

Five-Year Summary

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

	Millions of Yen				
	2003	2004	2005	2006	2007
For the Year:					
Net sales	¥850,318	¥1,051,587	¥1,130,101	¥1,196,972	¥1,287,668
Domestic	736,132	901,245	921,403	924,836	969,343
Overseas	114,186	150,342	208,698	272,136	318,325
Cost of sales	721,227	883,135	969,274	1,020,986	1,105,994
Selling, general and administrative expenses	109,905	123,885	122,490	135,464	144,972
Operating profit	19,186	44,567	38,337	40,522	36,702
Income before income taxes and minority interests	12,436	44,614	30,343	42,342	34,543
Net income	4,960	34,023	17,673	28,705	20,059
Capital expenditure	27,783	51,364	53,466	62,738	48,377
Depreciation	31,480	31,742	35,535	39,483	44,152
R&D expenses	28,754	30,106	34,948	34,763	34,444
At year end:					
Total assets	¥719,754	¥783,264	¥815,525	¥912,916	¥907,978
Net assets	179,572	219,700	236,836	277,006	305,964
Interest-bearing debt	276,006	260,261	268,069	268,368	246,561
Shares of common stock issued and outstanding (thousands of shares)	574,581	574,581	574,581	574,581	574,581
Number of employees	20,764	20,560	21,285	22,298	23,472
Net overseas sales by region:					
Asia	¥65,065	¥93,982	¥130,035	¥152,430	¥162,270
North America	15,210	17,002	27,833	52,601	72,085
Oceania	15,699	20,476	26,863	28,132	32,475
Latin America	6,601	7,164	9,243	11,972	17,208
Others	11,611	11,718	14,724	27,001	34,287
Per share data:					
Net income per share (basic)	¥8.38	¥58.86	¥30.35	¥49.51	¥34.95
Shareholders' equity per share	312.54	382.30	412.17	482.14	504.36
Dividends per share	5.00	6.00	6.00	9.00	9.00
Number of vehicles					
Sales by type of vehicle:					
Japan	34,742	51,242	50,668	56,356	51,434
Medium- and Heavy-duty trucks	22,641	33,722	32,291	35,370	31,789
Light-duty trucks	10,032	14,604	15,269	17,731	16,444
Buses	2,069	2,916	3,108	3,255	3,201
Overseas	25,743	35,776	44,818	45,894	50,901

Consolidated Balance Sheets

Hino Motors, Ltd. and consolidated subsidiaries
March 31, 2006 and 2007

Assets	Millions of Yen		Thousands of U.S. Dollars (Note1)
	2006	2007	2007
Current assets:			
Cash and cash equivalents	¥ 36,890	¥ 27,953	\$ 236,794
Short-term investments (Note 3)	510	744	6,297
Trade receivables:			
Notes (Note 7)	69,698	58,361	494,374
Accounts (Notes 7 and 14)	198,414	205,781	1,743,167
Inventories (Notes 4 and 7)	99,830	93,534	792,326
Deferred income taxes (Note 11)	14,784	14,844	125,744
Prepaid expenses and other current assets	17,355	14,498	122,820
Allowance for doubtful accounts	(4,502)	(4,053)	(34,336)
Total current assets	432,979	411,662	3,487,186
Investments and other assets:			
Investment securities (Notes 3 and 7)	100,578	98,571	834,997
Investments in and advances to affiliated companies	8,943	9,841	83,362
Long-term loans	4,802	3,644	30,870
Deferred income taxes (Note 11)	1,791	2,744	23,248
Other assets	30,042	32,435	274,747
Allowance for doubtful accounts	(7,477)	(5,899)	(49,970)
Total investments and other assets	138,679	141,336	1,197,254
Property, plant, and equipment (Note 7):			
Land	94,771	96,068	813,789
Buildings and structures	261,420	274,610	2,326,214
Machinery and equipment	385,779	411,585	3,486,536
Tools	97,296	93,662	793,412
Construction in progress	24,357	16,781	142,151
	863,623	892,706	7,562,102
Less-Accumulated depreciation	(522,365)	(537,726)	(4,555,075)
Net property, plant, and equipment	341,258	354,980	3,007,027
Total assets	¥ 912,916	¥ 907,978	\$ 7,691,467

The accompanying notes are an integral part of these statements.

Liabilities and Net assets	Millions of Yen		Thousands of U.S. Dollars (Note1)
	2006	2007	2007
Current liabilities:			
Short-term borrowings (Note 6)	¥ 199,292	¥ 174,965	\$ 1,482,127
Current portion of long-term debt (Note 6)	5,335	27,753	235,099
Trade payables:			
Notes	38,677	33,182	281,088
Accounts (Note 14)	155,458	158,867	1,345,757
Accrued income taxes	12,770	6,262	53,049
Accrued expenses	31,820	35,221	298,356
Other current liabilities	34,093	40,456	342,693
Total current liabilities	477,445	476,706	4,038,169
Long-term liabilities:			
Long-term debt (Note 6)	63,740	43,842	371,388
Accrued employees' retirement benefits (Note 8)	36,189	36,639	310,370
Deferred income taxes (Note 11)	20,217	17,181	145,543
Deffered income taxes related to unrealized gain on land revaluation (Note 11)	3,754	3,732	31,615
Other	19,400	23,914	202,564
Total long-term liabilities	143,300	125,308	1,061,480
Shareholders' equity:			
Common stock, no par value:			
Authorized-1,400,000,000 shares			
Issued and outstanding-574,580,850 shares in 2006 and 2007	72,717	72,717	615,987
Capital surplus	64,307	64,310	544,768
Retained earnings	105,704	120,026	1,016,739
Less: Treasury common stock, at cost:			
(645,054 shares in 2006 and 696,807 shares in 2007)	(290)	(325)	(2,753)
Total shareholders' equity	242,438	256,728	2,174,741
Valuation and translation adjustments:			
Net unrealized gain on available-for-sale securities	37,006	33,388	282,833
Net unrealized gain on land revaluation	1,529	1,547	13,105
Cumulative translation adjustments	(3,967)	(2,222)	(18,825)
Total valuation and translation adjustments	34,568	32,713	277,113
Minority interests in consolidated subsidiaries	15,165	16,523	139,964
Commitments and contingent liabilities (Note 12)			
Total liabilities and net assets	¥ 912,916	¥ 907,978	\$ 7,691,467

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Hino Motors, Ltd. and consolidated subsidiaries
Years ended March 31, 2006 and 2007

	Number of shares of common stock (Thousands)	Millions of Yen						
		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	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)

	Number of shares of common stock (Thousands)	Millions of Yen							
		Shareholders' equity				Valuation and translation adjustments			
	Common Stock	Capital surplus	Retained earnings	Treasury common stock	Net unrealized gain on available-for-sale securities	Net unrealized gain on land revaluation	Cumulative translation adjustments	Minority interests in consolidated companies	
Balance at March 31, 2006	¥574,581	¥72,717	¥64,307	¥105,704	(¥290)	¥37,006	¥1,529	(¥3,967)	¥15,165
Changes during the term	—	—	—	(5,167)	—	—	—	—	—
Cash dividend	—	—	—	(5,167)	—	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(323)	—	—	—	—	—
Changes in net unrealized gain on land revaluation	—	—	—	(18)	—	—	—	—	—
Net income for the year	—	—	—	20,059	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	(42)	—	—	—	—
Retirement of treasury stock	—	—	3	—	1	—	—	—	—
Changes in the range of affiliated companies	—	—	—	(229)	6	—	—	—	—
Other changes	—	—	—	—	—	(3,618)	18	1,745	1,358
Balance at March 31, 2007	574,581	¥72,717	¥64,310	¥120,026	(¥325)	¥33,388	¥1,547	(¥2,222)	¥16,523

	Thousands of U.S. Dollars(Note1)							
	Shareholders' equity				Valuation and translation adjustments			
	Common stock	Capital surplus	Retained earnings	Treasury common stock	Net unrealized gain on available-for-sale securities	Net unrealized gain on land revaluation	Cumulative translation adjustments	Minority interests in consolidated companies
Balance at March 31, 2006	\$615,987	\$544,746	\$895,406	(\$2,453)	\$313,478	\$12,952	(\$33,603)	\$128,460
Changes during the term	—	—	(43,772)	—	—	—	—	—
Cash dividends	—	—	(43,772)	—	—	—	—	—
Bonuses to directors and corporate auditors	—	—	(2,736)	—	—	—	—	—
Changes in net unrealized gain on land revaluation	—	—	(153)	—	—	—	—	—
Net income for the year	—	—	169,922	—	—	—	—	—
Purchases of treasury stock	—	—	—	(359)	—	—	—	—
Retirement of treasury stock	—	22	—	11	—	—	—	—
Changes in the range of affiliated companies	—	—	(1,928)	48	—	—	—	—
Other changes	—	—	—	—	(30,645)	153	14,778	11,504
Balance at March 31, 2007	\$615,987	\$544,768	\$1,016,739	(\$2,753)	\$282,833	\$13,105	(\$18,825)	\$139,964

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, 2006 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note1)
	2006	2007	2007
Operating activities:			
Net income before income taxes and minority interests	¥42,342	¥34,543	\$292,612
Depreciation and amortization	39,483	44,152	374,013
Accrued employees' retirement benefits, less payments	(1,324)	365	3,091
Allowance for doubtful accounts	(1,505)	(393)	(3,329)
Provision to the reserve for product warranties	1,668	2,900	24,566
Interest and dividend income	(2,830)	(3,232)	(27,382)
Interest expenses	3,007	5,076	42,999
Gain on sales of investment securities	(536)	(310)	(2,627)
Loss on write-down of investment securities	61	132	1,115
Loss on sales and disposal of property, plant and equipment	2,049	1,794	15,196
Loss on impairment of fixed assets	77	244	2,063
(Increase) decrease in notes and accounts receivable	(14,337)	8,772	74,304
(Increase) decrease in inventories	(11,186)	8,168	69,194
Increase (decrease) in notes and accounts payable	12,153	(5,182)	(43,894)
Other, net	(2,367)	3,022	25,607
Subtotal	66,755	100,051	847,528
Interest and dividends received	3,045	3,318	28,105
Interest paid	(2,737)	(4,387)	(37,158)
Income taxes paid	(11,919)	(20,301)	(171,969)
Net cash provided by operating activities	55,144	78,681	666,506
Investing activities:			
Proceeds from sales of property, plant and equipment	9,889	3,263	27,643
Purchase of property, plant and equipment	(63,356)	(50,975)	(431,810)
Purchase of intangible fixed assets	(6,466)	(10,024)	(84,916)
Net decrease in investment securities	1,609	23	195
Other, net	8,385	839	7,110
Net cash used in investing activities	(49,939)	(56,874)	(481,778)
Financing activities:			
Net decrease in short-term borrowings	(12,822)	(27,505)	(232,995)
Proceeds from issuance of long-term debt	18,135	9,061	76,753
Repayments of long-term debt	(8,959)	(6,924)	(58,654)
Dividends paid	(4,019)	(5,167)	(43,772)
Other, net	(41)	(27)	(226)
Net cash used in financing activities	(7,706)	(30,562)	(258,894)
Effect of exchange rate changes on cash and cash equivalents	461	(182)	(1,541)
Net decrease in cash and cash equivalents	(2,040)	(8,937)	(75,707)
Cash and cash equivalents at beginning of year	38,931	36,890	312,501
Cash and cash equivalents at end of year	¥ 36,890	¥ 27,953	\$ 236,794

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, 2006 and 2007

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 from the application and disclosure requirements of international Financial Reporting Standards. Certain reclassifications and modifications have been made so as to present the accompanying consolidated financial statements in a format that is more familiar to readers outside Japan. However, such reclassifications, modifications and additional informations have no effect on results of operations or shareholders' equity.

Certain reclassifications of the consolidated financial statements for the fiscal year ended March 31, 2006 have also been made to ensure consistency.

U.S. dollar amounts are included solely for convenience. 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 ¥118.05=U.S.\$1, the approximate spot rate at March 31, 2007, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

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 upon 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.

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 is stated at cost. Depreciation is mainly calculated 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 improvements are capitalized at cost, while minor maintenance and repairs are charged to the statement of income 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 using the straight-line method over the estimated average remaining service years of the employees. Actuarial gains or losses are amortized using 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 the 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 business 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 an 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.

(14) Accrued Bonuses for Directors and Corporate Auditors

"Accounting Standard for Directors and Corporate Auditors" (ASBJ Statements No. 4, issued on 29 November 2005) was adopted and is effective for the current financial year.

Due to the adoption of this new accounting standard, bonuses for directors and corporate auditors for the year ended March 31, 2007 which will be approved upon resolution of general shareholders' meeting are accrued to charge them to current year earnings. In prior years, they had been accounted for as an appropriation of retained earnings upon resolution of a shareholders' meeting rather than charging to current year earnings. As a result of the accounting charge, operating income, and net income before taxes for the year ended March 31, 2007 have decreased by ¥347 million (\$2,941 thousand).

(15) Accounting Standard for Presentation of Net Assets in the Balance Sheet

Effective for the year ended March 31, 2007, the Company applied Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ, Statement No. 5, December 9, 2005) and Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ, Guidance No. 8, December 9, 2005). The amount corresponding to conventional total shareholders' equity is ¥289,441 million (\$2,451,853 thousand).

3 Marketable Securities and Investment Securities

At March 31, 2006 and 2007, 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, 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	¥20,932	¥78,382	¥57,450
Debt securities	2	2	—
Other	18	30	12
Total	¥20,952	¥78,414	¥57,462

Year ended March 31, 2007	Millions of Yen		
	Cost	Fair value (Carrying amount)	Difference
Investment securities			
Marketable available-for-sale securities:			
Equity securities	¥21,443	¥72,389	¥50,946
Debt securities	—	—	—
Other	5	9	4
Total	¥21,448	¥72,398	¥50,950

Year ended March 31, 2007	Thousands of U.S.Dollars		
	Cost	Fair value (Carrying amount)	Difference
Investment securities			
Marketable available-for-sale securities:			
Equity securities	\$181,644	\$613,205	\$431,561
Debt securities	—	—	—
Other	39	71	32
Total	\$181,683	\$613,276	\$431,593

The carrying amount of investment securities in nonpublic companies as at March 31, 2006 and 2007 was ¥22,165 million and ¥26,174 million (\$221,721 thousand), respectively. The corresponding fair value at these dates was not computed as such estimation was not readily determinable.

4 Inventories

Inventories at March 31, 2006 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Finished products	¥64,007	¥55,585	\$470,860
Work in process	21,816	21,317	180,574
Raw materials and supplies	14,007	16,632	140,892
Total	¥99,830	¥93,534	\$792,326

5 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
	2006	2007	2007
Class of property:			
Machinery, equipment and vehicles	¥1,756	¥1,893	\$16,034
Tools	5,178	4,648	39,371
Other	53	36	302
	¥6,987	¥6,577	\$55,707
Less-accumulated depreciator	(3,868)	(3,150)	(26,683)
Net	¥3,119	¥3,427	\$29,024
Future minimum payments:			
Due within one year	¥1,227	¥1,150	\$9,743
Due after one year	2,041	2,381	20,170
	¥3,268	¥3,531	\$29,913
Lease expense for the year:			
Lease payments	¥2,285	¥1,564	\$13,247
Depreciation	¥2,057	¥1,419	\$12,025
Interest	191	166	1,404

(2) Lessor

Details of leased 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
	2006	2007	2007
Class of property:			
Machinery, equipment and vehicles	¥77	¥5	\$44
Less-accumulated depreciator	(70)	(5)	(39)
Net	¥7	¥0	\$5
Future minimum income:			
Due within one year	¥3	¥0	\$1
Due after one year	0	—	—
	¥3	¥0	\$1
Lease income for the year:			
Lease income	¥132	¥3	\$25
Depreciation	¥115	¥3	\$21
Interest	4	0	1

6 Short-Term Borrowings and Long-Term Debt

Short term borrowings at March 31, 2006 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Bank loan with weighted-average interest rate of 1.61% for the year ended March 31, 2006 and 2.23% for the year ended March 31, 2007:			
Secured	¥92,567	¥68,545	\$580,641
Unsecured	69,725	67,420	571,118
Sub-total	162,292	135,965	1,151,759
Commercial paper with interest of 0.03% for the year ended March 31, 2006 and 0.67% for the year ended March 31, 2007.	37,000	39,000	330,368
Total	¥199,292	¥174,965	\$1,482,127

Long term debt at March 31, 2006 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Loans, principally from banks, insurance companies, and other institutions, due 2007 to 2025 with weighted-average interest rate of 1.44% for the year ended March 31, 2006 and 1.52% for the year ended March 31, 2007:			
Secured	¥5,123	¥8,355	\$70,774
Unsecured	63,952	63,240	535,713
Less amount due within one year	(5,335)	(27,753)	(235,099)
Total	¥63,740	¥43,842	\$371,388

The aggregate annual maturities of long-term debt outstanding at March 31, 2007, were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥22,939	\$194,314
2009	18,610	157,650
2010	565	4,784
2011 and thereafter	1,728	14,640
Total	¥43,842	\$371,388

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 have 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.

7 Assets Pledged

At March 31, 2006 and 2007 assets pledged as collateral for short-term borrowings and long-term debt were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Trade notes receivable	¥44,307	¥27,857	\$235,977
Trade accounts receivable	52,776	47,516	402,506
Land	43,985	38,796	328,638
Buildings and structures	22,192	20,369	172,545
Machinery, equipment, vehicles, and tools	3,816	3,384	28,667
Other	3,658	4,766	40,374
Total	¥170,734	¥142,688	\$1,208,707

8 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, 2006 and 2007 are as follows:

Projected Benefit Obligation

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Projected benefit obligation	¥(89,624)	¥(93,232)	\$ (789,767)
Plan assets at fair value	46,488	50,196	425,206
Projected benefit obligation in excess of plan assets	(43,136)	(43,036)	(364,561)
Unrecognized actuarial loss	7,067	6,677	56,560
Unrecognized prior service obligation	(71)	(52)	(436)
	¥(36,140)	¥(36,411)	\$ (308,437)
Prepaid pension expenses	(49)	(228)	(1,933)
Accrued employees' retirement benefits	¥(36,189)	¥(36,639)	\$ (310,370)

Net Periodic Benefit Costs

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Service costs	¥3,601	¥5,490	\$46,509
Interest costs on projected benefit obligation	1,480	1,521	12,883
Expected return on plan assets	(647)	(779)	(6,596)
Recognized actuarial loss	832	609	5,158
Amortization of prior service obligation	6	(0)	(1)
Net periodic benefit cost	¥5,272	¥6,841	\$57,953

The assumptions as of March 31, 2006 and 2007, which were used in determining periodic benefit costs and accrued employees' retirement benefits shown above were as follows:

	2006	2007
Allocation of retirement benefit cost	Flat-allocation	Flat-allocation
Discount rate	principally 2.0%	principally 2.0%
Expected rate of return on plan assets	principally 2.0%	principally 2.0%
Years of amortization of prior service obligation	4-16 years	12-16 years
Years of amortization of actuarial loss	4-18 years	4-18 years

9 Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2006 and 2007 are comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Sales commission	¥9,999	¥8,173	\$69,235
Distribution costs	9,932	10,105	85,602
Product warranties	7,733	10,633	90,072
Advertising expenses	3,080	3,292	27,889
Labor costs	42,438	45,203	382,913
Rent and lease expenses	5,653	5,930	50,233
Other	56,629	61,636	522,113
Total	¥135,464	¥144,972	\$1,228,057

10 Research and Development Expenses

Research and development expenses for the years ended March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Research and development expenses	¥34,763	¥34,444	\$291,776

11 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 2006 and 2007.

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, 2006 and 2007:

	2006	2007
Statutory tax rate	40.7%	40.7%
Non-deductible expenses	1.5	1.6
Non-taxable dividend income	(0.6)	(1.3)
Per capital inhabitants' taxes	0.3	0.3
Equity in (earnings) loss of affiliated companies	(0.7)	(1.4)
Income tax credits	(7.8)	(4.4)
Change in valuation allowances and other	(3.6)	3.4
Effective tax rate	29.8%	38.9%

Significant components of the Company and its subsidiaries' deferred tax assets and liabilities as of March 31, 2006 and 2007 were as follows :

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Deferred tax assets:			
Net operating loss carried forward	¥6,358	¥9,163	\$77,616
Accrued employees' bonus	5,127	5,066	42,918
Accrued employees' retirement benefits	13,882	14,029	118,841
Other	17,059	18,119	153,482
	42,426	46,377	392,857
Valuation allowance	(18,638)	(19,879)	(168,392)
Total deferred tax assets	23,788	26,498	224,465
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	(3,949)	(3,701)	(31,355)
Unrealized gain on securities	(23,481)	(20,852)	(176,635)
Other	—	(1,538)	(13,026)
Total deferred tax liabilities	(27,430)	(26,091)	(221,016)
Net deferred tax assets	¥ (3,642)	¥ 407	\$ 3,449

12 Contingent Liabilities

Contingent liabilities at March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Export bills discounted with banks	¥45	¥39	\$331
Bills endorsed with recourse	8	—	—
Guarantees in respect of employees' housing loan and affiliated companies, etc.	12,722	10,744	91,012

13 Segment Information

Business Segment Information

Geographical segment information for the year ended March 31, 2006 and 2007, is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
I. Sales and operating profit			
Sales			
Japan:			
External customers	¥987,794	¥1,050,396	\$8,897,893
Inter company	102,586	115,061	974,681
Total	1,090,380	1,165,457	9,872,574
Asia:			
External customers	130,054	134,349	1,138,069
Inter company	613	855	7,245
Total	130,667	135,204	1,145,314
Other:			
External customers	79,124	102,923	871,859
Inter company	757	1,450	12,279
Total	79,881	104,373	884,138
Total:			
External customers	1,196,972	1,287,668	10,907,821
Inter company	103,956	117,366	994,205
Total	1,300,928	1,405,034	11,902,026
Corporate and eliminations:			
External customers	—	—	—
Inter company	(103,956)	(117,366)	(994,205)
Total	(103,956)	(117,366)	(994,205)
Consolidated total:			
External customers	1,196,972	1,287,668	10,907,821
Inter company	—	—	—
Total	¥1,196,972	¥1,287,668	\$10,907,821
Operating profit (loss)			
Japan	¥41,357	¥38,788	\$328,570
Asia	3,363	3,036	25,719
Other	(4,104)	(2,413)	(20,438)
Total	40,616	39,411	333,851
Corporate and eliminations	(94)	(2,709)	(22,949)
Consolidated total	¥40,522	¥36,702	\$310,902
II. Segment assets			
	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Japan	¥772,896	¥753,890	\$6,386,193
Asia	89,118	90,399	765,766
Other	82,586	105,353	892,445
Total	944,600	949,642	8,044,404
Corporate and eliminations	(31,684)	(41,664)	(352,937)
Consolidated total	¥912,916	¥907,978	\$7,691,467

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, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Overseas sales (A)	¥272,136	¥318,325	\$2,696,525
Consolidated sales (B)	1,196,972	1,287,668	10,907,821
(A)/(B)	22.7%	24.7%	

Overseas Sales by Geographic Area

Year ended March 31, 2006	Percentage of consolidated sales	Millions of Yen	Thousands of U.S. Dollars
Asia	12.7%	¥152,430	
North America	4.4	52,601	
Oceania	2.4	28,132	
Latin America	1.0	11,972	
Other areas	2.2	27,001	
Total	22.7%	¥272,136	

Year ended March 31, 2007	Percentage of consolidated sales	Millions of Yen	Thousands of U.S. Dollars
Asia	12.6%	¥162,270	\$1,374,584
North America	5.6	72,085	610,628
Oceania	2.5	32,475	275,096
Latin America	1.3	17,208	145,773
Other areas	2.7	34,287	290,444
Total	24.7%	¥318,325	\$2,696,525

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

14 Transactions with Related Parties

Material transactions and resulting account balances with related parties for the years ended March 31, 2006 and 2007 were as follows:

Name of related company	Paid-in capital (million of Yen)	Principal business	Direct equity ownership percentage by the company (%)	Millions of Yen					
				Description of transactions	Transactions for the years ended March 31		Account	Resulting account balances at March 31	
					2006	2007		2006	2007
Toyota Motor Corporation	¥397,049	Vehicle manufacturing	50.4%	Product retailing	¥325,491	¥389,758	Trade accounts receivable	¥20,110	¥22,019
				Component purchasing	177,472	256,427	Trade accounts payable	23,142	23,632
				Proceeds from increase in long-term debt	17,221	1,500	Long-term debt	60,221	61,767
				Interest expense	—	807			

Description of transactions	Thousands of U.S. Dollars			
	Transactions for the years ended March 31		Resulting account balances at March 31	
	2007	Account	2007	Account
Product retailing	\$3,301,631	Trade accounts receivable	\$186,524	
Component purchasing	2,172,189	Trade accounts payable	200,190	
Proceeds from increase in long-term debt	12,706	Long-term debt	523,227	
Interest expense	6,835			