

Five-Year Summary

Hino Motors, Ltd. and consolidated subsidiaries
Years ended March 31,

	Millions of Yen				
	2002	2003	2004	2005	2006
For the Year:					
Net sales	¥758,640	¥850,318	¥1,051,587	¥1,130,101	¥1,196,972
Domestic	662,506	736,132	901,245	921,403	924,836
Overseas	96,134	114,186	150,342	208,698	272,136
Cost of sales	638,567	721,227	883,135	969,274	1,020,986
Selling, general and administrative expenses	111,082	109,905	123,885	122,490	135,464
Operating profit	8,991	19,186	44,567	38,337	40,522
Income before income taxes and minority interests	17,371	12,436	44,614	30,343	42,342
Net income	8,370	4,960	34,023	17,673	28,705
Capital expenditures	25,690	27,783	51,364	53,466	62,738
Depreciation	31,780	31,480	31,742	35,535	39,483
R&D expenses	27,055	28,754	30,106	34,948	34,763
At year end:					
Total assets	¥763,320	¥719,754	¥783,264	¥815,525	¥912,916
Shareholders' equity	180,267	179,572	219,700	236,836	277,006
Interest-bearing debt	331,677	276,006	260,261	268,070	268,368
Shares of common stock issued and outstanding (thousands of shares)	574,581	574,581	574,581	574,581	574,581
Number of employees	21,556	20,764	20,560	21,285	22,298
Net overseas sales by geographic area:					
Asia	¥52,578	¥65,065	¥93,982	¥130,035	¥152,430
North America	12,979	15,210	17,003	27,833	52,601
Oceania	12,514	15,699	20,476	26,863	28,132
Europe	3,053	4,606	4,562	5,340	7,681
Others	15,010	13,606	14,319	18,627	31,292
Yen					
Per share data:					
Net income per share (basic)	¥15.99	¥8.38	¥58.86	¥30.35	¥49.51
Shareholders' equity per share	313.85	312.54	382.30	412.17	482.14
Dividends per share	3.00	5.00	6.00	6.00	9.00
Number of vehicles					
Sales by type of vehicle:					
Japan	34,011	34,742	51,242	50,668	56,356
Medium- and Heavy-duty trucks	21,953	22,641	33,722	32,291	35,370
Light-duty trucks	10,033	10,032	14,604	15,269	17,731
Buses	2,025	2,069	2,916	3,108	3,255
Overseas	21,448	25,743	35,776	44,818	45,894

Consolidated Balance Sheets

Hino Motors, Ltd. and consolidated subsidiaries
March 31, 2005 and 2006

Assets	Millions of Yen		Thousands of U.S. Dollars (Note1)
	2005	2006	2006
Current assets:			
Cash and cash equivalents	¥ 38,931	¥ 36,890	\$ 314,044
Short-term investments (Note 4)	1,631	510	4,333
Trade receivables:			
Notes (Note 8)	77,949	69,698	593,322
Accounts (Notes 8 and 16)	170,847	198,414	1,689,057
Inventories (Notes 5 and 8)	85,857	99,830	849,832
Deferred income taxes (Note 12)	11,869	14,784	125,854
Prepaid expenses and other current assets	18,917	17,355	147,756
Allowance for doubtful accounts	(5,098)	(4,502)	(38,328)
Total current assets	400,903	432,979	3,685,870
Investments and other assets:			
Investment securities (Notes 4 and 8)	56,924	100,578	856,204
Investments in and advances to affiliated companies	8,024	8,943	76,129
Long-term loans	9,294	4,802	40,874
Deferred income taxes (Note 12)	2,051	1,791	15,246
Other assets	29,738	30,042	255,745
Allowance for doubtful accounts	(8,448)	(7,477)	(63,650)
Total investments and other assets	97,583	138,679	1,180,548
Property, plant, and equipment (Note 8):			
Land	101,609	94,771	806,764
Buildings and structures	251,863	261,420	2,225,415
Machinery and equipment	373,895	385,634	3,282,828
Tools	92,086	97,296	828,261
Construction in progress	9,544	24,357	207,357
	828,997	863,478	7,350,625
Less-Accumulated depreciation	(511,958)	(522,220)	(4,445,559)
Net property, plant, and equipment	317,039	341,258	2,905,066
Total assets	¥ 815,525	¥ 912,916	\$ 7,771,484

The accompanying notes are an integral part of these statements.

Liabilities, Minority Interests and Shareholders' Equity	Millions of Yen		Thousands of U.S. Dollars (Note1)
	2005	2006	2006
Current liabilities:			
Short-term borrowings (Note 7)	¥ 208,477	¥ 199,292	\$ 1,696,539
Current portion of long-term debt (Note 7)	9,021	5,335	45,415
Trade payables:			
Notes	39,871	38,677	329,249
Accounts (Note 16)	138,172	155,458	1,323,387
Accrued income taxes	6,314	12,770	108,712
Accrued expenses	27,824	31,820	270,878
Other current liabilities	31,838	34,093	290,224
Total current liabilities	461,517	477,445	4,064,404
Long-term liabilities:			
Long-term debt (Note 7)	50,572	63,740	542,611
Accrued employees' retirement benefits (Note 9)	37,470	36,189	308,068
Deferred income taxes (Note 12)	10,846	20,217	172,107
Deferred income taxes related to unrealized gain on land revaluation (Note 12)	4,684	3,754	31,956
Other	620	19,400	165,146
Total long-term liabilities	104,192	143,300	1,219,888
Minority interests in consolidated subsidiaries	12,980	15,165	129,094
Shareholders' equity:			
Common stock, no par value:			
Authorized-1,400,000,000 shares			
Issued and outstanding-574,580,850 shares in 2005 and 2006	72,717	72,717	619,029
Additional paid-in capital	64,307	64,307	547,435
Retained earnings (Note 13)	78,422	105,704	899,827
Net unrealized gain on land revaluation	6,357	1,529	13,016
Net unrealized gain on available-for-sale securities	21,716	37,006	315,025
Less: Treasury common stock, at cost:			
(584,290 shares in 2005 and 645,054 shares in 2006)	(241)	(290)	(2,465)
Cumulative translation adjustments	(6,442)	(3,967)	(33,769)
Total shareholders' equity	236,836	277,006	2,358,098
Commitments and contingent liabilities (Note 14)			
Total liabilities, minority interests and shareholders' equity	¥ 815,525	¥ 912,916	\$ 7,771,484

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Hino Motors, Ltd. and consolidated subsidiaries
Years ended March 31, 2005 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2006	2006
Net sales (Notes 15 and 16)	¥1,130,101	¥1,196,972	\$10,189,600
Cost of Sales (Notes 11 and 16)	969,274	1,020,986	8,691,461
Gross profit	160,827	175,986	1,498,139
Selling, general and administrative expenses (Notes 9 and 10)	122,490	135,464	1,153,180
Operating profit	38,337	40,522	344,959
Other income (expenses):			
Interest and dividend income	2,582	2,830	24,090
Interest expense	(2,151)	(3,007)	(25,597)
Exchange gain, net	248	1,027	8,738
Equity in earnings of affiliated companies	784	715	6,084
Gain on sales of investment securities	—	536	4,565
Loss on write-down of investment securities	(90)	(61)	(516)
Loss on sales and disposal of property, plant and equipment	(3,024)	(2,049)	(17,441)
Loss on impairment of fixed assets	(4,380)	(77)	(655)
Loss on write-down of inventories	(1,358)	—	—
Other, net	(605)	1,906	16,221
	(7,994)	1,820	15,489
Income before income taxes and minority interests	30,343	42,342	360,448
Income taxes (Note 11):			
Current	11,875	18,271	155,541
Deferred	(113)	(5,670)	(48,265)
	11,762	12,601	107,276
Income before minority interests	18,581	29,741	253,172
Minority interests in income of consolidated subsidiaries	908	1,036	8,815
Net income	¥ 17,673	¥ 28,705	\$ 244,356
Per share amounts			
Net income:			
Basic	¥ 30.35	¥ 49.51	\$ 0.42
Diluted	—	—	—
Cash dividends	6	9	0.08

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Hino Motors, Ltd. and consolidated subsidiaries
Years ended March 31, 2005 and 2006

	Millions of Yen							
	Number of shares of common stock (Thousands)	Common Stock	Additional paid-in capital	Net unrealized gain on land revaluation	Net unrealized gain on available-for-sale securities	Cumulative translation adjustments	Retained earnings	Treasury common stock
Balance at March 31, 2004	574,581	¥72,717	¥64,307	¥7,460	¥18,484	¥(6,431)	¥63,338	¥(175)
Net income	—	—	—	—	—	—	17,673	—
Cash dividends	—	—	—	—	—	—	(3,446)	—
Bonuses to directors and statutory auditors	—	—	—	—	—	—	(245)	—
Changes in net unrealized gain on land revaluation	—	—	—	(1,103)	—	—	1,102	—
Changes in net unrealized gain on available-for-sale securities	—	—	—	—	3,232	—	—	—
Translation adjustments	—	—	—	—	—	(11)	—	—
Increase in treasury common stock	—	—	—	—	—	—	—	(66)
Other	—	—	—	—	—	—	—	—
Balance at March 31, 2005	574,581	72,717	64,307	6,357	21,716	(6,442)	78,422	(241)
Net income	—	—	—	—	—	—	28,705	—
Cash dividends	—	—	—	—	—	—	(4,019)	—
Bonuses to directors and statutory auditors	—	—	—	—	—	—	(274)	—
Changes in net unrealized gain on land revaluation	—	—	—	(4,828)	—	—	3,429	—
Changes in net unrealized gain on available-for-sale securities	—	—	—	—	15,290	—	—	—
Translation adjustments	—	—	—	—	—	2,475	—	—
Increase in treasury common stock	—	—	—	—	—	—	—	(49)
Other	—	—	—	—	—	—	(559)	—
Balance at March 31, 2006	574,581	¥72,717	¥64,307	¥1,529	¥37,006	¥(3,967)	¥105,704	¥(290)

Thousands of U.S.Dollars (Note1)

	Common stock	Additional paid-in capital	Net unrealized gain on land revaluation	Net unrealized gain on available-for-sale securities	Cumulative translation adjustments	Retained earnings	Treasury common stock
Balance at March 31, 2005	\$619,029	\$547,435	\$54,114	\$184,865	\$(54,844)	\$667,592	\$(2,053)
Net income	—	—	—	—	—	244,356	—
Cash dividends	—	—	—	—	—	(34,216)	—
Bonuses to directors and statutory auditors	—	—	—	—	—	(2,333)	—
Changes in net unrealized gain on land revaluation	—	—	(41,098)	—	—	29,195	—
Changes in net unrealized gain on available-for-sale securities	—	—	—	130,160	—	—	—
Translation adjustments	—	—	—	—	21,075	—	—
Increase in treasury common stock	—	—	—	—	—	—	(412)
Other	—	—	—	—	—	(4,767)	—
Balance at March 31, 2006	\$619,029	\$547,435	\$13,016	\$315,025	\$(33,769)	\$899,827	\$(2,465)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Hino Motors, Ltd. and consolidated subsidiaries
Years ended March 31, 2005 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note1)
	2005	2006	2006
Operating activities:			
Income before income taxes and minority interests	¥30,343	¥42,342	\$360,448
Depreciation and amortization	35,535	39,483	336,111
Accrued employees' retirement benefits, less payments	(124)	(1,324)	(11,275)
Allowance for doubtful accounts	(1,557)	(1,505)	(12,808)
Provision to the reserve for product warranties	(2,616)	1,668	14,199
Interest and dividend income	(2,582)	(2,830)	(24,090)
Interest expences	2,151	3,007	25,597
(Gain) loss on sales of investment securities	15	(536)	(4,565)
Loss on sales and disposal of property, plant and equipment	3,024	2,049	17,441
Loss on impairment of fixed assets	4,380	77	655
Increase in notes and accounts receivable	(10,437)	(14,337)	(122,047)
Increase in inventories	(11,674)	(11,186)	(95,224)
Increase in notes and accounts payable	12,603	12,153	103,457
Other, net	4,105	(2,305)	(19,622)
Subtotal	63,166	66,756	568,277
Interest and dividends received	2,639	3,045	25,924
Interest paid	(2,026)	(2,737)	(23,296)
Income taxes paid	(19,701)	(11,919)	(101,465)
Net cash provided by (used in) operating activities	44,078	55,145	469,440
Investing activities:			
Proceeds from sales of property, plant and equipment	4,244	9,889	84,181
Purchase of property, plant and equipment	(53,262)	(63,356)	(539,336)
Purchase of intangible fixed assets	(8,259)	(6,466)	(55,047)
Net decrease in investment securities	333	1,609	13,694
Other, net	602	8,385	71,379
Net cash provided by (used in) investing activities	(56,342)	(49,939)	(425,129)
Financing activities:			
Net decrease in short-term borrowings	(11,520)	(12,822)	(109,154)
Proceeds from issuance of long-term debt	28,428	18,135	154,381
Repayments of long-term debt	(9,686)	(8,959)	(76,263)
Proceed from payments by minority interests	266	—	—
Dividends paid	(3,446)	(4,019)	(34,216)
Other, net	(66)	(41)	(350)
Net cash provided by (used in) financing activities	3,976	(7,706)	(65,602)
Effect of exchange rate changes on cash and cash equivalents	(61)	460	3,921
Net increase (decrease) in cash and cash equivalents	(8,349)	(2,041)	(17,370)
Cash and cash equivalents at beginning of year	47,280	38,931	331,414
Cash and cash equivalents at end of year	¥ 38,931	¥ 36,890	\$ 314,044

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Hino Motors, Ltd. and consolidated subsidiaries
Years ended March 31, 2005 and 2006

1 Basis of Consolidated Financial Statements' Presentation

The accompanying consolidated financial statements of Hino Motors, Ltd. (the "Company") and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of international Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

The U.S. dollar amounts are included solely for the convenience of readers. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars. As the amounts shown in U.S. dollars are for convenience only, the rate of ¥117.47=U.S.\$1, the approximate spot rate at March 31, 2006, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

Certain reclassifications of the consolidated financial statements for the fiscal year ended March 31, 2005 have been made to conform to the presentation for the fiscal year ended March 31, 2006.

2 Summary of Significant Accounting Policies

(1) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries controlled directly or indirectly by the Company. Unconsolidated subsidiaries and affiliate companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity method basis. All significant intercompany balances and transactions are eliminated in consolidation.

(2) Foreign Currency Translation

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the year-end and profit and loss accounts are translated into Japanese yen at average exchange rates during the year. Shareholders' equity accounts of foreign subsidiaries and affiliates are translated at historical rates. The resulting translation differences are debited or credited to the cumulative translation adjustments account in shareholders' equity or to the minority interests in consolidated subsidiaries in the consolidated balance sheets.

From the fiscal year ended March 31, 2005, the Company changed the method of translation of all profit and loss accounts of foreign subsidiaries and affiliates. Prior to adopting the new method, all profit and loss accounts of foreign subsidiaries and affiliates were translated into Japanese yen at the exchange rates prevailing at the balance sheet date in accordance with the alternatively accepted translation method under accounting principles generally accepted in Japan. As a result of the change in translation method, net sales for the year ended March 31, 2005 decreased by ¥1,135 million. However, the change did not have any material impacts on net income.

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at year-end and the resulting gains and losses are included in net income or loss for the year.

(3) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash on deposit with banks and all highly liquid investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

(4) Marketable Securities and Investment Securities

Held-to-maturity debt securities are stated at amortized cost. Investment securities in affiliated companies are stated at weighted-average-cost. Other available-for-sale securities for which market values are readily determinable are stated at fair market value at the balance sheet date, with net unrealized gains or losses reported as a separate component of shareholders' equity at a net-of-tax amount. Other available-for-sale securities for which market values are not readily determinable are stated at weighted-average-cost.

(5) Inventories

The Company:

Finished products are stated at cost, which is determined by the specific identification basis. Work in process, raw materials and supplies are stated at cost, which is determined by the weighted-average-cost method.

Subsidiaries:

Inventories are principally stated at cost, which is determined by the weighted-average-cost method or at the latest purchase price.

(6) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost. Depreciation is mainly computed using the declining-balance method, except for buildings acquired after April 1998, which are depreciated using the straight-line method, at rates based on the estimated useful lives of the respective assets.

The range of useful lives is as follows:

Buildings and structures	2 to 75 years
Machinery, equipment and vehicles	2 to 17 years
Tools	2 to 20 years
Leases	3 to 6 years

Significant renewals and betterments are capitalized at cost, while minor maintenance and repairs are charged to expenses as incurred.

(7) Employees' Retirement Benefits

Accrued employees' retirement benefits under the defined benefit plans of the Company and its consolidated subsidiaries are determined based on the present value of the actuarial projected benefits attributable to employee service rendered, and the fair value of plan assets at the year-end, as adjusted for unrecognized actuarial gains or losses, and unrecognized prior service costs.

Prior service costs are amortized by the straight-line method over the estimated average remaining service years of the employees. Actuarial gains or losses are amortized by the straight-line method over the estimated average remaining service years of the employees.

(8) Derivative Instruments and Hedge Accounting

In the normal course of business, the Company and its consolidated subsidiaries employ forward exchange contracts to manage their exposure to fluctuations in foreign currency exchange rates with respect to their monetary assets or liabilities denominated in foreign currencies. Gains or losses arising from changes in fair value of forward exchange contracts, which meet certain hedging criteria under "the Accounting Standard for Financial Instruments," are offset with or added to the hedged monetary assets or liabilities. The Company and its consolidated subsidiaries do not employ derivative financial instruments for speculative or trading purposes.

The Company and its consolidated subsidiaries are exposed to credit related losses in the event of non-performance by counterparties to financial instruments and derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations, because most of the counterparties are financial institutions with good credit range.

(9) Land Revaluation

In accordance with the Land Revaluation Law enacted on March 31, 2001, land used for businesses owned by certain domestic consolidated subsidiaries was revalued, and the unrealized gain on the land revaluation, net of deferred tax, was reported as "Net unrealized gain on land revaluation" as a separate component of shareholders' equity, and the relevant tax effect was included in "Deferred income taxes related to unrealized gain on land revaluation."

(10) Income Taxes

Deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the financial statement carrying amount of existing assets and liabilities and 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.

(11) Net Income per Share

Net income per share is computed based on the average number of common shares outstanding during each period. In accordance with the accounting standard for per share information, the amount of proposed appropriation of retained earnings for bonuses to directors and statutory auditors is deducted from net income for the computation of net income per share.

Information about diluted net income per share is not disclosed because no potential common shares exist.

(12) Leases

Periodic lease payments under financing lease contracts are charged to income as incurred. Under Japanese accounting principles, a financing lease that meets certain designated criteria can be either capitalized or accounted for as on operating lease with appropriate footnote disclosure.

(13) Accounting Standard for Impairment of Fixed Assets

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets," and on October 31, 2003, the Accounting Standard Board of Japan issued "Implementation Guidance for Accounting Standard for Impairment of Fixed Assets." These standards require that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of an asset or asset group to the recoverable amount to be measured as the higher of net selling price and value in use.

These standards shall be effective from the fiscal year beginning April 1, 2005 and an earlier adoption is permitted from the fiscal year beginning April 1, 2003. The Company and its subsidiaries have early adopted these standards in the fiscal year beginning April 1, 2004. As a result of the adoption of the standard, Net income before income taxes and minority interests for the fiscal year ended March 31, 2005 decreased by ¥4,380 million.

3 Impairment of fixed assets

The assessment of whether there is an impairment of fixed assets is made for each group of assets, which is determined as operating assets individual asset for rental assets and idle assets and based on the grouping for managerial accounting and investment decision-making purposes.

For the following assets classified into the rental asset group and idle asset group whose operating profitability has worsened substantially owing to such factors as ongoing decline in market value and the poor performance of assets, the Company recognized impairments, and therefore marked the assets down to the net recoverable value and recognized an impairment loss of ¥4,380 million.

Location	Group of asset	Category	Millions of Yen	
			2005	2006
Yokohama, Kanagawa, other	Idle asset	Land and Buildings	¥4,225	—
Kodama, Saitama, other	Rental assets	Land and Buildings	¥155	—
Total			¥4,380	—

Breakdown of impairment losses

Yokohama, Kanagawa, other	¥4,225 million (Of which, ¥4,817 million for land, ¥38 million for building)
Kodama, Saitama, other	¥155 million (Of which, ¥150 million for land, ¥5 million for building)

The net recoverable value is determined as the higher of the net market value and the value in use. The net market value is based on appraisals provided by professional real estate assessors or on other reasonable measurement basis, and the value in use is calculated as net future operating cash flows discounted by 3.4%.

4 Marketable Securities and Investment Securities

At March 31, 2005 and 2006, book value, market value, and net unrealized gains (losses) of marketable securities and investment securities of the Company and its subsidiaries were as follows:

Year ended March 31, 2005	Millions of Yen		
	Amortized cost (Carrying amount)	Fair value	Difference
Short-term investments			
Marketable held-to-maturity securities:			
Government bonds and municipal bonds	¥1,201	¥1,200	¥(1)

Year ended March 31, 2005	Millions of Yen		
	Cost	Fair value (Carrying amount)	Difference
Investment securities			
Marketable available-for-sale securities:			
Equity securities	¥18,180	¥51,387	¥33,207
Debt securities	10	11	1
Other	127	184	57
Total	¥18,317	¥51,582	¥33,265

Year ended March 31, 2006	Millions of Yen		
	Amortized cost (Carrying amount)	Fair value	Difference
Short-term investments			
Marketable held-to-maturity securities:			
Government bonds and municipal bonds	¥1	¥1	¥0

Year ended March 31, 2006	Millions of Yen		
	Cost	Fair value (Carrying amount)	Difference
Investment securities			
Marketable available-for-sale securities:			
Equity securities	¥20,261	¥77,751	¥57,490
Debt securities	—	—	—
Other	17	30	13
Total	¥20,278	¥77,781	¥57,503

Year ended March 31, 2006	Thousands of U.S.Dollars		
	Amortized cost (Carrying amount)	Fair value	Difference
Short-term investments			
Marketable held-to-maturity securities:			
Government bonds and municipal bonds	\$9	\$9	\$0

Year ended March 31, 2006	Thousands of U.S.Dollars		
	Cost	Fair value (Carrying amount)	Difference
Investment securities			
Marketable available-for-sale securities:			
Equity securities	\$172,476	\$661,882	\$489,406
Debt securities	—	—	—
Other	148	254	106
Total	\$172,623	\$662,136	\$489,513

The carrying amount of investment securities in nonpublic companies as at March 31, 2005 and 2006 was ¥3,215 million and ¥22,164 million (\$188,683 thousand), respectively. The corresponding fair value at the date was not computed as such estimation was not readily determinable.

5 Inventories

Inventories at March 31, 2005 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Finished products	¥53,099	¥64,007	\$544,882
Work in process	19,386	21,816	185,714
Raw materials and supplies	13,372	14,007	119,236
Total	¥85,857	¥99,830	\$849,832

6 Leases

(1) Lessee

Leased assets, accumulated depreciation, lease obligation, depreciation and interest expenses, if capitalized, in respect of finance leases other than those lease agreements which stipulate the transfer of ownership of the assets from lessors were as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Class of property:			
Machinery, equipment and vehicles	¥5,671	¥1,756	\$14,953
Tools	6,258	5,178	44,075
Other	52	53	453
	¥11,981	¥6,987	\$59,481
Less-accumulated depreciation	(7,658)	(3,868)	(32,928)
Net	¥4,323	¥3,119	\$26,553
Lease obligation:			
Due within one year	¥1,996	¥1,227	\$10,444
Due after one year	2,466	2,041	17,374
	¥4,462	¥3,268	\$27,818
Lease expense for the year:			
Depreciation	¥2,243	¥2,057	\$17,511
Interest	176	191	1,623
	¥2,463	¥2,285	\$19,451

(2) Lessor

Details of lease assets, accumulated depreciation, future minimum lease income, depreciation and lease income for the year in respect of finance leases other than those agreements which stipulate the transfer of ownership of the lease assets to lessees were as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Class of property:			
Machinery, equipment and vehicles	¥1,137	¥77	\$655
Less-accumulated depreciation	(950)	(70)	(596)
Net	¥187	¥7	\$59
Future minimum lease income:			
Due within one year	¥127	¥3	\$24
Due after one year	3	0	1
	¥130	¥3	\$25
Lease income for the year:			
Depreciation	¥497	¥115	\$980
Interest	91	4	38
	¥627	¥132	\$1,120

7 Short-Term Borrowings and Long-Term Debt

Short term borrowings at March 31, 2005 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Bank loan with weighted-average interest rate of 1.08% for the year ended March 31, 2005 and 1.61% for the year ended March 31, 2006:			
Secured	¥102,325	¥83,069	\$707,154
Unsecured	54,152	79,223	674,411
Sub-total	156,476	162,292	1,381,565
Commercial paper with interest of 0.02% for the year ended March 31, 2005 and 0.03% for the year ended March 31, 2006.	52,000	37,000	314,974
Total	¥208,477	¥199,292	\$1,696,539

Long term debt at March 31, 2005 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Loans, principally from banks, insurance companies, and other institutions, due 2007 to 2025 with weighted-average interest rate of 0.71% for the year ended March 31, 2005 and 1.44% for the year ended March 31, 2006:			
Secured	¥11,622	¥2,388	\$20,333
Unsecured	47,971	66,687	567,693
Less amount due within one year	(9,021)	(5,335)	(45,415)
Total	¥50,572	¥63,740	\$542,611

The aggregate annual maturities of long-term debt outstanding at March 31, 2006, were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥25,349	\$215,794
2008	20,675	175,999
2009	17,367	147,845
2010 and thereafter	349	2,973
Total	¥63,740	\$542,611

As is customary in Japan, short-term and long-term bank loans are made under general agreements which provide that collateral and guarantees for present and future indebtedness will be given upon request of the bank with reasonable and probable cause, and that the bank shall have the right to offset cash deposited with it against any obligations that has become due or, in the event of default, against all obligations due to the bank. The Company has never been requested to give any additional collateral or guarantee.

8 Assets Pledged

At March 31, 2005 and 2006 assets pledged as collateral for short-term borrowings and long-term debt were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Trade notes receivable	¥49,525	¥44,307	\$377,180
Trade accounts receivable	51,968	52,776	449,267
Land	47,300	43,985	374,438
Buildings and structures	24,378	22,192	188,920
Machinery, equipments, vehicles, and tools	3,611	3,816	32,481
Other	3,597	3,658	31,137
Total	¥180,379	¥170,734	\$1,453,423

9 Employees' Retirement Benefit Plans

Under the terms of the employees' retirement benefit plans of the Company and its subsidiaries in Japan, all employees whose service with the Company and its subsidiaries are terminated are usually entitled to lump-sum retirement benefits determined by reference to their current basic rate of pay, length of service and conditions under which the termination occurs.

The obligation for the retirement benefits is provided for through accruals and funding of tax-qualified non-contributory pension plans.

The Company and certain subsidiaries in Japan have tax-qualified non-contributory pension plans which cover a part of the retirement benefits payable to qualified employees at the time of termination. The funding policy for the plans is to contribute amounts required to maintain sufficient plan assets to provide for accrued benefits, subject to the limitation on deductibility imposed by Japanese income tax laws.

Information regarding the defined employees' retirement benefit plans for the company and its consolidated subsidiaries for the years ended March 31, 2005 and 2006 is as follows:

Projected Benefit Obligation

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Projected benefit obligation	(88,706)	¥(89,624)	\$(762,951)
Plan assets at fair value	39,846	46,488	395,746
Projected benefit obligation in excess of plan assets	(48,860)	(43,136)	(367,205)
Unrecognized actuarial loss	11,311	7,067	60,161
Unrecognized prior service obligation	79	(71)	(609)
	¥(37,470)	¥(36,140)	\$(307,653)
Prepaid pension expenses	—	49	415
Accrued employees' retirement benefits	¥(37,470)	¥(36,189)	\$(308,068)

Net Periodic Benefit Costs

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Service costs	¥4,524	¥3,601	\$30,651
Interest costs on projected benefit obligation	1,443	1,480	12,601
Expected return on plan assets	(638)	(647)	(5,509)
Recognized actuarial loss	787	832	7,082
Amortization of prior service obligation	(39)	6	54
Net periodic benefit cost	¥6,077	¥5,272	\$44,879

The assumptions as of March 31, 2005 and 2006, which were used in determining periodic benefit costs and accrued employees' retirement benefits shown above were as follows:

	2005	2006
Allocation of retirement benefit cost	Straight line	Straight line
Discount rate	2.0%-2.5%	principally 2.0%
Expected rate of return on plan assets	principally 2.5%	principally 2.0%
Years of amortization of prior service obligation	4-16 years	4-16 years
Years of amortization of actuarial loss	4-18 years	4-18 years

10 Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2005 and 2006 are comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Sales commission	¥8,286	¥9,999	\$85,119
Distribution costs	9,424	9,932	84,553
Product warranties	6,065	7,733	65,830
Advertising expenses	4,169	3,080	26,222
Labor costs	43,528	42,438	361,265
Rent and lease expenses	5,934	5,653	48,119
Allowance for bad debt	233	—	—
Other	44,851	56,629	482,072
Total	¥122,490	¥135,464	\$1,153,180

11 Research and Development Expenses

Research and development expenses for the years ended March 31, 2005 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Research and development expenses	¥34,948	¥34,763	\$295,928

12 Income Taxes

The Company and its domestic subsidiaries are subject to corporate income tax, enterprise tax, and prefectural and municipal inhabitants' taxes, based on income, which in the aggregate result in statutory tax rates of approximately 40.7% for both 2005 and 2006.

The following table summarizes the significant differences between the statutory tax rate and effective tax rate for consolidated financial statement purposes for the years ended March 31, 2005 and 2006;

	2005	2006
Statutory tax rate	40.7%	40.7%
Non-deductible expenses	2.2	1.5
Non-taxable dividend income	(0.8)	(0.6)
Per capital inhabitants' taxes	0.4	0.3
Equity in (earnings) loss of affiliated companies	(1.0)	(0.7)
Income tax credits	(6.1)	(7.8)
Change in valuation allowances and other	3.4	(3.6)
Effective tax rate	38.8%	29.8%

Significant components of the Company and its subsidiaries' deferred tax assets and liabilities as of March 31, 2005 and 2006 were as follows :

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Deferred tax assets:			
Net operating loss carryforwards	¥6,546	¥6,358	\$54,129
Accrued employees' bonus	4,775	5,127	43,642
Accrued employees' retirement benefits	13,401	13,882	118,173
Other	14,344	17,059	145,220
	39,066	42,426	361,164
Valuation allowance	(19,201)	(18,638)	(158,660)
Total deferred tax assets	19,865	23,788	202,504
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	(3,140)	(3,949)	(33,615)
Unrealized gain on securities	(13,448)	(23,481)	(199,896)
Other	(203)	—	—
Total deferred tax liabilities	(16,791)	(27,430)	(233,511)
Net deferred tax assets	¥ 3,074	¥ (3,642)	\$ (31,007)

13 Retained Earnings and Dividends

Retained earnings include a legal reserve in accordance with the Commercial Code of Japan.

The Code provides that the total amount of additional paid-in capital and the legal reserve excess 25% of the amount of common stock can be available for dividends by resolution at the shareholders' meeting.

The amount of the reserve included in retained earnings is ¥7,103 million (\$60,466 thousand) at March 31, 2005 and 2006.

14 Contingent Liabilities

Contingent liabilities at March 31, 2005 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Export bills discounted with recourse	¥123	¥45	\$387
Bills endorsed with recourse	—	8	71
Guarantees in respect of employees' housing loan and affiliated companies, etc.	14,468	12,722	108,296

15 Segment Information**Business Segment Information**

Geographical segment information for the year ended March 31, 2005 and 2006, is as follows:

I. Sales and operating profit

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Sales			
Japan:			
External customers	¥974,012	¥987,794	\$8,408,905
Inter company	91,006	102,586	873,297
Total	1,065,018	1,090,380	9,282,202
Asia:			
External customers	103,156	130,054	1,107,125
Inter company	528	613	5,221
Total	103,684	130,667	1,112,346
Other:			
External customers	52,933	79,124	673,570
Inter company	1,885	757	6,439
Total	54,818	79,881	680,009
Total:			
External customers	1,130,101	1,196,972	10,189,600
Inter company	93,419	103,956	884,957
Total	1,223,520	1,300,928	11,074,557
Corporate and eliminations:			
External customers	—	—	—
Inter company	(93,419)	(103,956)	(884,957)
Total	(93,419)	(103,956)	(884,957)
Consolidated total:			
External customers	1,130,101	1,196,972	10,189,600
Inter company	—	—	—
Total	¥1,130,101	¥1,196,972	\$10,189,600
Operating profit (loss)			
Japan	¥37,876	¥41,357	\$352,062
Asia	2,383	3,363	28,633
Other	680	(4,104)	(34,939)
Total	39,579	40,616	345,756
Corporate and eliminations	(1,242)	(94)	(797)
Consolidated total	¥38,337	¥40,522	\$344,959

II. Segment assets

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Japan	¥717,472	¥772,896	\$6,579,517
Asia	77,335	89,118	758,644
Other	38,643	82,586	703,042
Total	833,450	944,600	8,041,203
Corporate and eliminations	(17,925)	(31,684)	(269,719)
Consolidated total	¥815,525	¥912,916	\$7,771,484

Overseas Sales

Overseas sales, which represent total export sales of the Company and its consolidated subsidiaries in Japan and net sales of consolidated subsidiaries outside Japan, for the years ended March 31, 2005 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Overseas sales (A)	¥208,698	¥272,136	\$2,316,643
Consolidated sales (B)	1,130,101	1,196,972	10,189,600
(A)/(B)	18.5%	22.7%	

Overseas Sales by Geographic Area

Year ended March 31, 2005	Percentage of consolidated sales	Millions of Yen	Thousands of U.S. Dollars
Asia	11.5%	¥130,035	
North America	2.5	27,833	
Oceania	2.4	26,863	
Europe	0.5	5,340	
Other areas	1.6	18,627	
Total	18.5%	¥208,698	

Year ended March 31, 2006	Percentage of consolidated sales	Millions of Yen	Thousands of U.S. Dollars
Asia	12.7%	¥152,430	\$1,297,606
North America	4.4	52,601	447,781
Oceania	2.4	28,132	239,481
South and Central America	1.0	11,972	101,918
Other areas	2.2	27,001	229,857
Total	22.7%	¥272,136	\$2,316,643

Note: Asia	Thailand, Indonesia, China, and others
North America	USA, Canada, and others
Oceania	Australia, New Zealand, and others
Europe	Ireland, and others
Latin America	Ecuador, Guatemala, and others
Other areas	The Middle East, and others

16 Transactions with Related Parties

Material transactions and resulting account balances with related parties for the years ended March 31, 2005 and 2006 were as follows:

Name of related company	Paid-in capital (million of Yen)	Principal business	Direct equity ownership percentage by the related party (%)	Description of transactions	Millions of Yen				
					Transactions for the years ended March 31		Resulting account balances at March 31		
					2005	2006	Account	2005	2006
Toyota Motor Corporation	¥397,049	Vehicle manufacturing	50.4%	Product retailing	¥380,186	¥325,491	Trade accounts receivable	¥20,469	¥20,110
				Component purchasing	214,696	177,472	Trade accounts payable	21,346	23,142
				Proceeds from increase in long-term debt	23,000	17,221	Long-term debt	43,000	60,221

Description of transactions	Thousands of U.S. Dollars			
	Transactions for the years ended March 31		Resulting account balances at March 31	
	2006	Account	2006	Account
Product retailing	\$2,770,847	Trade accounts receivable	\$171,192	
Component purchasing	1,510,783	Trade accounts payable	197,004	
Proceeds from increase in long-term debt	146,602	Long-term debt	512,653	

Name of related company	Paid-in capital (million of Yen)	Principal business	Description of transactions	Millions of Yen				
				Transactions for the years ended March 31		Resulting account balances at March 31		
				2005	2006	Account	2005	2006
J-Bus Ltd.	¥1,900	Mounting bus bodies	Loan lending	¥ —	¥ —	Long-term loans	¥ 8,558	¥ —