ISUZU

ISUZU MOTORS LIMITED
ANNUAL REPORT 2008
Year ended March 31, 2008

Challenging the Next Generation

Profile

Isuzu Motors Limited was founded in 1916 as one of the Japan's first automobile manufacturers. Isuzu also developed Japan's first air-cooled diesel engine and has been leading the truck industry in Japan. Advanced Isuzu products like the N-Series (ELF), a model that has become synonymous with excellence in light-duty trucks, deliver a sophisticated combination of safety, economy, and environmental performance, giving them an excellent reputation in the more than 120 countries worldwide where they are sold.

Today Isuzu is looking to grow and develop in dramatic new ways by providing the innovative products and services that worldwide customers demand, to achieve its management vision of becoming a global leader in commercial vehicles and diesel engines. We are committed to actively fulfilling our corporate social responsibility as we pioneer a more abundant future with the technologies, products, production facilities, and customer support capabilities that will become the next-generation global standard.

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Our Corporate Statement

Trucks for life

ISUZU

Our Corporate Vision

Isuzu will always mean the best

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

Our Corporate Mission

Trust, Action, Excellence

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

Forward-Looking Statements

This annual report contains forward-looking statements about Isuzu Motors Limited's plans, strategies, beliefs and future performance. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industries in which Isuzu Motors Limited operates, and management's beliefs and assumptions. As the expectations, estimates, forecasts and projections are subject to a number of risks, uncertainties and assumptions, actual results may differ materially from those projected. Isuzu urges readers to exercise due diligence when making investment decisions.

At Isuzu, our goal of being a "Global Leader in Commercial Vehicles and Diesel Engines" has led to us becoming an indispensable contributor to the well-being of the lives of countless people around the world.

Ever since our company's foundation in 1916, our goal has been to help create a rich life for customers around the world through the production of commercial vehicles (CVs) to carry goods and the diesel engines (DEs) to power vehicles.

"Commercial vehicles" (CVs) is a well-known expression, but although CVs are sold in nearly every country in the world and used in a variety of ways, the CV industry is one in which a single model may only sell thousands of types. In many ways it is almost a customized production and sales business.

As we continue to pay close attention to the needs and activities of our customers around the world, we understand that even as we strive to create advanced high-quality products, it is critical for us to also be very efficient in developing, manufacturing and supplying them. We will continue our unceasing efforts to realize these goals, while seeking to further enhance the added value of all our products.

At the same time, global problems that include the environmental challenges of global warming and the need to conserve resources and energy, are driving us to further develop and provide CVs with a reduced environmental impact. We are continuing our research and development of cleaner, more efficient diesel engines, alternative fuels such as compressed natural gas (CNG), as well as developing hybrid vehicles.

Our mission is helping to build a better life for people around the world by supporting "carrying" and "moving." Our goal is to win the trust of all of our customers, to make Isuzu the name of choice worldwide.

We greatly appreciate the trust and support of all of our stakeholders, and ask for your continued support in the future.

Yoshinori Ida (left)
Chairman & Representative Director

Susumu Hosoi (right)
President & Representative Director

Consolidated Financial Highlights

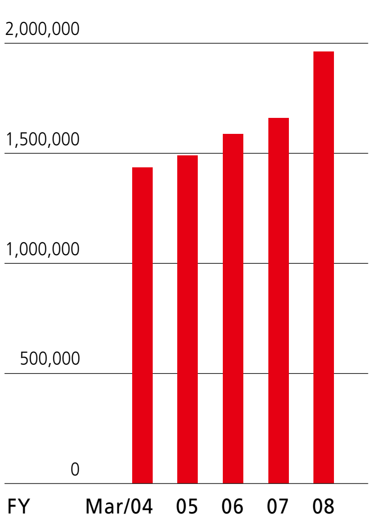
Year ended March 31	Millions of yen 2008	2007	2006	Thousands of U.S. dollars 2008
For the Year:				
Net sales	**¥1,924,833**	¥1,662,925	¥1,581,857	**$19,211,829**
Net income	**76,021**	92,394	58,956	**758,771**
At Year End:				
Total assets	**¥ 1,245,947**	¥ 1,232,181	¥ 1,168,697	**$12,435,847**
Net assets	**415,278**	389,061	271,167	**4,144,910**

	Yen 2008	2007	2006	U.S. dollars 2008
Per Share:				
Net income – primary	**¥ 44.60**	¥ 64.83	¥ 48.75	**$ 0.45**

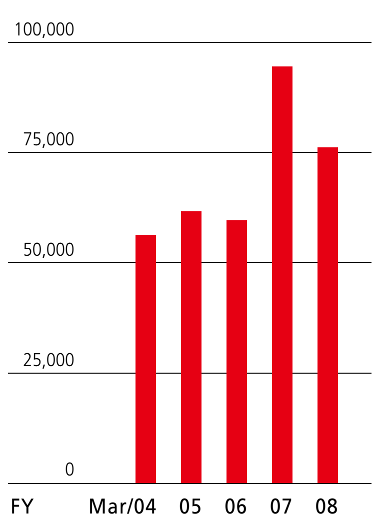
Note: U.S. dollar figures have been calculated at the rate of ¥100.19=U.S.$1, the approximate rate of exchange prevailing on the Foreign Exchange Market on March 31, 2008.

The Company has changed the accounting date of 8 consolidated subsidiaries in the ASEAN area to a 15-month period from January 1, 2007 to March 31, 2008 in the current consolidated fiscal year. Refer to page 34 for more information.

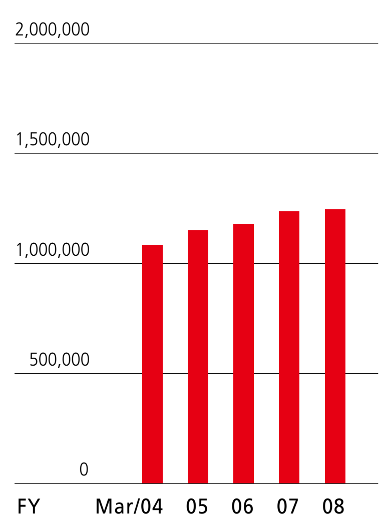
Net Sales
(Millions of yen)



Net Income
(Millions of yen)



Total Assets
(Millions of yen)



Major Press Releases

Business-related

2007

Jun. 20	**Isuzu Reinforces Production Operations in Malaysia** • Isuzu increases share in Malaysian Truck & Bus from 20% to 51%.
Jul. 11	Acquisition and Elimination of Class III and IV Preferred Shares
Jul. 30	Isuzu Establishes Joint Venture CJSC "ZAO SEVERSTAL AUTO-ISUZU" to Manufacture and Sell Trucks in Russia
Aug. 23	Isuzu and Toyota Reach a Basic Agreement on Collaboration for Development, Production and Supply of Small Diesel Engines
Aug. 27	Isuzu and Hino Reach a Basic Agreement on Jointly Developing Exhaust Gas After-treatment System and Cabins of Heavy Duty Trucks
Aug. 28	Isuzu Meets Mid-term Business Plan Goals One Year Early, Develops New Mid-term Business Plan
Sep. 11	Isuzu Begins Full-scale Production and Sale of Medium- to Heavy-duty Buses in India

2008

Feb. 6	**Isuzu Strengthens Indonesia CV Business** • Isuzu increases share in P.T. Pantja Motor from 12.5% to 40%.
Apr. 28	**Isuzu Shifts Indonesian Operations to New Organization** • Isuzu increases share in P.T. Pantja Motor from 40% to 44.9% and strengthens CV distribution.
May 9	**Isuzu Strengthens CV Business in Three Andean Countries in South America.** • Isuzu and GM establish GM-Isuzu Camiones Andinos de Colombia, Ltda.

Product-related

2007

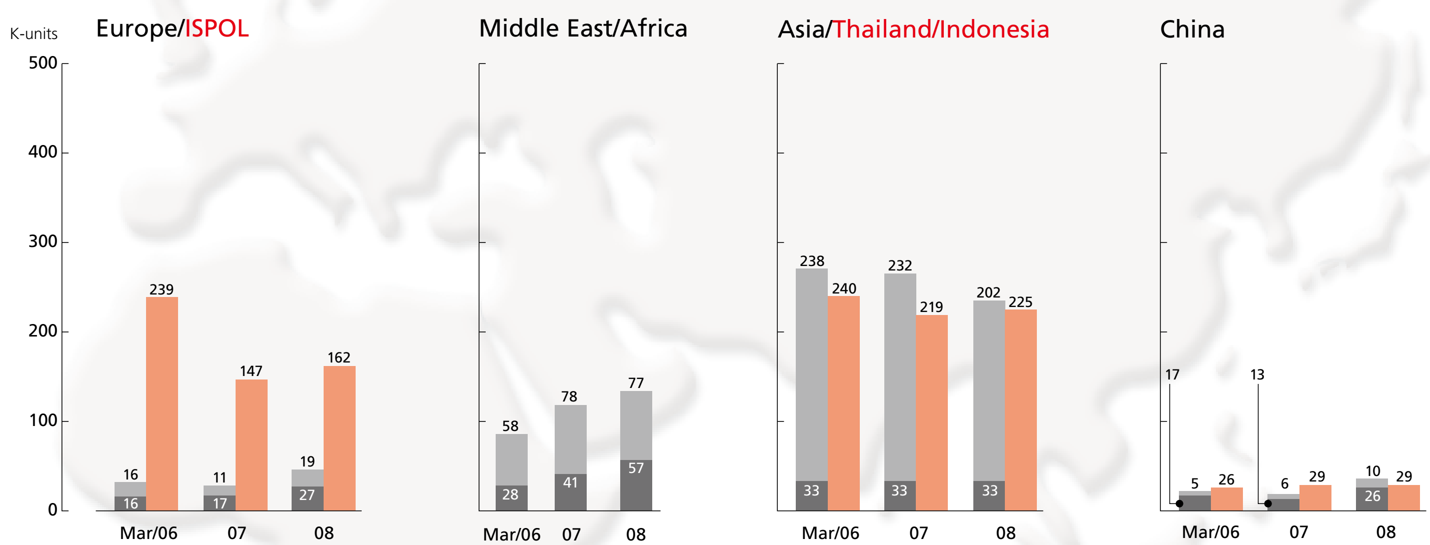
May 24	**Isuzu Introduces Fully Remodeled F-series (FORWARD) Trucks** • Models become first in category to clear fuel economy standard for heavy-duty vehicles.
May 31	Isuzu Upgrades "Mimamori-kun Online Service*"
Jul. 9	**Isuzu Introduces Fully Remodeled ELF CNG-MPI** Truck** • New model delivers improved emissions performance and lowers transport costs compared to diesel models.
Aug. 1	**Isuzu Introduces Fully Remodeled ELF Diesel Hybrid Truck** • New model delivers best-in-class heavy-duty mode fuel economy.
Sep. 7	**Isuzu Introduces Fully Remodeled FORWARD CNG-MPI Truck** • New model receives low-emissions certification from the Ministry of Land, Infrastructure, Transport and Tourism for reducing NOx by 10% over 2005 standards.
Oct. 25	GIGA Heavy-duty Truck Features Pre-crash Braking and IESC Advanced Active Safety Technologies
Nov. 30	**Isuzu Introduces Remodeled ERGA and ERGA Mio CNG-MPI Buses** • New models are the first Japanese buses to receive low-emissions certification from the Ministry of Land, Infrastructure, Transport and Tourism for reducing NOx by 10% over 2005 standards.
Dec. 20	Isuzu Announces Drive Recorder and Other New Features for "Mimamori-kun Online Service"

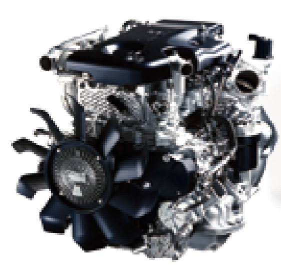
* Mimamori-Kun Online Service is Isuzu's first full-scale telematics system for CVs.
** CNG-MPI: Latest compressed natural gas multipoint injection system.

Isuzu At a Glance

Trucks

Isuzu trucks enjoy the strong support of customers around the world as a result of their economy, safety, durability and reliability, and advanced environmental performance. Models are developed to fulfill a broad range of needs worldwide based on our "SEE-GLOBAL" concept, an approach that is based on the aggressive pursuit of Safety, Economy, and Environmental performance from a global perspective. Isuzu trucks satisfy diverse customer needs, including meeting stringent emissions standards worldwide.





Powertrains

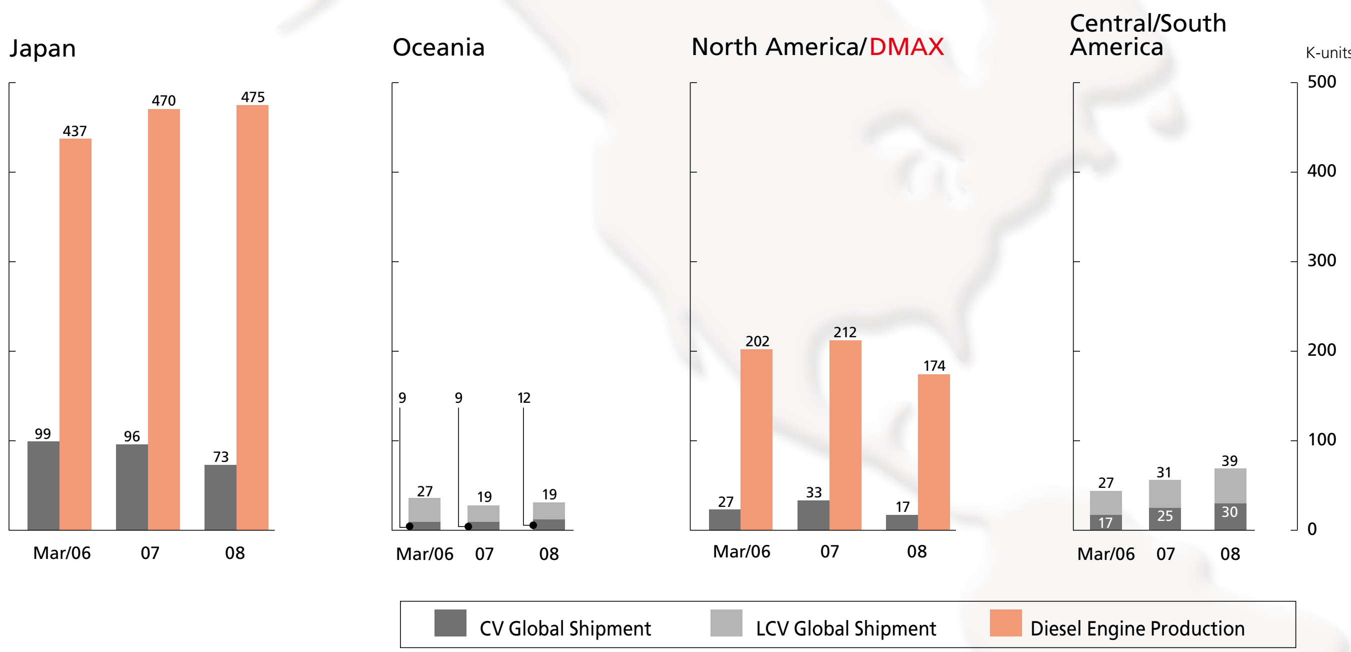
Compared to gasoline engines, diesel engines are more fuel efficient and emit less CO_2. Isuzu diesel engines are popular for their class-leading low emissions and high power made possible by the company's proprietary technologies. They feature in trucks and pick-up trucks as well as passenger cars from leading automakers that include GM and Renault. In April 2007, DMAX, Ltd., a U.S. joint venture between Isuzu Motors and General Motors to manufacture DEs, marked cumulative production of one million units since 2000.

Buses

Isuzu offers an extensive lineup including route-use buses, sightseeing buses, and private buses, all featuring newly developed, fuel-efficient diesel engines that meet emissions regulations while delivering exceptional safety and comfort. Isuzu also offers non-step buses implementing universal design principals as well as environment-friendly models powered by compressed natural gas (CNG).

Pickup trucks and SUVs

Isuzu pickup trucks are widely admired by customers worldwide and enjoy a strong market share. They are overwhelmingly popular in Thailand, where the company maintains a production facility, and dominate their segment in countries such as Colombia, Ecuador, Venezuela, and Egypt. Worldwide exports of the D-MAX pickup, well received for its attractive design and powerful engine, continue to set annual sales records.



CV: Commercial vehicle, LCV: Light commercial vehicle, pickup trucks

Industrial engines

Isuzu supplies an extensive line-up of industrial diesel engines ranging from light-duty to heavy-duty to domestic and overseas industrial machinery manufacturers for use in market applications. Used in construction machinery, refrigerators, marine applications, special-purpose vehicles, power generation equipment, and energy-saving machinery, these engines are well known for their combination of power, performance, and reliability in industrial applications, and their sure-starting dependability in marine applications.

Message from the President

It has been a little over a year now since I became president. Last year, after we set out our new Mid-term Business Plan, I had the opportunity to exchange opinions with our investors and other stakeholders in both Japan and overseas. We were able to share and deepen their understanding of our approach and business strategies, and I also came to appreciate first-hand the warm support and strong hopes all of you have for Isuzu.

March 2008: Business Environment and Results

The business environment in the previous term saw much greater economic fluctuation than was anticipated, with the market environment buffeted by significant change. Part of this was the major impact on the global economy of the rapid rise in oil and other raw material prices, which also resulted in greater economic activity in resource-producing countries, as well as a positive change in the emergence of new markets. On the other hand, the effects from the impact of the sub-prime loan problems in the United States also resulted in sluggish economies, reflected in lower rates for the dollar and a stronger yen.

This environment of depressed Japanese and US markets, with economies such as Thailand also sluggish, produced a difficult year for the Company. There was reason to anticipate greatly expanded demand from resource-producing countries, a development the company moved aggressively to capture. The results for the fiscal 2008 were: total sales of ¥1,924,833 million, operating income of ¥109,573 million, working profit of ¥122,322 million, and net income of ¥76,021 million.

Included in these figures from the consolidated financial statement are eight consolidated subsidiaries in the ASEAN region, which this year changed their fiscal year from the previous ending in December to March. It is therefore appropriate to disclose the results for these companies, which were affected by this change: sales were ¥133,229 million; operating income was ¥7,589 million; working profit was ¥8,330 million; and net income for the current term was ¥4,203 million.

Forecast for March 2009

In fiscal 2008, the steep rise of raw material prices led to an economic slump in Japan and North America, which will make for an even more difficult business environment in fiscal 2009. This will require increased rationalization and improvements in profitability, as well as the steady development of CV sales in resource-producing and emerging countries, where we anticipate growth. Reflecting this, our forecast for the period is sales of ¥1,850,000 million; operating profit of ¥105,000 million; working profit of ¥115,000 million; and net income of ¥85,000 million.

Mid-Term Business Plan Review

The previous period also marks the conclusion of the Mid-term Business Plan begun in April 2005. I am happy to report excellent results from this plan. In concrete terms, we have introduced our global strategic CV products, the ELF and FORWARD, to international markets. At the same time, we have expanded our global business operations through development of new markets and raising capital in our affiliates which has helped to reinforce our overseas sales operations. The active investment in these future business bases, the achievement of the goal of a debt-to-equity ratio (DER) multiple of under x1, and the successful elimination of all preferred stocks, together combined to further strength the financial structure, resulting in stable earnings and a continued operating income at the ¥100,000 million level.

New Mid-Term Business Plan

With the new fiscal year, we will embark on a new Mid-term Business Plan. We aim to further strengthen our business presence in new markets which we have already begun as the first stage of globalization in previous Mid-term Business Plan, and expand sales volume through the introduction of new CV models. We will try harder to increase the quality and value that builds the competitive strength of our products, as well as plan to create and implement a business structure designed for co-existence and co-prosperity with local markets.

An additional challenge is the second step of globalization: production which makes effective use of overseas resources. This is a new vision in which we foresee increasing competition with the emerging manufacturers of Korea, China, India and others, with Japan at the center of a globally coordinated system in which there is greater supply of parts and resources from local markets.

Finally, all of us at Isuzu take the challenge of living up to our stakeholders expectations of achieving sustainable growth very seriously. We deeply appreciate your continued understanding and support.

S. Hosoi

Susumu Hosoi
President & Representative Director

Isuzu Motors Mid-term Business Plan April 2008 to March 2011

Three years to expand and strengthen the foundation for future profits

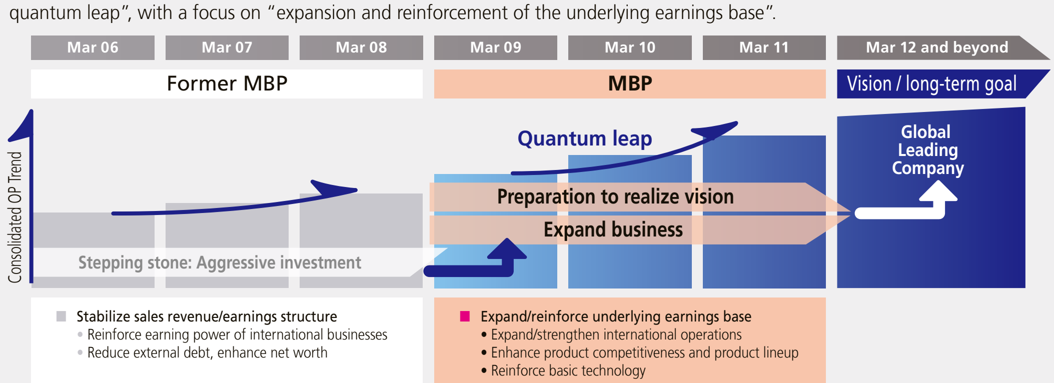
Working under a Mid-term Business Plan that emphasized aggressive investment as the groundwork for future growth, from March 2006 to March 2008 Isuzu focused its resources on developing and introducing strategic global products, and stabilizing its profit and financial foundations. As a result of these efforts, the company was able to achieve the plan's consolidated performance targets one year earlier during the fiscal year ended March 31, 2007. Isuzu then met the plan's target of ¥100 billion in consolidated operating income for the fiscal year ended March 31, 2008.

The new Mid-term Business Plan launched in April 2008 outlines three years of activities and initiatives to expand and strengthen the foundation for future profits, with the aim of achieving Isuzu's long-term vision of becoming a global leader in CVs and DEs.

We are committed to laying the groundwork for implementing this vision, expanding the scale of our business, and leveraging all group resources to achieve sustainable growth by (1) Expanding/strengthening international operations, (2) Enhancing product competitiveness and product lineup, and (3) Reinforcing basic technology.

New Mid-term Business Plan Positioning

Aiming to realize our corporate vision, the three-year period of the new Mid-term Business Plan is positioned as a "period for a quantum leap", with a focus on "expansion and reinforcement of the underlying earnings base".



Market trends and Isuzu's position

Securing an advantage in growth markets worldwide

Demand for CVs like trucks and buses is forecast to continue a firm growth trend, particularly in growth markets such as China, India, Russia, and other resource-producing countries.

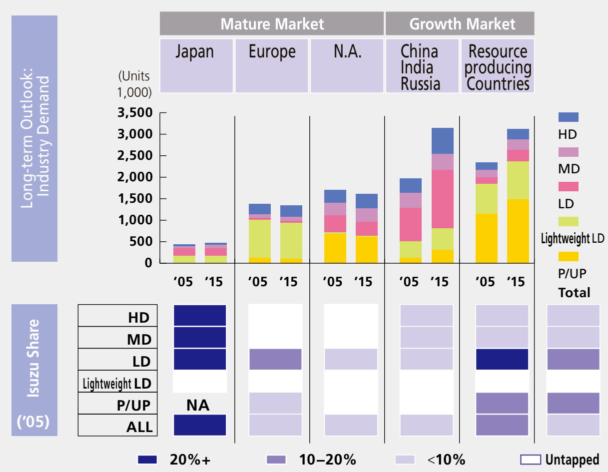
Isuzu is maintaining significant market share in Japan and in growth markets by supplying N Series (ELF) light-duty trucks, a model line that leads its market segment, to more than 120 countries worldwide.

Interest in DEs, which offer the recognized advantages of low fuel consumption and low pollution thanks to new technologies, is increasing worldwide in line with awareness of the need to conserve resources. In addition to having some of the world's most advanced diesel technology, Isuzu is the No. 4 manufacturer of DEs worldwide by production volume. The company is in the unique position of being able to offer a full line of powerplants that comply with strict Japanese, European, and U.S. emissions standards, for vehicles ranging from passenger cars to heavy-duty trucks.

In this way, we have carved out an advantageous position in growth markets worldwide by leveraging our advanced DE technology, global brand strength, and product marketability.

Market Trend Analysis and Isuzu's Position CV/LCV

- CV/LCV market is expected to continue its expansion trend, centered around an increase in demand in growth markets.
- With its global LD trucks N-series (ELF) at the core, Isuzu commands a high market share in Japan and growth markets.



Market Trend Analysis

- Global market demand 8.0 mil. → 9.5 mil
- Key driver of market expansion: Growth markets (60% increase)

Source: Isuzu Motors Limited
Resource-producing countries: Middle-East, Latin/South America, Africa, Oceania, Africa, CIS, Eastern Europe
HD: GVW 15t up, MD: GVW 6-15t,
LD: GVW 3.5-6t, Lightweight LD: GVW 2-3.5t,
P/UP: Small Pick-up Truck

Isuzu's Position

HD	At the top class in Japan
MD	Growing presence and penetration in growth markets
LD	Commands No. 1 position in 21 countries incl. Japan
	No entry in the lightweight LD segment
LCV	Enjoys high penetration in resource-producing countries including Thailand

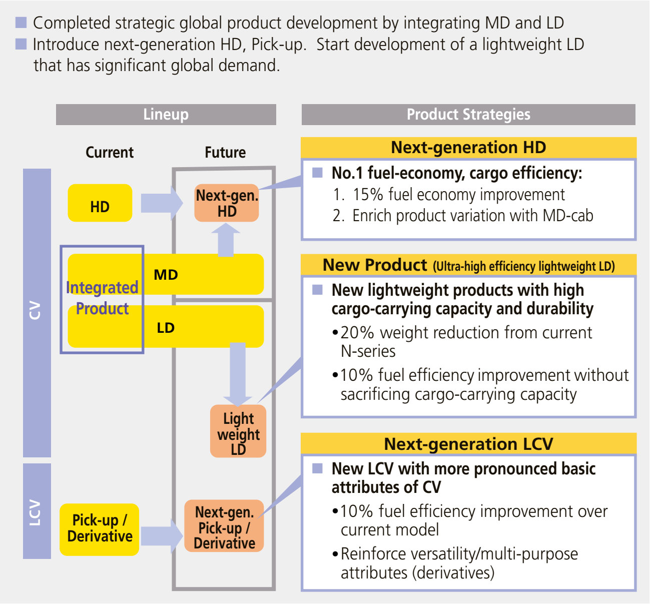
Product strategy

Introducing next-generation strategic global models

In December 2006, we launched the N-series (ELF) light-duty truck, a strategic product that delivers world-class safety, economy, and environmental performance in Japan. In May of the following year, we announced the F-series (FORWARD) medium-duty truck, a model line that offers dramatically improved cost performance and economy by sharing a platform with the ELF. In this way, we have developed a line of strategic global vehicles that integrates light- and medium-duty trucks.

Going forward, we will focus on introducing next-generation models for our remaining product lines: heavy-duty trucks as well as pickup trucks and derivatives. At the same time, we will continue to introduce super-efficient, high-performance models in the lightweight and light-duty segment, an area characterized by a both a high level of market needs and volume sales.

CV/LCV Product / Market Strategies – Product Strategies –



Market strategy

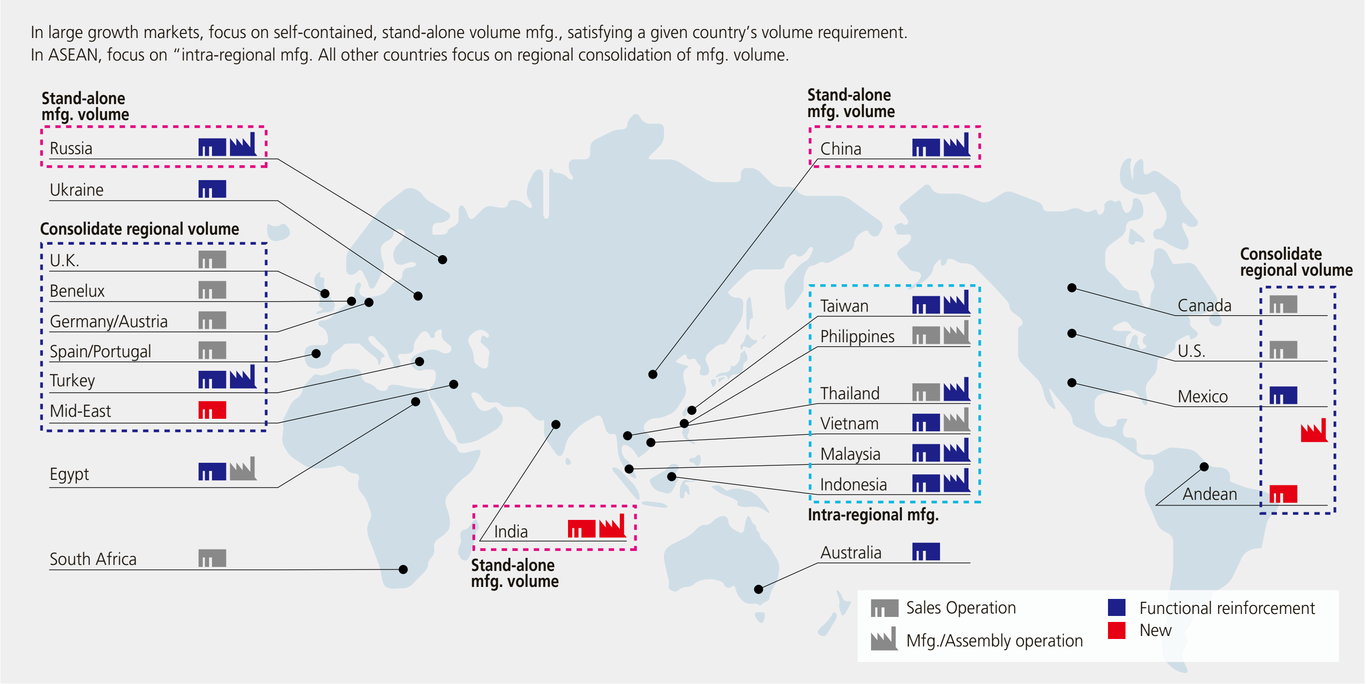
Expanding and enhancing the capabilities of overseas facilities

Isuzu will pursue a market strategy that is closely geared to present conditions and future prospects for individual countries and regions. It is based on a belief that increasing sales in overseas markets that are expected to experience significant future growth is the key to achieving sustainable growth.

We continue to strengthen our production and sales capabilities in each of large growth markets such as China and Russia, and we have established a new facility in India. In the ASEAN region, we will boost local capabilities in Thailand, Indonesia, Malaysia, and Vietnam by developing production in the region.

In North America, South America, Canada, and Europe, we will strengthen locally centralized production structures. We plan to construct new sales facilities in the Andean region of South America and the Middle East.

CV/LCV Product / Market Strategies - Reinforcing International Operations -



Product- and market-specific plans

Harnessing the overseas CV segment as a driver of growth

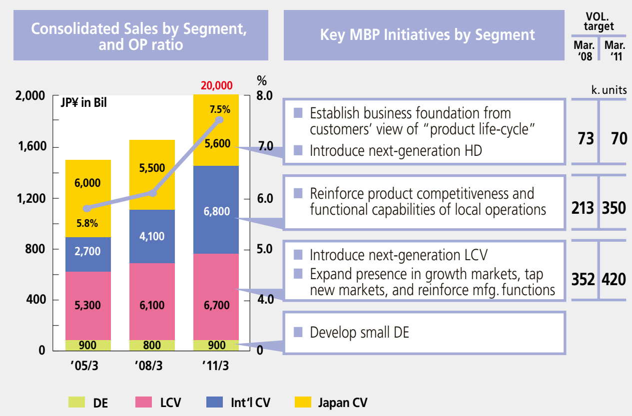
We have developed an action plan stretching through to the final year of the Mid-term Business Plan (the fiscal year ending March 31, 2011) which outlines a series of milestones for the plan's implementation.

Product- and market-specific plans seek to maintain a production volume of 70,000 units in domestic CV, which expect a drop in demands, and to leverage the dynamic overseas CV business to 35,000 units to achieve a dramatic growth rate that is 64% higher than the previous Mid-term Business Plan, through a three-segment structure consisting of domestic CV, overseas CV, and LCV businesses. To achieve this we will strengthen product marketability and local capabilities in overseas markets.

We also expect a 19% increase in growth over the previous Mid-term Business Plan to 42,000 units in pickup trucks and derivatives, and we will lay the groundwork for our DE business to develop into a future strategic business by expanding our line of small DEs.

Product/Market Plan

Under a 3-core operating organization, Isuzu will realize robust growth by positioning International CV sales as the primary driver of consolidated revenue/ profit, while reinforcing the DE business as future strategic business segment.



Investment plan

Making aggressive investments to expand the scale of our business

Isuzu will pursue an active program of investment in facilities, research and development, and overseas investments and loans to achieve this vision. We plan to make capital investments totaling ¥230 billion in product development and production over the coming three years (a 58% increase over the previous Mid-term Business Plan).

We will also make investments of ¥200 billion (up 14% from the previous plan) in research and development with a focus on DEs and CVs. In overseas investments and financings, the plan dramatically expands activity to ¥36 billion (an increase of 67% from the previous plan), with an emphasis on investment in large growth markets.

Investment Plan

(JP¥ in Bil.)

		Apr. '05 to Mar. '08	Apr. '08 to Mar. '11	Growth
Facilities Investment	Product Development	44.0	90.0	
	Mfg.	68.4	120.0	
	Sales & Other	33.2	20.0	
	Total	145.6	230.0	58%
R&D	CV	62.0	70.0	
	LCV	26.7	30.0	
	DE	86.8	100.0	
	Total	175.6	200.0	14%
Int'l Financial Investment	Large, growth mkt.	13.0	25.0	
	Resource-rich mkt.	5.5	8.0	
	Mature mkt.	3.0	3.0	
	Total	21.5	36.0	67%

Performance Targets

Striving to achieve consolidated net sales of ¥2 trillion and operating income of ¥150 billion

The plan sets targets for the fiscal year ending March 31, 2011, of consolidated net sales of ¥2 trillion (an increase of 12% from the fiscal year ending March 31, 2008*), consolidated operating income of ¥150 billion (an increase of 47%*), and an operating margin of at least 7.5% (an increase of 1.8%*).

Moreover, we will meet shareholder and investor expectations by striving to achieve an ROE of at least 17%, and setting a consolidated dividend payout goal of at least 20%.

Performance Target

(JP¥ in Bil.)

	Mar. '11 Target	Mar. '08 Actual*
Sales Revenue	2,000.0	1,791.6
Operating Profit	150.0	102.0
OP % to Sales	Over 7.5%	5.7%
ROE	Over 17%	20.6%
Dividend Payout Ratio	Over 20%	11.2%

* Excl. ASEAN closing date change

* Excludes the effects of a change in the end of the fiscal year for ASEAN affiliates in FY2008.

Note: Above plans, estimates and projections have been released in August 2007 and are subject to change due to changes in the future economic environment.

1. Interview with Goro Shintani

Executive Vice President
(Senior Division Executive,
International Sales Headquaters)

Q1: ***Shipments to resource-producing countries and developing countries remain robust. What is the outlook for key geographic regions?***

A1: The economies of resource-producing countries continue to grow thanks to surging prices for natural resources worldwide. Against that backdrop, Isuzu is expanding sales in the Middle East, Africa, South and Central America, Oceania, Russia and Ukraine. We continue to build a solid brand in South and Central America and Africa, where we have a long history of collaboration with General Motors. Our quality has become well known in the Russian and Ukrainian markets thanks to the ELF. We will be working to achieve our Mid-term Business Plan target for overseas commercial vehicle (CV) sales of 350,000 units by increasing sales in these regions, while expanding our product line to include not only the ELF, but also medium- and heavy-duty trucks.

Q2: ***What is the outlook for Isuzu's Thailand business, and how do you plan to develop the LCV business going forward?***

A2: Our Thailand business continues to enjoy steady growth. Although growth in the Thailand domestic market stalled slightly in 2006, it has been staging a gradual recovery since the second half of 2007. We continue to enjoy strong sales as the leading brand in the pickup truck segment, which accounts for approximately 60% of all automobile sales in the country. Looking at our exports from Thailand, our business has been expanding at an annual rate in excess of 10% since we moved production from Japan to Thailand in 2004, and we will be working to meet our Mid-term Business Plan target for light commercial vehicle sales of 420,000 units by expanding sales just as we are doing in trucks, primarily in resource-producing and developing countries.

Q3: ***What market conditions are Isuzu's businesses in North America and China experiencing?***

A3: Although no recovery in demand in the North American market can be expected given the current economic environment in the U.S., Isuzu continues to maintain its high market share. Over the medium- and long-term, we are confident that a U.S. economic recovery will push demand back to its original levels. For the time being, we are increasing the efficiency of our operations through careful cost management of local operations, including measures such as inventory reduction.

In China, we will introduce the new ELF wide-cabin type this fiscal year. Although the market environment has not yet developed sufficiently such that we can grow sales of our high-quality, high-performance, environment-friendly new products as quickly as we would prefer, we believe that the emergence and rapid growth of a high-end market is inevitable in time due to the continued growth of the Chinese economy, the development of more sophisticated market needs, and the introduction of more stringent environmental regulations. Over the next several years, we will be focusing on steadily strengthening our sales capabilities and enhancing our parts and service offerings in anticipation of that coming expansion.

2. Interview with Yoshihiro Tadaki

Executive Vice President
(Senior Division Executive,
Japan Sales Headquarters,
Quality Assurance Division)

Q1: ***What are the trends in domestic truck demand, and how do you plan to increase Isuzu sales in the future?***

A1: Demand has been stalled since 2007, reflecting a post-2006 drop-off in demand for vehicles complying with emissions regulations. We believe this situation will continue for the time being, and it is impossible to rule out the possibility of a longer-term drop in demand due to the fact that higher fuel prices driven by soaring crude oil prices have created a crisis in management for users of trucks. In this environment, we will seek to secure revenue by working with customers to reduce lifecycle costs, which has been a consistent theme for us for a long time.

Q2: ***What initiatives are you employing to maintain and increase revenue for Isuzu's domestic business?***

A2: Naturally, we will work to strengthen sales of new vehicles in the midst of the demand slowdown, just like we will work to maximize revenue in our domestic business by taking advantage of the Isuzu Network (INW), which we established in 2006. More specifically, we plan to deal with intense competition in the industry by having sales companies specialize in and focus on their basic functions—their new vehicle sales and service and parts businesses. INW will support sales companies by offering assistance in their other areas of responsibility, including asset management, capital procurement, sales financing, insurance, used vehicles, and truck bodies, to achieve higher levels of efficiency.

Q3: ***How has the market reacted to the new ELF and FORWARD?***

A3: The market has reacted favorably to the models' premium quality and balanced characteristics in every area. The reaction has been particularly favorable with regard to these models' excellent fuel economy due to the high level of customer interest in this area, which reflects last year's surge in fuel prices. We have also received good reviews of the models' quietness, which reduces driver fatigue and improves work conditions early in the morning and late at night. Another key point is the higher loading capacity made possible by a lightweight design. The FORWARD in particular has anticipated customer needs by quickly complying with the medium-duty license enacted last year.

Q4: ***What are your plans for the Isuzu's advanced CV Telematics "Mimamori-Kun Online Service"?***

A4: Since launching the service in 2004 we have already signed up 20,000 vehicles. Transport operators already recognize that Mimamori-Kun is the most advanced driving control service, and I think we now almost completed the first step of getting market's recognition.

Going forward, it will be important that we share individual vehicle data among departments for use as marketing data, as we intended to do since we developed the service, and we need the departments to put that data to effective use in their operations. This initiative will enable us to propose the best possible way for customers to use their vehicles, including maintenance, and to propose vehicle and truck body solutions.

We will be working to achieve a true operational guarantee and failure analysis capabilities as only Mimamori-Kun can.

3. Interview with Naotoshi Tsutsumi

Executive Vice President
(Division Executive, Manufacturing Division)

Q1: ***What is Isuzu's current production capacity by region?***

A1: For CVs, our global capacity is 330,000 units. Regionally, our capacity is 160,000 units in Japan (including completed vehicles and KD shipments for general overseas markets), 80,000 units in China, 40,000 units in Asia (Thailand and Indonesia), and 50,000 units in Europe (Russia and Turkey). For LCVs, our global capacity is 370,000 units, including contract manufacturing. Regionally, our capacity is 250,000 units in Thailand, 20,000 units in China, and 100,000 units in other regions (South and Central America, Africa, Asia, Oceania, etc.).

Q2: ***How do you plan to achieve the production capacity targets in the new Mid-term Business Plan of 350,000 CVs and 420,000 light CVs?***

A2: In both CVs and LCVs, our current Mid-term Business Plan calls for expanding volume in regions exporting finished vehicles and KD vehicles. These production bases are in Japan for CVs and in Thailand for LCVs. Boosting production capacity in these areas will be key, and we are planning to make capital investments of ¥120.0 billion over three years.

Q3: ***How would you characterize Isuzu's production technology and production quality, and what information can you provide about current and future initiatives?***

A3: Isuzu's production technology is characterized by close links to the production site and the pursuit of minimum investments for maximum efficiency. We hold technology presentations every two months to increase our overall technology level, and for the past several years we have been pursuing *kit production with an idea of *kit shipment (inventory reduction in the broad sense). In terms of production quality, we assign high value to information from the market and reflect it in our capital investments. Additionally, we are working to standardize the quality of Isuzu products produced worldwide by implementing the three steps of preventing defects in manufacturing, keeping defects from being sent to subsequent production processes, and keeping defects from being shipped through IMM (Isuzu Manufacturing Management).

Q4: ***What is Isuzu's current diesel engine (DE) production capacity by region?***

A4: Our global capacity is 1,470,000 units. Regionally, our capacity is 580,000 units in Japan, 300,000 units in Asia (Thailand and Indonesia), 40,000 units in China, 330,000 units in Europe (Poland), and 220,000 units in North America (the United States).

Notes:
* *Kit shipment:* The practice of picking out and lining up the necessary parts in the order in which they will be used, and supplying them to the production line as a kit.
* *Kit production:* A production system designed to reduce inventory and load on the main production line by organizing work in terms of functional modules and sub-assembly modules.

4. Interview with Ryozo Tsukioka

Director
(Division Executive, Engineering Division)

Q1: ***What can you tell us about your plan with emissions regulations and environment-friendly vehicles?***

A1: Isuzu offers a full line of DEs, from small 1.7-liter engines for passenger cars to large 15.7-liter engines for heavy-duty trucks and industrial applications. The fact that we have met stringent emissions regulations in Japan, U.S., and Europe places us among the world's leading manufacturers. As environmental awareness grows around the globe, I believe our mission is to continue to provide the resource-saving efficiency that DEs have long offered while responding to the need for next-generation DEs that address the technology's traditional weakness through cleaner emissions. In addition to allocating ¥100.0 billion for in-house DE research and development over three years under the current Mid-term Business Plan, we will work to maintain and enhance our world-class technology by efficiently utilizing resources through collaboration with other companies, an approach that is reflected in our collaborative development projects with Toyota and Hino.

Q2: ***What are the characteristics of Isuzu's next-generation pickup truck?***

A2: It will offer excellent basic performance that more than meets market needs in the 120 countries to which we will export it, while satisfying the requirements of customers in Thailand, the largest pickup market. Specifically, we are developing a vehicle that will rank No. 1 in its segment thanks to advanced styling, a high-quality interior, a high-efficiency engine for good fuel economy, and excellent environmental performance that complies with the emissions regulations in its various markets. We will launch the new model before the conclusion of the Mid-term Business Plan that began this fiscal year.

5. Interview with Masanori Katayama

Director (Division Executive, Corporate Planning and Finance Division)

Q1: ***Could you describe the capital investment plan for this fiscal year? What about future plans?***

A1: This fiscal year, we are planning to make capital investments totaling ¥93.0 billion (an increase of 84% from last year). Our primary investment projects focus on increasing production capacity, including at consolidated subsidiaries; promoting productivity improvement; and establishing facilities for developing new vehicles. We are planning to pursue a high level of capital investment in the future as we implement the Mid-term Business Plan, and we plan to proceed with flexibility in response to changes in our environment.

Q2: ***How are you dealing with surging raw material prices and a strong yen?***

A2: We will absorb these added costs by accelerating cost reduction and passing them on to product market prices.

Q3: ***What is your approach to profit distribution?***

A3: We will distribute profits after making growth-oriented investments and enhancing retained reserves for use in the future development of our businesses. Dividends will be determined based on a comprehensive consideration of balanced shareholder returns with a target of achieving a dividend payout ratio of at least 20% by the final year of the Mid-term Business Plan (the year ending March 31, 2011).

Accelerating development of strategic global models

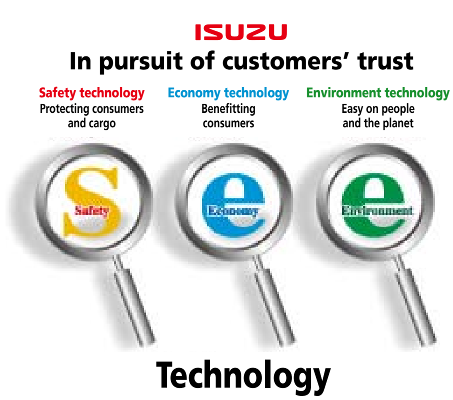
Isuzu's technology and R&D activities

Isuzu's product development and R&D programs consistently focus on bringing models to the global market. We are committed to leading the market in creativity by introducing strategic global models that offer world-class performance and quality in every aspect of their design, especially through their exceptional safety, economy, and environmental performance.

SEE technology for the next generation

Earning the trust of customers worldwide is at the heart of Isuzu's development philosophy. The base for all our product development initiatives is "SEE technology", which stands for Safety, Economy, and Environmental performance. Our goal is to build advanced technologies with world-class performance in each of these three core areas.

Our unwavering objective is to supply the global market with products that combine safety and economy with a reduced environmental impact.



SEE-GLOBAL: Integrated development of light- and medium-duty vehicles

When we set out to develop our new ELF and FORWARD models, we wanted to create a truck in keeping with our project concept of "SEE-GLOBAL" that would resonate with customers worldwide, through an approach that integrates light- and medium-duty trucks in the same group. For this project we adopted a development technique that defines a base level consisting of the minimum specifications required to fulfill worldwide needs, then augmented this base with options that fulfill national requirements such as legal regulations and varying operating environment requirements.

Introduction of digital development

The development of these strategic global models marked Isuzu's first full-fledged digital development process which was dramatically streamlined and shortened by the use of 3D CAD simulations and computer-driven analysis.

D-CORE next-generation diesel engine

D-CORE is a series of next-generation, high-efficiency diesel engine series featuring Isuzu's proprietary philosophy, technology, and performance. The platform is designed to offer improved fuel economy and cargo efficiency by

delivering maximum torque per unit of displacement in a more compact, lightweight body. By combing the three technologies of combustion optimization, exhaust gas after-treatment, and electronic control, D-CORE diesel engines deliver both excellent environmental and economic performance.

Tie-up with Toyota in small diesel engines

In August 2007, Isuzu and Toyota Motor Corporation agreed to work together to develop, manufacture, and supply small diesel engines.

This collaborative development effort seeks to harness both partners' technical capabilities and expertise to develop and manufacture the world's highest-performing diesel engine, a 1.6-liter class aluminum cylinder block unit that will power Toyota models sold in the European market. Production is planned to start in 2012.

Joint development projects with Hino Motors Ltd.

In August 2007, Isuzu and Hino Motors Ltd. agreed to jointly develop engine emissions after-treatment systems and cabins for heavy-duty trucks. By taking advantage of their respective advanced technologies to efficiently utilize development resources, both companies are aiming to reduce the cost burden associated with complying with increasingly stringent national environmental regulatory regimes, ultimately enabling them to provide better products to customers.

In addition to collaborating in the manufacture of buses through J-Bus Co., Ltd., a company in which each partner owns a 50 percent stake, Isuzu and Hino are working together on the supply of truck components.

Developing alternative fuel vehicles

Isuzu is actively developing environmentally friendly alternative fuel vehicles based on the technology used in its DE vehicles. Compressed natural gas (CNG) vehicles which use natural gas as a fuel are extremely clean, with almost no particulate matter (PM) and low CO_2. Thanks to the development of engines with multi-point injection (MPI), a state-of-the-art fuel injection system, we are now able to deliver both exceptional fuel efficiency and clean exhaust gas performance.

We have also developed a diesel hybrid vehicle featuring a proprietary hybrid system based on our D-CORE series of DEs. By using a PTO-type parallel drive system and lithium-ion batteries with an exceptionally long service life, we were able to create an alternative fuel vehicle that combines the reliability and economy required of CVs with environmental performance.

Isuzu's environmental conservation activities and social responsibilities

Isuzu is actively pursuing group-wide activities to achieve harmony between global economic development and environmental conservation. We consider reducing the environmental impact of our business activities to be a priority issue through the entire vehicle lifecycle, from raw material procurement to manufacturing, distribution, use, disposal, and recycling. We are also actively involved in local social contribution activities in Japan and other countries worldwide, reflecting our wish to make a multifaceted contribution to sustainable and environmentally friendly development.

For the future of humanity and the Earth: Environmental management

Consistent with a belief that environmental conservation is an important management issue, Isuzu is actively pursuing consolidated environmental management on a group-wide basis. Our milestones in these efforts include establishing the Isuzu Committee on the Environment in August 1990, becoming the first domestic truck manufacturer to receive ISO certification in 1998, and completing ISO 14001 certification of all manufacturing companies subject to Consolidated Environmental Management in 2005.

To verify our Environmental Management System is being appropriately administered and improved, we not only conduct a rigorous internal audit each year and put the findings to work in improving the management system, but also issue an annual Environmental and Social Report. In April 2008, we moved to accelerate these initiatives by establishing an Eco Planning Department.

Developing technologies for reducing environmental impact: Products

To address the full range of environmental requirements demanded of trucks, Isuzu is developing state-of-the-art technologies for reducing each vehicle's overall environmental impact.

Isuzu has reduced fuel consumption by some 40% over the last ten years, contributing dramatically to environmental conservation. We will continue to develop innovative technologies that reduce the environmental impact while providing both safety and economy.

Working to popularize alternative fuel vehicles

We are actively working to develop environmentally friendly alternative fuel vehicles. In this area, we are focusing on developing CNG (compressed natural gas) and diesel hybrid light-duty trucks for use on short delivery routes, as one way to prevent air pollution in heavily congested urban areas.

Our ELF and FORWARD CNG vehicles have been particularly well received, and total sales of ELF CNG models passed 10,000 vehicles in April 2007. The ELF Diesel Hybrid reduces CO_2 and saves on fuel costs by making effective use of the vehicle's deceleration energy.

Providing fuel-efficient driving information

Isuzu's Mimamori-kun Online Service, a sophisticated driving information system that facilitates fuel savings and safe driving by utilizing mobile computing to enable companies to monitor driving information (data describing vehicle operation, engine operation, vehicle speed and acceleration, and fuel consumption) in real-time, provides "soft" support for

reducing the environmental impact of fleet operations. With recent increases in diesel prices, the service has received high praise from customers. Improvements in 2007 added new functionality such as Eco Safe Driving Reports and Internet Drive Recorder, enabling more efficient management of vehicle operation.

Creating manufacturing plants that coexist with the environment: Manufacturing

Isuzu is pursuing the following four key initiatives to make our plants more environmentally friendly and open them to the surrounding community with our affiliate companies, as well as our group companies at home and abroad:

- Preventing global warming/ reducing CO_2
- Establishing a recycling-based society and reducing waste products
- Establishing a pollution-free society and reducing the environmental impact of plant operations
- Revitalizing environmental management and complying with environmental laws and regulations

Our manufacturing division achieved our fiscal 2010 CO_2 reduction target of a 50% reduction over fiscal 1990 levels in fiscal 2006. Emissions in fiscal 2007 were 184,000 tons, down 2.1% per unit of production from the previous year. Specific initiatives to reduce emissions included activity patrols by the Energy Conservation Committee, the promotion of Eco Stop and Eco Idle activities, the relocation and rationalization of a paint plant, the conversion of the Tochigi Factory to using natural gas for energy.

Isuzu's social contribution activities

Local activities by group companies around the world are too numerous to mention. They aim to create contacts between Isuzu and people in these societies outside our business domain.

Cooperating with the Japanese Antarctic Program for 48 years

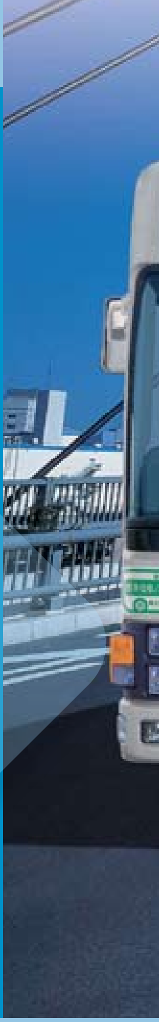
Isuzu has provided diesel technicians for each of the 48 Japanese expeditions to Antarctica to investigate and analyze phenomena such as ozone depletion and global warming.

Supporting education for children in Asia

Working through its global social contribution program, Isuzu launched a project in the spring of 2007 to increase educational opportunities for children and increase the quality of education at local elementary and other schools in Dien Bien Phu in Vietnam near the border with Laos, and in the town of Kupang in western Timor, Indonesia.

Ensuring sound and transparent management:

Corporate governance and compliance at Isuzu

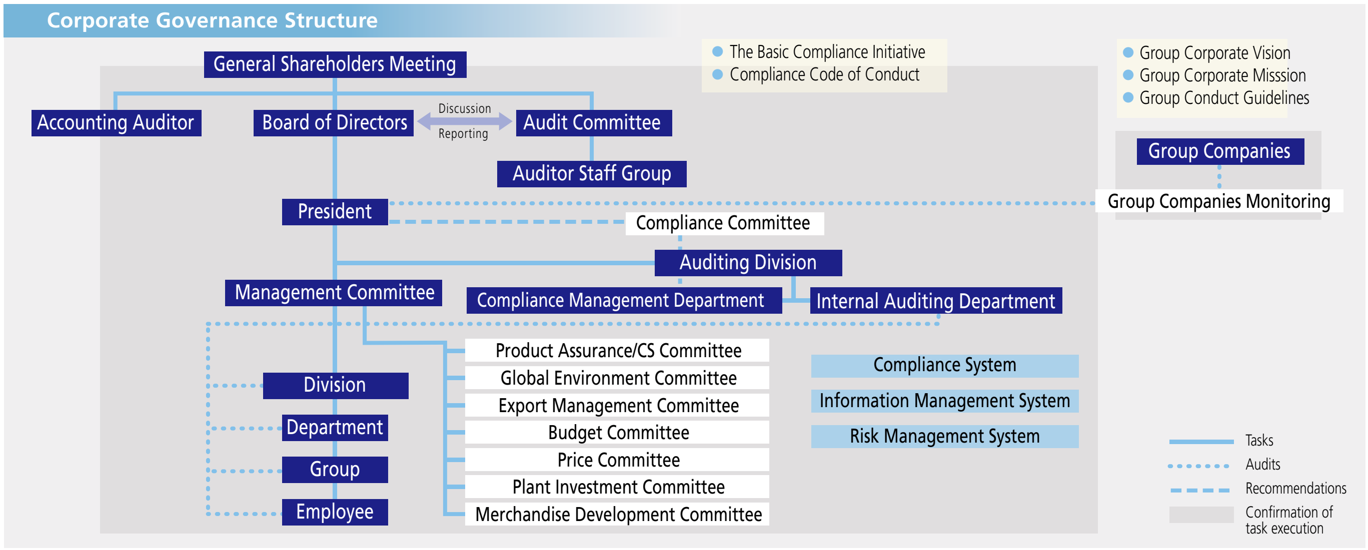


Isuzu is working to strengthen corporate governance structures designed to enhance auditing of all management activities, including operations and finance, in order to ensure that the Group continues to earn the trust and respect of its stakeholders. At the same time, the Company is working to put in place appropriate internal controls in keeping with its recognition of compliance being of crucial importance to its management.

Basic corporate governance concept

In order for Isuzu to generate consistent profits and enhance corporate value through its corporate activities, it is essential for the Company to put in place corporate governance structures that provide a framework for the discipline of those activities. Isuzu believes the primary purpose of our corporate governance is to respect the positions of all its stakeholders, particularly by protecting the rights and interests of shareholders and assuring their equal treatment, and building smooth relationships. It is for these reasons that the Company implements corporate governance structures and strives to optimize and accelerate management decision-making, to implement efficient management, and to enhance oversight of operational execution. The Company is also committed to the timely and appropriate disclosure of important information to ensure fairness and transparency in its operations, for example by providing financial information on its website.

Corporate Governance Structure



Thorough compliance-oriented management

Isuzu recognizes that it is essential for all of our executives and employees to ensure compliance and a high level of ethics so that the Company can continue to put into practice its corporate vision and engender trust from society. We developed the Basic Compliance Initiative to give this commitment expression as our highest management priority, and to ensure that it is communicated and adopted inside and outside the Company. In particular, the Company's management recognizes that leading by example through this initiative is an important part of its role and stands ready in the event of a violation of the initiative to take the lead in addressing the issues, investigating their causes, preventing their recurrence, and providing accurate and timely information to the public.

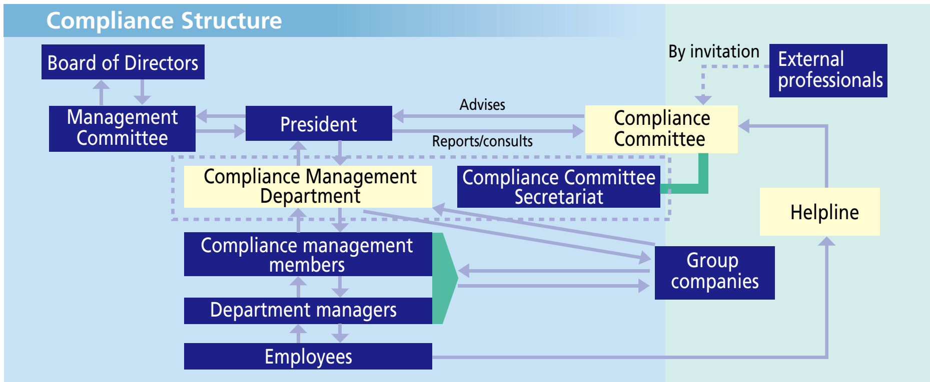
The Isuzu Group undertook the following specific activities in 2007 to advanced compliance issues:

Internally, we distributed a completely revised Compliance Guidebook and Compliance Card to all employees and worked to promote thorough knowledge of their content.

We also compiled a Compliance Behavior Manual and provided training for all employees in managerial positions. For employees in non-managerial positions, we offered an e-learning-based compliance training program.

Additionally, personnel visited all Group companies to offer compliance training for managers.

The entire Isuzu Group is working together to increase awareness of compliance issues through these tools and training initiatives.



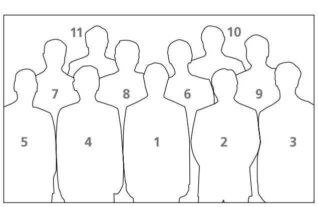
DIRECTORS

Chairman and Representative Director
1 Yoshinori Ida

President and Representative Director
2 Susumu Hosoi

Executive Vice Presidents
3 Yoshihiro Tadaki
4 Goro Shintani
5 Naotoshi Tsutsumi

Directors
6 Masanori Katayama
7 Eizou Kawasaki
8 Shunichi Satomi
9 Yasuaki Shimizu
10 Ryozo Tsukioka
11 Shigeki Toma



CORPORATE AUDITORS

Standing Corporate Auditors
Koji Yamaguchi
Yoshio Kinouchi
Shigeaki Wakabayashi

Corporate Auditors
Yasuharu Nagashima
Hajime Mita

EXECUTIVE OFFICERS

Senior Executive Officers
Tsutomu Yamada
Yukio Narimatsu
Yoshiyuki Miyatake
Toshio Sasaki
Takashi Urata
Kazuharu Shimizu
Hirokichi Nadachi
Takafumi Ozawa
Masaru Odajima

Executive Officers
Takeo Konno
Yoshifumi Komura
Kengo Baba
Yuuzou Katou
Kazuhiko Ito
Hiroshi Oyama
Naoto Hakamata
Masashi Harada
Hiroyoshi Sakai
Shunichi Tokunaga
Katsumasa Nagai
Makoto Sasaki
Haruki Mizutani

(As of June 27, 2008)

Financial Section

ISUZU MOTORS LIMITED
ANNUAL REPORT 2008

Consolidated Five-Year Summary

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

Non-Consolidated Five-Year Summary

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

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

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

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

(1) Significant accounting policies and estimates

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

(2) Results of operations

A. Overview of fiscal 2008

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

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

B. Sales

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

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

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

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

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

C. Operating income

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

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

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

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

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

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

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

As a result, Isuzu's operating margin fell 6.4% to 5.7% in the current consolidated fiscal year.

D. Non-operating gains/losses

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

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

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

E. Extraordinary gains/losses

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

F. Taxes

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

G. Minority interests

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

H. Net profit

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

(3) Financial conditions

A. Cash flow

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

Cash flow from operating activities

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

Cash flow from investing activities

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

Cash flow from financing activities

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

B. Assets

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

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

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

C. Liabilities

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

D. Capital

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

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

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

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

Risks

There are certain risks that could have a significant impact on our earnings results, financial condition, and other information contained in the annual securities report, or share prices, and these risks are outlined below. (The following information includes forward-looking statements that reflect the judgment of management as of June 27, 2008.)

1. Economic situation/supply and demand trends in Isuzu's major markets

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

2. Interest rate fluctuations

The Isuzu Group has tightened its cash flow management and continues to concentrate on shrinking interest-bearing debt. In fiscal 2008 Isuzu allocated profit from business operations and other funds to the reduction of interest-bearing debt, the balance of which stood at ¥256,776 million at the end of the year, a reduction of ¥40,451 million from the previous year. The Group remains vulnerable to the risk of higher interest payments having a negative impact on its performance and financial position should market rates rise sharply.

3. Foreign exchange fluctuations

The business of the Isuzu Group includes manufacturing and marketing products in several regions around the world. Local currency amounts for sales, expenses, assets, and other items are therefore converted into Japanese yen in the preparation of Isuzu's consolidated financial statements. Depending on the exchange rate in effect at the time of conversion, the yen amount for these items may change even if the underlying local currency value has not changed. Moreover, because foreign exchange fluctuations influence the prices paid by the Group for raw materials denominated in foreign currencies as well as the pricing of the products the Group sells, they may have a negative impact on the Group's performance and financial position. Generally, a strengthening of the yen relative to other currencies has a negative impact on the Group's business, and a weakening of the yen has a positive impact.

4. Dependence on General Motors Corporation and other major customers

The Isuzu Group supplies vehicle components to General Motors Corporation (Detroit, MI) and its affiliates as well as to other vehicle manufacturers. Sales to these customers are affected by fluctuations in production and sales at these customer companies and other factors over which the Isuzu Group has no control, and therefore they could have a negative impact on the Group's performance and financial position.

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

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

6. Product defects

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

7. Joint ventures

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

8. Disasters, power outages, and other interruptions

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

9. Securities investments

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

10. Retirement obligations and deferred tax assets

The figures recorded for "retirement obligations" and "deferred tax assets" are estimates that reflect the judgment of management. Due to the uncertain nature of estimates, in some cases actual results may vary from initial estimates, and this could have a negative impact on the Group's performance and financial position.

11. Potential risks associated with international activities and foreign ventures

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

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

12. Limits on intellectual property protection

The Isuzu Group has accumulated technology and expertise that differentiate it from its rivals; however, in certain regions due to legal restrictions the Group is unable to fully protect, or can only partly protect, its proprietary technology and expertise through intellectual property rights. As a result, the Group may be unable to effectively prevent third parties from using its intellectual property to make similar products.

13. Legal requirements

The Isuzu Group is subject to various government regulations in the countries in which it does business, such as business and investment approvals, statutes related to national security, tariffs, and other import and export regulations. The Group is also subject to legal requirements concerning areas such as commerce, antitrust, patents, consumer rights, taxation, foreign exchange, environment conservation, recycling, and safety. Unexpected changes in these regulations could have a negative impact on the Group's performance and financial position. Exhaust emissions regulations are generally being tightened amid growing environmental awareness. Since substantial investment is required to comply with these regulations, failure to generate sufficient sales to recover this investment could have a negative impact on the Group's performance and financial position.

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

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

See accompanying notes to consolidated financial statements.

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

See accompanying notes to consolidated financial statements.

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

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

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

See accompanying notes to consolidated financial statements.

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

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

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

See accompanying notes to consolidated financial statements.

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

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

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presenting the Financial Statements

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

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

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

U.S. dollar amounts have been translated from Japanese yen for convenience only at the rate of ¥100.19= US$1, the approximate exchange rate prevailing on the Foreign Exchange Market on March 31, 2008. The translations should not be construed as a representation that Japanese yen have been or could be converted into U.S. dollars at that rate. The U.S. dollar amounts are then rounded down in thousands.

Certain reclassifications have been made in the 2007 and 2006 financial statements to conform to the presentation for 2008.

2. Summary of Significant Accounting Policies

a) Consolidation

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

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

b) Foreign Currency Translation

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

c) Investments

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

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

d) Inventories

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

e) Property, Plant and Equipment

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

f) Software

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

g) Leases

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

h) Employees' Retirement Benefits

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

The Company and its domestic consolidated companies have adopted the Financial Accounting Standard for retirement benefits in Japan. In accordance with this standard, accrued employees' retirement benefits are provided mainly at an amount of projected benefit obligation and the fair value of the pension plan assets at the end of the balance sheet date. Prior service costs are being amortized as incurred by straight-line method over periods, which are shorter than the average remaining years of service of the eligible employees. Actuarial gains or losses are amortized in the year following the year using the straight-lined method over the average of the remaining service lives of mainly 10 years commencing with the following periods, which are shorter than the average remaining years of service of the eligible employees.

i) Income Taxes

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

j) Net Income per Share

Net income per share of common stock is calculated based upon the weighted average number of shares of common stock outstanding during each year.

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

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

k) Appropriation of Retained Earnings

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

l) Cash and Cash Equivalents

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

Reconciliation for cash and cash equivalents at end of the year on the consolidated statements of cash flows for the years ended March 31, 2008 is as follows:

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

m) Accounting Changes

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

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

(Additional information)

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

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

2. Change in accounting term of overseas subsidiaries

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

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

3. Securities

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

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

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

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

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

4. Long-Term Debt

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

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

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

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

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

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

5. Retirement Benefit Obligation and Pension Plan

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

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

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

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

(2) Retirement benefit cost for the year ended March 31, 2008 and 2007 are as follows:

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

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

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

6. Income Taxes

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

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

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

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

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

7. Shareholders' Equity

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

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

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

8. Land Revaluation

In accordance with the Law concerning Revaluation of Land enacted on 31 March, 1999, the land used for business owned by the Company and its domestic consolidated subsidiaries and domestic affiliates was revalued, and the unrealized gain on the revaluation of land, net of deferred tax, was reported as "Variance of Land Revaluation" within Net Assets, and the relevant deferred tax was reported as "Deferred Tax Liabilities related to Land Revaluation" in Liabilities for the fiscal year ended 31 March, 2008.
Revalued Date: 31 March, 2000

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

The method of revaluation is as follows:

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

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

9. Contingent Liabilities

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

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

10. Lease Transactions

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

a) As a lessee

i) Amounts equivalent to acquisition costs, accumulated depreciation and net balance as of March 31, 2008 and 2007 concerning the finance lease assets:

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

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

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

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

(2) Operating lease is as follows.

a) As a lessee

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

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

b) As a lessor

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

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

11. Impairment loss on Fixed Assets

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

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

As a general rule, assets were grouped into business assets, idle assets and assets for rent. As for idle assets and assets for rent were individually grouped by each item. There were no signs of necessity of impairment for assets for rent. However, for idle assets that were in need for impairment due to the fall in land prices and for business assets that had been decided to be disposed, carrying amount was reduced to the amount recoverable.

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

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

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

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

12. Segment Information

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

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

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

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

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

Change in method of depreciation of property, plant and equipment

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

Change in accounting term of overseas subsidiaries

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

(3) Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than export to Japan) of the foreign consolidated subsidiaries for the years ended March 31, 2008 and 2007 were as follows:

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

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

Change in accounting term of overseas subsidiaries

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

Report of Independent Auditors

Report of Independent Auditors

The Board of Directors
Isuzu Motors Limited.

We have audited the accompanying consolidated balance sheets of Isuzu Motors Limited and consolidated subsidiaries as of March 31,2008, 2007 and 2006 and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Isuzu Motors Limited and consolidated subsidiaries at March 31, 2008, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information:

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

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon

June 27, 2008

PRINCIPAL DOMESTIC SUBSIDIARIES AND AFFILIATES

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

PRINCIPAL OVERSEAS SUBSIDIARIES AND AFFILIATES

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Tel: 65-6339-9301

Isuzu (China) Holding Co., Ltd.
Room 1605A, Building B., Tian Yuan Gang Center, NO.C2 Dong Sen Huan Bei-Lu, Chao Yang District, Beijing, The People's Republic of China
Tel: 86-10-6590-8950

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

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

ISUZU MOTORS OFF-HIGHWAY DIESEL ENGINE (SHANGHAI) LIMITED
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Tel: 86-021-6236-8395

QINGLING ISUZU (CHONGQING) ENGINE CO., LTD.
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Tel: 86-23-6525-1782

Taiwan Isuzu Motors Co., Ltd. (TIM)
2-2 Lane 310, Sec.2 Sha-Tien Road, Ta Tu, Taichung Hsien, Taiwan, ROC
Tel: 886-2-2325-7558

Isuzu Philippines Corporation (IPC)
114 Technology Avenue, Phase II, Laguna Technopark, Binan, Laguna 4024, Philippines
Tel: 63-2-842-0241

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

Isuzu Vietnam Co.,Ltd. (IVC)
100 Quang Trung St. Ward 11, Go Vap District, Ho Chi Minh City, Vietnam
Tel: 84-8-8959202

Isuzu Motors Co., (Thailand) Ltd. (IMCT)
38 Kor. Moo9 Poochaosamingprai Road, Samrong-Tai, Phrapradaeng, Samutprakan 10130, Thailand
Tel: 66-2-394-2541

Isuzu Engine Manufacturing Co., (Thailand) Ltd. (IEMT)
Lat Krabang Industrial Estate, Chalong-Krung Road, 122 Moo 4 Lamplatew, Lat Krabang, Bangkok 10520, Thailand
Tel: 66-2-326-0916~9

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

IT Forging (Thailand) Co., Ltd. (ITF)
Siam Eastern Industrial Park 60/7 Moo 3.T.Mabyangporn A. Pluakdaeng, Rayong 21140, Thailand
Tel: 66-38-891-380

Tri Petch Isuzu Sales Co., Ltd. (TIS)
1088 Vibhavadi Rangsit Road, Ladyao Chatuchak, Bangkok 10900, Thailand
Tel: 66-2-966-2111~30

Isuzu Operations (Thailand) Co., Ltd. (IOT)
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Isuzu Technical Center of Asia Co., Ltd. (ITA)
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Tel: 66-2-394-2541

P.T. Isuzu Astra Motor Indonesia
Sunter II, Jakarta 14350, Indonesia
Tel: 62-21-6501000

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

P. T. Asian Isuzu Casting Center (AICC)
JL. TOL Jakarta-Cikampek km47, Kawasan Kiic Lot 6-9, Karawang, Indonesia
Tel: 62-21-8904590

Isuzu Hicom Malaysia Sdn. Bhd.
Kawasan Perindustrian, Peramu Jaya, P.O.BOX 6, 26607 Pekan, Pahang Darul Makmur, Malaysia
Tel: 60-9-426-0340

Isuzu Malaysia Sendirian Berhad
501D, Level 5, Tower D, Uptown 5, No. 5, Jalan SS21/39, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel: 60-3-7723-9777

Europe

Anadolu Isuzu Otomotiv Sanayi Ve Ticaret A.S. (AIOS)
Yedipinarlar Mevkii, Sekerpinar Koyu 41400 Gebze, Kocaeli, Turkey
Tel: 90-262-658-8433

Isuzu Motors Europe Ltd. (ISZE)
Bist 12 2630 Aarrselaar, Belgium
Tel: 323-870-81-80

Isuzu Truck (UK) Ltd.
164 Great North Road, Hatfield, Hertfordshire AL9 5JN, U.K.
Tel: 44-1709-282930

Isuzu Motors Germany GmbH (IMG)
Weiherfeld 2, D-65462 Ginsheim-Gustavsburg, Germany
Tel: 49-6134-558-0

Isuzu Sales Deutschland GmbH
Schieferstein 11a, 65439 Floersheim Main, Germany
Tel: 49-69-3085-5041

Isuzu Automotive Europe GmbH (IAE)
Schieferstein 11a, 65439 Floersheim Main, Germany
Tel: 49-69-3085-5029

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Ul. Towarowa 50, 43-100 Tychy, The Republic of Poland
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Isuzu Benelux N.V.
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Republic of Tatarstan, Russian Federation, 423603
Tel: 7-85557-5-19-84

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3 Abu El Feda Street, Zamalek, Cairo, Egypt
Tel: 20-2-735-4004/2736-2116

Isuzu Truck South Africa (Pty) Limited
Woodmead North Office Park, 54 Maxwell Drive, Jukskei View Ext 7, Sandton, Gauteng
Republic of South Africa
Tel: 27-11-563-4000

North America

Isuzu Commercial Truck of Canada, Inc. (ICTC)
6205-B Airport Road, Suite 211 Mississaauga, Ontario L4V 1E3 Canada
Tel: 905-612-0100

Isuzu Motors America, Inc. (ISZA)
13340 183rd Street, Cerritos, California 90702-6007, U.S.A.
Tel: 1-562-229-8825

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

DMAX, Ltd.
3100 Dryden Road, Moraine, Ohio 45439, U.S.A.
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Isuzu Motors de Mexico S.de R.L.
Paseo de la Reforma 287, piso 7, Delg. Cuauhtemoc, C.P. 06500, Mexico, D.F., United Mexican States
Tel: 52-55-5328-1300

GM Isuzu Camiones Andinos de Colombia, Ltda. (GMICA-Colombia)
Avenida Boyaca (Calle 56 A Sur) No. 33-53, Bogota D.C., Colombia

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Isuzu Australia Limited (IAL)
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Tel: 61-3-9644-6666

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Room 1605B, Building B., Tian Yuan Gang Center, NO.C2 Dong Sen Huan Bei-Lu, Chao Yang District, Beijing, The People's Republic of China
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Belgium
Z.3 Doornveld 112, 1731 Zellik, Belgium
Tel: 32-2-463-0990

The history of Isuzu is a story of innovation in commercial vehicles and diesel engines

The first company in Japan to start development of a diesel engine, Isuzu has always been a pioneer among Japan's automakers. Since its founding, the company has consistently supplied the market with an innovative range of products including light-, medium-, and heavy-duty trucks, buses, and pickup trucks. Today, Isuzu is working to increase its presence as a global brand with technologies and products that transcend national borders.

Developing Japan's first domestically produced diesel engine

Isuzu's history began in 1916, when Tokyo Ishikawajima Shipbuilding & Engineering Co., Ltd., and Tokyo Gas & Electric Co. planned a venture to manufacture automobiles. In 1924, Tokyo Ishikawajima Shipbuilding & Engineering manufactured its first truck through a joint venture with British automaker Wolseley Motor Ltd. Later the company spun off its automotive manufacturing business, acquired DAT Automobile Manufacturing, and changed its name to Automobile Industries Co., Ltd in 1933. The air-cooled diesel engine developed by the company, Japan's first, became the foundation of all subsequent generations of Isuzu diesel engines.

The following year, the company named its automobile "Isuzu" for the river of the same name that flows past Japan's oldest and most sacred shrine, the Ise Shrine in Mie Prefecture. This name would eventually be adopted as the company's name. Automobile Industries Co., Ltd., merged with Tokyo Gas and Electric Co. on April 9, 1937, and changed its name to Tokyo Automobile Industries Co., Ltd. Today, Isuzu recognizes this as the date of its founding.

In 1949, the company changed its name to the current Isuzu Motors Limited. The company developed a series of locally produced trucks that contributed to Japan's postwar recovery through freight transport and other activities.

Providing innovative products and services in support of transport

In 1959, Isuzu launched the ELF, a product that has become synonymous with light-duty trucks in Japan. The model has the No. 1 market share in 21 countries including Japan. The company designated the ELF a strategic global model in 2006 and implemented a full design change that was completed in 2007, with the launch of redesigned CNG and diesel hybrid models.

This year, Isuzu unveiled a robust line of models for the FORWARD medium-duty truck, recreating it as a new product that is closely integrated with the ELF. In addition, the D-MAX pickup truck has become the bestselling model in numerous markets.

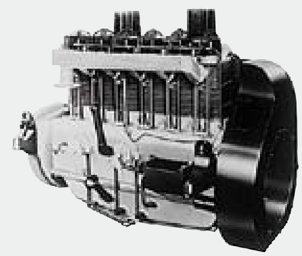
Isuzu's Mimamori-kun Online Service, which was introduced by the company in 2004, helps operators save fuel and drive safely by providing real-time information detailing driving conditions. In response to changing conditions in the transport business, including surging fuel prices and revisions to the Law Regarding the Rationalization of Energy Use, a completely redesigned service was launched in May 2007 to support even more efficient operation.

Advancing into the global market

Isuzu began exports to Hong Kong in 1949 and to Thailand in 1957, launching an expansion that today sees the company supplying products to more than 120 countries worldwide.

Isuzu has actively worked to localize production, opening a plant in China in 1985 and starting production of diesel engines in Poland and the United States by 2000. More recently, we have focused on expanding production and sales in such growth markets as China, India, Russia, and the Middle East, and we are also working to enhance our capabilities in ASEAN countries. During 2007 and 2008, we strengthened our production and sales structures by establishing new companies in Russia, Canada, and Colombia, and increasing our share of facilities in Malaysia, Indonesia, and Turkey.

We will continue to expand and enhance our overseas facilities through advanced technologies and services as we strive to become a global leader in commercial vehicles and diesel engines.



DA6, Japan's and Isuzu's first air-cooled diesel engine

New ELF light-duty truck

New FORWARD medium-duty truck

Pickup truck D-MAX

Isuzu Motors Limited


Head Office

Date of Establishment
April 9, 1937

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

Plants

Tochigi Plant	Manufacturing of engines and parts
Fujisawa Plant	Manufacturing of trucks, engines, components and parts

Common Stock and Number of Shareholders

	Common Stock
Shares authorized:	3,369,000,000
Shares issued:	1,696,845,339
No. of shareholders:	80,085

Major Shareholders (% of total)

Common Stock	%
Mitsubishi Corporation	9.22
Japan Trustee Services Bank, Ltd. (Trust Account)	9.11
The Master Trust Bank of Japan, Ltd. (Trust Account)	9.04
Itochu Corporation	7.67
Toyota Motor Corporation	5.89
Isuzu Partners Investment, L.P.	4.71
Trust & Custody Services Bank, Ltd. (Trust Account)	4.42
Mizuho Corporate Bank, Ltd.	2.47
The Mitsubishi UFJ Trust and Banking Corporation	1.84
State Street Bank & Trust Company 505103	0.90

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

(As of June 27, 2008)

Trucks for life

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