

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 subsidiaries are translated into yen in accordance with the Financial Accounting Standard on Foreign Currency Transactions in Japan until the fiscal year 2000.

The Company has adopted the revised Financial Accounting Standard for Foreign Currency Transactions in Japan effective from April 1, 2000.

Based on the change in accounting principle, foreign currency transaction adjustments, which were recorded in "Assets" in the prior fiscal year, are recorded in "Equity" or "Minority Interests" at March 31, 2001.

c) Securities

Marketable securities, investments in securities and investments in unconsolidated subsidiaries and affiliates were principally valued at cost using the moving-average method until the fiscal year 2000.

Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving-average method from the fiscal year 2002.

The Company adopted a new financial accounting standard for financial instruments in Japan effective from April 1, 2000. The new accounting standard for financial instruments requires that securities be classified into three categories: trading, held-to-maturity, or other securities from the fiscal year 2001, and other securities with a market value are stated at fair value from the fiscal year 2002.

The difference between the acquisition cost and the carrying value of other securities, including unrealized gain and loss, is recognized in "Unrealized holding loss on securities."

Unrealized holding loss on other securities, net of the applicable income taxes, was charged, in the amount of ¥2,213 million (\$16,609 thousand), to shareholders' equity from the fiscal year 2002.

The effect of the adoption of the new standard on the consolidated balance sheets was to decrease investments by ¥2,204 (\$16,545 thousand), to increase deferred tax assets by ¥4 million (\$37 thousand) and to increase minority interests by ¥13 million (\$100 thousand) at March 31, 2002.

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.

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.

The Company has adopted a new financial accounting standard for retirement benefits in Japan effective from April 1, 2000. In accordance with this standard, accrued employees' retirement benefits at March 31, 2001 have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of March 31, 2001, as adjusted for unrecognized actuarial gain or loss. The cumulative effect of this accounting change is recorded in the Consolidated Statements of Operations.

i) Income Taxes

Income taxes are accounted for on an accrual basis. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of

existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates are recognized in income in the period that includes the enacted date.

j) Net Income per Share

Net income per share is based on the weighted-average number of shares outstanding, less treasury stock, during each year.

k) Appropriation of Retained Earning

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

l) Cash and Cash Equivalents

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

Reconciliation of cash and cash equivalents for the statement of cash flows for the year ended March 31, 2002 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and time deposits on the consolidated balance sheet	¥79,121	\$593,784
Time deposits with original maturities over three months at the time of purchase	(6,836)	(51,309)
Cash and cash equivalents	¥72,284	\$542,475

m) Accounting Change

Housing rental income and expenses were recorded in "Other Income (Expenses)" until the fiscal year 2000. However, because of the revision of operations to use rental income property effectively, the Company changed its accounting method for housing rental income and expenses such that they are recognized as "Net sales" and "Cost of sales" from the fiscal year 2001.

3. Investments

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

	Millions of Yen			Thousands of U.S. Dollars		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:						
Stocks	¥ 6,197	¥ 8,827	¥ 2,630	\$ 46,511	\$ 66,251	\$ 19,739
Bonds:						
Corporate bonds	30	30	0	225	230	5
Investment trusts	272	410	137	2,048	3,082	1,034
Total	¥ 6,500	¥ 9,269	¥ 2,768	\$ 48,784	\$ 69,564	\$ 20,779
Unrealized loss:						
Stocks	¥27,797	¥22,921	¥(4,875)	\$208,611	\$172,019	\$(36,591)
Bonds:						
Corporate bonds	10	9	(0)	75	72	(2)
Total	¥27,807	¥22,931	¥(4,876)	\$208,686	\$172,092	\$(36,593)

Proceeds from sales of securities classified as other securities amounted to ¥10,938 million (\$82,090 thousands) with an aggregate gain on sales of ¥884 million (\$6,634 thousand) and an aggregate loss on sales of ¥1,730 million (\$12,985 thousand) for the year ended March 31, 2002.

Non-marketable securities classified as other securities at March 31, 2002 amounted to ¥5,692 million (\$42,721 thousand).

The redemption schedule for bonds with maturity dates at March 31, 2002 was summarized as follows:

	Millions of Yen	
	Due in one year or less	Due after one through five years
Corporate bonds	¥13	¥49

	Thousands of U.S. Dollars	
	Due in one year or less	Due after one through five years
Corporate bonds	\$104	\$374

4. Long-Term Debt

Long-term debt at March 31, 2002 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
2.35% mortgage bonds due 2002	¥ 2,000	\$ 15,009
2.50% mortgage bonds due 2003	500	3,752
2.50% mortgage bonds due 2003	500	3,752
3.00% mortgage bonds due 2003	500	3,752
2.75% straight bonds due 2002	10,000	75,046
2.375% straight bonds due 2003	10,000	75,046
2.65% straight bonds due 2004	10,000	75,046
3.00% straight bonds due 2003	10,000	75,046
3.45% straight bonds due 2005	10,000	75,046
2.30% straight bonds due 2002	5,000	37,523
2.43% straight bonds due 2002	10,000	75,046
2.10% straight bonds due 2002	5,000	37,523
2.50% straight bonds due 2003	5,000	37,523
3.00% straight bonds due 2004	5,000	37,523
Loans	275,186	2,065,191
Less: current portion	144,908	1,087,494
	¥213,777	\$1,604,337

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

Information of lease transaction as lessor is omitted since IFCO Inc., which was the only consolidated subsidiary performing leasing business, was excluded from the consolidated financial statements in fiscal 2002 due to the sale of IFCO.

(2) Operating leases were as follows

(a) As a lessee

Future payment obligations of operating 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	¥1,291	¥1,381	\$ 9,691
Thereafter	5,193	6,462	38,971

(b) As a lessor

Future income from operating lease commitments as of March 31, 2002 and 2001 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Portion due within one year	¥42	¥1,766	\$318
Thereafter	82	641	621

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	29,324	37,326	11	66,662	(34)	66,628

Year ended March 31, 2001	Thousands of U.S. Dollars					
	Automotive	Finance	Miscellaneous	Total	Eliminations	Consolidated
Sales to third parties	\$11,393,130	\$449,432	\$147,692	\$11,990,254	\$ -	\$11,990,254
Inter-area sales and transfers	164,516	24,625	30,615	219,756	(219,756)	-
Total sales	11,557,646	474,057	178,308	12,210,011	(219,756)	11,990,254
Operating expenses	11,503,939	428,294	166,296	12,098,530	(221,855)	11,876,675
Operating income	53,706	45,762	12,011	111,480	2,098	113,579
Total assets	9,139,288	550,574	276,065	9,965,928	(28,632)	9,937,296
Depreciation expenses	328,620	221,109	2,373	552,102	-	552,102
Capital expenditure	220,074	280,123	85	500,283	(259)	500,023

Year ended March 31, 2001	Automotive	Finance	Miscellaneous	Total	Eliminations	Consolidated
	Millions of Yen					
Sales to third parties	¥1,461,174	¥ 97,038	¥10,986	¥1,569,199	¥ -	¥1,569,199
Inter-area sales and transfers	44,839	5,828	10,118	60,785	(60,785)	-
Total sales	1,506,013	102,866	21,104	1,629,985	(60,785)	1,569,199
Operating expenses	1,535,912	100,688	20,279	1,656,880	(60,364)	1,596,515
Operating income (loss)	(29,899)	2,177	825	(26,895)	(420)	(27,316)
Total assets	1,441,505	423,052	60,959	1,925,517	(34,024)	1,891,492
Depreciation expenses	47,544	56,553	650	104,748	-	104,748
Capital expenditure	24,390	74,603	60	99,054	(10)	99,044

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(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.

Shin Nihon & Co.

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.