
FINANCIAL SECTION

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NON-CONSOLIDATED BALANCE SHEETS

As of March 31, 1999, 1998 and 1997

| ASSETS | Millions of Yen | | | Thousands of U.S. Dollars |
|--|------------------|------------------|------------------|------------------------------|
| | 1999 | 1998 | 1997 | 1999 |
| Current Assets: | | | | |
| Cash and cash equivalents | ¥ 22,741 | ¥ 29,884 | ¥ 7,585 | \$ 188,645 |
| Short-term investments (Note 3) | 95,630 | 136,194 | 118,931 | 793,288 |
| Trade receivables: | | | | |
| Notes | 416 | 1,689 | 34,119 | 3,451 |
| Accounts | 168,166 | 148,664 | 134,663 | 1,394,995 |
| Less: allowance for doubtful receivables | (2,602) | (1,667) | (2,015) | (21,584) |
| Inventories (Note 4) | 110,511 | 121,837 | 100,474 | 916,728 |
| Other current assets | 30,346 | 23,205 | 25,972 | 251,730 |
| Total Current Assets | 425,210 | 459,807 | 419,731 | 3,527,255 |
| Investments and Advances: | | | | |
| Investments (Note 3): | | | | |
| Subsidiaries and affiliated companies | 187,515 | 176,918 | 171,605 | 1,555,496 |
| Others | 18,194 | 19,782 | 14,040 | 150,926 |
| Long-term loans | 54,225 | 44,507 | 32,773 | 449,817 |
| Other investments and advances | 13,118 | 9,929 | 8,458 | 108,825 |
| Less: allowance for doubtful accounts | (46,335) | (21,547) | (23,299) | (384,363) |
| Total Investments and Advances | 226,718 | 229,592 | 203,578 | 1,880,702 |
| Property, Plant and Equipment (Note 5): | | | | |
| Land | 57,305 | 49,622 | 50,419 | 475,366 |
| Buildings and structures | 160,264 | 166,261 | 161,400 | 1,329,448 |
| Machinery and equipment | 521,443 | 536,114 | 559,132 | 4,325,537 |
| Construction in progress | 8,252 | 11,980 | 14,636 | 68,460 |
| Less: accumulated depreciation | (491,804) | (488,811) | (496,758) | (4,079,669) |
| Net property, Plant and Equipment | 255,462 | 275,166 | 288,830 | 2,119,144 |
| Utilization Right for Facilities | 82 | 89 | 118 | 682 |
| Total Assets | ¥ 907,474 | ¥ 964,655 | ¥ 912,258 | \$ 7,527,784 |

See accompanying notes to non-consolidated financial statements.

| LIABILITIES AND SHAREHOLDERS' EQUITY | Millions of Yen | | | Thousands of U.S. Dollars |
|---|-----------------|----------|----------|------------------------------|
| | 1999 | 1998 | 1997 | 1999 |
| Current Liabilities: | | | | |
| Bank loans | ¥ 66,248 | ¥ 88,748 | ¥ 63,748 | \$ 549,547 |
| Current portion of long-term debt (Note 5) | 36,037 | 65,632 | 31,911 | 298,945 |
| Payables: | | | | |
| Notes | 29,068 | 67,725 | 42,953 | 241,135 |
| Accounts | 160,274 | 191,900 | 215,968 | 1,329,524 |
| Accrued expenses | 37,784 | 49,048 | 41,780 | 313,437 |
| Accrued income taxes (Note 7) | 15 | 6,884 | 11,165 | 126 |
| Deposits received | 25,059 | 27,212 | 28,677 | 207,872 |
| Other current liabilities | 2,904 | 2,549 | 11,733 | 24,096 |
| Total Current Liabilities | 357,392 | 499,700 | 447,938 | 2,964,686 |
| Long-term Debt (Note 5) | 259,175 | 218,542 | 222,877 | 2,149,938 |
| Accrued Retirement and Severance Benefits | 14,894 | 14,772 | 14,335 | 123,554 |
| Other Long-term Liabilities | 4,691 | 5,616 | 5,908 | 38,918 |
| Contingent Liabilities (Note 10) | | | | |
| Shareholders' Equity: | | | | |
| Common stock, par value ¥50 (Note 8) | | | | |
| Authorized: 3,000,000,000 shares | | | | |
| Issued 1999: 1,263,246,218 shares | | | | |
| 1998 and 1997: 1,030,746,218 shares | 89,619 | 63,346 | 63,346 | 743,421 |
| Capital surplus (Note 8) | 99,212 | 72,939 | 72,939 | 822,998 |
| Legal reserve (Note 9) | 9,475 | 9,207 | 8,680 | 78,600 |
| Retained earnings | 73,013 | 80,529 | 76,231 | 605,666 |
| Total Shareholders' Equity | 271,320 | 226,023 | 221,198 | 2,250,686 |
| Total Liabilities and Shareholders' Equity | ¥907,474 | ¥964,655 | ¥912,258 | \$7,527,784 |

NON-CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31, 1999, 1998 and 1997

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|------------------|-------------------|-------------------|------------------------------|
| | 1999 | 1998 | 1997 | 1999 |
| Net Sales | ¥934,865 | ¥1,128,068 | ¥1,194,835 | \$7,754,999 |
| Cost of Sales | 820,108 | 973,527 | 1,038,288 | 6,803,056 |
| Gross profit | 114,756 | 154,540 | 156,546 | 951,942 |
| Selling, General and Administrative Expenses (Notes 6, 7) | 109,680 | 131,657 | 119,113 | 909,830 |
| Operating income | 5,076 | 22,883 | 37,432 | 42,112 |
| Other Income (Expenses): | | | | |
| Interest and dividend income | 8,443 | 7,437 | 4,678 | 70,038 |
| Gain on sales for marketable securities | 5,265 | 4,603 | 5,111 | 43,675 |
| Interest expense | (9,993) | (9,715) | (12,858) | (82,899) |
| Others, net | (6,916) | (6,779) | (3,793) | (57,374) |
| Income before special items | 1,874 | 18,428 | 30,571 | 15,552 |
| Special Items: | | | | |
| Gain on sales or disposal of property, plant and equipment, net | 35,856 | 5,405 | 5,267 | 297,444 |
| Gain on sales of securities for investment | 8,342 | 18,877 | 1,895 | 69,203 |
| Loss on revaluation of investments and others | (40,348) | (16,308) | (5,921) | (334,705) |
| Others, net | (10,262) | (2,710) | (3,924) | (85,127) |
| Income (loss) before income taxes | (4,536) | 23,692 | 27,888 | (37,633) |
| Income Taxes (Note 7) | 30 | 13,600 | 17,500 | 248 |
| Net Income (Loss) | ¥ (4,566) | ¥ 10,092 | ¥ 10,388 | \$ (37,881) |
| | | Yen | | U.S. Dollars |
| Net Income (Loss) per Share | ¥(4.35) | ¥9.79 | ¥10.08 | \$(0.04) |

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended March 31, 1999, 1998, 1997 and 1996

| | Millions of Yen | | | | Thousands of U.S. Dollars |
|----------------------------------|-----------------|---------|---------|---------|------------------------------|
| | 1999 | 1998 | 1997 | 1996 | 1999 |
| Common Stock: | | | | | |
| Balance at beginning of the year | ¥63,346 | ¥63,346 | ¥63,346 | ¥63,346 | \$525,483 |
| Add: | | | | | |
| Capital increase | 26,272 | — | — | — | 217,938 |
| Balance at end of the year | ¥89,619 | ¥63,346 | ¥63,346 | ¥63,346 | \$743,421 |
| Capital Surplus: | | | | | |
| Balance at beginning of the year | ¥72,939 | ¥72,939 | ¥72,939 | ¥72,939 | \$605,059 |
| Add: | | | | | |
| Capital increase | 26,272 | — | — | — | 217,938 |
| Balance at end of the year | ¥99,212 | ¥72,939 | ¥72,939 | ¥72,939 | \$822,998 |
| Legal Reserve: | | | | | |
| Balance at beginning of the year | ¥ 9,207 | ¥ 8,680 | ¥ 7,897 | ¥ 7,897 | \$ 76,375 |
| Add: | | | | | |
| Transfer from retained earnings | 268 | 526 | 782 | — | 2,224 |
| Balance at end of the year | ¥ 9,475 | ¥ 9,207 | ¥ 8,680 | ¥ 7,897 | \$ 78,600 |
| Retained Earnings: | | | | | |
| Balance at beginning of the year | ¥80,529 | ¥76,231 | ¥74,448 | ¥29,541 | \$668,019 |
| Add: | | | | | |
| Net income (loss) | (4,566) | 10,092 | 10,388 | 44,906 | (37,881) |
| Deduct: | | | | | |
| Cash dividends paid | 2,576 | 5,153 | 7,730 | — | 21,375 |
| Transfer to legal reserve | 268 | 526 | 782 | — | 2,224 |
| Other | 104 | 113 | 92 | — | 870 |
| Balance at end of the year | ¥73,013 | ¥80,529 | ¥76,231 | ¥74,448 | \$605,666 |

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 1999, 1998 and 1997

| | Millions of Yen | | | Thousands of U.S. Dollars |
|--|-----------------|-----------------|-----------------|------------------------------|
| | 1999 | 1998 | 1997 | 1999 |
| Cash Flows from Operating Activities | | | | |
| Net income (loss) | ¥ (4,566) | ¥ 10,092 | ¥ 10,388 | \$ (37,881) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 31,458 | 32,651 | 34,937 | 260,960 |
| Gain (loss) on sales or disposal of property, plant and equipment, net | (35,856) | (5,405) | (5,267) | (297,444) |
| Loss on revaluation of investments | 20,556 | 12,599 | 2,873 | 170,526 |
| Gain on sales of investments, net | (10,802) | (23,480) | (6,974) | (89,609) |
| Provision for doubtful receivables and write-off of bad debts | 21,977 | 9,367 | 6,156 | 182,313 |
| Other | (1,276) | 2,210 | 344 | (10,592) |
| Changes in operating assets and liabilities: | | | | |
| Decrease (increase) in receivables | (18,229) | 18,429 | 5,359 | (151,215) |
| Decrease (increase) in inventories | 11,325 | (20,879) | 13,029 | 93,947 |
| Decrease (increase) in other current assets | (7,134) | 2,766 | 2,121 | (59,182) |
| Increase (decrease) in accounts payable | (37,681) | (30,618) | (629) | (312,576) |
| Increase (decrease) in accrued expenses and income taxes | (20,129) | 4,575 | (2,871) | (166,982) |
| Increase (decrease) in deposits received | (2,153) | (1,465) | (2,336) | (17,860) |
| Increase (decrease) in other liabilities | (1,326) | (7,265) | (4,292) | (11,007) |
| Net Cash Provided by (Used in) Operating Activities | (53,838) | 3,579 | 52,838 | (446,605) |
| Cash Flows from Investing Activities | | | | |
| Payments for investments | (54,498) | (60,185) | (34,138) | (452,081) |
| Proceeds from sales of investments | 29,778 | 42,730 | 10,862 | 247,025 |
| Payments for property, plant and equipment | (23,773) | (29,059) | (37,884) | (197,210) |
| Proceeds from sales of property, plant and equipment | 47,324 | 12,658 | 17,236 | 392,570 |
| Other | (13,184) | (24,656) | (1,784) | (109,367) |
| Net Cash Used in Investing Activities | (14,353) | (58,512) | (45,708) | (119,063) |
| Cash Flows from Financing Activities | | | | |
| Proceeds from issuance of straight bonds | 46,076 | 40,000 | 50,000 | 382,214 |
| Proceeds from long-term debt | (28,487) | 30,407 | — | (236,316) |
| Payments of long-term debt | (37,550) | (41,021) | (62,427) | (311,489) |
| Proceeds from issuance of common stock | 52,545 | — | — | 435,877 |
| Increase (decrease) in short-term debt, net | (19,500) | 53,000 | (1,109) | (161,758) |
| Dividends paid | (2,576) | (5,153) | (7,730) | (21,375) |
| Net Cash Provided by (Used in) Financing Activities | 10,506 | 77,231 | (21,267) | 87,152 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (57,685) | 22,298 | (14,136) | (478,516) |
| Cash and Cash Equivalents at Beginning of the Year | 120,979 | 7,585 | 21,722 | 1,003,564 |
| Cash and Cash Equivalents at End of the Year | ¥ 63,294 | ¥ 29,884 | ¥ 7,585 | \$ 525,047 |
| Supplemental Cash Flow Information | | | | |
| Cash payments during the year for | | | | |
| Interest | ¥ 10,321 | ¥ 4,936 | ¥ 7,510 | \$ 85,621 |
| Income taxes | 6,103 | 10,899 | 15,492 | 50,628 |

See accompanying notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting The Financial Statements

The accompanying non-consolidated financial statements of Isuzu Motors Limited ("the Company") have been prepared from the non-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 non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

In order to facilitate the understanding of readers outside Japan, certain reclassifications have been made to the non-consolidated financial statements prepared for domestic purposes and 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 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 ¥120.55=US\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 1999. 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 1998 and 1997 financial statements to conform to the presentation for 1999.

2. Summary of Significant Accounting Policies

a) Securities

Marketable securities, investments in securities and investments in subsidiaries are valued at cost using the moving average method. Securities acquired with a sales-back agreement are valued at cost using the identified cost method.

b) Inventories

Inventories are stated at cost determined by the periodic average method.

c) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed by the straight-line method over the applicable useful lives. The Company has changed and shortened the estimated useful lives of all the buildings due to the revision of the Tax regulation in Japan.

The effect of this change for the fiscal year 1999 increased the depreciation by ¥352 million and then decreased operating income and net loss for the fiscal year 1999 by ¥352 million.

d) Leases

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

e) 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. 50% of total retirement benefits for employees with 20 years or more service is covered with the funded pension plan. Liability for employees' retirement benefits under the lump-sum benefit plan is provided to the maximum amount permitted by Japanese income tax law, based on the amount which would be required if all eligible employees voluntarily retired at the balance sheet date.

f) Income Taxes

Income taxes are accounted for on an accrual basis. The tax effects resulting from timing differences in recognizing revenues and expenses for financial statements and tax returns are not recorded.

g) Net Income per Share

Net income per share is based on the weighted average number of shares outstanding during each year.

h) Cash and Cash Equivalents

The Company considers any highly liquid debt instruments to be cash equivalents.

Cash deposits in banks and other short-term securities with original maturities of three months or less at the time of purchase are included in cash and cash equivalents described in the cash flows statements since the fiscal year 1999 due to the revision of the Securities and Exchange Law of Japan.

3. Marketable Securities and Investments in Securities

The cost and market value of marketable securities, including investments in securities, at March 31, 1999, 1998 and 1997 were summarized as follows:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|-----------------|---------|---------|------------------------------|
| | 1999 | 1998 | 1997 | 1999 |
| Investment in subsidiaries and affiliated companies | | | | |
| Cost | ¥ 2,373 | ¥ 2,373 | ¥18,152 | \$ 19,690 |
| Market value | 3,197 | 4,497 | 38,076 | 26,522 |
| Other securities | | | | |
| Cost | 64,883 | 52,813 | 43,828 | 538,215 |
| Market value | 59,256 | 58,791 | 64,377 | 491,548 |

4. Inventories

Inventories at March 31, 1999, 1998, and 1997 were as follows:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|----------------------------|-----------------|-----------------|-----------------|------------------------------|
| | 1999 | 1998 | 1997 | 1999 |
| Finished products | ¥ 70,030 | ¥ 82,422 | ¥ 62,323 | \$580,927 |
| Raw materials and supplies | 20,856 | 21,769 | 15,479 | 173,021 |
| Goods in process | 19,623 | 17,645 | 22,670 | 162,781 |
| | ¥110,511 | ¥121,837 | ¥100,474 | \$916,729 |

5. Long-term Debt

Long-term debt at March 31, 1999, 1998 and 1997 was as follows:

| | Millions of Yen | | | Thousands of |
|---------------------------------|-----------------|----------|----------|--------------|
| | 1999 | 1998 | 1997 | U.S. Dollars |
| 1.8% convertible bonds due 1998 | ¥ — | ¥ — | ¥ 37,550 | \$ — |
| 1.9% convertible bonds due 2001 | 21,739 | 21,739 | 21,739 | 180,332 |
| 2.2% straight bonds due 2000 | 10,000 | 10,000 | 10,000 | 82,953 |
| 2.5% straight bonds due 2001 | 10,000 | 10,000 | 10,000 | 82,953 |
| 2.75% straight bonds due 2002 | 10,000 | 10,000 | 10,000 | 82,953 |
| 2.375% straight bonds due 2003 | 10,000 | 10,000 | 10,000 | 82,953 |
| 2.65% straight bonds due 2004 | 10,000 | 10,000 | 10,000 | 82,953 |
| 2.10% straight bonds due 2001 | 10,000 | 10,000 | — | 82,953 |
| 3.00% straight bonds due 2003 | 10,000 | 10,000 | — | 82,953 |
| 3.45% straight bonds due 2005 | 10,000 | 10,000 | — | 82,953 |
| 2.70% straight bonds due 2001 | 10,000 | 10,000 | — | 82,953 |
| Loans | 183,473 | 172,435 | 145,500 | 1,521,974 |
| | 295,212 | 284,174 | 254,789 | 2,448,884 |
| Less: current portion | 36,037 | 65,632 | 31,911 | 298,945 |
| | ¥259,175 | ¥218,542 | ¥222,878 | \$2,149,938 |

The annual maturities of long-term debt are as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|------------|-----------------|---------------------------|
| 2000 | ¥36,037 | \$298,945 |
| 2001 | 80,497 | 667,750 |
| 2002 | 80,705 | 669,479 |
| Thereafter | 97,971 | 812,708 |

The assets pledged as collateral for certain loans and other liabilities at March 31, 1999 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|--------------------------|-----------------|---------------------------|
| Buildings and structures | ¥55,300 | \$458,736 |
| Machinery and equipment | 57,215 | 474,622 |
| Land | 37,557 | 311,551 |
| Securities | 15,019 | 124,591 |

6. Lease Transactions

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) Amounts equivalent to acquisition costs, accumulated depreciation and net balance as of March 31, 1999 concerning the finance lease assets:

| | Millions of Yen | | | Thousands of |
|--------------------------|-----------------|---------|---------|--------------|
| | 1999 | 1998 | 1997 | U.S. Dollars |
| Acquisition costs | ¥19,714 | ¥24,440 | ¥33,667 | \$163,541 |
| Accumulated depreciation | 6,576 | 13,294 | 18,697 | 54,554 |
| Net balance | 13,138 | 11,145 | 14,970 | 108,987 |

b) Future payment obligation of lease expenses:

| | Millions of Yen | | Thousands of |
|---------------------|-----------------|------|--------------|
| | 1999 | 1998 | U.S. Dollars |
| Due within one year | ¥ 2,194 | | \$18,205 |
| Thereafter | 11,691 | | 96,986 |

c) Lease expenses paid:

| | Millions of Yen | | | Thousands of |
|---------------------|-----------------|--------|--------|--------------|
| | 1999 | 1998 | 1997 | U.S. Dollars |
| Lease expenses paid | ¥3,131 | ¥4,992 | ¥8,175 | \$25,981 |

7. Income Taxes

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

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

8. Common Stock and Capital Surplus

During the fiscal year ended March 31, 1999, the Company issued no shares of common stock in connection with conversion of convertible debentures.

9. Legal Reserve

Under the Commercial Code of Japan, the Company is required to appropriate to the legal reserve an amount equal to at least 10% of all appropriations of retained earnings that are paid in cash, until the reserve equals 25% of common stock.

This reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders or may be transferred to capital stock by a resolution of the Board of Directors.

10. Contingent Liabilities

Contingent liabilities at March 31, 1999 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|------------------------------------|-----------------|---------------------------|
| Guarantees of bank loans and other | ¥136,350 | \$1,131,080 |
| Export bills discounted | 17,469 | 144,919 |

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Isuzu Motors Limited

We have examined the non-consolidated balance sheets of Isuzu Motors Limited as of March 31, 1999, 1998 and 1997, and the related non-consolidated statements of income, shareholders' equity and cash flows for the periods then ended, all expressed in yen. 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 non-consolidated financial statements referred to above present fairly the non-consolidated financial position of Isuzu Motors Limited as of March 31, 1999 and 1998, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

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

Century Audit Corporation

Century Audit Corporation
Certified Public Accountants

Tokyo, Japan
June 29, 1999

CONSOLIDATED BALANCE SHEETS

As of March 31, 1999, 1998 and 1997

| ASSETS | Millions of Yen | | | Thousands of U.S. Dollars |
|--|-----------------|------------|------------|------------------------------|
| | 1999 | 1998 | 1997 | 1999 |
| Current Assets: | | | | |
| Cash and cash equivalents (Note 3) | ¥ 89,096 | ¥ 88,158 | ¥ 55,107 | \$ 739,081 |
| Short-term investments (Note 3) | 103,996 | 152,739 | 121,756 | 862,679 |
| Receivables: | | | | |
| Notes and accounts (Note 3) | 402,177 | 437,457 | 476,708 | 3,336,192 |
| Less: allowance for doubtful receivables | (12,111) | (13,423) | (12,170) | (100,465) |
| Inventories | 225,754 | 252,387 | 199,777 | 1,872,707 |
| Other current assets | 84,456 | 70,008 | 71,494 | 700,595 |
| Total Current Assets | 893,370 | 987,329 | 912,672 | 7,410,790 |
| Investments and Advances: | | | | |
| Investments (Note 3): | | | | |
| Unconsolidated subsidiaries and affiliated companies | 49,726 | 58,880 | 58,361 | 412,500 |
| Others | 11,843 | 12,849 | 14,957 | 98,245 |
| Long-term loans | 23,219 | 11,461 | 15,505 | 192,615 |
| Other investments and advances | 54,366 | 56,890 | 47,333 | 450,983 |
| Less: allowance for doubtful accounts | (6,019) | (4,220) | (7,301) | (49,931) |
| Total Investments and Advances | 133,136 | 135,862 | 128,856 | 1,104,412 |
| Property, Plant and Equipment (Note 3): | | | | |
| Land | 147,756 | 139,560 | 131,579 | 1,225,689 |
| Buildings and structures | 257,659 | 263,334 | 253,951 | 2,137,367 |
| Machinery and equipment | 872,683 | 862,996 | 844,260 | 7,239,181 |
| Construction in progress | 12,642 | 14,333 | 18,053 | 104,874 |
| Less: accumulated depreciation | (705,394) | (682,161) | (668,630) | (5,851,471) |
| Net Property, Plant and Equipment | 585,347 | 598,063 | 579,215 | 4,855,640 |
| Other Assets | 1,808 | 1,434 | 1,117 | 15,005 |
| Translation Adjustments | 13,638 | 8,167 | 7,990 | 113,136 |
| Total Assets | ¥1,627,302 | ¥1,730,857 | ¥1,629,852 | \$13,498,986 |

See accompanying notes to consolidated financial statements.

| LIABILITIES AND SHAREHOLDERS' EQUITY | Millions of Yen | | | Thousands of U.S. Dollars |
|---|-----------------|------------|------------|------------------------------|
| | 1999 | 1998 | 1997 | 1999 |
| Current Liabilities: | | | | |
| Bank loans | ¥ 501,147 | ¥ 515,504 | ¥ 489,489 | \$ 4,157,173 |
| Current portion of long-term debt | — | 37,550 | — | — |
| Notes and accounts payable | 275,427 | 396,394 | 378,233 | 2,284,759 |
| Accrued expenses | 76,190 | 78,393 | 68,155 | 632,024 |
| Accrued income taxes (Note 4) | 1,166 | 9,744 | 14,614 | 9,676 |
| Deposits received | 29,051 | 31,556 | 30,368 | 240,994 |
| Other current liabilities | 59,785 | 72,430 | 53,256 | 495,936 |
| Total Current Liabilities | 942,768 | 1,141,573 | 1,034,118 | 7,820,563 |
| Long-term Debt (Note 3) | 458,958 | 418,558 | 442,046 | 3,807,208 |
| Accrued Retirement and Severance Benefits | 22,296 | 22,518 | 21,672 | 184,958 |
| Other Long-term Liabilities | 18,927 | 20,621 | 11,371 | 157,010 |
| Minority Interest | 6,579 | 5,370 | 4,177 | 54,575 |
| Contingent Liabilities (Note 7) | | | | |
| Shareholders' Equity: | | | | |
| Common stock, par value ¥50 (Note 5) | | | | |
| Authorized: 3,000,000,000 shares | | | | |
| Issued 1999: 1,263,246,218 shares | | | | |
| 1998 and 1997: 1,030,746,218 shares | 89,619 | 63,346 | 63,346 | 743,421 |
| Capital surplus (Note 5) | 99,212 | 72,939 | 72,939 | 822,998 |
| Legal reserve (Note 6) | — | 9,207 | 8,680 | — |
| Accumulated Deficit | (11,058) | (23,277) | (28,498) | (91,731) |
| Less: treasury stock, at cost | (2) | (0) | (2) | (17) |
| Total Shareholders' Equity | 177,771 | 122,215 | 116,465 | 1,474,670 |
| Total Liabilities and Shareholders' Equity | ¥1,627,302 | ¥1,730,857 | ¥1,629,852 | \$13,498,986 |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31, 1999, 1998 and 1997

| | Millions of Yen | | | Thousands of U.S. Dollars |
|--|-------------------|-------------------|-------------------|------------------------------|
| | 1999 | 1998 | 1997 | 1999 |
| Net Sales | ¥1,619,101 | ¥1,799,604 | ¥1,923,267 | \$13,430,953 |
| Cost of Sales | 1,321,173 | 1,477,742 | 1,620,532 | 10,959,543 |
| Gross profit | 297,928 | 321,861 | 302,735 | 2,471,409 |
| Selling, General and Administrative Expenses (Notes 4, 8) | 288,747 | 307,046 | 273,577 | 2,395,253 |
| Operating income | 9,180 | 14,815 | 29,158 | 76,156 |
| Other Income (Expenses): | | | | |
| Interest and dividend income | 4,934 | 4,819 | 4,497 | 40,930 |
| Gain on sales of marketable securities | 5,325 | 4,650 | 5,118 | 44,180 |
| Interest expense | (21,075) | (19,015) | (23,065) | (174,826) |
| Amortization of consolidation difference | 49 | 57 | 33 | 413 |
| Equity in earnings of unconsolidated subsidiaries and affiliates | (608) | 5,686 | 6,806 | (5,045) |
| Others, net | (3,591) | (659) | 3,421 | (29,795) |
| Income before special items | (5,784) | 10,354 | 25,970 | (47,986) |
| Special Items: | | | | |
| Gain on sales or disposal of property, plant and equipment, net | 38,651 | 19,403 | 7,161 | 320,622 |
| Gain on sales of investments | 8,343 | 15,405 | 1,047 | 69,207 |
| Loss on revaluation of investments | (6,559) | (12,513) | (4,764) | (54,412) |
| Others, net | (18,538) | (6,028) | (4,151) | (153,784) |
| Income before income taxes | 16,111 | 26,621 | 25,264 | 133,646 |
| Income Taxes (Note 4) | | | | |
| Current | 3,393 | 17,910 | 20,711 | 28,147 |
| Deferred | 6,485 | 1,526 | (4,895) | 53,802 |
| Minority Interests in Income of Consolidated Subsidiaries | 3 | (1,144) | 133 | 28 |
| Net Income | ¥ 6,235 | ¥ 6,039 | ¥ 9,582 | \$ 51,724 |
| | | Yen | | U.S. Dollars |
| Net Income per Share | ¥5.94 | ¥5.86 | ¥9.30 | \$0.05 |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended March 31, 1999, 1998, 1997 and 1996

| | Millions of Yen | | | | Thousands of U.S. Dollars |
|----------------------------------|-----------------|-----------|-----------|-----------|------------------------------|
| | 1999 | 1998 | 1997 | 1996 | 1999 |
| Common Stock: | | | | | |
| Balance at beginning of the year | ¥ 63,346 | ¥ 63,346 | ¥ 63,346 | ¥ 63,346 | \$ 525,483 |
| Add: | | | | | |
| Capital increase | 26,272 | — | — | — | 217,939 |
| Balance at end of the year | ¥ 89,619 | ¥ 63,346 | ¥ 63,346 | ¥ 63,346 | \$ 743,421 |
| Capital Surplus: | | | | | |
| Balance at beginning of the year | ¥ 72,939 | ¥ 72,939 | ¥ 72,939 | ¥ 72,939 | \$ 605,060 |
| Add: | | | | | |
| Capital increase | 26,272 | — | — | — | 217,939 |
| Balance at end of the year | ¥ 99,212 | ¥ 72,939 | ¥ 72,939 | ¥ 72,939 | \$ 822,998 |
| Legal Reserve: | | | | | |
| Balance at beginning of the year | ¥ 9,207 | ¥ 8,680 | ¥ 7,897 | ¥ 7,897 | \$ 76,375 |
| Add: | | | | | |
| Transfer from retained earnings | — | 526 | 782 | — | — |
| Deduct: | | | | | |
| Transfer to retained earnings | 9,207 | — | — | — | 76,375 |
| Balance at end of the year | ¥ 0 | ¥ 9,207 | ¥ 8,680 | ¥ 7,897 | \$ 0 |
| Accumulated Deficit: | | | | | |
| Balance at beginning of the year | ¥(23,277) | ¥(28,498) | ¥(30,660) | ¥(69,024) | \$(193,094) |
| Add: | | | | | |
| Net income | 6,235 | 6,039 | 9,582 | 37,503 | 51,724 |
| Transfer from legal reserve | 9,207 | — | — | — | 76,375 |
| Other | 1,304 | 5,460 | 2,437 | 2,097 | 10,818 |
| Deduct: | | | | | |
| Cash dividends paid | 2,576 | 5,153 | 7,730 | — | 21,375 |
| Transfer to legal reserve | — | 526 | 782 | — | — |
| Other | 1,951 | 600 | 1,344 | 1,235 | 16,180 |
| Balance at end of the year | ¥(11,058) | ¥(23,277) | ¥(28,498) | ¥(30,660) | \$ (91,731) |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 1999, 1998 and 1997

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|-----------------|-----------|-----------|------------------------------|
| | 1999 | 1998 | 1997 | 1999 |
| Cash Flows from Operating Activities | | | | |
| Net income (loss) | ¥ 6,235 | ¥ 6,039 | ¥ 9,582 | \$ 51,724 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | | | | |
| Depreciation and amortization | 95,841 | 93,260 | 86,492 | 795,032 |
| Equity in earnings of affiliated companies, less dividends | 608 | (5,686) | (6,806) | 5,044 |
| Gain on sales or disposal of property, plant and equipment, net | (38,651) | (19,403) | (7,161) | (320,622) |
| Provision for doubtful accounts, net | 1,598 | (1,581) | 3,272 | 13,256 |
| Loss (gain) on revaluation of investments, net | 4,856 | (371) | (164) | 40,282 |
| Gain on sales of investments | (10,478) | (20,056) | (6,166) | (86,919) |
| Other | (2,618) | (8,272) | 1,792 | (21,719) |
| Changes in operating assets and liabilities net of effects from the addition of consolidated companies: | | | | |
| Decrease (increase) in receivables | 36,656 | 45,436 | (20,477) | 304,075 |
| Decrease (increase) in inventories | 21,477 | (37,665) | 1,284 | 178,159 |
| Decrease (increase) in other current assets | (10,627) | 3,426 | (8,025) | (88,156) |
| Increase (decrease) in notes and accounts payable | (87,734) | (28,932) | 14,827 | (727,788) |
| Increase (decrease) in accrued expenses and taxes | (6,287) | 2,399 | 1,496 | (52,157) |
| Increase (decrease) in deposits received | (6,351) | 5,306 | (4,410) | (52,684) |
| Increase (decrease) in other liabilities | (8,751) | 19,539 | 12,158 | (72,592) |
| Net Cash Provided by (Used in) Operating Activities | (4,227) | 53,439 | 77,694 | (35,066) |
| Cash Flows from Investing Activities | | | | |
| Proceeds from sales of investments | 31,705 | 40,014 | 26,538 | 263,003 |
| Payments for purchase of securities | (33,083) | (43,265) | (24,519) | (274,434) |
| Payments for property, plant and equipment | (109,282) | (126,515) | (127,139) | (906,530) |
| Proceeds from sales of property, plant and equipment | 65,500 | 44,121 | 12,540 | 543,343 |
| Other | (9,855) | (5,782) | (21,727) | (81,755) |
| Net Cash Used in Investing Activities | (55,015) | (91,426) | (134,307) | (456,373) |
| Cash Flows from Financing Activities | | | | |
| Proceeds from long-term debt | 151,439 | 126,099 | 126,802 | 1,256,241 |
| Payments of long-term debt | (110,906) | (113,753) | (114,519) | (920,005) |
| Proceeds from issuance of common stock | 52,545 | — | — | 435,877 |
| Increase in short-term debt | (84,498) | 54,612 | 40,079 | (700,943) |
| Dividends paid | (2,585) | (5,153) | (7,730) | (21,444) |
| Net Cash Provided by Financing Activities | 5,994 | 61,805 | 42,631 | 49,725 |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (2,327) | 558 | 770 | (19,307) |
| Increase in Cash and Cash Equivalents from the Addition of Consolidated Companies | 3,658 | 8,673 | 98 | 30,344 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (51,918) | 33,051 | (13,112) | (430,677) |
| Cash and Cash Equivalents at Beginning of the Year | 183,745 | 55,107 | 68,219 | 1,524,226 |
| Cash and Cash Equivalents at End of the Year | ¥ 131,827 | ¥ 88,158 | ¥ 55,107 | \$ 1,093,549 |
| Supplemental Cash Flow Information | | | | |
| Cash payments during the year for | | | | |
| Interest | ¥ 19,411 | ¥ 19,739 | ¥ 24,974 | \$ 161,028 |
| Income taxes | 10,983 | 15,985 | 18,744 | 91,108 |

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting the Financial Statements

The accompanying consolidated financial statements of Isuzu Motors Limited ("the Company") and 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 understanding of readers outside Japan, certain reclassifications have been made to the consolidated financial statements prepared for domestic purposes and relevant notes and statements of stockholders' equity and statements of cash flows have been added.

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

U.S. dollar amounts have been translated from Japanese yen for convenience only at the rate of ¥120.55=US\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 1999. 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 1997 and 1998 financial statements to conform to the presentation for 1999.

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 main unconsolidated subsidiary and significant affiliated companies (20% 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 subsidiaries are translated into yen in accordance with the Financial Accounting Standard on Foreign Currency Transaction in Japan.

c) Securities

Marketable securities, investments in securities and investments in unconsolidated subsidiaries and affiliated companies are principally valued at cost using the moving average method.

d) Inventories

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

e) Property, Plant and Equipment

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

In addition, the Company and some consolidated subsidiaries have changed and shortened the estimated useful lives of all the buildings due to the revision of tax regulations in Japan.

The effect of this change for the fiscal year 1999 increased the depreciation by ¥389 million and then decreased operating income and net income for the fiscal year 1999 by ¥389 million.

f) Leases

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

g) 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.

Liability for employees' retirement benefits under the lump-sum benefit plan is provided to the maximum amount permitted by Japanese income tax law, based on the amount which would be required if all eligible employees voluntarily retired at the balance sheet date.

h) Income Taxes

Income taxes are accounted for on an accrual basis. Deferred income taxes are recognized only for timing differences resulting from the elimination of unrealized inter-company profits and adjustments of allowance for doubtful receivables.

i) Net Income per Share

Net income per share is based on the weighted average number of shares outstanding during each year.

j) Appropriation of Retained Earnings

Appropriations of retained earnings are recorded in the financial year in which the appropriation is approved by the Board of Directors or shareholders.

k) Cash and Cash Equivalents

The Company considers all highly liquid debt instruments to be cash equivalents. Cash deposits in banks and other short-term securities with original maturities of three months or less at the time of purchase are included in cash and cash equivalents described in the cash flows statements since the fiscal year 1999 due to the revision of the Securities and Exchange Law of Japan as required by the Minister of Finance.

3. Long-term Debt

Long-term debt, less current portion at March 31, 1999, 1998 and 1997 was as follows:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|-------------------|-----------------|-----------------|-----------------|------------------------------|
| | 1999 | 1998 | 1997 | 1999 |
| Mortgage bonds | ¥ 6,000 | ¥ 4,000 | ¥ 2,000 | \$ 49,772 |
| Unsecured bonds | 90,000 | 90,000 | 50,000 | 746,578 |
| Convertible bonds | 21,739 | 21,739 | 59,289 | 180,332 |
| Loans | 341,219 | 302,819 | 330,757 | 2,830,526 |
| | ¥458,958 | ¥418,558 | ¥442,046 | \$3,807,208 |

The assets pledged as collateral for certain loans and other liabilities at March 31, 1999 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|-------------------------------|-----------------|------------------------------|
| Cash and time deposits | ¥ 2,084 | \$ 17,294 |
| Notes and accounts receivable | 124,641 | 1,033,939 |
| Building and structures | 97,590 | 809,543 |
| Machinery and equipment | 69,679 | 578,015 |
| Land | 145,175 | 1,204,279 |
| Securities | 15,844 | 131,435 |

4. Income Taxes

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

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

5. Common Stock and Capital Surplus

During the fiscal year ended March 31, 1999, the Company issued no share of common stock in connection with conversion of convertible bonds.

6. Legal Reserve

Under the Commercial Code of Japan, the Company is required to appropriate to legal reserve an amount equal to at least 10% of all appropriations of retained earnings that are paid in cash, until the reserve equals 25% of common stock.

This reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders or may be transferred to capital stock by a resolution of the Board of Directors.

7. Contingent Liabilities

Contingent liabilities at March 31, 1999 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|--------------------------|-----------------|------------------------------|
| Guarantees of bank loans | ¥98,887 | \$820,304 |
| Export bills discounted | 17,469 | 144,919 |
| Notes discounted | 1,859 | 15,425 |
| Notes endorsed | 1,386 | 11,498 |

8. 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, 1999 concerning the finance lease assets:

| | Millions of Yen | Thousands of U.S. Dollars |
|--------------------------|-----------------|------------------------------|
| Acquisition costs | ¥41,527 | \$344,484 |
| Accumulated depreciation | 14,636 | 121,414 |
| Net balance | 26,891 | 223,071 |

ii) Future payment obligations of finance lease expenses as of March 31, 1999 and 1998 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-----------------------------|-----------------|---------|------------------------------|
| | 1999 | 1998 | 1999 |
| Portion due within one year | ¥ 6,036 | ¥ 6,765 | \$ 50,075 |
| Thereafter | 22,006 | 16,562 | 182,549 |
| Lease expense paid | 6,565 | 8,425 | 54,467 |

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*

i) Amounts equivalent to acquisition costs, accumulated depreciation and net balance as of March 31, 1999 concerning the finance lease assets:

| | Millions of Yen | Thousands of U.S. Dollars |
|--------------------------|-----------------|---------------------------|
| Acquisition costs | ¥225,125 | \$1,867,490 |
| Accumulated depreciation | 100,289 | 831,935 |
| Net balance | 124,836 | 1,035,555 |

ii) Future receivable income of finance lease commitment as of March 31, 1999 and 1998 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-----------------------|-----------------|---------|---------------------------|
| | 1999 | 1998 | 1999 |
| Portion due within | | | |
| one year | ¥45,155 | ¥46,008 | \$374,582 |
| Thereafter | 84,764 | 81,025 | 703,146 |
| Lease income received | 51,417 | 48,498 | 426,521 |

Amounts equivalent to interest income are calculated by the interest method based on an excess of the aggregate sum of lease income and estimated residual value over amounts acquisition costs.

(2) Operating lease were as follows.

a) *As a lessee*

Future payment obligations of operating lease expenses as of March 31, 1999 and 1998 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-----------------------------|-----------------|------|---------------------------|
| | 1999 | 1998 | 1999 |
| Portion due within one year | ¥526 | ¥24 | \$4,366 |
| Thereafter | 377 | 40 | 3,132 |

b) *As a lessor*

Future receivable income of operating lease commitment as of March 31, 1999 and 1998 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-----------------------------|-----------------|--------|---------------------------|
| | 1999 | 1998 | 1999 |
| Portion due within one year | ¥2,607 | ¥1,892 | \$21,632 |
| Thereafter | 1,325 | 1,434 | 11,000 |

9. Segment Information

(1) The business segment information and its consolidated subsidiaries for the years ended March 31, 1999 and 1998 were as follows:

| Year ended March 31, 1999 | Millions of Yen | | | | | |
|------------------------------|-----------------|----------|---------------|------------|--------------|--------------|
| | Automotive | Finance | Miscellaneous | Total | Eliminations | Consolidated |
| Sales to third parties | ¥1,518,978 | ¥ 85,844 | ¥14,278 | ¥1,619,101 | ¥ — | ¥1,619,101 |
| Interarea sales and transfer | 34,205 | 6,786 | 8,216 | 49,208 | (49,208) | — |
| Total sales | 1,553,184 | 92,630 | 22,494 | 1,668,309 | (49,208) | 1,619,101 |
| Operating expenses | 1,547,805 | 91,469 | 20,896 | 1,660,170 | (50,249) | 1,609,920 |
| Operating income | 5,379 | 1,161 | 1,598 | 8,139 | 1,041 | 9,180 |
| Total assets | 1,270,606 | 352,675 | 63,815 | 1,687,096 | (59,794) | 1,627,302 |
| Depreciation expenses | 42,912 | 52,348 | 580 | 95,841 | — | 95,841 |
| Capital expenditure | 47,737 | 61,128 | 786 | 109,652 | — | 109,652 |

| Year ended March 31, 1999 | Thousands of U.S. Dollars | | | | | |
|------------------------------|---------------------------|------------|---------------|--------------|--------------|--------------|
| | Automotive | Finance | Miscellaneous | Total | Eliminations | Consolidated |
| Sales to third parties | \$12,600,405 | \$ 712,106 | \$118,440 | \$13,430,953 | \$ — | \$13,430,953 |
| Interarea sales and transfer | 283,745 | 56,291 | 68,161 | 408,198 | (408,198) | — |
| Total sales | 12,884,150 | 768,398 | 186,601 | 13,839,151 | (408,198) | 13,430,953 |
| Operating expenses | 12,839,528 | 758,767 | 173,340 | 13,771,636 | (416,839) | 13,354,797 |
| Operating income | 44,622 | 9,631 | 13,261 | 67,515 | 8,640 | 76,156 |
| Total assets | 10,540,082 | 2,925,550 | 529,365 | 13,994,997 | (496,011) | 13,498,986 |
| Depreciation expenses | 355,976 | 434,244 | 4,811 | 795,032 | — | 795,032 |
| Capital expenditure | 395,997 | 507,081 | 6,523 | 909,602 | — | 909,602 |

| Year ended March 31, 1998 | Millions of Yen | | | | | |
|------------------------------|-----------------|----------|---------------|------------|--------------|--------------|
| | Automotive | Finance | Miscellaneous | Total | Eliminations | Consolidated |
| Sales to third parties | ¥1,706,126 | ¥ 82,581 | ¥10,896 | ¥1,799,604 | ¥ — | ¥1,799,604 |
| Interarea sales and transfer | 34,429 | 4,286 | 13,179 | 51,895 | (51,895) | — |
| Total sales | 1,740,555 | 86,868 | 24,075 | 1,851,499 | (51,895) | 1,799,604 |
| Operating expenses | 1,728,752 | 84,491 | 21,769 | 1,835,013 | (50,224) | 1,784,789 |
| Operating income | 11,803 | 2,376 | 2,305 | 16,486 | (1,670) | 14,815 |
| Total assets | 1,354,689 | 367,687 | 63,705 | 1,786,081 | (55,224) | 1,730,857 |
| Depreciation expenses | 44,810 | 47,885 | 564 | 93,260 | — | 93,260 |
| Capital expenditure | 63,882 | 62,386 | 245 | 126,515 | — | 126,515 |

(2) The geographical segment information and its consolidated subsidiaries for the years ended March 31, 1999 and 1998 were as follows:

| Year ended March 31, 1999 | Millions of Yen | | | | | |
|------------------------------|-----------------|---------------|---------|------------|--------------|--------------|
| | Japan | North America | Other | Total | Eliminations | Consolidated |
| Sales to third parties | ¥ 922,359 | ¥642,942 | ¥53,798 | ¥1,619,101 | ¥ — | ¥1,619,101 |
| Interarea sales and transfer | 253,284 | — | — | 253,284 | (253,284) | — |
| Total sales | 1,175,644 | 642,942 | 53,798 | 1,872,386 | (253,284) | 1,619,101 |
| Operating expenses | 1,173,732 | 635,236 | 52,640 | 1,861,609 | (251,688) | 1,609,920 |
| Operating income | 1,912 | 7,706 | 1,158 | 10,776 | (1,596) | 9,180 |
| Total assets | 1,482,048 | 170,629 | 36,012 | 1,688,691 | (61,388) | 1,627,302 |

| Year ended March 31, 1999 | Thousands of U.S. Dollars | | | | | |
|------------------------------|---------------------------|---------------|-----------|--------------|--------------|--------------|
| | Japan | North America | Other | Total | Eliminations | Consolidated |
| Sales to third parties | \$ 7,651,263 | \$5,333,413 | \$446,276 | \$13,430,953 | \$ — | \$13,430,953 |
| Interarea sales and transfer | 2,101,076 | — | — | 2,101,076 | (2,101,076) | — |
| Total sales | 9,752,340 | 5,333,413 | 446,276 | 15,532,030 | (2,101,076) | 13,430,953 |
| Operating expenses | 9,736,476 | 5,269,488 | 436,666 | 15,442,631 | (2,087,834) | 13,354,797 |
| Operating income | 15,863 | 63,924 | 9,610 | 89,398 | (13,242) | 76,156 |
| Total assets | 12,294,060 | 1,415,427 | 298,737 | 14,008,224 | (509,238) | 13,498,986 |

| Year ended March 31, 1998 | Millions of Yen | | | | | Eliminations | Consolidated |
|------------------------------|-----------------|---------------|---------|------------|-----------|--------------|--------------|
| | Japan | North America | Other | Total | | | |
| Sales to third parties | ¥1,190,417 | ¥551,867 | ¥57,318 | ¥1,799,604 | ¥ | — | ¥1,799,604 |
| Interarea sales and transfer | 141,390 | — | — | 141,390 | (141,390) | | — |
| Total sales | 1,331,808 | 551,867 | 57,318 | 1,940,994 | (141,390) | | 1,799,604 |
| Operating expenses | 1,318,155 | 550,854 | 52,637 | 1,921,647 | (136,858) | | 1,784,789 |
| Operating income | 13,653 | 1,012 | 4,681 | 19,346 | (4,531) | | 14,815 |
| Total assets | 1,604,199 | 136,144 | 17,805 | 1,758,150 | (27,292) | | 1,730,857 |

(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:

| Year ended March 31, 1999 | Millions of Yen | | | |
|---|-----------------|---------|----------|------------|
| | North America | Asia | Other | Total |
| Overseas sales | ¥631,295 | ¥80,297 | ¥309,781 | ¥1,021,374 |
| Consolidated net sales | — | — | — | 1,619,101 |
| Overseas sales as a share of Consolidated net sales | 39.00% | 5.00% | 19.10% | 63.10% |

| Year ended March 31, 1998 | Thousands of U.S. Dollars | | | |
|---|---------------------------|-----------|-------------|--------------|
| | North America | Asia | Other | Total |
| Overseas sales | \$5,236,790 | \$666,095 | \$2,569,733 | \$ 8,472,619 |
| Consolidated net sales | — | — | — | 13,430,953 |
| Overseas sales as a share of Consolidated net sales | 39.00% | 5.00% | 19.10% | 63.10% |

| Year ended March 31, 1998 | Millions of Yen | | | |
|---|-----------------|----------|----------|------------|
| | North America | Asia | Other | Total |
| Overseas sales | ¥572,266 | ¥206,099 | ¥295,510 | ¥1,073,876 |
| Consolidated net sales | — | — | — | 1,799,604 |
| Overseas sales as a share of Consolidated net sales | 31.80% | 11.50% | 16.40% | 59.70% |

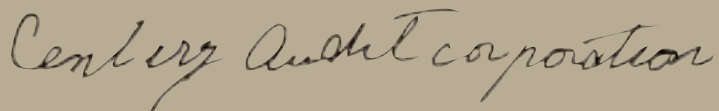
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended. 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, 1999 and 1998, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

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.



Century Audit Corporation
Certified Public Accountants

Tokyo, Japan
June 29, 1999