	9	8	24
Consolidated (for 10 Group businesses)	9,231	5,706	4,303	2,271	2,083	4,743
Consolidated (total, 11 companies)	9,388	5,771	4,316	2,280	2,091	4,767*

*Target: Reduce by at least 50% vs fiscal 2004.

3. Trends in emissions of PRTR substances

(Unit: 1,000 tons)

Fiscal year	'04	'05	'06	'07	Target for 2008	Target for 2010
Isuzu non-consolidated	113	142	139	137	125	100
Consolidated (for 10 Group businesses)	275	302	272	281	272	265
Consolidated (total, 11 companies)	388	444	411	418	397	365*

*Target: Reduce by at least 30% vs fiscal 2003.

*Domestic production group companies: Ten group businesses: Isuzu Engine Manufacturing Hokkaido Corporation; I Metal Technology Co., Ltd.; J-Bus Ltd.; Nippon Fruehauf Company, Ltd.; Jidosha Buhin Kogyo Co., Ltd.; Shonan Unitec Ltd.; I Pack Co., Ltd.; Isuzu Marine Engine Inc.; Isuzu Body Co., Ltd.; TDF Corporation.

Initiatives at a domestic Group company: J-Bus Ltd. Utsunomiya Plant

J-Bus Ltd. manufactures buses large and small at its plants in Utsunomiya, Tochigi Prefecture and Komatsu, Ishikawa Prefecture. The Utsunomiya Plant builds large and medium-size route buses while the Komatsu Plant mainly produces tourist buses.

Having earned ISO 14001 certification in August 2003, the Utsunomiya Plant has endeavored to make its factory eco-friendly and a good fit for the local community while building buses that benefit people. As such, it has reduced waste and CO₂ emissions by separating waste and improving production processes. Its campaign to reduce, reuse and recycle has been particularly successful at reducing material costs and spurring other environmental initiatives. The Utsunomiya Plant additionally takes a wide view of environmental impacts, including the indirect ones, by practicing green procurement, eco-friendly design and inventory control.

The plant further engages the community by taking an active part in non-profit organizations' activities (such as mowing grassy areas along rivers) and holding a summer festival enjoyed by many local residents each year. The Utsunomiya Plant is working to fully establish its environmental management system and enhance the PDCA cycle to make its operations even more eco-friendly.



Kanji Kusakari, Utsunomiya Plant Manager

I Metal Technology Co., Ltd. member wins Japan Foundry Society's Technology Award for developing eco-friendly casting technology

Kazunori Sato, Group Leader at the Technology Center of I Metal Technology Co., Ltd., accepted the Technology Award of the Japan Foundry Society in May 2008. The award recognized his greensand mold CO₂ emissions control technology with carbon neutral plant oil for making a significant contribution to the development and furthering of eco-friendly casting technology. The technology was acclaimed for using recycled plant oil in place of the usual coal powder and thereby greatly reducing greensand mold CO₂ emissions. This environmental technology is gaining notice from others, including other manufacturers who use casting processes and have been inquiring about it.



Award winner Kazunori Sato

Japanese Sales Company Efforts

◆Japanese Sales Company Activities

Isuzu's customer interface is its sales companies, who sell and equip vehicles and provide after-sale services. Their business activities give them close connections, not just to customers but also to the local communities they serve. Isuzu maintains a nationwide network of dealers and field offices and in April 2005, introduced its Environmental Measures Guidelines*¹ to focus on the environmental activities of dealers with their close relationships to the community. Activities are conducted at the field office level.

As of fiscal 2007, 282 field offices (96% of the total) had reached our Step 1 standards, earning certification as an Isuzu Silver Eco-Dealer*². This number is 10% greater than the total for fiscal 2006. Also during the year, 146 field offices (50% of the total) met our Step 2 standards to win certification as Gold Eco-Dealers.

During fiscal 2008, all field offices are undertaking environmental initiatives with the goal of earning the Gold Eco-Dealer designation.

*1 Isuzu Environmental Measures Guidelines: Isuzu's original guidelines setting environmental targets for dealers. The standards are divided into two stages; dealers proceed with activities starting with Step 1 and working up to Step 2.

*2 Isuzu Eco-Dealer Certification System: A system to certify field offices meeting minimum standards according to Isuzu Environmental Measures Guidelines. Dealers who achieve the Step 1 standard are certified as Silver Eco-Dealers and those who achieve Step 2 as Gold Eco-Dealers.

◆Training of Environmental Staff

We held ISO 14001 internal auditor training sessions to develop environmental staff at sales companies. A total of 23 trainees qualified as new internal environmental auditors. Training sessions are also planned in fiscal 2008 to continue developing environmental staff.



Internal auditor training

Overseas Production Group Efforts

◆Overseas Group Company Activities

Like the Japanese production group, overseas production group companies are actively engaging critical environmental issues, including global warming prevention, waste reduction and reduction of environmentally hazardous substances. Preventing global warming and reducing CO₂ are priority issues for the entire Group around the world.

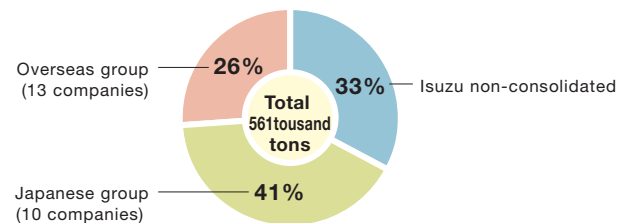
CO₂ reduction target

1% reduction per year per unit of production and 6% reduction in fiscal 2010 (from fiscal 2004 levels).

*Overseas consolidated group companies: Isuzu Motors (Thailand) Co., Ltd.; Isuzu Engine Manufacturing (Thailand) Co., Ltd.; IT Forging (Thailand) Co., Ltd.; Thai International Die Making Co., Ltd.; Isuzu Motors Polska Sp. zo.o; DMAX, Ltd.

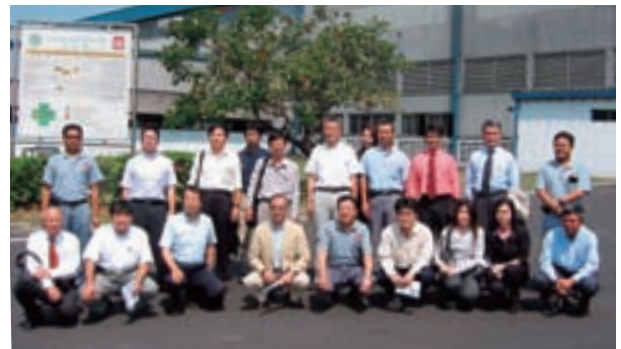
Seven additional companies: PT Isuzu Astra Motor Indonesia; P.T. Mesin Isuzu Indonesia; P. T. Asian Isuzu Casting Center; Isuzu Philippines Corporation; Isuzu Autoparts Manufacturing Corporation; Isuzu HICOM Malaysia Sdn. Bhd; Isuzu Vietnam Co., Ltd. (companies listed in random order)

CO₂ Emissions by Isuzu Group, Fiscal 2007



◆Third Overseas Production Group Global Plant Environmental Meeting

This meeting, held in Indonesia in June 2008, brought together 12 major production companies of the Isuzu Group from outside Japan. The agenda included discussions on energy conservation and waste reduction, while participants shared policies and targets for initiatives. Also held was an "Iitokodori" event, during which participants observed production processes and environmental facilities at three Indonesian plants.



Meeting participants (Indonesia)

■ Issues and Future Directions for Environmental Initiatives outside Japan/Isuzu Motors (Thailand) Co., Ltd.



Vice President
Yoshihisa Tatsumi

◆Issues and Directions for Environmental Initiatives outside Japan

Because each country in which we work has its own history, circumstances and legal regulations, our environmental activities outside Japan are not all the same. Automobile manufacturing, moreover, encompasses wide and varied operations, including casting, forging, machining and assembly of

powertrains, engines and vehicles.

Because of the nature of the industry, the issue for Isuzu is how to set global environmental initiative standards for our overseas bases that are the same everywhere and not region-specific. At the Group level, Isuzu practices “litokodori” initiatives to share with other members what each Group company is doing right. Such practices enable us to gather external information from each company and nation and thereby build up our standards. In addition, we are also paying close attention to the “sector-specific approach” advocated by the government of Japan.

◆Environmental Initiatives at Isuzu Motors (Thailand) Co., Ltd.

Isuzu Motors (Thailand) Co., Ltd. (IMCT) has been building vehicles for more than four decades. Currently, it produces the D-MAX one-ton pickup, the MU7 SUV, the ELF light-duty truck and the FORWARD medium-duty truck.

As a leader in Thailand’s automobile industry, IMCT was among the first to act for the environment, and each year it sets and addresses issues based on ISO 14001. Recently, the firm has taken on advanced themes such as reducing CO₂ emissions by generating solar electricity, and using natural gas in place of heavy oil.



IMCT's factory

■ Environmental Initiatives of Group Companies outside Japan/Isuzu Motors Polska Sp. zo.o (ISPOL)

Isuzu Motors Polska Sp. zo.o (ISPOL), founded in 1997, manufactures and sells 1.7-liter diesel engines for Opel as a joint venture with General Motors. ISPOL’s environmental policy is to “control and reduce environmental risks to society through the production and sale of diesel engines.” The company is making improvements in both its products and plants in order to protect the environment. On the product side, ISPOL is helping to prevent air pollution, reduce CO₂ emissions and head off global warming by offering diesel engines that meet strict emissions regulations. At ISPOL plants, management is finding ways to reduce energy and water consumption and emissions of waste. To do this, it is eliminating one of two transformers and reducing water use by rerouting boiler wastewater. The company is also striving to achieve zero emissions. By separating and recycling wastes, it hopes to eliminate waste sent to landfill by the end of fiscal 2008. ISPOL is committed to continuing its fight to protect the environment with both product and plant measures.



President Fumio Morinaga



ISPOL environmental protection initiatives staff



ISPOL's factory

Environmental targets and achievements

Below we report on Isuzu's environmental protection initiative targets and achievements for FY2007.

Manufacturing Environmentally Friendly Products

FY2007 Environmental Targets	FY2007 Achievements
Improvement in fuel efficiency to prevent global warming •Continuous development of products with improved fuel efficiency	Achieved the 2015 fuel efficiency standard for heavy-duty vehicles (part of lineup) •Implemented complete model change for medium-duty truck FORWARD (released in May 2007) •Heavy-duty truck GIGA GVV 20-ton class (released in October 2007) •Heavy-duty route bus ELGA (released in August 2007)
Cleaner emissions •Early launch of low-emission vehicles	Met new regulations on long-term automobile exhaust gas emissions (part of lineup earned low-emission heavy-duty vehicle certification) •Complete model change of minivan COMO (released in August 2007) •Light-duty truck ELF 100 (released in July 2007) •Complete model change of medium-duty truck FORWARD (released in May 2007) •Heavy-duty truck GIGA TRACTOR (released in June 2007) •Medium-duty route bus ELGA MIO (released in August 2007) •Heavy-duty route bus ELGA (model added in August 2008)
Reduction in vehicle external noise •Development of technology for vehicle external noise reduction and its deployment in vehicles	•Reduced idling noise of medium-duty truck FORWARD by 0.5 dB (4HK1 engine) and 1 dB (6HK1 engine) vs conventional models (released in May 2007)
Development and promotion of clean-energy vehicles Planning to achieve 2015 fuel efficiency standard for heavy-duty vehicles •Light-duty truck ELF HYBRID Planning to obtain certification for low-emission vehicles, based on new long-term emissions regulations •Light-duty truck ELF CNG car •Light-duty truck ELF HYBRID car •Medium-duty truck FORWARD CNG car •Medium-duty route bus ERGA MIO CNG car •Heavy-duty route bus ERGA CNG car	Obtained certification for low-emission vehicles, based on new long-term emissions regulations •Light-duty truck ELF HYBRID: achieved 2015 fuel efficiency standard for heavy-duty vehicles (August 2008) •Light-duty truck ELF CNG (July 2007) •Medium-duty truck FORWARD CNG (September 2007) •Medium-duty route bus ELGA MIO CNG (November 2007) •Heavy-duty bus ELGA CNG (November 2007)
Promoting recycling •To achieve compliance with the standards required by automobile recycling law •To enhance free-of-charge end-of-life vehicle recovery system in the EU •To expand the use of recycled materials	•Complied with FY2007 automobile recycling law: Achieved a 70.8% ASR recycling rate (the standard requires 30% or more) and a 94.3% air bag recycling rate (the standard requires 85% or more) •Advanced building of system for end-of-life vehicle recovery in the EU •The Eco Mark-certified resin "console box" made with recycled material rolled out to light-duty truck ELF and medium-duty truck FORWARD (November 2007 and May 2007, respectively).
Reduction in environmentally hazardous substances •Reduction in the usage of lead, mercury, cadmium and hexavalent chromium •Lead (2006 -) Less than 1/10 the level of 1996 (for large commercial vehicles, less than 1/4) •Mercury and cadmium are prohibited from use (since January 2005 and January 2007, respectively)	•Achieved a reduction in the use of lead to 1/10 or less of the 1996 level (ELF) and 1/4 or less for heavy-duty commercial vehicles •With a few exceptions, eliminated mercury (a minute amount is used in the discharger headlights and the liquid crystal displays of navigation systems, etc.) •Cadmium has been totally eliminated •Hexavalent chromium: Have completed responding to EU regulations; eliminated in ELF
Reduction in air conditioner refrigerant •We have already achieved leading reductions in refrigerants for current cooling systems, and will maintain our lead in the current year	•Met targets for reducing refrigerant usage, maintaining current usage level
Reduction of VOCs in vehicle cabins •Development of low-VOC vehicles	•Medium-duty truck FORWARD (released in May 2007) complied with the guidelines of the Ministry of Health, Labor and Welfare •Heavy-duty route bus ERGA (released in February 2007) complied with the guidelines of the Ministry of Health, Labor and Welfare in combined use with ventilation fans

Building Environmentally Friendly Plants

FY2007 Environmental Targets	FY2007 Achievements
Prevention of global warming by reduction in CO₂ emissions •CO ₂ emissions: 183,900 tons or less •Improvement in energy efficiency by reduction in energy consumption by 1% or more per unit per year	•CO ₂ emissions: 183,598 tons (1.2% reduction from previous year), target met •Basic unit for energy: Reduction of 2.2%, target met
Reduction in waste •Landfill waste: One ton or less per plant per month (24 tons or less per year)	•8.1 tons/year (including incineration ash) •1 ton per month per factory (including incineration ash) (24 tons or less per year), target met
Control and reduction of environmentally hazardous substances •Reduction in VOC emissions in the painting process to 20.7 g/m ² or less	•VOC emissions in the painting process: 19.9 g/m ² , target met
Logistics •Determination of amount of energy used per transportation ton-kilo in conformity with Revised Energy Conservation Law •1% reduction in energy usage (vs FY2006)	•Reported energy usage per transportation ton-kilo to regulatory authorities as a designated consignor •Target achieved by reducing energy usage by 2.9% (vs FY2006)

Environmental Management

FY2007 Environmental Targets	FY2007 Achievements
Environmental management •Expansion of scope of domestic Group manufacturers subject to consolidated environmental initiatives (added three companies) •Promotion of the consolidation of environmental efforts by dealers and advancing to the next step	•Manufacturing sites: Expanded scope of consolidated environmental initiatives (added three domestic manufacturers). All domestic and overseas manufacturing sites subject to consolidated environmental initiatives were certified with ISO 14001 and renewals continued. Dealers: 282 of the sites achieved Step 1 of the guidelines (95.6% certification rate); 146 sites certified as Gold Eco-Dealers (Step 2) (49.5% certification rate) as of February 2008
Promoting green procurement •To promote green procurement of materials and parts •To promote ISO 14001 certification at suppliers (certification rate: 84.2% or higher)	•Continued sponsoring of explanatory meetings on procurement guidelines (encouraging introduction of an environmental management system, encouraging adoption of green procurement, request to ensure firm establishment of IMDS) •Percentage obtaining certification: 81.6% (an improvement of 2.7% over the previous year, but FY2007 target not met)

Social Report

FY2007 Environmental Targets	FY2007 Achievements
Promotion of social contribution activities and environmental communication •Publication of environmental and social report •Participation in events and exhibitions •To promote activities for social contribution •Other	•Publication of Environmental & Social Report 2007 in Japanese in September 2007. English version published in December. •Participated in events such as Eco-Products 2007, Eco Car World and the Fujisawa Environmental Fair •Provided educational support in Vietnam and Indonesia (school building, training programs, teacher development, etc.) •Dispatched engineer to National Antarctic research expedition for technological cooperation •Clean-up activities in areas around our plant •Dispatched environmental education instructors •Implemented various events and public relations activities, including fuel-saving seminars and driving-safety classes, by coordinating efforts with domestic and overseas dealers •Isuzu's fuel-efficient driving seminar was designated as an eco-friendly driver-training curriculum in April 2007 by the Foundation for Promoting Personal Mobility and Ecological Transportation.

Self-evaluation	FY2008 Targets	Mid- and Long-term Targets	Related pages
○	<ul style="list-style-type: none"> •Early launch of vehicles meeting domestic fuel standards for heavy-duty vehicles •Continuous development of fuel efficiency technology 	<ul style="list-style-type: none"> •Meeting fuel efficiency/CO₂ regulations in different countries and regions •Development of leading fuel efficiency enhancement technology (top-level fuel efficiency) 	P23, P25
○	<ul style="list-style-type: none"> •Early market launch of low-emission vehicles 	<ul style="list-style-type: none"> •Development of next-generation after-treatment devices 	P23, P25
○	<ul style="list-style-type: none"> •Development of low-noise technology and deployment in products 	<ul style="list-style-type: none"> •Development of low-noise diesel-powered vehicles 	P28
○	<ul style="list-style-type: none"> •Research and development of alternative-fuel and electric vehicles with superior environmental performance 	<ul style="list-style-type: none"> •Research and development of alternative-fuel and electric vehicles with superior environmental performance 	P25
○	<ul style="list-style-type: none"> •Respond to domestic automobile recycling law •Smooth operation of free-of-charge end-of-life vehicle collection system in the EU •Expand usage of recycled materials •Development of new components 	<ul style="list-style-type: none"> •Achievement of an effective 95% or more recycling rate of used vehicles by 2015 	P30-31
○	<ul style="list-style-type: none"> •Faithfully prohibit use of heavy metals (lead, mercury, cadmium, hexavalent chromium) (except certain applications) •Expand scope of control over environmentally hazardous substances 	<ul style="list-style-type: none"> •Further control and reduction of environmentally hazardous substances 	P28-29
○	<ul style="list-style-type: none"> •Maintain low level of refrigerants for current cooling systems 	<ul style="list-style-type: none"> •Switchover to fluorocarbon-free air conditioners 	P28
○	<ul style="list-style-type: none"> •Develop low-VOC vehicles 	<ul style="list-style-type: none"> •Increase in the number of low-VOC vehicles 	P28-29

Self-evaluation	FY2008 Targets	Mid- and Long-term Targets	Related pages
○	<ul style="list-style-type: none"> •CO₂ emissions: 181,800 tons or less •Basic unit for energy: Reduce by 1% or more per year 	<ul style="list-style-type: none"> •CO₂ emissions reduction targets Isuzu Motors Ltd.: Reduction by 50% or more from the FY1990 level by FY2010 Isuzu domestic group companies: Reduction by 6% per unit from the FY2004 level by FY2010 •Formulation of a medium-/long-term plan for global CO₂ reduction 	P18, P26
○	<ul style="list-style-type: none"> •Landfill waste (only Isuzu Motors Ltd.): 12 tons or less/year (Tochigi Plant: 6 tons or less/year, Fujisawa Plant: 6 tons or less/year) 	<ul style="list-style-type: none"> •Landfill waste (only Isuzu Motors Ltd.): To maintain one ton or less per plant per month and 24 tons or less per year by FY2010 •Landfill waste (domestic group companies): Decrease by 50% from the FY2004 level by FY2010 	P18, P32
○	<ul style="list-style-type: none"> •VOC emissions in the painting process: 20.7 g/m² or less 	<ul style="list-style-type: none"> •VOC emissions in the painting process: 19.2 g/m² or less by FY2010 •Reduction in PRTR substances emissions Domestic group companies: Decrease by 30% from the FY2003 level by FY2010 	P18, P29
○	<ul style="list-style-type: none"> •1% or greater reduction in energy usage (vs FY2007) 	<ul style="list-style-type: none"> •6% or greater reduction in energy usage (for the four-year period 2006 - 2010) 	P27

Self-evaluation	FY2008 Targets	Mid- and Long-term Targets	Related pages
○	<ul style="list-style-type: none"> •To expand scope of companies subject to environmental initiatives (seven Group manufacturers outside Japan) •Promotion of environmental efforts by dealers and advancing to the next step 	<ul style="list-style-type: none"> •To promote Isuzu Group's consolidated environmental management •To achieve the Group's long-term goals 	P16-20
△	<ul style="list-style-type: none"> •Use of IMDS and promoting reduction of regulated substances •To implement the environmental management system in more suppliers (percentage obtaining ISO 14001 certification: 88.3% or more) 	<ul style="list-style-type: none"> •To promote a reduction in the use of environmentally hazardous substances •To implement the environmental management system in more suppliers 	P39

Self-evaluation	FY2008 Targets	Mid- and Long-term Targets	Related pages
○	<ul style="list-style-type: none"> •To publish Environmental and Social Report •To participate in events and exhibitions •To actively promote social contribution activities 	<ul style="list-style-type: none"> •To promote social contribution activities and environmental communication 	P8, P35 P37-38

The "○" mark represents achievement of the target based on self-evaluation. The "△" mark represents the need for continued efforts in FY2008.

Environmental Policies in Business Activities

Isuzu has established clear environmental policies in the Isuzu Charter on the Global Environment and promotes these policies on a group-wide basis.

Manufacturing Environmentally Friendly Products

◆Fundamental Development Concept: SEE Technologies

Pursuit of people's trust underlies product development at Isuzu. As a matter of principle, the vehicles we manufacture must be worthy of the trust of all customers and stakeholders.

This philosophy guides us in perfecting technology applied for Safety, Economy, and the Environment, which form the acronym SEE and represent our fundamental development concepts.

In this way, our development philosophy and basic approach inspire us to develop technologies and create new value for society that combines lower environmental impact with greater safety and economy.

ISUZU Pursuit of peoples trust

Protecting people and cargo **Safety Technology** Economically beneficial **Economic Technology** Eco-friendly, user-friendly **Environmental Technology**



◆Eight Major Tasks

We have identified the following eight priority tasks in engineering environmentally friendly vehicles to develop technologies that minimize environmental impact throughout vehicle life cycles.

- Preventing global warming
 - Using limited resources efficiently
 - Preventing air pollution
 - Quieter environments where vehicles are used
 - Safer environments where vehicles are used
 - Comfortable vehicle cabins
-
- ① Improve fuel efficiency and reduce CO₂ emissions
 - ② Strive for cleaner vehicle exhaust
 - ③ Develop clean-energy vehicles
 - ④ Reduce vehicle noise
 - ⑤ Reduce environmentally hazardous substances
 - ⑥ Improve recyclability
 - ⑦ Use low-GWP refrigerants*
 - ⑧ Reduce VOCs in vehicle cabins

*Use of low-GWP refrigerants: Although HFC134a refrigerant is used as a substitute for ozone-depleting CFCs, it has significant global warming potential (GWP). Isuzu therefore seeks to reduce usage by 20% relative to 1995 levels. Having already reduced usage by an average of 44% per vehicle, we have also introduced systems with less leakage. We are currently promoting development of air conditioners using low-GWP refrigerants.

Building Environmentally Friendly Plants

Vehicle production has a broad environmental impact, affecting both local communities and the global environment. Under a policy of thinking globally and acting locally, therefore, the Plant Environmental Committee leads four key efforts to establish ideal production sites.

Working with group companies at home and abroad, we also ensure that plants are receptive to our local communities.

For Environmentally Friendly Plants, Receptive to Our Communities

- Preventing global warming, lowering CO₂ emissions
- Promoting recycling-oriented society, reducing waste
- Society with no pollution, reducing environmentally hazardous substances
- Taking initiative in environmental management, complying with environmental regulations

Climate Change Efforts

Taking on climate change, Isuzu conducts vehicle life-cycle assessment, applying measured and simulated data to understand the environmental impact of vehicles, from materials procurement to disposal and recycling.

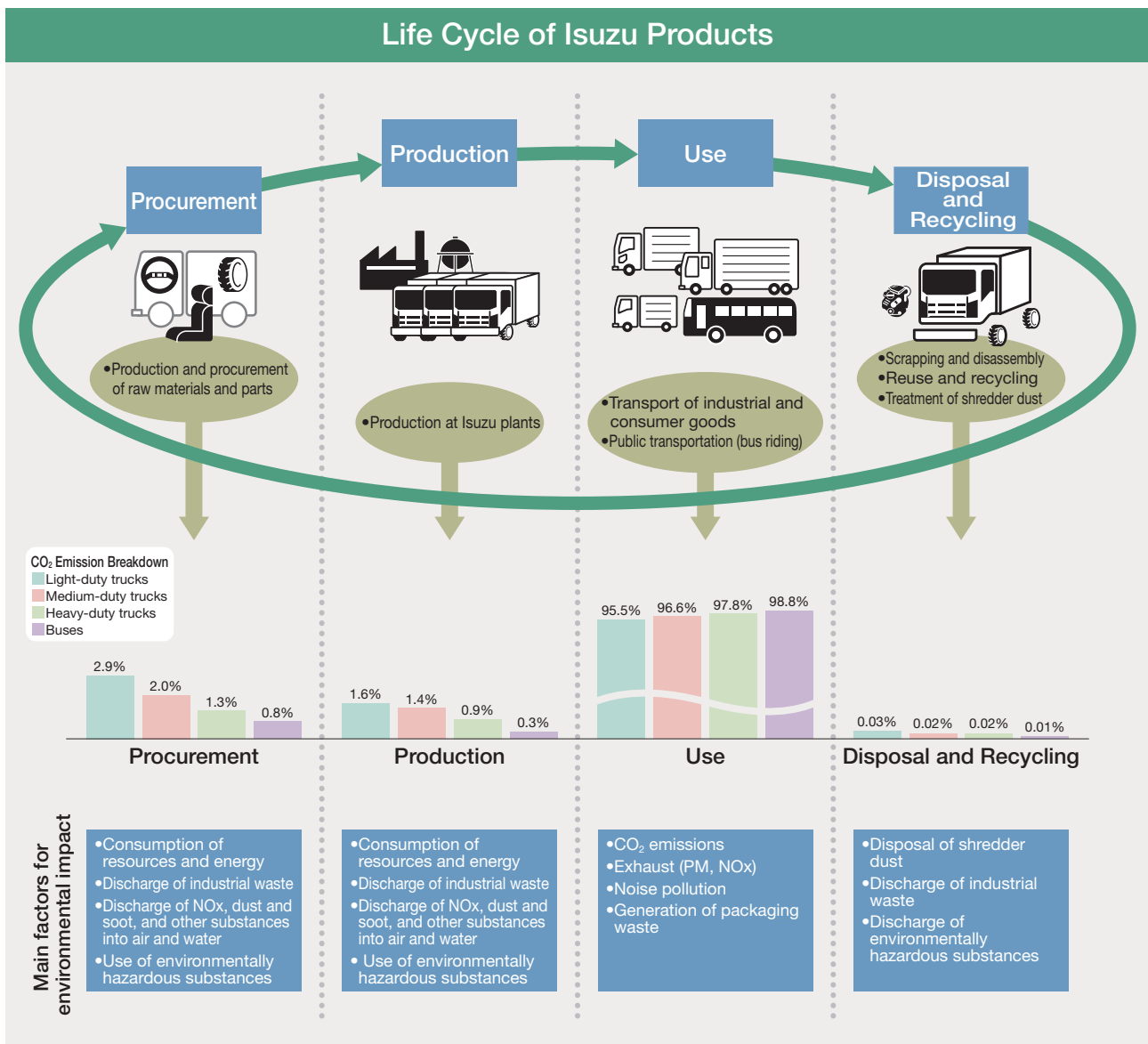
Overview of Isuzu Climate Change Efforts

To reduce the environmental impact of vehicles, Isuzu is fully committed to lowering emissions of CO₂ and other environmentally hazardous substances over the course of vehicle life cycles. Studying life-cycle assessment (LCA) methods has helped us identify key issues. The environmental impact throughout a vehicle life cycle mainly occurs in use. Primarily, CO₂ and exhaust emissions such as PM, NOx, and HCs impose a burden on the environment.

For this reason, Isuzu works diligently to apply measured data and simulations to improve fuel efficiency (which has the effect of lowering CO₂ emissions) and reduce exhaust (see pages 6–8). Meanwhile, we facilitate recycling by applying DFE* principles to design vehicles that are easier to disassemble and sort into reusable materials.

*DFE: Design For the Environment

Isuzu Product Life Cycle and CO₂ Emissions



Climate Change Efforts on the Product Level

Isuzu works to support the following measures in the “List of Measures and Policies Concerning Energy-originated Carbon Dioxide” in the Kyoto Protocol Target Achievement Plan.

- Promote use of public transportation: Isuzu provides buses that support barrier-free use, expanded services, and higher levels of quality
- Promote use of environmentally friendly vehicles: Aggressive expansion of “idling stop” vehicles and Mimamori-kun Online Service
- More efficient transport by truck: Isuzu provides larger vehicles and vehicles ready for trailers
- Improve automobile fuel efficiency through the Top Runner Standard: Expanded line of vehicles meeting fuel efficiency standards for heavy-duty vehicles
- Promote popularization of clean-energy vehicles: Isuzu provides CNG and hybrid vehicles

Meeting FY2015 Fuel Efficiency Standards

Curbing global warming through lower CO₂ emissions (by conserving fuel) is mandated by the Japanese government. The category of transport vehicles is now covered by Japanese energy conservation laws, resulting in the world’s first fuel efficiency standards for diesel heavy-duty vehicles. This requires automakers to ensure that, as simulated, the weighted average fuel consumption of diesel heavy-duty vehicles in respective categories shipped to the Japanese market meets target standard values in every fiscal year from 2015.

Isuzu has met these standards while also meeting new long-term emissions regulations by equipping trucks with D-CORE engines and “Smoother” transmissions, and through other advances. ELF light-duty trucks,^{*1} FORWARD medium-duty trucks,^{*2} GIGA heavy-duty trucks,^{*3} and ERGA heavy-duty route buses^{*4} already meet FY2015 fuel efficiency standards.

*1: 2-ton load (excluding some 4-wheel-drive models)

*2: Vehicles with a GVW of 8 tons, equipped with a 4HK1-TC engine (excluding low-floor 4-wheel-drive models), and those with a GVW of 11 tons (excluding low-floor 4-wheel-drive models)

*3: Vehicles with a GVW of 20 tons, equipped with +6UZ1-TCS+MT, and those with a GVW of more than 20 tons equipped with +6UZ1-TCS and Smoother G

*4: MT vehicles with a GVW of more than 14 tons



ELF and 4JJ1 engine



GIGA and 6UZ1 engine



FORWARD and 4HK1 engine



ERGA and 6HK1 engine

Climate Change Efforts at Plants

As a target to meet by fiscal 2010, the manufacturing division at Isuzu will halve CO₂ emissions relative to FY1990 levels. Last fiscal year, CO₂ emissions totaled 184,000 tons, representing a reduction of 2.1% per unit of production over the previous year, which enabled us to meet our reduction plans and targets.

One significant initiative at plants was replacing oil-burning unit heaters with far-infrared heaters powered by natural gas. About 100 heaters were installed, equivalent to an annual CO₂ reduction of approximately 1,200 tons. Additionally, we have introduced cogeneration and highly efficient multi-can boilers, besides equipping accumulators (pressure reservoirs) with general-purpose hydraulic units. Patrols by our Energy Conservation Committee help save energy, as do the eco-stop and idling-stop practices we promote. Painting booth relocation and consolidation has also proven effective.

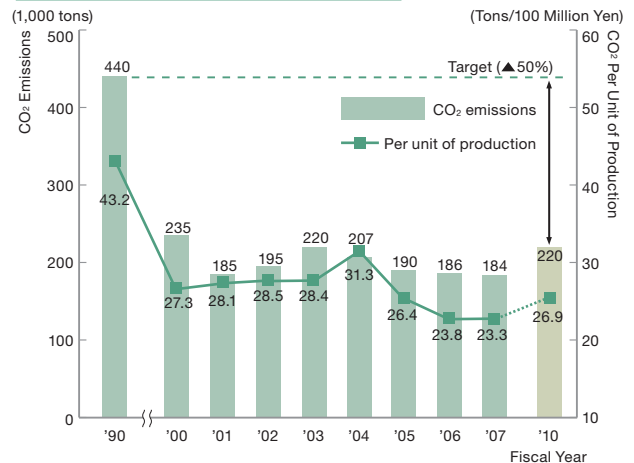
We will continue to study fuel switching and adoption of natural gas (at the Tochigi plant), process-specific approaches, and energy that supports natural recycling mechanisms as we plan renewed efforts by the Energy Conservation Committee and other initiatives.

◆Eco-Stop and Idling-Stop Activities

We practice energy conservation for even modest gains in

efficiency in machining lines with many items of equipment. Systems we have deployed supply power only when needed, to machines or groups of equipment classified by their particular characteristics. An example of efficient equipment operation and management is our “eco-stop” and “idling-stop” systems. The former simultaneously turns off multiple machines after production, and the latter automatically turns off unattended machines when no parts are supplied and automatically restores power when parts arrive.

CO₂ Emissions Record and Trends



Tochigi Plant: Energy-Switching Plan and Conversion to Natural Gas

Production at the Tochigi plant is focused on engines for light- to heavy-duty commercial vehicles, as well as on axle parts. Located in a natural setting, the plant also borders a residential area, and environmental conservation is a top priority.

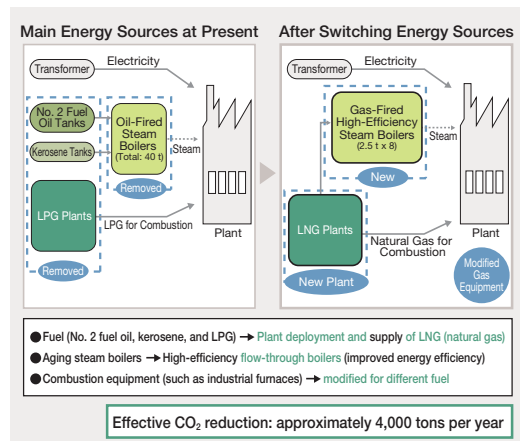
To reduce CO₂ emissions, the Tochigi plant is gearing up to switch to natural gas for power.* We are phasing out fossil fuels (number 2 fuel oil, kerosene, and liquefied petroleum gas (LPG)) in favor of natural gas (specifically, LNG) with lower CO₂ emissions. Switching to high-efficiency boilers in steam equipment is another initiative of ours. Combined, these changes will reduce annual CO₂ emissions by approximately 4,000 tons.

Looking ahead, we will remain committed to establishing plants that are environmentally sound and uphold efficient production practices, knowing that energy and materials are limited resources, while ensuring plant operations respect our local communities.



Tsuneo Abe, manager of the Tochigi Plant

*Construction will begin in fiscal 2008 and end in fiscal 2009. For a series of projects, we will enlist the services of a specialized energy services company (ESCO).



Climate Change Efforts in Distribution

Environmentally Sound Approaches in Distribution

Isuzu reviews freight shipping methods to improve transport efficiency and reduce energy consumption. Additionally, we promote widespread adoption of eco-friendly Mimamori-kun services (see page 8 for details) and CNG vehicles as part of our commitment to environmental conservation.

Reduction Targets in Energy Consumption

- (1) By FY2010: Reduce energy consumption by 6% or more over FY2006
- (2) FY2007–2008 target for energy-saving activities: Reduce consumption by 1% or more over the previous year

Meeting Our Reduction Targets

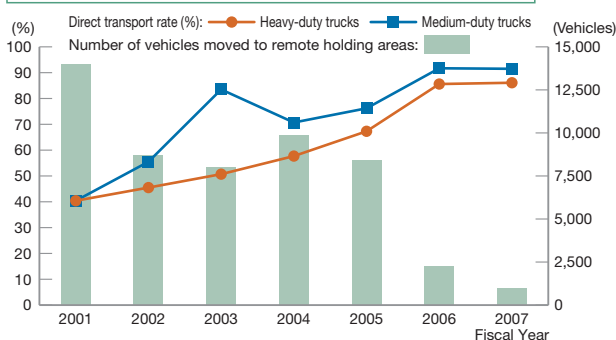
In fiscal 2007, we made good progress in our plans. We reduced energy consumption by 2.9% over the previous year, easily meeting this target.

<Main Activities>

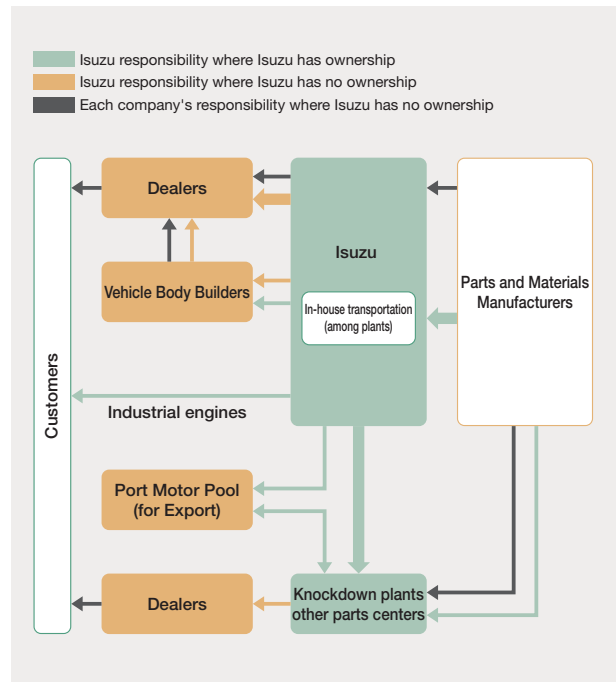
As energy-saving activities in domestic distribution, Isuzu seeks greater transport efficiency and promotes eco-driving, which have proven highly effective.

1. Efforts for greater transport efficiency
 - 1) Use of larger delivery vehicles: Expansion of inland vanning*
 - 2) Improvement of loading efficiency: 1,500 fewer trips annually, from switching to a system of allocating vehicles according to cargo volume, checking how full trucks are, and consolidating inefficient trips
 - 3) Increase of direct trips to reduce mileage: 1,400 fewer trips annually
2. Eco-driving seminars and tools to save energy
 - 1) Providing information monitored by Mimamori-kun to expand use
 - 2) Holding fuel-efficient driving seminars (held by Isuzu LINEX)
 - 3) Expanding fuel-efficient vehicle use through introduction of CNG vehicles and the like

Improvement in Distribution of Finished Vehicles



Scope of Isuzu Responsibility in Distribution



Quantified Results, Under Amended Energy Saving Law

	Transport Category	First Half of FY2007	Second Half of FY2007	FY2007 Total
Transport Volume (1,000 ton-kilometers)	Vehicles (products)	72,103	68,512	140,615
	Procurement for production	97,226	101,800	199,026
	Parts supply	18,361	18,878	37,239
	Kit parts and components	7,204	7,396	14,600
	Other	1,551	1,561	3,112
	Subtotal	196,445	198,147	394,592
Energy (GJ)	Vehicles (products)	104,762	97,894	202,656
	Procurement for production	172,391	177,211	349,602
	Parts supply	28,232	28,877	57,109
	Kit parts and components	13,718	13,404	27,122
	Other	5,454	5,502	10,956
	Subtotal	324,557	322,888	647,445
	CO ₂ (t)	22,300	22,200	44,500

*Measurement: Fuel Efficiency Method

*Inland vanning: Improving distribution efficiency by using larger transport vehicles on routes between plants and ports and by vanning (loading knockdown cases with parts into freight containers) at packing plants in and around inland areas

Reduction of Environmentally Hazardous Substances

To promote the reduction of environmentally hazardous substances, Isuzu complies with emissions laws and other relevant regulations while developing and popularizing products with lower amounts of these substances.

Overview of Reduction of Environmentally Hazardous Substances

Each year, stricter regulations and restrictions are enacted regarding environmentally hazardous substances. For this reason, reducing these substances in production processes is just the start at Isuzu. We also take the initiative in reducing potentially hazardous substances in products. In addition to complying with laws such as the EU-ELV directive and REACH regulations in Europe and JAMA voluntary restraints in Japan, Isuzu applies a global perspective in encouraging reduction of substances posing environmental risks, regardless of whether they are currently regulated.

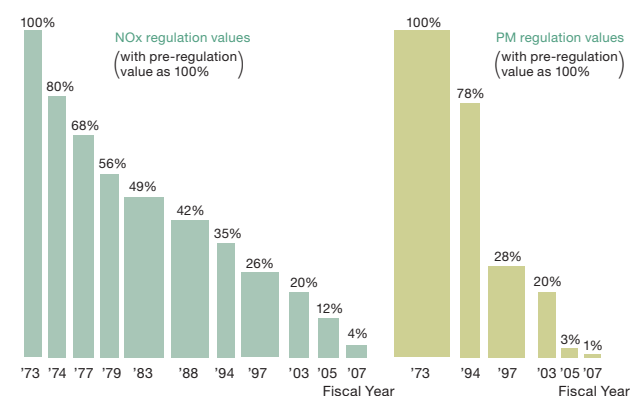
The PRTR will be amended in fiscal 2008, and a longer list of controlled substances is expected. Isuzu will improve management by modifying our existing systems and making other changes.

Reduction of Environmentally Hazardous Substances in Products

Regulatory Compliance

To comply with the European Union's End-of-Life Vehicles (EU-ELV) directive and the Japan Automobile Manufacturers Association's voluntary restraints, as well as new Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) regulations, Isuzu studies products that will be subject to these restrictions. Isuzu has established chemical substance management processes to control environmentally hazardous substances in products on a company-wide basis. We have expanded this program beyond ELF models, and we are in full regulatory compliance.

Trends in Exhaust Regulation Values



Reducing Environmental Impact With Next-Generation Clean Technology: I-CAS

I-CAS is Isuzu's next-generation clean technology, incorporating the most advanced technologies to meet a wide range of environmental needs in trucks. Three key next-generation technologies are combined: combustion optimization technology, exhaust after-treatment technology, and electronic control technology. As a result, the overall environmental impact of vehicles is reduced.

Other Ways Isuzu Reduces Environmental Impact

- Reduction of vehicle noise
Isuzu works not only to comply with the world's strictest noise regulations, but also to reduce noise during idling and city driving. We are also improving the nature of vehicle noise itself. Efforts are focused on reducing engine and drive-train noise, studying optimal sound-damping structures through noise transmission analysis, and R&D on high-performance sound-absorbing and damping materials. This research led to a 2 dB reduction compared with previous models in the idling noise of ELF light-duty trucks released in December 2006.
- Reduction of refrigerants in air conditioners
HFC134a is a non-CFC refrigerant, but because it is a greenhouse gas, we targeted a 20% reduction from 1995 levels. Currently, we have succeeded in reducing refrigerants by an average of 44% per vehicle. We are also phasing in low-GWP refrigerants.
- Reduction of VOCs in vehicle cabins
Isuzu takes measures to cut VOCs*¹ in vehicle cabins, in line with JAMA voluntary reduction policies and targeting 13 substances designated as hazardous by the Ministry of Health, Labor and Welfare. Light-duty ELF trucks, medium-duty FORWARD trucks, and heavy-duty ERGA*² route buses now meet these guidelines.

*1 VOC: Volatile organic compound, such as formaldehyde or toluene

*2 ERGA: Measurement assumes use of ventilation fans

Reduction of Environmentally Hazardous Substances at Plants

Reduction of Controlled Substances at Plants, Regulatory Compliance

- Reducing volatile organic compounds
Emission of VOCs,* which are a factor of photochemical oxidants and smog, was restricted in the amended Air Pollution Control Law of 2006. Anticipating regulatory restrictions, Isuzu took the initiative at an early stage to reduce organic solvents used in painting. The Isuzu reduction target of 48% (19.2 g/m²)

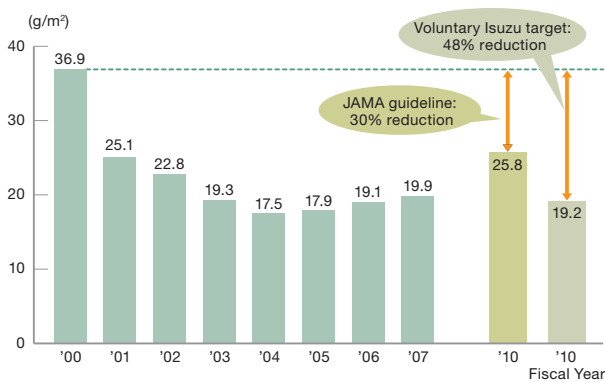
surpasses the 30% target established by JAMA. We have made gains by cutting back on paint solvents, recovering thinner, and introducing a drying furnace with exhaust combustion equipment. Despite our somewhat higher emissions in fiscal 2007 from a model change, we have met this target. We will continue to work toward lower VOC emissions.

*VOC: Volatile organic compounds (mainly organic solvents)

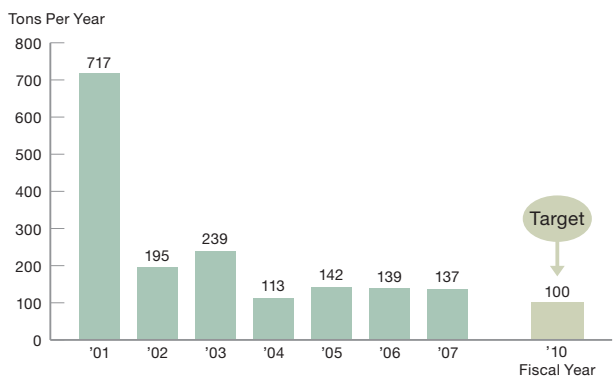
- Chemical substance management and response to the PRTR Law
Supplementing official regulations, Isuzu has established an internal management rule for potentially harmful chemicals that classifies substances as prohibited, conditionally permitted, and permitted (but requiring caution) for appropriate management and reduction. In response to the PRTR Law,* we have designed a chemical substance management system that links purchase management information with a PRTR system. These efforts to understand, manage, and reduce targeted substances have enabled us to reduce emissions in fiscal 2007 by 1.4% over the previous year. We will continue promoting improved management at plants as we pursue further reductions.

*PRTR (Pollutant Release and Transfer Register) Law: Law to promote an understanding of the amount of particular chemical substances released to the environment, as well as improved management of these substances

VOC Emission Trends



Trends in Emission of PRTR-Targeted Substances



◆Prevention of Air and Water Pollution, Regulatory Compliance

Isuzu regards the prevention of air and water pollution as a cornerstone of environmental conservation. Our own standards are stricter than official pollution regulations, and we apply these standards to monitor discharge and emissions constantly. Our Plant Environmental Committee is kept informed of the status of management and regulatory compliance, enabling appropriate action and administration within the framework of our environmental management system.

- Preventing dioxine emissions

For safety, the Tochigi Plant has suspended incinerator operations since 2002, and waste disposal has been contracted to an outside firm. At the Fujisawa Plant, the incinerator generates 0.31 ng-TEQ/m³(*1, *2) of dioxin, well under the regulated value of 10 ng-TEQ/m³. We will continue curbing incinerator emissions through strict combustion control and reduction of waste for incineration.

*1 ng: nanogram, one billionth of a gram

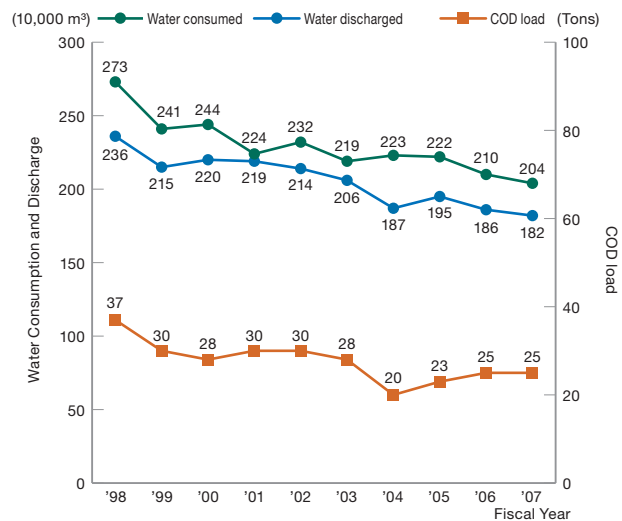
*2 TEQ: Toxic Equivalents Quantity or Toxic Equivalency

- Prevention of soil and groundwater contamination

Isuzu has terminated the use of three chlorinated organic solvents* that were formerly used. We have conducted independent studies on the effect of these solvents on soil and groundwater at plants and offices since 1996 to confirm that no contamination spreads outside from affected areas. We have also taken steps to detoxify affected areas, and we report the results to the government.

*Three substances: trichloroethylene, 1-1-1 trichloroethane, and dichloromethane

Trends in Water Consumption, Discharge, and COD Load



Recycling Programs

To contribute to a recycling-oriented society, Isuzu recycles resources and reduces environmentally hazardous substances in upholding “four R”^{*} practices as much as possible, throughout all stages of vehicle life-cycles from initial R&D to final disposal.

^{*}Four Rs: Refuse to use environmentally hazardous substances, Reduce existing use of these substances, Reuse parts and materials, and Recycle used products

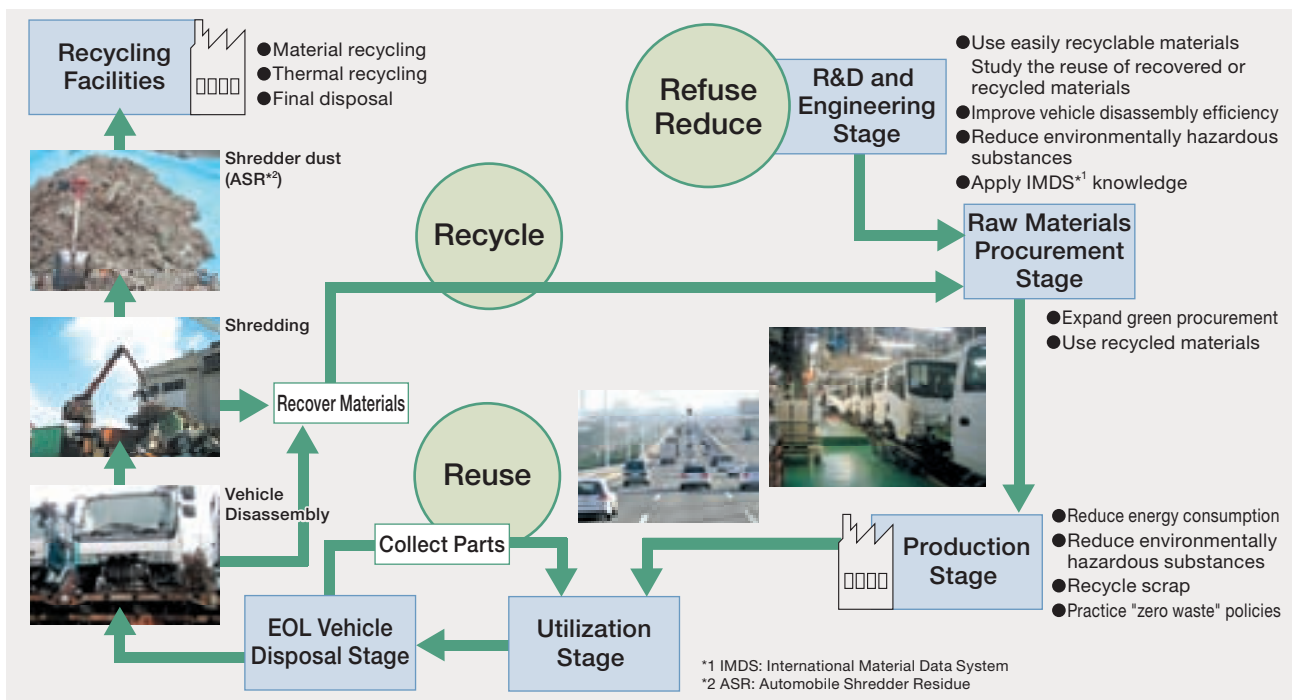
Overview of Recycling Programs

Recycling Overview

With a recycling-oriented society in mind, Isuzu upholds 4R practices throughout product life-cycles, from product planning and research to disposal, as we increase recycling rates, use resources and energy effectively, and reduce our environmental impact. Seeking a higher rate of recycling for scrap vehicles, we pursue higher recycling targets than the legal standards established in the End-of-Life Vehicle

Recycling Law. For ASR (shredder dust), we attained a recycling rate of 70.8% in fiscal 2007, which represents an early success in surpassing the legal standard for fiscal 2015 (70%). For airbags as well, our recycling rate of 94.3% surpasses the legal standard of 85%. We will maintain and increase recycling rates surpassing current legal standards through effective recycling programs.

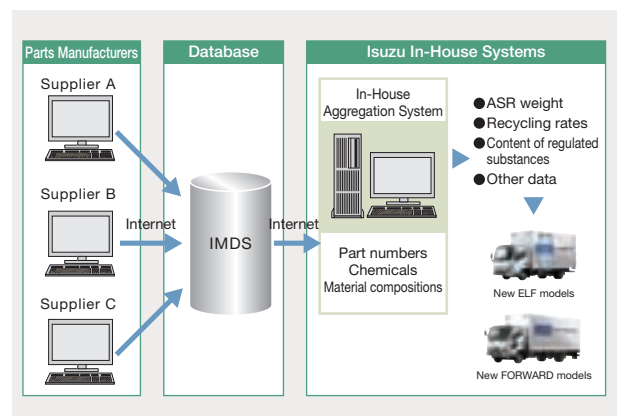
Recycling Overview



Applying IMDS Knowledge

To reduce our products' environmental impact and increase recycling rates, Isuzu collects and manages information about the composition of materials in our products, as well as data for chemical substances they contain. The International Material Data System (IMDS) offers information about the material composition and chemical substance content of automobile parts, as collected from parts manufacturers. We apply this knowledge in calculation of shredder dust weight, and the information improves calculation accuracy when determining recycling fees for new ELF and FORWARD models, for example. Careful chemical substance management at Isuzu also supports compliance with the EU-ELV directive and helps us maintain and improve current recycling rates.

Schematic Diagram of IMDS



Product Recycling: Enhancing Recyclability

Resource depletion and rapid filling of landfills with reusable waste and scrap makes the transition from today's open-loop, consumption-oriented society to a recycling-oriented society an urgent priority. This transition requires improvement of social recycling systems as a whole, and as a practical consideration, product recyclability will be critical. Isuzu obviously upholds laws and regulations such as the Japanese End-of-Life Vehicle Recycling Law and ELV-related EU directives, but additionally, we promote product development with the even stricter objective of better recyclability in mind.

Specifically, our efforts in fiscal 2008 are as follows.

- (1) Expand provisions that encourage recycling at all stages of vehicle life-cycles, from planning to disposal.
- (2) Consistently use thermoplastics in plastic parts.
- (3) Find ways to incorporate recycled materials in auto parts.

Complying With Recycling Laws, Regulations, and Voluntary Restraints

Isuzu joined the recycling organization ART^{*1} as a way to comply with the Japanese Automobile Recycling Law, which we work diligently to uphold. Again in fiscal 2007, our recycling rate^{*2} significantly surpassed official standards.

Compliance with ELV-related EU directives requires calculation of recycling rates and certification of automakers' ability to manage regulated substances appropriately, starting in December 2008. Because EU vehicle authorization will require a certificate of compliance, Isuzu took the initiative to obtain certification early, in July 2008. Over the coming years, recycling regulations will continue to be expanded around the world, and Isuzu will be prepared.

^{*1} ART: The Automobile Shredder Residue Recycling Promotion Team consists of Isuzu and 10 other automakers, working to recycle automobile shredder dust appropriately and efficiently.


^{*2} Recycling rate: Amount considered recycled, either thermally or in terms of recycled material

Plastics Recycling Technology

Isuzu has developed center console boxes for current-model truck cabins that incorporate plastic bumpers recovered from end-of-life vehicles. A high proportion of the console box (more than 40%) is made from products recovered from the market, and the box can be recycled again after vehicle disposal. These characteristics have earned Eco Mark certification from the Japan Environment

Association. First introduced in FORWARD trucks in May 2006, the console box was later phased in for GIGA trucks and new ELF trucks, helping Isuzu effectively recycle some 35 tons of discarded bumpers a year—equivalent to about 10,000 bumpers.

We will continue to develop recycling technology to make the most of limited resources.



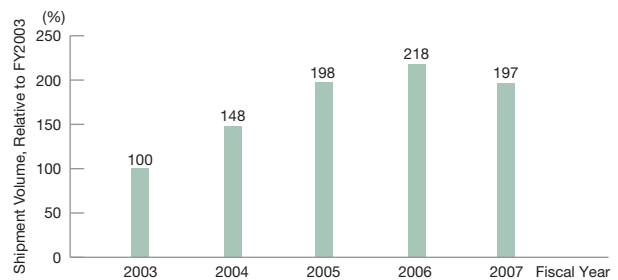
GIGA	FORWARD	ELF
heavy-duty commercial trucks	medium-duty commercial trucks	light-duty commercial trucks
Recycled content: 50% or more	Recycled content: 50% or more	Recycled content: 40% or more

Center console box, made with recycled materials

Remanufacturing

Isuzu dealers are linked to our internal remanufacturing network, enabling us to promote ELV part reuse, meet diverse customer needs, and respond promptly to supply requests.

Trends in Remanufactured Part Shipments, Including Engines



Glass Recycling

Isuzu now participates in glass recycling, in collaboration with other ART members who are automakers, glass manufacturers, and wreckers.

In fiscal 2007, we recovered dozens of tons of glass from EOL vehicles for use in fiberglass and vehicle glass, supporting both cascade and horizontal recycling. Through current verification, Isuzu will continue to promote glass recycling from used vehicles as we study efficient methods of glass transport and recovery.



Recovery of front windows

Recycling at Plants

Isuzu originally defined “zero emissions” as a 95% reduction (over FY1995 levels) in the amount of industrial waste for landfill disposal by the end of FY2001, an objective we pursued in part through waste reduction. As a result, Isuzu achieved zero emissions in fiscal 2001, with a reduction of 97.6%.

Our next, more ambitious target required each of our two plants to reduce landfill waste to one ton or less per month (or 24 tons or less per year at both plants combined, including incinerator ash) by the end of 2005. We met this target in October 2005.

We continued to recycle this incinerator ash in fiscal 2007, which, with careful sorting and recycling for further reduction of the total amount of waste, reduced the final amount of industrial waste to 8 tons. Looking ahead, we will revise our target regarding landfill waste from 24 tons to 12 tons. We also plan to promote reduction of related byproducts.

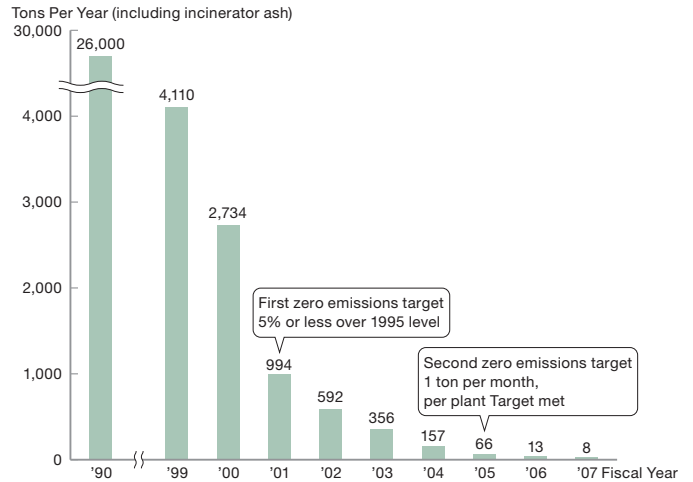
In fiscal 2008, we will expand zero emissions programs at group companies in Japan and overseas.

Examples of Waste Reduction and Efficient Resource Use

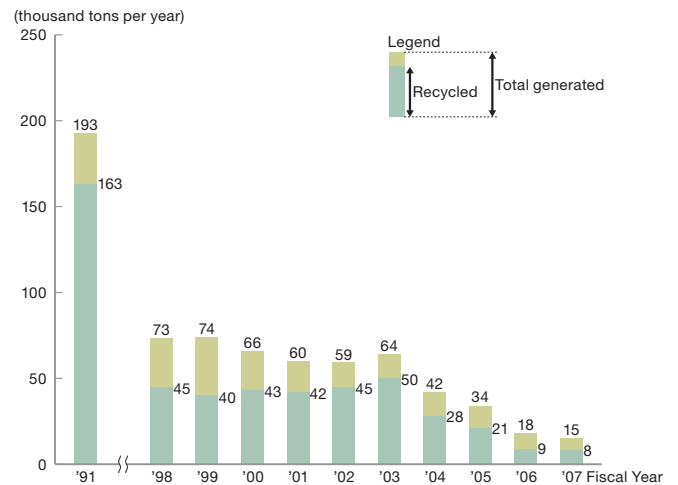
Our main efforts are as follows.

- Careful sorting and collection; recycling after disassembly and scrapping
- Reduction of the total amount of waste and reduction of related byproducts
- Reduction of regular waste and waste from incineration; use of less wood for packaging
- Recycling of incinerator ash
- Collaboration with other companies to promote joint environmental declarations with waste operators and zero emissions programs

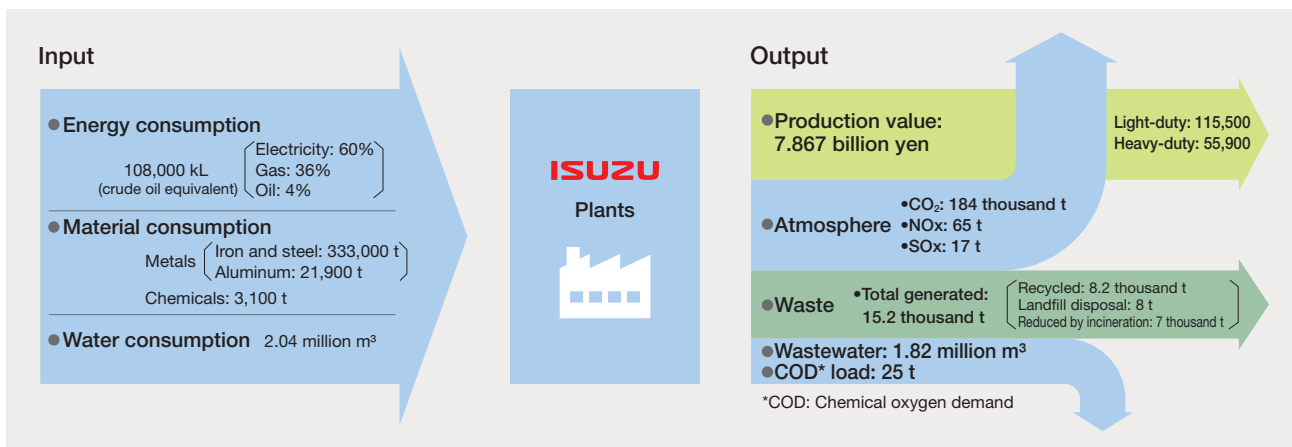
Trends in Industrial Waste for Landfills



Trends in Generated Waste and Recycling



Material Balance at Production Plants (Input vs. Output Amounts)



Site Data

The following information represents the typical emissions status at the Fujisawa and Tochigi plants, as expressed in primary indicators of air and water quality and the presence of PRTR-regulated substances.

Fujisawa Plant Address: 8 Tsuchidana, Fujisawa-shi, Kanagawa, Japan

FY2007 Emissions Report for PRTR-Regulated Substances, Fujisawa Plant

(Unit: kg)

No.	Chemical	Amount Managed	Amount of Emissions				Total Emissions	Amount Transferred
			Atmospheric Emission	Discharge in Public Water	Emission to Soil	Landfill Waste		
16	Ethanolamine	2,000		46			46	120
30	Bisphenol A epoxy resin	1,000						29
40	Ethylbenzene	64,000	25,000				25,000	6
43	Ethylene glycol	1,100,000						1,200
63	Xylene	113,000	73,000				73,000	10
176	Organotin compounds	6,300						250
224	1,3,5-trimethylbenzene	4,700	3,600				3,600	
227	Toluene	36,600	9,900				9,900	
299	Benzene	1,500	4				4	
179	Dioxin		16*				16*	1,100*

*mg-TEQ

Air Quality

Item	Facility	Regulatory Value	Actual Measurement	
			Maximum	Average
NOx (ppm)	Boiler	60*	16	15
	Incinerator	150	98	62
	Metal melting furnace	200	62	52
	Heat-treating furnace	200	176	142
	Curing furnace	230	13	8.1
Dust and soot (g/Nm ³)	Boiler	0.1	0.003	0.003
	Incinerator	0.15	0.041	0.026
	Metal melting furnace	0.2	0.011	0.011
	Heat-treating furnace	0.2	0.011	0.008
	Curing furnace	0.1	0.001	0.001
SOx (Nm ³ /h)	(Regulatory Total)	21.82	1.45	1.01

*The change in the regulatory value for the boiler is due to a change in fuel type (from heavy fuel oil to natural gas).

Water Quality

(Discharged to Hikichi River)

Item	Regulatory Value	Actual Measurement		
		Maximum	Minimum	Average
pH	5.8–8.6	7.9	7.2	7.6
COD mg/l	60	24	13	15
BOD mg/l	60	11	8.4	9.5
SS mg/l	90	7.8	Less than 5.0	5
Oil content mg/l	5	2.0	Less than 1	Less than 1

- No environmental incidents
- No environmental complaints

Tochigi Plant Address: 2691 Oh-Aza Hakuchu, Ohira-machi, Shimotsuga-gun, Tochigi, Japan

FY2007 Emissions Report for PRTR-Regulated Substances, Tochigi Plant

(Unit: kg)

No.	Chemical	Amount Managed	Amount of Emissions				Total Emissions	Total Transferred
			Atmospheric Emission	Discharge in Public Water	Emission to Soil	Landfill Waste		
40	Ethylbenzene	9,200	8,600			8,600		
43	Ethylene glycol	24,000	730			730	22,000	
44	EG monoethyl ether	1,300	1,300			1,300		
63	Xylene	13,000	11,000			11,000		
227	Toluene	7,900	4,000			4,000		

Air Quality

Item	Facility	Regulatory Value	Actual Measurement	
			Maximum	Average
NOx (ppm)	Boiler	250 or lower	92	75
	Metal melting furnace	180 or lower	92	54
Dust and soot (g/Nm ³)	Boiler	0.3 or lower	0.003	0.002
	Metal melting furnace	0.25 or lower	0.004	0.002
SOx (Nm ³ /h)	(Regulatory Total)	17.5	0.95	0.23

- No environmental incidents
- No environmental complaints

Water Quality

(Discharged to Hikichi River)

Item	Regulatory Value	Actual Measurement		
		Maximum	Minimum	Average
pH	5.8–8.6	7.4	7	7.2
COD mg/l	20	14.5	6	9.9
BOD mg/l	20	13.6	4.1	6.2
SS mg/l	40	8.0	2.0	4.3
Oil content mg/l	5	0.5>	0.5>	0.5>

Notes

- 1) Period: FY2007 measurement data (April 2007 to March 2008)
- 2) Regulatory values represent the strictest values specified in environmental laws and regulations, ordinances, and pollution prevention agreements.
- 3) Abbreviations: PRTR: Pollutant Release and Transfer Register Law; COD: chemical oxygen demand; BOD: biochemical oxygen demand; SS: suspended solids in water.

Isuzu Aims to Become a Company that is Trusted and Respected by Society

Isuzu is committed to engaging in socially responsible business activities, and aims in this way to become a company in which all stakeholders will place their trust and expectations. This includes customers, shareholders, business partners, employees, local communities, and global society. This social report describes Isuzu's relationships with its stakeholders.

**Communication
with Society**

→P35

**Relationship
with Customers**

→P36

**Relationship with
Business Partners
and Shareholders**

→P39

**Relationship
with Employees**

→P40

Communication with Society

Isuzu works for communication with society while engaging actively in social contribution programs.

■ Social Contribution Programs

◆ Meritorious Service Award for Contribution to Antarctic Research

Isuzu has been sending employees as members of every Japanese Antarctic research team, starting with the first expedition in 1956 and continuing through the 49th summer expedition.

At the welcome home celebration for the Antarctic research teams (48th expedition over-winter team and 49th expedition summer team) in April 2007, the National Institute of Polar Research presented a meritorious service award to Isuzu Motors Limited and to Hideo Handa of the PowerTrain Mechanic Department, Mechanic Center, a three-time over-winter team member, for contributions to Antarctic research.

There are 30 Isuzu vehicles currently active in the Antarctic.

The Isuzu team members have been conducting maintenance on these vehicles and contributing significantly to effective expedition operations. We intend to continue participating in this project as part of our social contribution program.



Award presentation at the Antarctic expedition welcome home celebration

◆ Isuzu Offices Donate Christmas Cakes to Local Government Bodies

Isuzu has donated Christmas cakes to Shinagawa Ward in Tokyo, home of the company's head office, every December since 1979. During 2007, the domestic Isuzu offices donated Christmas cakes to local government bodies in the three districts where they are located (Shinagawa Ward, Tokyo; Fujisawa City, Kanagawa Prefecture; and Ohira-machi, Shimotsuga-gun, Tochigi Prefecture). The cakes were used in welfare programs. The cakes were distributed to children's day-care centers, nurseries, and other such institutions, where they gave many children an enjoyable taste of Christmas.



Ohira-machi Mayor Suzuki (left) is handed a certificate of presentation by then-Plant Executive Ota of the Tochigi Plant.



Fujisawa Mayor Yamamoto (right) is handed a certificate of presentation by Fujisawa Plant Executive Sasaki.

◆ Nature Protection Activities in the Philippines

Isuzu Philippines Corporation (IPC) has been carrying out various social contribution programs as part of company foundation anniversary celebrations since 2002. Activities in 2007 included donation of seedlings for planting and installation of equipment and materials for growing plants at parks in Manila, Cebu Island, and Davao. In Manila, IPC donated seedlings of tulips and other plants, and installed trash bins. On Cebu, they donated trees for ornamental planting as well as planters and other items to preserve the island's scenic beauty, and installed environmental protection message boards. In Davao, IPC donated more than a hundred plants of the palm family and trash bins.



Nature Protection Activities in the Philippines

◆ Isuzu Heart & Smile Project

Isuzu marked the 70th anniversary of the company's founding in April 2007, and we took this occasion to engage in a unique social contribution program of our own. This is the Isuzu Heart & Smile Project, which recognizes our debt of gratitude to society for supporting Isuzu's growth to this point. The Isuzu Action Directives call for "sustained efforts from a long-term perspective involving effective utilization of management resources and participation by group employees." With this commitment, Isuzu is engaging in educational assistance for children in developing countries that require support, as well as in environmental protection programs that contribute to the development of sustainable societies. During the 2007 business year, we initiated educational support for six primary schools in Kupang, Indonesia, and 14 primary and lower secondary schools in Dien Bien Phu, Vietnam. The purpose of this support is to improve the educational environment and to upgrade the quality of education. The support locations were visited by representatives of Isuzu's employees, who sought to communicate with the children at the schools being supported. We are actively promoting participation by employees in such ways. We intend to continue taking part in programs that contribute to society, not just by donating funds, but by engaging in those activities that are possible for us because we are ISUZU.



Chairman Ida plants a commemorative tree at the Vietnam support location. Nature protection activities in the Philippines

Relationship with Customers

We receive a variety of feedback from our customers through our Customer Center and other channels of communication. This feedback is shared among all the Isuzu group companies and incorporated in the development of our products and services.

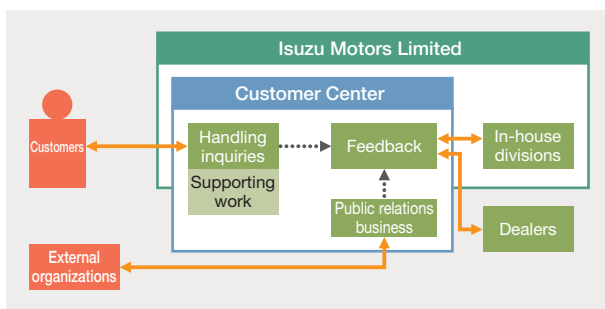
■ Isuzu Customer Center

Isuzu has established a Customer Center to receive customer inquiries and comments about our products. During fiscal year 2007, we received about 17,000 inquiries and comments through our toll-free telephone service and e-mail.

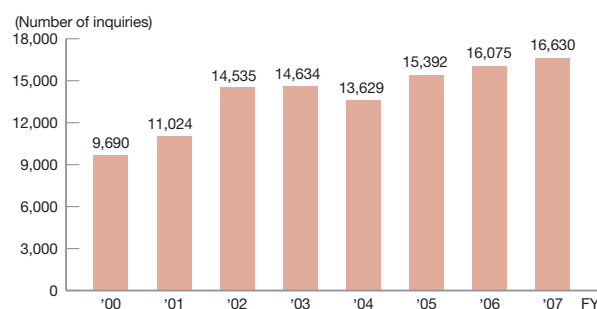
Fiscal year 2007 also marked the first time in 13 years for Isuzu to bring out fully remodeled versions of the ELF (light-duty truck) and FORWARD (medium-duty truck), our mainstay products in Japan. There were a total of some 1,800 inquiries in that connection. The largest number (about 500 inquiries) were checking specifications, and the second-largest number (about 300 inquiries) had to do with operating instructions. There were also a total of about 900 inquiries on environmental matters, of which 80% or more were about exhaust emissions regulations. Many words of encouragement were received as well from loyal users of Isuzu vehicles.

Frequently asked questions are posted on our Website for more convenient access. Customer inquiries and comments are shared throughout the entire Isuzu Group, and are used as feedback in product development and operating activities. We will continue responding promptly to the variety of comments we receive from our customers.

Customer Center Operation Flow Chart



Changes in Inquiry Numbers

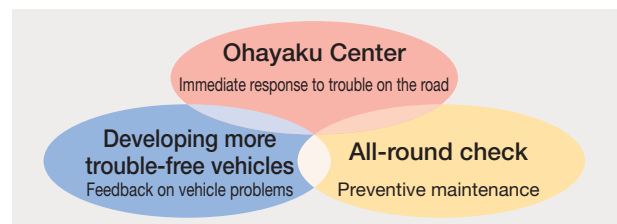


■ Zero Road Trouble Campaign

Isuzu is conducting a Zero Road Trouble Campaign aimed at preventing on-the-road accidents and breakdowns of customer vehicles. This campaign is focused on three activities: an all-round check of vehicles in which they are inspected mainly for possible breakdown factors when brought into dealership service plants; Ohayaku Center* rapid-response services in which around-the-clock emergency action is taken for breakdowns, and the causes of road accidents are fed back to the development divisions without delay; and efforts to develop more reliable vehicles. Isuzu will continue promoting the Zero Road Accident Campaign to qualify as a trustworthy partner dedicated to customer support in transportation.

*Ohayaku Center: A support center with operators standing by 24 hours per day, 365 days per year, to answer emergency calls about breakdowns or traffic accidents. Daytime calls on weekdays are referred to the nearest dealer.

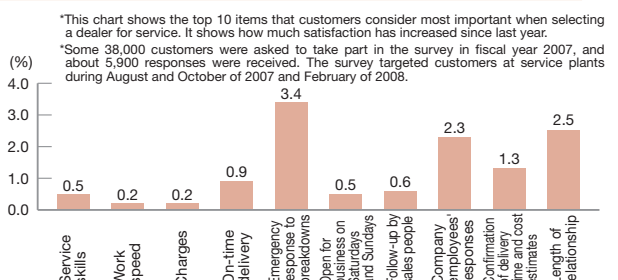
Three Mainstays of Our Zero Road Accident Campaign



■ Survey of Customer Satisfaction with Isuzu Dealer Service

To create attractive service plants, we regularly conduct surveys on customer satisfaction with Isuzu dealer service. The results indicated that satisfaction had increased since fiscal year 2006 with regard to emergency response to breakdowns, company employee responses and greetings, confirmation of requested work, delivery time and cost estimate, and cleanliness of plant and waiting room. We will continue to use this customer feedback to make service plants more attractive to customers.

Changes in service plant evaluations and satisfaction



■ Initiatives in Japan

◆ Isuzu Transport Strategy Seminars

Isuzu conducts transport strategy seminars every year as part of its programs providing customers with lateral support on such issues as transportation safety, measures to protect the environment, and reducing transportation costs. In addition to lectures by specialists on trends and management strategies in the logistics industry, we conduct practical sessions in eco-friendly driving and in-vehicle training in driving safety. These activities are helping customers to improve their transportation efficiency. Programs in fiscal year 2007 had 654 participants from 507 companies.



Transport strategy seminar

◆ Isuzu Seminars on Reducing Delivery Vehicle Accidents

These seminars are held every year for customers in the delivery business. The program aims to support traffic accident reduction and safety measures. Seminars in fiscal year 2007 had 239 participants. Recent years have brought heightened requirements for transportation safety management and other safety measures. Isuzu intends to continue providing customers with support in these areas.



Seminar on reducing delivery vehicle accidents

■ Participation in Events and Exhibitions

Isuzu actively seeks to participate in environmental events and exhibitions held locally throughout Japan as part of the initiative for communication with society and local communities. We intend to continue introducing environmentally friendly Isuzu products and our sincere commitment to environmental protection in order to enhance Isuzu's appeal as an environmentally advanced corporation.

◆ Participation in Eco-Products 2007

Isuzu has been participating in the Eco-Products Exhibition since this event was first held in 1999. In 2007, the environmentally friendly products exhibited by Isuzu included an ELF CNG-MPI truck, a D-CORE engine, and the Mimamori-kun on-line service system. We also had exhibits introducing Isuzu's environmental initiatives. Events included a quiz rally for elementary school students. More than 1,000 children took part in the search for keywords hidden in the Isuzu booth. We will continue to promote Isuzu as an environmentally advanced corporation by means of our latest Eco-Products.



Students visiting the Isuzu booth

◆ Participation in Eco-Car World 2007

Isuzu is continuing to participate in this event that brings low-pollution vehicles together in one place. This year it is Eco-Car World 2007. In 2007, Isuzu exhibited the ELF CNG-MPI truck, the ELF Hybrid, and the new FORWARD model immediately following full model redesign.



On exhibit at Eco-Car World

◆ Promotion of CNG Vehicles

Isuzu is actively engaged in promoting and expanding use of CNG vehicles. These are anticipated to be the only practical low-pollution vehicles that run with clean emissions and an energy alternative to petroleum.

During 2007, we promoted the features of CNG vehicles to transportation firms and the general public at about 40 events.

■ Initiatives in Other Countries

◆ Seminars on Fuel-Efficient Driving

Isuzu holds seminars on fuel-efficient driving for dealers and principal users in Japan and other countries as a global initiative addressing issues such as environmental preservation and safety. In fiscal year 2007, we held seminars in the Philippines and Malaysia that were well-received by the participants. We will continue to hold these seminars as a means of improving the environmental consciousness of commercial vehicle users.



Seminar on fuel-efficient driving (Philippines)

◆ Service Clinics

In order to form ties with new customers and build trust with existing ones, Isuzu has been holding service clinics in which customers are given free vehicle inspections as well as consultation on matters related to maintenance and vehicles. These clinics have gained popularity for the way vehicles are diagnosed in the customer's presence. They have also been useful in product development and training of service representatives.

The clinics in Sri Lanka had 285 vehicles come in for consultation, far exceeding the initial plan. There were significant effects for future marketing promotion, including development of ties with new customers and improving the evaluations of dealers that held clinics. When clinics were held in Saudi Arabia, talks with customers revealed that it was essential to explain vehicle operations and maintenance to customers in order to prevent malfunctions caused by improper operation or inadequate maintenance.

Isuzu employees also take part in these service clinics, which provide invaluable opportunities to get to know customers in other countries. Efforts are also being made

to upgrade the quality of service clinics. Questionnaire surveys are being administered to make future clinics even better.



Service clinic (Sri Lanka)

◆ Clean Campaign in Australia

Isuzu Australia Limited (IAL*) has been engaged in an IAL Green Campaign since the announcement of new model vehicles in October 2007. This was coordinated with the full redesigning of the N-Series (called the ELF in Japan) and F-Series (called the FORWARD in Japan).

IAL has held its leading position in share of truck sales for about 20 years. It is actively engaged in environmental protection programs as part of its corporate social responsibility. The environmental performance of Isuzu's new vehicles equipped with DPD that satisfy the EURO 4 regulations was very effectively presented by the recent campaign for promotion in the various mass media.

The television commercial titled "White Hanky" was very well received. It played a role in improving communication with our customers. Isuzu also deployed Breathe Easy decals as a tool to make people aware of the new N-Series and F-Series as vehicles that contribute to global environmental protection. This was very well received by our customers.

The IAL marketing network also took active steps to promote Isuzu environmental protection programs. Environmental and energy conservation measures taken as part of Isuzu's operating activities include using rainwater and recycled water for washing vehicles, and using the heat generated by compressors and other equipment in service plants. Isuzu dealers are also taking a wide range of actions, such as creating and distributing advertising material to promote the EURO 4 advantage among their target customer groups.

An increasing number of customers have recently begun specifying EURO 4 compliance as a condition for bidding. As these and other corporate measures to emphasize social responsibility become more conspicuous, the actions taken by IAL are being welcomed by Australian society with sympathy and understanding.

* IAL is the distributor of Isuzu commercial vehicles in Australia.



Broadcasts of this commercial attract favorable notice



Examples of Breathe Easy decals in use

Relationship with Business Partners and Shareholders

Isuzu is working with suppliers and other business partners both inside and outside Japan to address environmental issues, while also strengthening measures to meet shareholder expectations.

Relations with Business Partners

◆Basic Philosophy

Isuzu conducts procurement according to three basic policies:

1. With quality as a first priority, we seek to create and offer products that satisfy customers.
2. We aim to procure domestic or overseas products, under fair competition, if they are satisfactory in quality, pricing and delivery.
3. With the benefit of our customer as the top priority, we act for the good of the public and society, with the greatest concern for people's lives and safety, and always with respect for human rights, while working with our business partners to act in accordance with compliance programs.

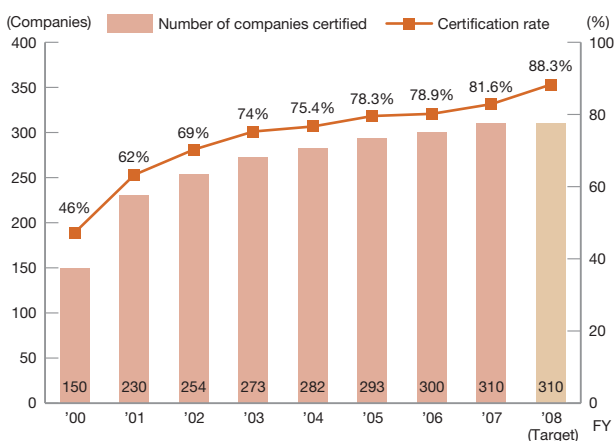
◆Specific Measures

- Take thoroughgoing measures to collect material data under the management system for component materials and chemical substances.
 - Act in accordance with laws and regulations in Japan and other countries
- Establish and initiate application of Isuzu's new regulations on chemical substances
 - Reflect new regulations in newly issued drawings and related actions
- Extend application of the environmental management system
 - Business partners acquire ISO 14001 certification or construct environmental management systems equivalent to ISO certification, such as Eco-stage/Eco-action 21

◆Assessment of Present Status and Outstanding Issues

We will continue to upgrade and implement our management and operational system (Isuzu environmental management system) for environmental impact substances.

Changes in ISO 14001 Certification of Business Partners



Relationship with Shareholders

◆Basic Philosophy

We promote the following activities to gain our shareholders' trust and meet their expectations:

1. We aim to continuously post profits from appropriate business activities, as well as to achieve long-term growth and raise corporate value.
2. We assure management transparency and fulfill accountability through appropriate and timely disclosure of management information.
3. We determine profit distribution in light of returning profits to shareholders, strengthening the management base, and preparing for future business operations.

◆Major Activities

Starting from the 2006 regular shareholders meeting, a system to enable shareholders to exercise their voting rights over the Internet was introduced for their greater convenience. We are committed to disclosing corporate information promptly and fairly to our shareholders and investors. For this purpose, we hold regular briefings for analysts and institutional investors, and we post IR^{*1} information on our Website. Isuzu has been awarded the prize for the company with the best IR Website for four years consecutively. We are also distributing our annual report through the IR Hotline^{*2} in order to make a broader range of Isuzu activities more widely known.

In future, we intend to continue upgrading the Isuzu IR Website to further promote fair and timely disclosure of corporate information.

*1 IR (Investor Relations): Activities to provide information necessary for making investment decisions to investors in a fair and timely manner.

*2 IR Hotline: <http://www.irhotline.com/>



<http://www.isuzu.co.jp/investor/index.html>

Relationship with Employees

Employees are Isuzu's most precious asset, and we aim to realize a working environment where they can do their jobs in good health and good spirits.

■ Creating Safe and Sound Workplaces

The Isuzu safety and health concept states that safety is created through the united cooperation of all employees. On this basis, Isuzu is striving to create a safe and lively workplace that is free from accidents. We will continue promoting the creation of a workplace that ensures employee safety by adhering to guidelines, supporting compliance programs, improving facilities, and reinforcing health management. Our ongoing efforts emphasize preventive measures. Our specific themes are the prevention of industrial, traffic, and fire accidents; the improvement of the workplace environment; and the promotion of health.

Isuzu has set up a system to address mental health concerns by outsourcing counseling services that employees can use on an individual basis. We plan to deploy a company-wide program for education of managers (supervisors) in mental health issues.

■ Dealing with Asbestos

Survey results indicate no damage to the health of current or former employees in this regard.

There was some sprayed-on asbestos in plant buildings, but action was taken to remove it. This action was completed in September 2007.

Key Issues and Initiatives

Key Issues	Initiatives
Prevention of industrial accidents	<ul style="list-style-type: none"> •Increase in safety knowledge and awareness •Ensure safety during work (Review procedure manuals, instruction in work safety, etc.) •Confirm intrinsic safety of production facilities
Prevention of fire accidents	<ul style="list-style-type: none"> •Appropriately maintain and control facilities and equipment that use hazardous materials •Understand and eliminate factors causing fire accidents
Prevention of traffic accidents	<ul style="list-style-type: none"> •Prevent traffic accidents of commuters by car and motorcycle •Improve traffic safety awareness campaigns
Health promotion	<ul style="list-style-type: none"> •Industrial physicians interview employees with excessive overtime •Implement training of mental health administrators
Improvement of work environment	<ul style="list-style-type: none"> •Continue performing environmental evaluation during safety assessments •Promote creation of comfortable work environment

■ USE21: A Voluntary Employee Activity

USE21 is a voluntary activity engaged in by non-clerical employees from the engineering division. Members have divided into several focus groups that are actively engaging in programs to achieve workplace safety and comfort by prevention of workplace accidents, traffic accidents and fires, education of younger employees, and improvement of product quality and technical skills.

The safety and health group holds first-aid workshops for emergency preparedness, and the fire, accident, and traffic groups carry out workplace safety patrols and traffic speed control on Isuzu campuses. The various groups are engaging in education by means of lectures and practical training, as well as safety programs. They have contributed significantly to the prevention of workplace accidents. The exchange group is carrying out regular recreational activities to promote exchange and good health among USE21 members. During fiscal year 2007, the use of automated external defibrillators (AED) was added to the content of basic first-aid courses. In fiscal year 2008, the groups will also provide support for quality control education given to incoming employees.

■ Promoting Total Health

We are promoting mental and physical health among our employees and their families, with a focus on the prevention of lifestyle diseases.

We have initiated a system that enables employees to receive 24-hour telephone health counseling as well as mental health counseling from outside specialists. In addition, we are conducting campaigns that focus on building health among employees and their families. Many families took part in the Gargling and Washing Hands campaign, as well as the Tooth Brushing campaign. Recreational events such as hiking, strawberry picking, and mandarin orange picking not only help to build health, but also promote family communication.

Health Promotion Center Activities

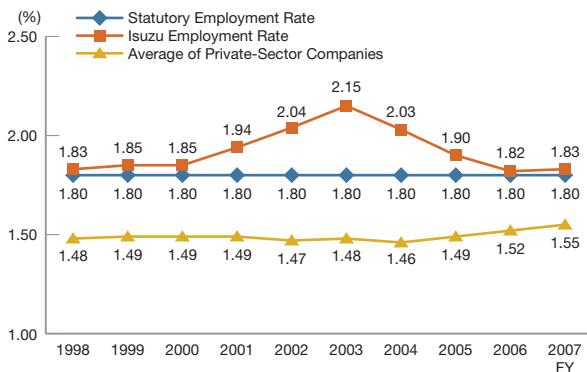
	FY2007 Results
Complete medical check-up	3,641 persons
Examination following complete medical check-up	3,481 persons
Mental health counseling	57 persons
24-hour telephone health counseling	357 persons
Participants in hiking	960 persons
Participants in recreational sports	866 persons
Home visit to the elderly	324 persons
Lifestyle disease prevention, Gargling and Washing Hands campaign, etc.	3,596 persons

Promoting Employment with an Emphasis on Diversity

Isuzu has been engaged in revising the personnel system to accord with the amended laws, and we have been working to put operational updates into effect. We are realizing equality between male and female employees in everything from hiring to compensation. We are actively promoting people with strong motivation and excellent abilities to work in a global society, and we have assigned management and overseas posts to female employees, as well. With a view to supporting child rearing, we have created a childcare leave system that provides longer leave than legally required so that women can have more opportunities to work productively in society. The legally mandated childcare leave is for one year and six months, but Isuzu allows a maximum of two years and six months of absence for child rearing.

Isuzu is also promoting the employment of people with disabilities with the aim of realizing a society where all people with and without disabilities can support each other.

Changes in Rate of Employment of Disabled Persons



Changes in Childcare Leave Utilization

(Unit: Persons)

	FY2005	FY2006	FY2007
Men	1	1	0
Women	21	23	22
Total	22	24	22

Changes in Regular Hiring Intake

(Unit: Persons)

		FY2005	FY2006	FY2007	FY2008	
Clerical and technical staff	Clerical	Men	17	21	24	24
		Women	8	10	5	7
		Total	25	31	29	31
	Technical	Men	87	107	90	116
		Women	5	2	0	3
		Total	92	109	90	119
Total	Men	104	128	114	140	
	Women	13	12	5	10	
Professional staff	Total	117	140	119	150	
	Men	154	260	181	175	
	Women	5	10	6	3	
Regular Hiring Intake Total	Total	159	270	187	178	
	Men	258	388	295	315	
	Women	18	22	11	13	
Total	276	410	306	328		

Personnel Development

Isuzu considers it important for the company's employees to make the most of the abilities they possess, and in doing so to achieve results for the company.

We reviewed our training systems in line with the personnel system reforms of April 2005 and, recognizing that increasing the individual's abilities is linked to raising collective achievements and thus Isuzu's achievements, we have been pursuing a variety of educational programs for employees.

In order to achieve our corporate vision of "Being a Global Leading Company of Commercial Vehicles and Diesel Engines," we offer support to improve employees' performance through various training activities. The purpose is to have them acquire the knowledge and insight required to survive in this competitive world, even though different positions and jobs may require different qualities.

The company motivates employees to build their own careers and provides management personnel with opportunities to communicate with their subordinates regarding career building so that they can practice career-oriented management. Isuzu has a system in place to perform follow-up on such efforts, and it is proving useful in fostering people's awareness of their particular roles as well as in invigorating communication.

Isuzu also has a "job challenge system" (an in-house free-agent system) to help employees tackle challenging jobs on their own responsibility and achieve self-improvement. Under this system, personnel reassignments can take place at the employee's request. In fiscal year 2008, we started to reevaluate the Isuzu educational system according to the slogan "Continuity and Rigorousness." The purpose is to contribute to the training of employees who aim to make Isuzu a global leading company.

Changes in Number of Persons Receiving Training

(Unit: Persons)

	FY2005	FY2006	FY2007
Training by job role	1,319	1,031	928
Career design	77	66	80
Business skills	321	443	759
Human skills	0	127	174
Special training	0	210	278
Language training	103	119	46
Total	1,820	1,996	2,265

Third party opinion

For an unbiased perspective on this report, an independent, third-party opinion was sought. These views will be considered in ongoing efforts by Isuzu toward the creation of a sustainable society.



Jiro Adachi

Executive Director,
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Fiscal 2007 was another year in which Isuzu made gains in a range of environmental activities. In products, Isuzu made steady progress in better fuel efficiency, cleaner exhaust emissions, quieter vehicles, and other improvements. At plants, Isuzu reduced CO₂ emissions, attained greater energy efficiency, and generated less landfill waste while practicing more extensive consolidated environmental management in Japan and overseas. By promoting Mimamori-kun and holding ongoing fuel-efficiency driving seminars, Isuzu also supported environmental conservation through their customers (drivers in particular). Progress was also made in CSR initiatives, such as Isuzu's support of education in developing nations. In view of the company's ongoing dedication in these efforts, I take this opportunity to express my sincere respect.

This year's report also describes the steady progress Isuzu is making in projects intended to yield results next fiscal year and later. One example is how the company is phasing in natural gas to power their plants. Another is how employees are learning from outside experts at newly introduced seminars, potentially an effective way to meet the mid- and long-term goal of nurturing future leaders. Moreover, the fact that various challenges in fiscal 2008 are clearly identified in this report also demonstrates that the company takes a stance of anticipating and solving problems, which leaves me with a very positive impression.

Progress in these diversified efforts will no doubt accelerate Isuzu's growth as a leading company in the global arena. With this hope in mind, I would like to make the following recommendations to the company.

First, I encourage Isuzu to make significant gains in developing innovative, next-generation vehicles and engines. The international community agrees that we must achieve the objective to reduce greenhouse gases to a half by 2050 to ensure social sustainability. A surge in transport is anticipated, fueled by developing nations with growing economies, and there is an urgent need for significantly more fuel-efficient automobiles and vehicles powered by alternative energy sources.

My second recommendation involves another international issue. As Isuzu's business makes a positive impact economically and in employment opportunities around the world, I encourage the company to do even more for society (and human rights) as well as the environment, keeping local cultural characteristics in mind. Isuzu is enjoying stronger overseas sales and a greater international presence. As the company sets a good example as a global corporation, I look forward to seeing Isuzu earn further respect from the international community.




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