

# ISUZU MOTORS LIMITED ANNUAL REPORT 2002

Year ended March 31, 2002

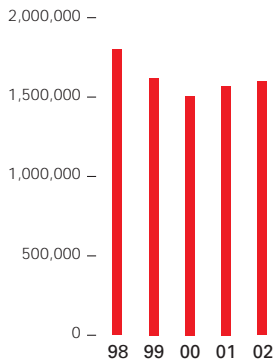




# FINANCIAL HIGHLIGHTS

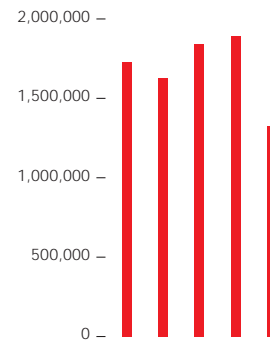


**Net sales**  
(Millions of Yen)



**Net income**  
(Millions of Yen)

**Total assets**  
(Millions of Yen)



In May 2001, we formulated the Isuzu V Plan, a new mid-term business plan, covering the three-year period through March 2004. The plan aims at far-reaching reforms of our business and corporate structure that will restore enterprise value and strengthen competitiveness. It also calls for a streamlined organization and resurgence of corporate value, which forms the basis of sound management. Isuzu will leverage its own competitive advantages and alliance with General Motors to establish a global business network.

**ISUZU V PLAN** ♦ The Isuzu Group moved into the black in the fiscal year ended March 2002 after two consecutive years of consolidated operating losses. This is confirmation of the progress we have made under the Isuzu V Plan and that it is starting to yield tangible results. The original plan envisioned a minimum consolidated operating income of ¥60,000 million on consolidated net sales of ¥1.52 trillion in the fiscal year ending March 2004. The goal for consolidated net income was ¥30,000 million. However, factors such as the recent sudden drop in North American sales forced us in November 2001 to review

the plan's consolidated net sales target, which has now been scaled down somewhat to ¥1.33 trillion.

**PROGRESS OF MID-TERM BUSINESS PLAN** ♦ The focus in the first year of the plan was on energetically addressing the principal issues it identified while at the same time carrying out fine-tuning to expeditiously cope with dramatic changes in the operating environment, all for the purpose of achieving recognizable results. However, increased outlays for North American sales operations, the prolonged market slump in Japan and an intensifying competitive situation, all had a negative impact on earnings. Consequently, first year earnings fell short of target. Despite the shortfall, Isuzu aggressively implemented every initiative and we were able to lay a solid foundation for reforming the business and corporate structure, to increase revenue in the power-train business, and to develop a new model of a pick-up truck for urban deliveries, all while steadily expanding our collaboration with GM. I am confident that we are now in a position to achieve improved earnings in the years ahead.

As I said earlier, one of the primary goals of the Isuzu V Plan is to recover corporate value. To this end, Isuzu is making concerted efforts to reform its cost structure in Japan through an eight-step action plan.

**(1) Consolidating Domestic Production Infrastructure** ♦

The first step focuses on consolidating domestic production infrastructure at three facilities. Optimal allocation of resources is expected to raise capacity utilization rates



**(8) Engineering Efficiency Improvement** ♦ Isuzu will bolster the efficiency of development programs and systems by integrating its seven current platforms into three “core platforms.” This will be achieved alongside the introduction of new models.

At the end of the first half of the fiscal year under review, Isuzu devised the Isuzu V Plan Advance, as a means of front-loading execution of key measures, with a focus on North American operations. This approach recognized the criticality of the immediate restoration of North American business to Isuzu Group’s reconstruction. In line with this move, Isuzu will define its business domains and review the North American operating structure and reduce structural costs. The Isuzu V Plan Advance has been incorporated into the original Isuzu V Plan. The operating structure reforms planned for the current fiscal year have been largely completed.

**RESULTS FOR THE YEAR ENDED MARCH 31, 2002** ♦ Consolidated net sales for the year ended March 31, 2002 increased 1.8% year on year to ¥1,597,701 million, as growing sales of engine components more than offset the lower vehicle sales volume.

The company reported operating income of ¥15,134 million, reversing an operating loss of ¥27,316 million in the previous fiscal year. This dramatic improvement was partly due to reductions in materials and operating costs, and a weaker yen. The net loss narrowed by ¥23,795 million to around ¥42,991 million. Principal factors affecting

the bottom line were an ¥18,609 million gain on sales of property, plant and equipment and investment securities, a ¥9,452 million unrealized holding loss on securities and a ¥14,475 million expense for early retirement incentive packages. As a result, the cumulative deficit carried forward was ¥213,562 million.

Consolidated shareholders’ equity declined by ¥33,024 million to ¥61,084 million. As a result, the shareholders’ equity ratio decreased from 5.0% to 4.6%. Meanwhile, total assets stood at ¥1,324,144 million as of March 31, 2002, a reduction of ¥567,347 million compared to the previous fiscal year-end.

Domestic sales volume declined 17.7% compared to the previous fiscal year to 64,139 units while overseas sales volume decreased 11.8% to 244,298 units. As a result, total sales volume was 308,437 units, a drop of 13.1% against the previous fiscal year. In other product areas, sales of automotive components for overseas production declined by 37.5% to ¥46,741 million. Engine component sales, however, surged 39.6% to ¥225,582 million, owing to higher production at Isuzu’s engine plant in Poland (ISPOL) and to the start of mass production at a joint venture (DMAX) between Isuzu and GM.

With regret, Isuzu suspended dividend payments, as we did last year, due to weak earnings.

**OUTLOOK FOR THE YEAR ENDING MARCH 31, 2003** ♦

While the Japanese economy has started showing signs of bottoming out, it must overcome several hurdles,

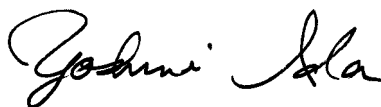
including the bleak employment situation, weak household income and uncertainties over corporate earnings, if it is to stage a complete recovery.

In the automotive industry, despite some bright spots, the operating environment remains extremely difficult, since improvement in domestic truck demand is late in coming and domestic and overseas competition is becoming fiercer.

Despite the challenging environment, we will aim for flawless execution of the Isuzu V Plan, make concerted efforts to increase sales and work toward building a well-balanced earnings structure as defined in the Vehicle Line Executive (VLE) system launched in June 2002. We will do so while leveraging the strengths of the Isuzu Group and cooperating with GM.

On April 30, 2002, we abolished the retirement incentive package provision in the employees' retirement benefit regulations. This will reduce retirement benefit expenses by roughly ¥8,000 million in the fiscal year ending March 31, 2003, compared to the current consolidated fiscal year. Moreover, the Ministry of Health, Labour and Welfare approved the company's request for the return of the portion of the pension fund assets managed on behalf of the Isuzu Motors Welfare Pension Fund on July 1, 2002. These pension fund assets are to be returned around the fall of 2003. This will translate into a one-time extraordinary profit of about ¥10,000 million in the fiscal year ending March 2003.

Following the approval of the 100<sup>th</sup> ordinary annual general meeting of shareholders in June, the company introduced an executive officer system as a part of actions to strengthen management. The new system will optimize decision-making by bolstering the oversight functions of the Board of Directors and also enhance operating efficiency by transferring executive authority to the operational level.



Yoshinori Ida

*President and Representative Director*







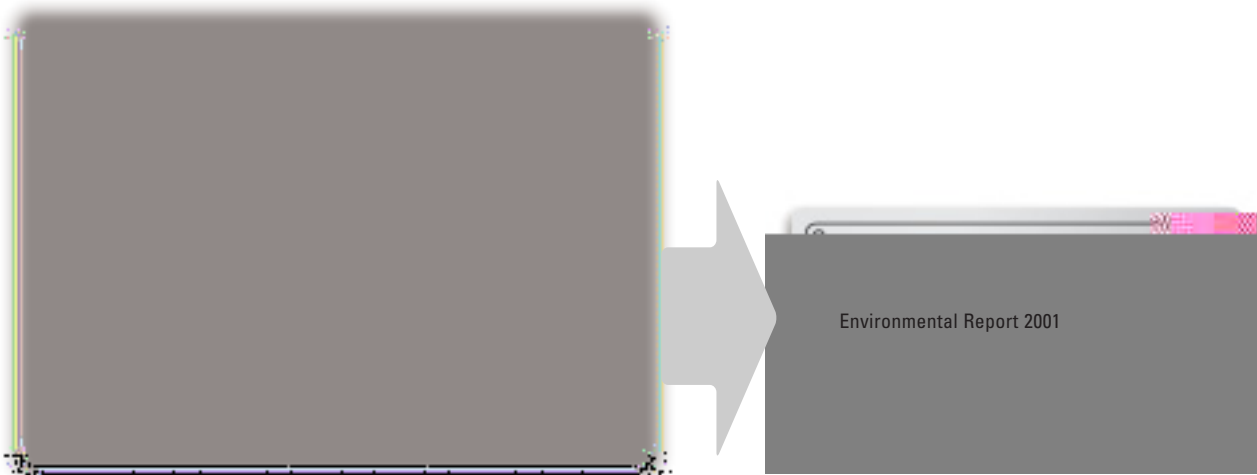
**ENVIRONMENTAL PROTECTION ORGANIZATION** ▶

Isuzu considers environmental protection to be a management issue of the highest importance. The chart below depicts how the company's internal framework for environmental protection is structured. The Global Environment Committee promotes corporate environmental efforts and reports initiatives and achievements from the past fiscal year through the Isuzu Environmental Report, which is published annually. This report can be viewed on the company's Website, ([http://www.isuzu.co.jp/company/eco/2001\\_en/](http://www.isuzu.co.jp/company/eco/2001_en/))

Isuzu recorded two significant achievements in environmental protection in fiscal 2002. First, the Product Development Environment Committee was awarded ISO 14001 certification for its product development process, thus putting in place a system in tune with environmental protection requirements. Second, the Plant Environment Committee successfully achieved its goal of Zero Emissions.

**PRODUCT DEVELOPMENT ENVIRONMENT COMMITTEE** ▶

Isuzu has state-of-the-art diesel engine technology and manufacturing plants in Europe, the U.S., Japan and else-



dramatically. As one of the world's leading producers of diesel engines, Isuzu is committed to marshalling all its technological resources to develop even cleaner diesel engines that significantly lower environmental loads.

**ISO 14001 CERTIFICATION** 🍀 The Global Environment Committee in 1999 decided to work toward putting systems in place for obtaining ISO 14001 certification for product development processes. In order to provide powerful support for the development of environmentally friendly products, the development division started work on building an environmental management system with the participation of all the development divisions and Isuzu Advanced Engineering Center, Ltd. The result was ISO 14001 certification on June 30, 2001. This certification recognizes that Isuzu has created an integrated environmental protection system covering all stages from product

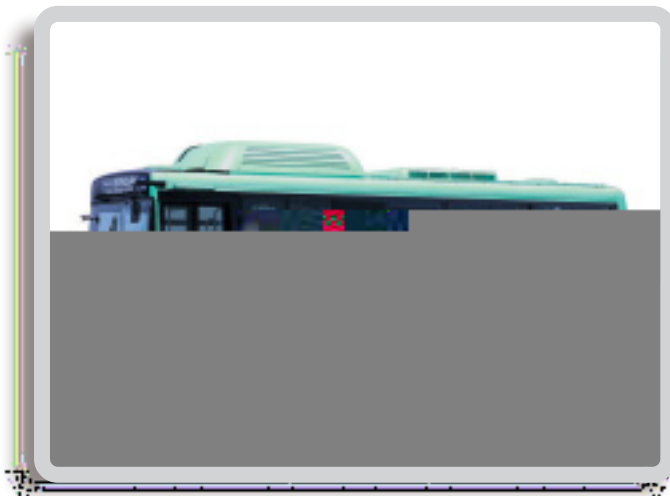
development through production.

All four of the company's domestic plants are also ISO 14001 certified. Overseas, Subaru-Isuzu Automotive Inc. (SIA) in the U.S., Isuzu Motors Polska Sp. zo. o. (ISPOL) in Poland, Isuzu Engine Manufacturing Co., (Thailand) Ltd. (IEMT) and Isuzu Motors Co., (Thailand) Ltd. (IMCT) in Thailand, and Isuzu Motors Germany GmbH (IMG) in Germany are similarly certified. DMAX, Ltd. in the U.S. is now preparing for certification. All our five main overseas manufacturing plants will be ISO 14001 certified when DMAX obtains the certification.

#### PLANT ENVIRONMENT COMMITTEE

**ZERO EMISSION GOAL ACHIEVED** 🍀 Isuzu in fiscal 2002 reduced industrial waste by 97.6% against fiscal 1996 levels, exceeding its Zero Emissions goal. "Zero Emissions" means "A reduction of end waste amount to 95% of the fiscal 1996 level (excluding incineration ash)."

Following up on this achievement, we plan to further reduce industrial waste in fiscal 2004. The goal is to slash industrial waste at each plant to less than one ton per month by the end of fiscal 2004.



Isuzu has developed a CNG (compressed natural gas) vehicle for use as a non-step large route bus. The vehicle boasts extremely low levels of harmful exhaust emissions. Some models also employ an oxygen catalytic converter to reduce levels of particulate matter. These innovations mean the vehicle has an exceptionally low impact on the environment. (Domestic model)

# OFFICERS

## DIRECTORS

(All Directors concurrently act as Executive Officers)

President & Representative Director	Yoshinori Ida
Executive Vice Presidents & Directors	Kozo Sakaino
	Randall J. Schwarz
Managing Director	Tadaomi Takayama
Executive Directors	Yoshito Mochizuki
	Hiromasa Tsutsui
Directors	Hiroshi Suzuki
	Brian P. MacDonald
	Susumu Hosoi
	Yoshio Kinouchi
	Yoshihiro Tadaki

## EXECUTIVE OFFICERS

Senior Executive Officers	Goro Miyazaki
	Ryuuichi Ohgi
	Minoru Matsushima
Executive Officers	Yoshitomo Utaka
	Yasushi Mase
	Kouji Yamaguchi
	Jun Utsumi
	Kazuhiro Sonoda
	Hiroo Majima
	Takashi Urata
	Tadaharu Matsuo
	Fujio Anzai

## CORPORATE AUDITORS

(As of June 27, 2002)

Standing Corporate Auditors	Hiromu Inada
	Michio Kamiya
Corporate Auditors	Yasuharu Nagashima
	Tadashi Inui

# FINANCIAL SECTION

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## Five-Year Summary

Years ended March 31

Consolidated Five-Year Summary						Thousands of U.S. Dollars
	Millions of Yen					
	2002	2001	2000	1999	1998	2002
<b>For the Year:</b>						
Net sales	¥1,597,701	¥1,569,199	¥1,506,642	¥1,619,101	¥1,799,604	\$11,990,254
Cost of sales	1,355,190	1,343,166	1,297,291	1,321,173	1,477,742	10,170,287
Gross profit	242,510	226,032	209,350	297,928	321,861	1,819,967
Selling, general and administrative expenses	227,376	253,349	260,147	288,747	310,159	1,706,388
Operating income (Loss)	15,134	(27,316)	(50,797)	9,180	11,702	113,579
Income (Loss) before special items	(1,984)	(47,435)	(68,047)	(5,784)	1,496	(14,896)
Income (Loss) before income taxes	(28,506)	(73,300)	(150,937)	16,111	17,763	(213,935)
Net income (Loss)	(42,991)	(66,787)	(104,186)	6,235	6,039	(322,639)
<b>At Year-End:</b>						
Total assets	¥1,324,144	¥1,891,492	¥1,843,053	¥1,627,302	¥1,730,857	\$ 9,937,296
Shareholders' equity	61,084	94,108	169,338	177,771	122,215	458,416
<b>Non-Consolidated Five-Year Summary</b>						Thousands of U.S. Dollars
	Millions of Yen					
	2002	2001	2000	1999	1998	2002
<b>For the Year:</b>						
Net sales	¥761,904	¥ 829,890	¥ 836,123	¥934,865	¥1,128,068	\$5,717,860
Cost of sales	655,719	726,601	764,570	820,108	973,527	4,920,974
Gross profit	106,185	103,289	71,553	114,756	154,540	796,886
Selling, general and administrative expenses	98,098	107,002	118,139	109,680	134,657	736,200
Operating income (Loss)	8,086	(3,712)	(46,586)	5,076	19,883	60,685
Income (Loss) before special items	2,123	(10,578)	(55,412)	1,874	15,428	15,938
Income (Loss) before income taxes	(45,898)	(66,105)	(172,957)	(4,536)	20,692	(344,454)
Net income (Loss)	(56,224)	(57,938)	(103,861)	(4,566)	10,092	(421,945)
<b>At Year-End:</b>						
Total assets	¥876,680	¥1,032,614	¥1,117,373	¥907,474	¥ 964,655	\$6,579,217
Shareholders' equity	159,062	217,788	273,012	271,320	226,023	1,193,716

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥133.25=US\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 29, 2002.

## Financial Review

### Financial Targets

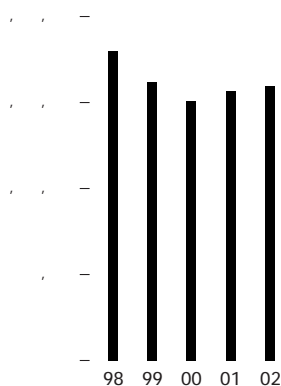
Under the Isuzu V Plan, the company's medium-term management plan that runs through March 2004, Isuzu is targeting an approximate ¥350 billion reduction in total consolidated assets to ¥1,110 billion, and a decrease of roughly ¥240 billion in interest-bearing debt to ¥510 billion, excluding the finance segment. As of March 31, 2002, total consolidated assets had fallen ¥210 billion to ¥1,250 billion, with interest-bearing debt standing at ¥680 billion, a reduction of ¥70 billion. In addition, Isuzu is pushing forward with plans to improve its cash flows.

### Income Analysis

In fiscal 2002, the year ended March 31, 2002, consolidated net sales increased 1.8% year on year to ¥1,597,701 million on strong demand for engines components, which offset lower unit sales. The cost of sales rose 0.9% to ¥1,355,190 million in line with the increase in net sales. However, the cost of sales ratio improved thanks to rationalization and cost-saving initiatives. Despite the increase in net sales, selling, general and administrative expenses fell 10.3% to ¥227,376 million due mainly to cutbacks in the workforce and costs. As a result, the company reported operating income of ¥15,134 million, a significant reversal from the previous year's ¥27,316 million operating loss. Other expenses decreased to ¥17,120 million from the ¥20,120 million recorded in fiscal 2001. In special losses, the absence of the restructuring charges recorded in the previous fiscal year and the booking of special retirement benefits relating to a voluntary early retirement plan meant that this item was largely unchanged. Special gains were ¥907 million less than the previous year, despite gains on the sale of investment securities, because there was no transitional gain for employees' retirement benefits recorded in the previous year. As a result, net special losses amounted to ¥26,522 million. Loss before income taxes decreased from ¥73,300 million to ¥28,506 million. Net loss was ¥42,991 million, compared with a loss of ¥66,787 million in the previous fiscal year.

#### Net Sales

(Millions of Yen)



#### Net Income (Loss)

(Millions of Yen)



## Segment Information

### *By Type of Business*

Despite falling demand for commercial vehicles amid a sluggish Japanese economy and lower combined domestic and export unit sales resulting from intense competition in the U.S., sales to third parties in the automotive segment increased by 3.9% to ¥1,518,134 million. The increase reflected the strong performance in engines and automotive components. The segment posted operating income of ¥7,156 million, reversing a prior-year operating loss of ¥29,899 million.

Finance segment sales to third parties fell by 38.3% to ¥59,886 million following the sale of 80% of the common stock of Isuzu Group truck leasing company IFCO Inc., and the sell-off of lease receivables by a U.S.-based finance subsidiary. On the other hand, operating income surged to ¥6,097 million from ¥2,177 million in fiscal 2001.

Miscellaneous sales to third parties jumped 79.1% to ¥19,680 million year on year. Operating income climbed to ¥1,600 million from the previous year's ¥825 million.

### *By Geographical Area*

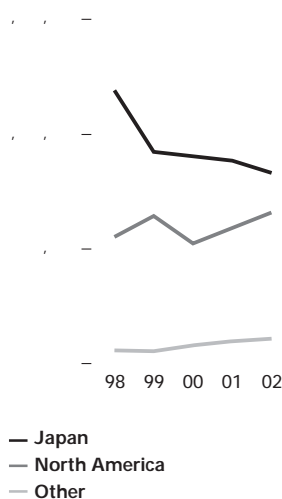
Sales to third parties in Japan decreased 6.0% to ¥830,639 million due to soft demand for commercial vehicles in a sluggish economy. Operating income on the other hand rebounded to ¥14,008 million from an operating loss of ¥7,914 million in the previous fiscal year. This result reflects efforts to restructure sales companies and other rationalization measures.

Boosted by sales of diesel engines at a manufacturing joint-venture with General Motors, sales to third parties in North America climbed 12.0% to ¥658,713 million. While the operating loss narrowed from ¥16,265 million in fiscal 2001 to ¥7,129 million, the company's results were affected by fierce competition from industry rivals.

Sales to third parties in regions categorized under "Other," which includes Singapore, Australia, China, Poland, the Philippines and Thailand, rose 11.7% to ¥108,349 million, mainly as a result of an increase in diesel engine production at the ISPOL plant in Poland. Isuzu recorded operating income of ¥3,477 million in this region, a turnaround from the previous year's operating loss of ¥1,090 million.

### Total Sales by Geographical Segment

(Millions of Yen)





## Financial Position

Total consolidated assets as of March 31, 2002 stood at ¥1,324,144 million, a decrease of ¥567,347 million from a year earlier. This reduction reflects the streamlining of inventories, efforts to accelerate recovery of trade receivables and the sale of property, plant and equipment. Total current assets declined by ¥262,757 million to ¥548,941 million, reflecting a drop in the balance of cash and cash equivalents, notes and accounts receivable and inventories. Property, plant and equipment fell by ¥219,963 million to ¥551,179 million and investments and advances declined by ¥82,312 million. As a result, fixed assets were ¥775,202 million, ¥304,590 million lower than a year ago.

Notes and accounts payable fell ¥65,246 million from a year earlier. Bank loans and commercial paper also decreased ¥99,128 million and ¥50,000 million, respectively. Consequently, total current liabilities dropped by ¥305,739 million to ¥872,141 million. Long-term liabilities were ¥387,236 million, a decline of ¥227,707 million. This was attributable to the redemption of bonds and the repayment of loans as the company took steps to reduce interest-bearing debt. As of March 31, 2002, interest-bearing debt was ¥738,734 million, down ¥329,474 million from a year ago.

Consolidated shareholders' equity fell by ¥33,024 million to ¥61,084 million. This reflected an increase in the accumulated deficit due to the net loss recorded for the year. The equity ratio thus declined from 5.0% to 4.6%.

## Cash Flows

Net cash provided by operating activities increased by ¥24,184 million to ¥55,179 million due to the improvement in the company's net loss, the collection of trade receivables and the reduction of inventories.

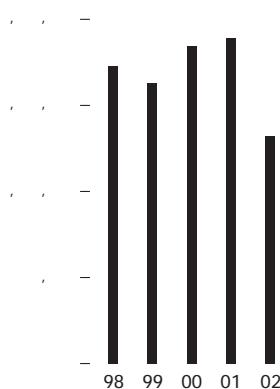
Investing activities provided net cash of ¥6,283 million, a turnaround of ¥114,068 million from the previous fiscal year. This mainly reflected the reduction in payments for leased property, and proceeds from sales of property, plant and equipment.

Net cash used in financing activities was ¥123,530 million, compared with ¥52,788 million in net cash provided in fiscal 2001. Cash was mainly used for repayment of debt and commercial paper and the redemption of bonds.

As a result of the above, cash and cash equivalents as of March 31, 2002 stood at ¥72,284 million, down ¥65,079 million from a year ago.

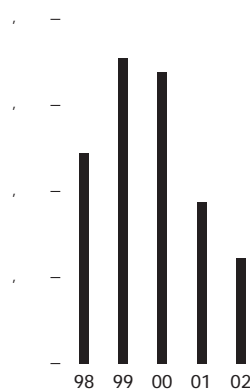
**Total Assets**

(Millions of Yen)



**Shareholders' Equity**

(Millions of Yen)



## Consolidated Balance Sheets

As of March 31, 2002, 2001 and 2000

Assets	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	2002
<b>Current Assets:</b>				
Cash and cash equivalents (Note 3) . . . . .	¥ 79,121	¥ 109,760	¥ 99,876	\$ 593,784
Short-term investments . . . . .	-	-	121,458	-
Receivables:				
Notes and accounts (Note 4) . . . . .	220,696	352,459	347,156	1,656,260
Less: allowance for doubtful receivables . . . . .	(5,292)	(7,696)	(8,098)	(39,714)
Inventories (Note 4) . . . . .	156,305	202,038	206,818	1,173,023
Deferred taxes (Note 6) . . . . .	12,329	16,159	14,916	92,529
Other current assets . . . . .	85,780	138,978	92,419	643,755
Total Current Assets . . . . .	548,941	811,698	874,548	4,119,638
 <b>Investments and Advances:</b>				
Investments (Notes 3, 4):				
Unconsolidated subsidiaries and affiliated companies . . . . .	28,304	22,892	36,685	212,414
Others . . . . .	37,893	63,362	7,533	284,378
Long-term loans . . . . .	34,894	20,469	21,566	261,871
Deferred taxes (Note 6) . . . . .	42,873	68,944	58,813	321,750
Other investments and advances . . . . .	88,255	134,372	54,053	662,328
Less: allowance for doubtful accounts . . . . .	(15,117)	(10,626)	(11,303)	(113,450)
Total Investments and Advances . . . . .	217,103	299,415	167,348	1,629,292
 <b>Property, Plant and Equipment (Note 4)</b>				
Land . . . . .	281,163	322,290	316,400	2,110,042
Buildings and structures . . . . .	247,188	265,951	267,312	1,855,069
Machinery and equipment . . . . .	623,135	913,966	876,125	4,676,441
Construction in progress . . . . .	9,236	14,304	28,278	69,316
Less: accumulated depreciation . . . . .	(609,543)	(745,369)	(715,276)	(4,574,439)
Net Property, Plant and Equipment . . . . .	551,179	771,142	772,841	4,136,430
Other Assets . . . . .	6,920	9,235	9,172	51,935
Translation Adjustments . . . . .	-	-	19,142	-
Total Assets . . . . .	¥1,324,144	¥1,891,492	¥1,843,053	\$ 9,937,296

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	2002
<b>Current Liabilities:</b>				
Bank loans . . . . .	¥ 472,957	¥ 572,085	¥ 493,745	\$ 3,549,397
Current portion of bonds . . . . .	52,000	31,739	30,000	390,243
Commercial paper . . . . .	–	50,000	15,000	–
Notes and accounts payable . . . . .	237,298	302,544	320,515	1,780,848
Accrued expenses . . . . .	60,656	86,697	77,493	455,210
Accrued income taxes (Note 6) . . . . .	1,217	3,694	1,292	9,138
Deposits received . . . . .	24,654	37,718	28,905	185,021
Deferred tax current liabilities (Note 6) . . . . .	5	44	69	38
Other current liabilities . . . . .	23,351	93,356	45,844	175,250
Total Current Liabilities . . . . .	872,141	1,177,880	1,012,867	6,545,149
Long-Term Debt (Note 4) . . . . .	213,777	414,384	444,543	1,604,337
Accrued Retirement and Severance Benefits (Note 5) . . . . .	98,562	105,385	115,547	739,682
Deferred Tax Liabilities (Note 6) . . . . .	4,557	13,889	6,592	34,201
Deferred Tax Liabilities Related to Land Revaluation (Note 8) . . . . .	56,460	68,116	68,024	423,719
Other Long-Term Liabilities . . . . .	13,880	13,171	17,534	104,175
Minority Interest . . . . .	3,679	4,555	8,605	27,614
<b>Contingent Liabilities (Note 9)</b>				
<b>Shareholders' Equity:</b>				
Common stock (Note 7)				
Authorized: 3,000,000,000 shares				
Issued 2002 and 2001: 1,277,453,911 shares				
2000: 1,263,246,218 shares . . . . .	90,329	90,329	89,619	677,897
Capital surplus (Note 7) . . . . .	101,741	101,741	99,212	763,537
Variance of land revaluation (Note 8) . . . . .	91,287	104,932	102,292	685,080
Accumulated deficit . . . . .	(213,562)	(188,891)	(121,785)	(1,602,718)
Unrealized holding loss on securities . . . . .	(2,213)	–	–	(16,609)
Foreign currency translation adjustments . . . . .	(6,474)	(13,239)	–	(48,605)
Treasury stock				
Less: treasury stock, at cost . . . . .	(22)	(764)	(0)	(166)
Total Shareholders' Equity . . . . .	61,084	94,108	169,338	458,416
<b>Total Liabilities, Minority Interests and Shareholders' Equity . . . . .</b>	<b>¥1,324,144</b>	<b>¥1,891,492</b>	<b>¥1,843,053</b>	<b>\$ 9,937,296</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Operations

For the years ended March 31, 2002, 2001 and 2000

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	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	

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## Consolidated Statements of Cash Flows

For the years ended March 31, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	2002
<b>Cash Flows from Operating Activities</b>				
Loss before income taxes and minority interests . . . . .	¥ 28,506	¥ 73,300	¥ 150,937	\$ 213,935
Depreciation and amortization . . . . .	73,629	104,886	93,471	552,566
Equity in losses of unconsolidated subsidiaries and affiliates . . . . .	2,211	1,149	900	16,598

## Notes to Consolidated Financial Statements

### 1. Basis of Presenting the Financial Statements

The accompanying consolidated financial statements of Isuzu Motors Limited ("the Company") and its consolidated subsidiaries have been prepared from the consolidated financial statements filed with the Minister of Finance as required by the Securities and Exchange Law of Japan, in accordance with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than 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 comprehension of these consolidated financial statements by readers outside Japan, certain reclassifications have been made to the consolidated financial statements prepared for domestic purposes and the relevant notes and statements of shareholders' equity and statements of cash flows have been added.

The yen amounts are rounded down in millions. Therefore, total or subtotal amounts do not necessarily 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 ¥133.25=US\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 29, 2002. 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 2001 and 2000 financial statements to conform to the presentation for 2002.

### 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.

Investments in the main unconsolidated subsidiary and significant affiliated companies (15% to 50% owned) are accounted for by the equity method.

The differences at the time of acquisition between the cost and underlying net equity of investments in consolidated subsidiaries and in unconsolidated subsidiaries and affiliated companies accounted for under the equity method are, as a rule, amortized over periods of five years after appropriate adjustments.

#### b) Foreign Currency Translation

The financial statements of consolidated foreign subsid-

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9v4 1 TTw0iterv0T r Tw4 1i/1 Tw0 icant Acco9v47ifican Exchange Market.

**e) Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is principally computed by the straight-line method over the applicable useful lives.

The Company also changed and shortened the estimated useful lives and scrap value of some property, plant and equipment based upon estimates of useful lives from the fiscal year 2001.

**f) Software Costs**

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

**g) Leases**

Finance lease transactions, except 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.

Liabilities for employees' retirement benefits are provided at the discounted present value of the benefit obligations, less the fair value of the plan assets, calculated by the projected benefit cost method until the year ended March 31, 2000.

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**3. Investments**

The fair values of securities as of March 31, 2002 were as follows:

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	Millions of Yen		Thousands of U.S. Dollars	
	Acquisition	Carrying	Unrealized	Acquisition

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The annual maturities of long-term debt at March 31, 2002 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
2003	¥89,637	\$672,699
2004	61,804	463,823
2005	33,312	250,001
Thereafter	29,023	217,812

The assets pledged as collateral for certain loans and other liabilities at March 31, 2002 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and time deposits	¥ 13,155	\$ 98,729
Notes and accounts receivable	123,038	923,365
Inventories	13,029	97,782
Building and structures	88,884	667,047
Machinery and equipment	79,650	597,752
Land	252,597	1,895,664
Securities	22,533	169,107
Others	3,914	29,377

## 5. Retirement Benefits Obligation and Pension Plan

(1) Retirement benefits obligation as of March 31, 2002.

	Millions of Yen	Thousands of U.S. Dollars
Projected benefits obligation at end of the year	¥(200,007)	\$(1,500,991)
Fair value of plan assets	71,397	535,814
Accrued retirement and severance benefits on balance sheets	98,562	739,682
Net	¥ (30,047)	\$ (225,493)
Unrecognized actuarial net loss	(31,182)	234,015
Unrecognized prior service cost	1,135	8,521
Total	¥ (30,047)	\$ (225,493)

(2) Retirement benefit cost for the year ended March 31, 2002.

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥11,535	\$ 86,570
Interest cost on projected benefit obligation	5,522	41,443
Expected return on plan assets	(2,778)	(20,853)
Amortization of actuarial net loss (gain)	2,430	18,240
Amortization of prior service cost	(574)	(4,310)
Net periodic pension cost	¥16,135	\$121,091

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

	2002
Discount rate	3.0%
Expected rate of return on plan assets	1.5-5.5%
Recognition period of prior service cost	1 year
Amortization period of actuarial net loss (gain)	10 years
Amortization period of net obligation arising from accounting changes	1 year

## 6. Income Taxes

Accrued income taxes in the balance sheets include corporation taxes, inhabitant taxes and enterprise taxes.

Income taxes in the statements of operations include corporation taxes and inhabitant taxes and enterprise taxes.

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2002 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets:		
Retirement benefits	¥ 33,806	\$ 253,703
Loss from revaluation of securities and allowance for doubtful accounts	39,372	295,478
Accrued expenses	6,237	46,811
Bonus payment reserve	2,422	18,178
Inventory write-down	1,229	9,228
Loss carried forward	51,587	387,151
Unrealized gain	10,329	77,517
Other	29,529	221,608
Valuation allowance	(93,986)	(705,342)
Deferred tax liabilities:		
Reserve for deferred income tax of fixed assets	(5,808)	(43,591)
Depreciation adjustment of foreign subsidiaries	(18,870)	(141,618)
Other	(645)	(4,845)
Total deferred tax assets	¥ 55,202	\$ 414,279
Deferred tax liabilities:		
Reserve for deferred income tax of fixed assets	173	1,298
Depreciation adjustment of foreign subsidiaries	2,952	22,156
Other	1,436	10,784
Total deferred tax liabilities	¥ 4,562	\$ 34,239

## 7. Common Stock and Capital Surplus

During the fiscal year ended March 31, 2002, the Company issued no shares of common stock in connection with conversion of convertible bonds.

### 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 was revalued, and the unrealized gain on the revaluation of land, net of deferred tax, was reported as "Variance of Land Revaluation" within Shareholders' Equity, and the relevant deferred tax was included in Liabilities as "Deferred Tax Liabilities related to Land Revaluation" for the fiscal year ended 31 March, 2002.

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 which were accounted for by the equity method were revalued.

The method of revaluation is as follows:  
Under article 3-3 of the enforcement ordinance for the

law, the land price for the revaluation is determined based on the official notice prices assessed and published by the National Land Agency of Japan, after appropriate adjustments for the shape of land and the timing of the assessment on 31 March, 1999.

### 9. Contingent Liabilities

Contingent liabilities at March 31, 2002 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans . . . . .	¥66,353	\$497,965
Export bills discounted . . . . .	2,518	18,897
Notes discounted . . . . .	3,434	25,771
Notes endorsed . . . . .	1,304	9,786
Accounts and loans receivable sold to others . . . . .	6,579	49,373

### 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, were as follows:

(a) As a lessee

(i) Amounts equivalent to acquisition costs, accumulated depreciation and net balance as of March 31, 2002 and 2001 concerning the finance lease assets:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Acquisition costs . . . . .	¥68,291	¥52,825	\$512,507
Accumulated depreciation . . . . .	33,097	22,304	248,390
Net balance . . . . .	35,193	30,520	264,117

(ii) Future payment obligations of finance lease expenses as of March 31, 2002 and 2001 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Portion due within one year . . . . .	¥11,299	¥ 8,850	\$ 84,797
Thereafter . . . . .	27,231	22,907	204,362
Lease expense paid . . . . .	13,572	10,139	101,856

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.

(b) As a lessor

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**11. Segment Information**

(1) The business segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2002 and 2001 were as follows:

Year ended March 31, 2002	Automotive	Finance	Miscellaneous	Total	Eliminations	Consolidated
	Millions of Yen					
Sales to third parties . . . . .	¥1,518,134	¥59,886	¥19,680	¥1,597,701	¥ -	¥1,597,701
Inter-area sales and transfers . . . . .	21,921	3,281	4,079	29,282	(29,282)	-
Total sales . . . . .	1,540,056	63,168	23,759	1,626,984	(29,282)	1,597,701
Operating expenses . . . . .	1,532,899	57,070	22,159	1,612,129	(29,562)	1,582,567
Operating income . . . . .	7,156	6,097	1,600	14,854	279	15,134
Total assets . . . . .	1,217,810	73,364	36,785	1,327,960	(3,815)	1,324,144
Depreciation expenses . . . . .	43,788	29,462	316	73,567	-	73,567
Capital expenditure . . . . .						

(2) The geographical segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2002 and 2001 were as follows:

	Japan	North America	Other	Total	Eliminations	Consolidated
Year ended March 31, 2002						
Millions of Yen						
Sales to third parties . . . . .	¥ 830,639	¥658,713	¥108,349	¥1,597,701	¥ -	¥1,597,701
Inter-area sales and transfers . . . . .	162,421	33,927	6,293	202,642	(202,642)	-
Total sales . . . . .	993,060	692,640	114,642	1,800,343	(202,642)	1,597,701
Operating expenses . . . . .	979,052	699,769	111,165	1,789,987	(207,420)	1,582,567
Operating income (loss) . . . . .	14,008	(7,129)	3,477	10,356	4,777	15,134
Total assets . . . . .	1,015,159	259,600	86,194	1,360,954	(36,809)	1,324,144

	Thousands of U.S. Dollars					
Sales to third parties . . . . .	\$6,233,688	\$4,943,437	\$813,128	\$11,990,254	\$ -	\$11,990,254
Inter-area sales and transfers . . . . .	1,218,925	254,612	47,230	1,520,768	(1,520,768)	-
Total sales . . . . .	7,452,614	5,198,050	860,358	13,511,022	(1,520,768)	11,990,254
Operating expenses . . . . .	7,347,486	5,251,553	834,259	13,433,299	(1,556,623)	11,876,675
Operating income (loss) . . . . .	105,127	(53,503)	26,098	77,723	35,855	113,579
Total assets . . . . .	7,618,460	1,948,223	646,859	10,213,543	(276,246)	9,937,296

	Japan	North America	Other	Total	Eliminations	Consolidated
Year ended March 31, 2001						
Millions of Yen						
Sales to third parties . . . . .	¥ 884,010	¥588,212	¥ 96,976	¥1,569,199	¥ -	¥1,569,199
Inter-area sales and transfers . . . . .	201,978	32,171	8,548	242,698	(242,698)	-
Total sales . . . . .	1,085,988	620,384	105,525	1,811,898	(242,698)	1,569,199
Operating expenses . . . . .	1,093,903	636,649	106,615	1,837,168	(240,652)	1,596,515
Operating (loss) . . . . .	(7,914)	(16,265)	(1,090)	(25,270)	(2,046)	(27,316)
Total assets . . . . .	1,565,103	293,550	83,639	1,942,293	(50,801)	1,891,492

(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, were as follows:

	North America	Asian	Other	Total
Year ended March 31, 2002				
Millions of Yen				
Overseas sales . . . . .	¥705,314	¥127,503	¥260,976	¥1,093,794
Consolidated net sales . . . . .	-	-	-	1,597,701
Overseas sales per consolidated net sales . . . . .	44.10%	8.00%	16.30%	68.50%

	Thousands of U.S. Dollars			
Overseas sales . . . . .	\$5,293,167	\$956,874	\$1,958,544	\$ 8,208,586
Consolidated net sales . . . . .	-	-	-	11,990,254
Overseas sales per consolidated net sales . . . . .	44.10%	8.00%	16.30%	68.50%

	North America	Asian	Other	Total
Year ended March 31, 2001				
Millions of Yen				
Overseas sales . . . . .	¥611,261	¥122,201	¥248,559	¥ 982,022
Consolidated net sales . . . . .	-	-	-	1,569,199
Overseas sales per consolidated net sales . . . . .	39.0%	7.80%	15.80%	62.60%

## Report of Certified Public Accountants

**Shin Nihon & Co.**

To the Board of Directors  
Isuzu Motors Limited

We have examined the consolidated balance sheets of Isuzu Motors Limited and its consolidated subsidiaries as of March 31, 2002, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2002. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Isuzu Motors Limited and its consolidated subsidiaries as of March 31, 2002, 2001 and 2000, and the results of its operations and cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles generally accepted in Japan applied on a consistent basis, except for the change in 2001 and 2000, with which we concur, in the method of accounting for house rent as described in Note 2 to the consolidated financial statement.

As described in Note 2 to the consolidated financial statements, Isuzu Motors Limited and consolidated subsidiaries have adopted new accounting methods for valuation of available-for-sale securities based on accounting standards for financial instruments in the preparation of their consolidated financial statements for the year ended March 31, 2002.

The United States dollar amounts shown in the accompanying consolidated financial statements have been translated solely for convenience. We have reviewed this translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into dollars on the basis described in Note 1.



Tokyo, Japan  
June 27, 2002

See note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of Isuzu Motors Limited under Japanese accounting principles and practices.

**OVERSEAS OFFICES**

**China**

Beijing Fortune Building, Room 1505  
5 Dong San Huan Bei-Lu, Chao Yang District  
Beijing 100004, People's Republic of China  
Tel: 86-10-6590-8957

**Pakistan**

c/o Ghandhara Industries Ltd.  
Hub Chowki Road S.I.T.E.  
Karachi-75730, Pakistan  
Tel: 92-21-256-3139

**Belgium**

Sphere Business Park, Doornveld 1  
B-Bus 3/4 1731 Zellik, Belgium  
Tel: 32-2-463-0990

**PRINCIPAL DOMESTIC SUBSIDIARIES  
AND AFFILIATES**

Kanagawa Isuzu Motors Co., Ltd.  
Isuzu Motors Kinki Co., Ltd.  
Isuzu Bus Manufacturing Ltd.  
Isuzu Estate Co., Ltd.  
Isuzu LINEX Corporation  
Tokyo Isuzu Motors Ltd.  
IFCO Inc.  
Automotive Foundry Co., Ltd.  
Jidosha Buhin Kogyo Co., Ltd.  
TDF Corporation

**PRINCIPAL OVERSEAS SUBSIDIARIES  
AND AFFILIATES**

**Isuzu Motors Asia Ltd.**

Address: 9 Temasek Boulevard  
#22-03, Suntec City Tower II  
Singapore 03898985.216 TD0 Tc-0.0004 m2c1EeE9.  
Isuzu Estate 0u0nu6nhj0 -1.472c1 -1.2857 TD-0TwE Ltd7 Tc-0.000350.0n1EeE9.

# CORPORATE DATA

## Isuzu Motors Limited

### Date of Establishment

April 9, 1937

### Head Office

26-1, Minami-oi 6-chome, Shinagawa-ku, Tokyo 140-8722, Japan

Tel: 03-5471-1141

Facsimile: 03-5471-1043

### Common Stock

Shares authorized: 3,000,000,000

Shares issued: 1,277,453,911

### Transfer Agent

UFJ Trust Bank Ltd.

10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan

### Number of Shareholders

62,517

### Major Shareholders (% of total)

General Motors Corporation	(48.45)
The Dai-Ichi Kangyo Bank, Ltd.	(2.31)
The Industrial Bank of Japan	(1.66)
Asahi Life Mutual Insurance Company	(1.57)
ITOCHU Corporation	(1.49)
Japan Trustee Services Bank, Ltd.	(1.20)
The Tokio Marine and Fire Insurance Co., Ltd.	(1.04)
Dai-Ichi Mutual Life Insurance Company	(1.01)
Isuzu Motors Employees' Shareholding Association	(0.94)

### Plants and Other Facilities

Kawasaki Plant	Heavy-duty trucks and buses, engines and parts
Tochigi Plant	Engines and parts
Fujisawa Plant	Medium- and light-duty trucks, engines, components and parts
Hokkaido Plant	Engines
Hokkaido Proving Ground	Testing

(As of March 31, 2002)





