ISUZU MOTORS LIMITED

ANNUAL REPORT 2003

Year ended March 31, 2003

PROFILE

In May 2001, Isuzu Motors Limited unveiled a new medium-term business plan dubbed the Isuzu V Plan. While fine-tuning the plan to stay in step with a fast-changing business environment, Isuzu worked to achieve two overriding goals of this key management initiative—enhance competitiveness and restore corporate value.

But with business conditions remaining difficult, typified by a protracted slump in the domestic commercial vehicle market and a downturn in the U.S. SUV business, the Isuzu Group felt compelled to launch a new business plan in October 2002. Called the New Three-Year Business Plan, this initiative is designed to build a powerful organization capable of withstanding the challenges Isuzu faces. The main thrust of this plan is sweeping reforms of Isuzu's operating framework and financial structure.

On the cover
Photographs:

***ELF KR:** Light-duty truck (Domestic specifications)*

***Isuzu D-MAX:** Isuzu's all-new pickup truck*

***4EE2-TC 1.7-Liter Diesel Engine:** This engine has cleared Europe's Euro 4 next-generation emission standards and powers the new Opel Astra passenger car.*

Contents

FORWARD-LOOKING STATEMENTS

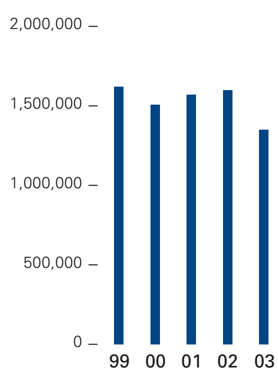
This annual report contains forward-looking statements about Isuzu Motors Limited's plans, strategies, beliefs and performance that are not historical facts. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industries in which Isuzu Motors Limited operates, management's beliefs and assumptions made by management. As the expectations, estimates, forecasts and projections are subject to a number of risks, uncertainties and assumptions, they may cause actual results to differ materially from those projected. Isuzu Motors Limited, therefore, wishes to caution readers not to place undue reliance on such forward-looking statements.

FINANCIAL HIGHLIGHTS

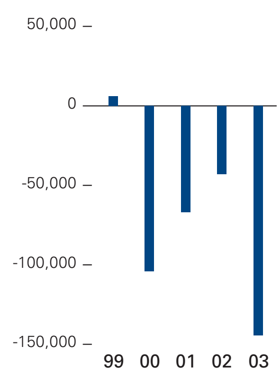
Years ended March 31	Millions of Yen 2003	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars 2003
For the Year:				
Net sales	**¥1,349,449**	¥1,597,701	¥1,569,199	**$11,226,704**
Net loss	**(144,301)**	(42,991)	(66,787)	**(1,200,515)**
At Year-End:				
Total assets	**¥1,028,844**	¥1,324,144	¥1,891,492	**$ 8,559,434**
Shareholders' equity	**26,434**	61,084	94,108	**219,921**
	Yen			U.S. Dollars
Per Share:				
Net loss — primary	**¥(131.34)**	¥(33.68)	¥(52.76)	**$(1.09)**
Cash dividends	**–**	–	–	**–**

Note: U.S. dollar figures have been calculated at the rate of ¥120.20=U.S.$1, the approximate rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2003.

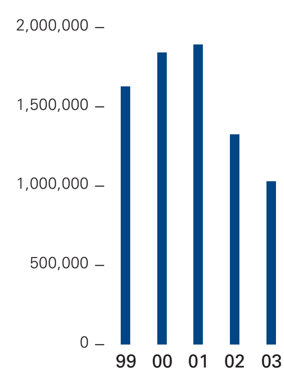
Net Sales
(Millions of Yen)



Net Income (Loss)
(Millions of Yen)



Total Assets
(Millions of Yen)



PRESIDENT'S MESSAGE

The Isuzu Group is committed to contributing to society by developing products and services that truly satisfy our customers worldwide while evolving into an organization with an exemplary character. Our guiding principle is to take on challenges, innovate and create, while giving the highest priority to quality in everything we do. Our long-term vision is to become a front-running logistics systems engineering company.

Yoshinori Ida *President & Representative Director*

THE NEW THREE-YEAR BUSINESS PLAN The Isuzu Group is currently implementing sweeping reforms of its operating framework and financial structure pursuant to its New Three-Year Business Plan. Formulated in October 2002 with the support of General Motors Corporation (GM) and the cooperation of financial institutions, this plan aims to quickly get Isuzu back to the point where we can pay dividends again.

Key to this is focusing on the commercial vehicle business, making the most of our distinctive and superb diesel engine technologies. From engineering through to sales, we plan to upgrade every aspect of our operations, improving our earnings structure in the process. Japan remains a pivotal market for us but we also plan to develop business in markets harboring significant growth potential—China and the ASEAN region—and North America. Work is under way to give Isuzu a leading position in these markets.

Stabilizing businesses is another cornerstone of the New Three-Year Business Plan. In North America, we have undertaken a sweeping review of manufacturing activities. We did this because the high operating risk in these activities was having a pronounced effect on Isuzu. In another move, we have formed joint ventures with GM, our largest customer. Here, too, the aim is to mitigate operating risks, as well as to share the costs of product development. And by sharply downsizing our workforce in line with the future requirements of our operations quicker than we had originally planned, we have achieved an improved earnings structure.

Our balance sheet is stronger as a result of recent moves, too. Shareholders' equity was boosted by the recapitalization of Isuzu by General Motors Limited, a wholly owned subsidiary of GM, through subscription to new shares of common stock, and a debt-for-equity conversion with the cooperation of main lenders. Moreover, the approval by shareholders of a proposal to decrease capital and capital surplus at an Extraordinary Meeting held in November 2002 improved Isuzu's financial structure.

Hand in hand with these actions, the management team has been revamped to ensure that the initiatives contained in the New Three-Year Business Plan are seen through. A senior executive from GM has been appointed Executive Vice President and Representative Director and an executive from Mizuho Corporate Bank, Ltd. has been appointed Executive Vice President.

THE FISCAL YEAR IN REVIEW During fiscal 2003, ended March 31, 2003, despite higher unit truck sales in Japan, total worldwide vehicle unit sales declined 9.9% year on year, partly due to structural reform initiatives. In addition, sales of automotive components for overseas production fell 4.0%. Meanwhile, engine and component sales climbed ¥24.7 billion, or 11.0%, to ¥250.3 billion, buoyed by healthy demand in the ASEAN region. Nevertheless, consolidated net sales decreased 15.5% to ¥1,349.4 billion. Operating income rose 2.2% to ¥15.4 billion as the benefits of cost-cutting measures, the result of initiatives to trim payroll expenses, more than offset restructuring-related charges in North America. Isuzu, however, posted a net loss of ¥144.3 billion for a number of reasons. One was a ¥76.7 billion loss on investment for affiliated company restructuring in North America. Isuzu also booked a charge of ¥24.8 billion for a severance benefit related to an early retirement plan; a loss on business model reform of ¥12.2 billion relating to the downsizing of the SUV business; and a loss of ¥9.5 billion on the revaluation of investments. These charges outweighed items such as a ¥9.9 billion gain on sales of investments and a ¥13.4 billion gain on the return of the substituted portion of the employee pension fund to the Japanese government.

OUTLOOK FOR THE FISCAL YEAR ENDING MARCH 31, 2004 Japan is expected to see replacement demand pick up with the upcoming application of stricter emissions standards, while overseas, Isuzu forecasts higher sales in key markets such as Asia. However, business conditions will remain challenging, due to growing uncertainty about the global economy, in light of intensifying competition both at home and abroad, the cost of reconstruction in Iraq, prospects for the U.S. economy and other factors.

Consequently, Isuzu is projecting consolidated net sales of ¥1,250.0 billion, income before special items of ¥40.0 billion and net income of ¥35.0 billion.

The Isuzu Group's highest priority is to improve its earnings base by accomplishing the goals of the New Three-Year Business Plan. We will address environmental issues by making the most of our competitive advantages in front-running exhaust emission and environmental technologies. At the same time, we will make Isuzu even more competitive worldwide on both cost and quality fronts.

As always, we will be guided by our commitment to contributing to society by developing products and services that satisfy customers worldwide while evolving as an organization with an exemplary character. Underpinned by this corporate philosophy and determined to take on challenges, innovate and create, while giving the highest priority to quality in everything we do, our long-term vision is to become a front-running logistics systems engineering company.

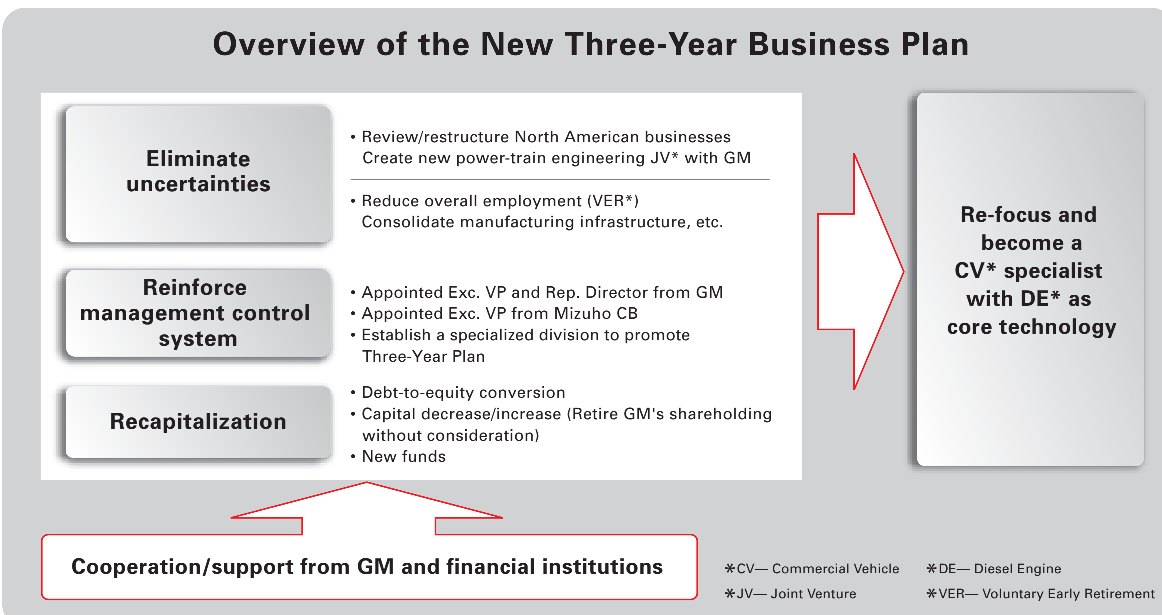
I ask for your continued understanding and support as we work to achieve our goals.

June 2003

Yoshinori Ida
President & Representative Director

THE NEW THREE-YEAR BUSINESS PLAN

Isuzu's New Three-Year Business Plan, formulated in October 2002, is seeing Isuzu embark on sweeping reforms of its business framework and financial structure. Isuzu's North American SUV business, which had exposed Isuzu to substantial operating risks, is being fundamentally restructured. And our workforce is being downsized quicker than originally planned to a level that meets future business requirements.



Overview of the New Three-Year Business Plan

These actions have been prompted by persistently difficult business conditions, characterized by a prolonged slump in the domestic commercial vehicle market and slowing SUV sales in the U.S. They are also being taken to ensure that we achieve the ultimate goals and build on the successes to date of the Isuzu V Plan, which was instrumental in Isuzu posting positive operating income in the fiscal year ended March 31, 2002 for the first time in three years. Under the Isuzu V Plan, we implemented a range of measures to restore our corporate value and strengthen competitiveness. These included measures to reinforce domestic sales companies, reduce our group-wide headcount, and lower materials costs.

Under the New Three-Year Business Plan, we have two main priorities: revise measures in the Isuzu V Plan and speed their implementation, and carry out sweeping reforms of our operating framework and financial structure. Running through March 2005, this plan to rebuild Isuzu is being implemented with the support of GM and our principal lenders.

Capitalizing fully on our superior diesel engine technologies, a key theme in the Isuzu V Plan, we will focus resources on the commercial vehicle business, strengthening operations from engineering to sales with the goal of building a healthy earnings structure. As we do so, we will develop business in China and the ASEAN region, which harbor significant growth

Strategic Direction

	Direction	Product/Technology	Market	Business Focus
CV	◆Concentrate resources on core CV business ◆Maximize revenue/volume	• Introduce new engine (10-liter, L6) • Full model change of 2-to 4-ton vehicles	Japan	• Reform of sales structure/Expand sales to major cargo fleet operators
			China ASEAN North America	• Aggressive sales expansion, leveraging brand equity • Enrich product line-up • 3rd-party alliances
LCV*	◆Pursue maximum return on investment - Centralize production in Thailand - Tie-up sales operation with MC	• Introduce pickup derivative • Introduce new L4 diesel engine	Thailand	• Maintain No.1 market share • Reinforce alliance with MC
			ASEAN, etc.	• Increase volume with derivative vehicles • Aggressive sales in GM territories
SUV*	◆Minimize business risks	• Add OEM models • V6 gasoline engine	North America	• Review operational structure to suit sales volume
PT*	◆Stabilize business through creation of joint ventures with GM	• Improve products: V6, V8, L4	North America	• Increase capacity at DMAX
			Europe	• Max. volume operation (300k) • Expand other OEM sales

*LCV— Light Commercial Vehicle *SUV— Sports Utility Vehicle *PT— Power-Train

potential, and North America. In these regions, actions have been concentrated on establishing a leading position early on. Of course, as we expand our horizon, Japan remains a pivotal market for us.

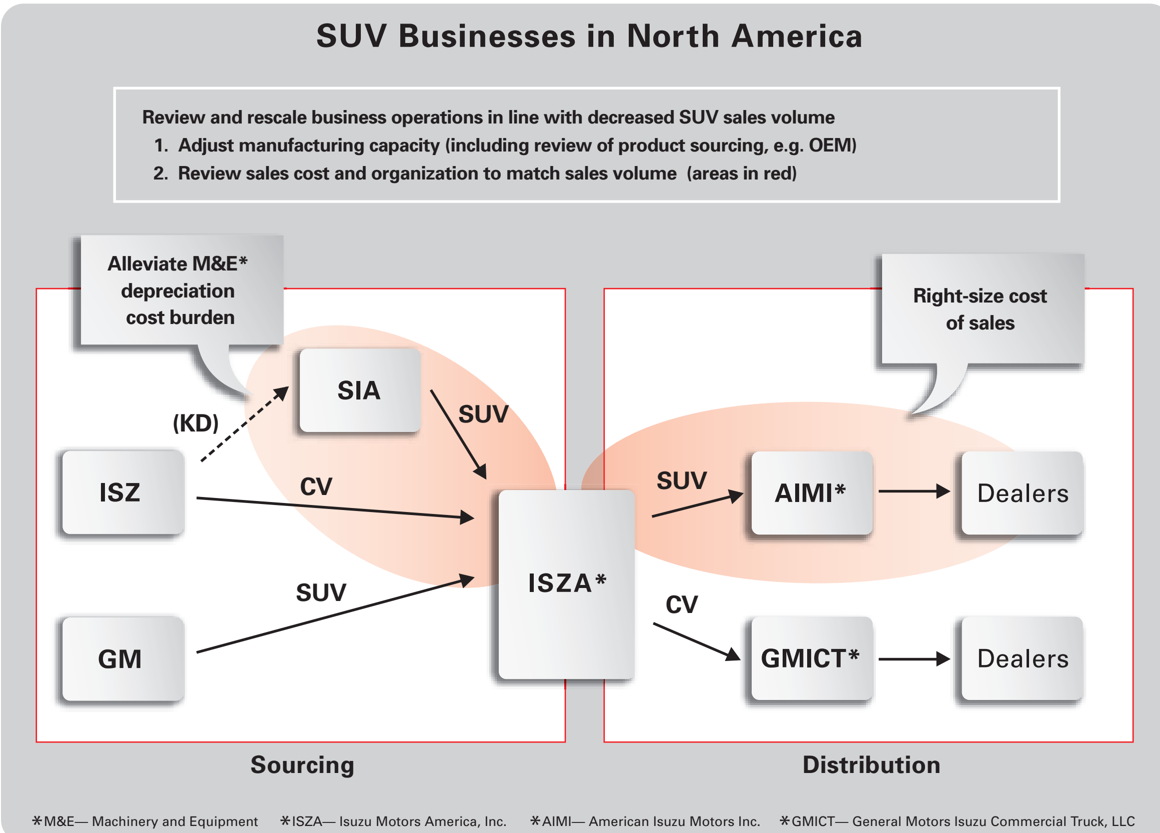
Our current performance in key markets bodes well for the future. In Japan, amid a dramatic slump in overall demand, we have seen our market share steadily increase across all size categories. In Thailand, strong sales of a pickup truck model launched in May 2002 have lifted our market share to more than 40%. Moreover, in China, we are seeing exports of completed large trucks increase as the country steps up the pace of construction in preparation for holding the Summer Olympics in 2008 in Beijing. In these and other markets, we continue to display our strengths.

In terms of restructuring, one of the main themes is stabilizing Power-Train operations. Joint ventures with GM, Isuzu's largest customer, are lessening the investment burden on Isuzu and the investment required to sustain product development. Concurrently, resources are being concentrated on the development of advanced technologies to make Isuzu more competitive. We will build on our competitive edge in exhaust emission and environmental technologies, which are more advanced than those of our competitors in areas where Isuzu commands the leading position.

To clear the way for future growth and enhance our core businesses, we have also overhauled manufacturing activities in North America and offered an early voluntary retirement program to employees. These actions resulted in a one-time special charge of ¥136.3 billion, which was offset by reductions of capital and capital reserves. The benefits of restructuring our North American operations and trimming our workforce will make an annual contribution of approximately ¥60.0 billion to earnings from the fiscal year ending March 31, 2004. Additionally, to increase shareholders' equity and improve our financial structure, Isuzu received an investment from GM and executed debt-for-equity conversions with the support of its main lenders.

Hand in hand with these actions, the management team has been revamped to ensure that the initiatives contained in the New Three-Year Business Plan are seen through. A senior executive from GM has been appointed Executive Vice President and Representative Director and an executive from Mizuho Corporate Bank, Ltd. has been appointed Executive Vice President.

Isuzu has set the goals of consolidated net sales of ¥1,270.0 billion, operating income of at least ¥60.0 billion and net income of at least ¥50.0 billion as a tangible measure of its success in implementing the aforementioned reforms.



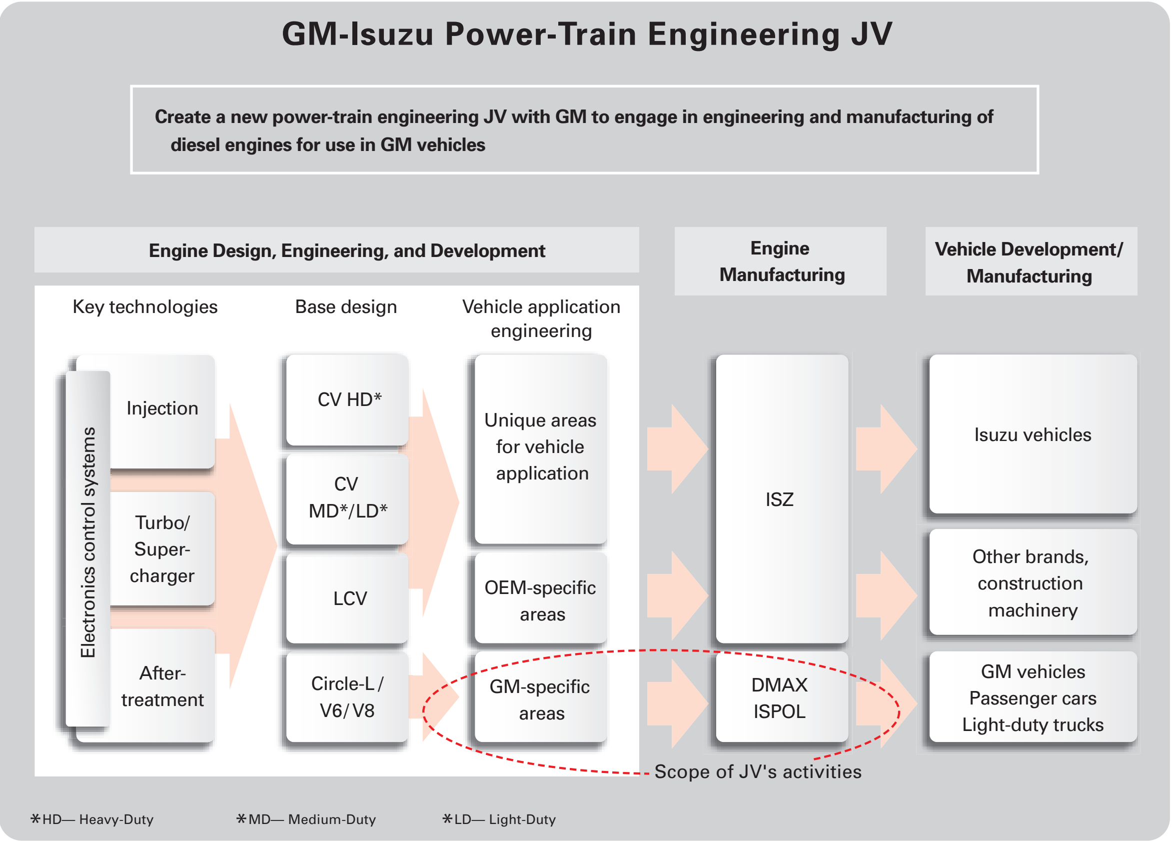
RESTRUCTURING THE NORTH AMERICAN SUV BUSINESS

North American SUV operations have run up large losses as a result of higher selling costs and increasing inventories due to declining new vehicle sales. This stemmed from a volume-driven business model that emphasized raising capacity utilization at Subaru-Isuzu Automotive Inc. (SIA), our local manufacturing joint venture with Fuji Heavy Industries Ltd. (FHI).

Restructuring actions were taken to restore profitability to North American SUV operations. One initiative was the booking of impairment losses on excess production facilities. Another was the rationalization of operations by selling in January 2003 Isuzu's stake in SIA to FHI, which gave the latter full control of the joint venture's plant. Isuzu will continue to supply SUVs to the North American market by consigning SUV production to SIA.

Isuzu is also working to further raise the efficiency of sales activities. There are two main goals: reduce SUV inventory turnover to 90 days, and more than halve the workforce. Furthermore, efforts will be made to maintain a tighter rein on these fixed costs.

Isuzu began receiving OEM supply of SUVs from GM to reinforce its product lineup. Under this framework, we launched the *Ascender* model in November 2002.



ISUZU STRENGTHENS TIES WITH GM IN THE POWER-TRAIN BUSINESS

Isuzu has been taking a number of initiatives to reinforce its alliance with GM in the diesel engine business.

Under this alliance, Isuzu has supplied GM, its largest customer, with three diesel engine models for use in GM cars and pickup trucks from a global network of manufacturing bases. The network includes DMAX Ltd., a joint venture between Isuzu and GM; Isuzu Motors Polska Sp. zo. o. (ISPOL), originally a wholly owned subsidiary of Isuzu; Isuzu Motors Germany GmbH (IMG); and Isuzu's Hokkaido Plant in Japan.

Recent initiatives to strengthen this alliance have seen Isuzu and GM form new joint ventures by altering their respective shareholdings in some of the above manufacturing bases and through other means.

GM took an equity interest of 60% in both ISPOL and IMG. GM also took an additional 20% stake in DMAX Ltd., raising its shareholding in DMAX to 60%. In another move, Isuzu and GM have established a joint venture to manage the development of diesel engines supplied to GM, with the two companies taking stakes of 40% and 60%, respectively. This venture is overseeing the program for the manufacture of diesel engines for GM at ISPOL, DMAX and at the Hokkaido Plant, and conducts certain product development, purchasing and quality assurance operations. By forming joint ventures with GM, our largest customer, we are seeking to secure steady sources of demand and earnings streams. And sharing initial investment outlays with GM in the cost-intensive engine business will enable us to concentrate resources on developing advanced technologies in our core businesses.

Most significantly, Isuzu and GM will both benefit from these actions in the form of greater competitiveness.

ENVIRONMENTAL ACTIVITIES

The Isuzu Group is committed to environmental stewardship on a global scale, regarding preservation of the natural environment as an issue of paramount importance for management. Our basic stance is to ensure that our vehicles are environmentally sound throughout their lifecycle, from development to production through to usage and disposal. At the same time, Isuzu is committed to conducting environmentally sound business activities as well as participating in environmental programs on a local community and social level.

Underscoring Isuzu's commitment are concerted efforts to develop a diesel engine that is even cleaner and more environmentally friendly by upgrading Isuzu's current lineup of diesel engines to further reduce already low emissions of carbon dioxide (CO_2), a primary cause of global warming. Acquisition of ISO 14001 certification at all domestic and principal overseas manufacturing plants also testifies to Isuzu's proactive stance toward environmental management. With its engineering division having also obtained ISO 14001 certification, Isuzu has a complete environmental management system in place—one which promotes the manufacture of environmentally sound products with a regularly updated internal auditing system.

Moreover, Isuzu believes that automakers shoulder a social responsibility to offer vehicles that clear exhaust emission regulations not only by legally mandated deadlines, but as far in advance of those deadlines as possible. Isuzu took the lead by launching the *ELF-KR* series ahead of the competition in June 2002. The *ELF-KR* series satisfies tighter Japanese exhaust emission regulations more than two years ahead of the enforcement date.

ISUZU FIRST TO SATISFY 2003 JAPANESE EMISSION EXHAUST REGULATIONS WITH LAUNCH OF *ELF-KR* SERIES

1. OBJECTIVE OF DEVELOPMENT

Isuzu developed the *ELF-KR* series with the aim of achieving industry-leading environmental performance.

In recent years, environmental activities have become a key social responsibility for all corporations. For freight companies, for example, reducing the environmental impact of logistics operations has become a priority issue.

Under these circumstances, it has become imperative for automakers to develop vehicles outfitted with environmentally sound diesel engines. Demand has been especially strong for the early development of light-duty trucks with such engines, given that they are frequently used for delivery services in urban areas.

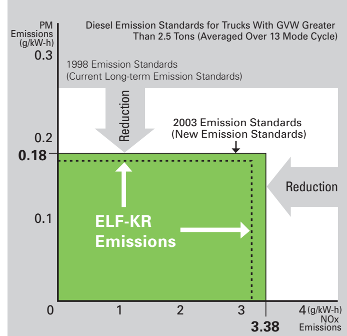
It was with the objective of responding to the demands of society and the times that Isuzu brought to market the *ELF-KR* series of low-emission light-duty trucks. Launched well over two years in advance of the enforcement date for stricter emission standards, the *ELF-KR* series highlights the top priority Isuzu gives to enhancing environmental performance.

2. THE 2003 EXHAUST EMISSION REGULATIONS

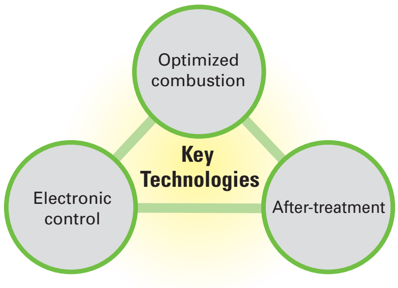
Japanese exhaust emission regulations for diesel vehicles will be tightened in two stages, with the implementation of the new targets for diesel vehicles. The goal of these regulations is to sharply reduce thresholds for per-vehicle emissions of nitrogen oxides (NOx) and particulate matter (PM). The new targets will become effective with the enforcement of tighter exhaust emission regulations in 2003. These strict regulations call for sharp reductions of approximately 25% in NOx, 30% in PM, and 70% in hydrocarbons (HC) and carbon monoxide (CO) relative to 1998 levels prescribed by existing long-term standards.

The new exhaust emission regulations will come into force in October 2003. Automakers are required to change vehicle models to comply with the new standards by August 31, 2004. The *ELF-KR* series cleared these emission standards more than two years in advance of this deadline.

Fiscal 2003 Emission Standards
(New Emission Standards)
PM and NOx Thresholds



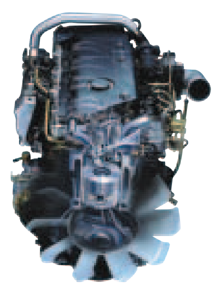
3. THREE KEY TECHNOLOGIES IN THE *ELF-KR* SERIES



Electronic Control Technology

This technology precisely controls internal engine systems, fuel-injection, intake/exhaust and exhaust gas recirculation (EGR) systems in response to driving conditions to reduce exhaust emissions and improve fuel efficiency.

Optimal Combustion Technology



Isuzu employs 16 valves to maximize air intake into engines, which makes engines burn more cleanly, reduces fuel consumption and enables high output.

After-Treatment Technology

This technology removes exhaust emissions using catalytic converters and other means.

The *ELF-KR* series is equipped with a state-of-the-art clean diesel engine that integrates these three key technologies.

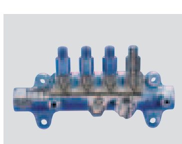
4. *ELF-KR* INCORPORATES LEADING-EDGE TECHNOLOGIES

The *ELF-KR* series employs leading-edge clean engine technologies such as a Common Rail High-Pressure Fuel Injection System, cooled EGR, oxidization catalytic converters for removing PM, and 16 air intake valves. These innovations make possible a clean diesel engine with minimal exhaust emissions.

Common Rail High-Pressure Fuel Injection System Cuts NOx, PM, Black Smoke Emissions

Nitrogen oxides form easily at the high temperatures needed for complete combustion, while PM and black smoke are easily produced at low temperatures, where combustion is incomplete.


High-Pressure Pump


Common Rail

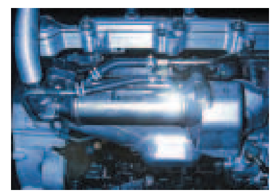

Injector

Reducing both NOx and PM at the same time requires highly advanced technologies that facilitate complete combustion in short periods of time. This is made possible by using the Common Rail High-Pressure Injection System in conjunction with the Electronic Control System. Previously, these technologies were used only in certain heavy-duty trucks. The *ELF-KR* series employs a version of these technologies that has been upgraded for use in light-duty trucks, benefiting simultaneously from a reduction in noise.

Cooled EGR Systems Enable Further NOx Reductions

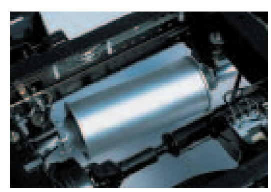
Conventional EGR systems effectively reduce NOx emissions by recirculating a portion of the exhaust gas and mixing it with the intake air to lower the burning temperature.

Cooled EGR systems are designed to cool high-temperature exhaust gas using a cooling device attached to the EGR pipe before feeding it back into the engine intake. This results in a lower combustion temperature than when using conventional EGR systems, thereby lowering NOx emissions.

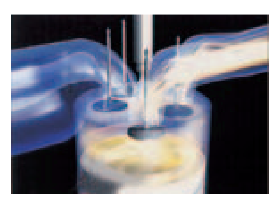


Oxidization Catalytic Converters Sharply Lower PM and HC Emissions

Oxidization Catalytic Converters are an after-treatment technology that chemically converts PM and HC emissions into benign substances. These devices oxidize unburned hydrocarbons called SOFs (soluble organic fractions) in PM and lubricant hydrocarbons through contact with a metallic catalyst, converting them into water (H_2O) and carbon dioxide (CO_2). By passing all exhaust gases through oxidization catalytic converters attached midway along the exhaust system, PM and HC emissions are significantly reduced.



16 Valves Improve Fuel Consumption, Lower Emissions of PM and Black Smoke



Isuzu has adopted a design that uses two air intake valves and two exhaust valves for every cylinder. Four cylinders per engine gives 16 valves in total. This design increases intake and exhaust volumes from each cylinder, which will enhance air flow efficiency and create a better fuel-air mixture for combustion, while lowering PM and black smoke and improving fuel consumption.

OFFICERS

DIRECTORS

(All Directors concurrently act as Executive Officers)

President & Representative Director	Yoshinori Ida
Executive Vice President & Representative Director	Basil N. Drossos
Executive Vice Presidents & Directors	Shigeki Toma
	Kozo Sakaino
	Randall J. Schwarz
Executive Directors	Yoshito Mochizuki
	Hiromasa Tsutsui
Directors	Hiroshi Suzuki
	Susumu Hosoi
	Yoshio Kinouchi
	Yoshihiro Tadaki

CORPORATE AUDITORS

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

EXECUTIVE OFFICERS

Senior Executive Officers	Goro Miyazaki
	Ryuuichi Ohgi
	Jun Utsumi
	Minoru Matsushima
Executive Officers	Makoto Ushiyama
	Yasushi Mase
	Chikao Mitsuzaki
	Shunichi Satomi
	Hiroo Majima
	Akira Shinohara
	Takashi Urata
	Tadaharu Matsuo
	Fujio Anzai

(As of June 27, 2003)

CORPORATE GOVERNANCE The Isuzu Group is improving its corporate governance system to optimize and speed decision-making processes and enhance management supervision and business execution. Isuzu is also committed to improving disclosure to ensure greater transparency, taking actions such as posting financial information on its website.

Isuzu's Board of Corporate Auditors consists of four corporate auditors, including two standing and two non-standing members. The Board of Corporate Auditors is supported by the Audit Group of the General Affairs & HR Department. Isuzu has strengthened the supervisory functions of the Board of Directors by adopting an executive officer system, which transfers executive authority to the operating level. Under the recently introduced Vehicle Line Executive (VLE) system, Isuzu runs its organization along product lines (commercial vehicle, light-duty commercial vehicle and Power-Train businesses) to build a balanced earnings structure. Furthermore, Isuzu holds Management Meetings under the Board of Directors to conduct advance deliberations on material decisions regarding day-to-day business execution.

To ensure that the goals of the New Three-Year Business Plan are achieved, a senior executive from GM has been appointed Executive Vice President & Representative Director and an executive from Mizuho Corporate Bank, Ltd. has been appointed Executive Vice President & Director.

FINANCIAL SECTION

Contents

Five-Year Summary

Years ended March 31

Consolidated Five-Year Summary

	Millions of Yen					Thousands of U.S. Dollars
	2003	2002	2001	2000	1999	**2003**
For the Year:						
Net sales	**¥1,349,449**	¥1,597,701	¥1,569,199	¥1,506,642	¥1,619,101	**$11,226,704**
Cost of sales	**1,171,366**	1,355,190	1,343,166	1,297,291	1,321,173	**9,745,144**
Gross profit	**178,083**	242,510	226,032	209,350	297,928	**1,481,559**
Selling, general and administrative expenses	**162,621**	227,376	253,349	260,147	288,747	**1,352,923**
Operating income (loss)	**15,462**	15,134	(27,316)	(50,797)	9,180	**128,636**
Income (loss) before special items	**(4,200)**	(1,984)	(47,435)	(68,047)	(5,784)	**(34,944)**
Income (loss) before income taxes	**(111,527)**	(28,506)	(73,300)	(150,937)	16,111	**(927,848)**
Net income (loss)	**(144,301)**	(42,991)	(66,787)	(104,186)	6,235	**(1,200,515)**
At Year-End:						
Total assets	**¥1,028,844**	¥1,324,144	¥1,891,492	¥1,843,053	¥1,627,302	**$ 8,559,434**
Shareholders' equity	**26,434**	61,084	94,108	169,338	177,771	**219,921**

Non-Consolidated Five-Year Summary

	Millions of Yen					Thousands of U.S. Dollars
	2003	2002	2001	2000	1999	**2003**
For the Year:						
Net sales	**¥ 760,608**	¥761,904	¥ 829,890	¥ 836,123	¥934,865	**$ 6,327,861**
Cost of sales	**656,576**	655,719	726,601	764,570	820,108	**5,462,366**
Gross profit	**104,032**	106,185	103,289	71,553	114,756	**865,495**
Selling, general and administrative expenses	**90,904**	98,098	107,002	118,139	109,680	**756,275**
Operating income (loss)	**13,128**	8,086	(3,712)	(46,586)	5,076	**109,219**
Income (loss) before special items	**4,880**	2,123	(10,578)	(55,412)	1,874	**40,604**
Income (loss) before income taxes	**(146,966)**	(45,898)	(66,105)	(172,957)	(4,536)	**(1,222,680)**
Net income (loss)	**(189,447)**	(56,224)	(57,938)	(103,861)	(4,566)	**(1,576,100)**
At Year-End:						
Total assets	**¥ 717,601**	¥876,680	¥1,032,614	¥1,117,373	¥907,474	**$ 5,970,062**
Shareholders' equity	**82,743**	159,062	217,788	273,012	271,320	**688,379**

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120.20=U.S.$1; the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2003.

Financial Review

Financial Targets

Under the New Three-Year Business Plan, the company's medium-term management plan running from October 2002 to March 2005, Isuzu is targeting an approximate ¥384.0 billion reduction in total consolidated assets to ¥940.0 billion, and a decrease of roughly ¥290.0 billion in interest-bearing debt to ¥450.0 billion. As of March 31, 2003, total consolidated assets had fallen approximately ¥295.3 billion to ¥1,028.8 billion, with interest-bearing debt standing at ¥517.9 billion, a reduction of ¥220.8 billion from a year earlier. In addition, Isuzu is pushing forward with plans to improve its cash flows.

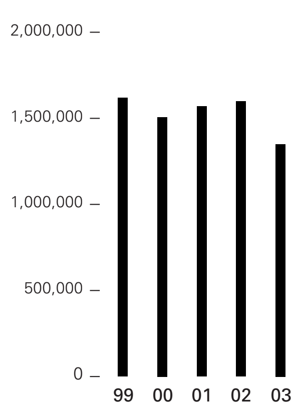
Income Analysis

During fiscal 2003, the year ended March 31, 2003, consolidated net sales declined 15.5% year on year to ¥1,349,449 million. Total vehicle unit sales fell 9.9% to 277,891 units. Despite higher unit truck sales in Japan, domestic vehicle unit sales decreased 3.5% to 61,894 units, partly reflecting structural reform initiatives at Isuzu. Overseas vehicle unit sales declined 11.6% to 215,997 units. Sales of automotive components for overseas production declined sharply by ¥1,868 million to ¥44,872 million. Meanwhile, engine component sales increased 11.0% to ¥250,311 million on strong demand from the ASEAN region.

Despite losses stemming from structural reforms to the North American business, operating income increased 2.2% year on year to ¥15,462 million, due to cost-cutting measures, including reduced payroll expenses. However, Isuzu reported a net loss of ¥144,301 million. This was mainly attributable to a ¥76,752 million loss on investment for affiliated company restructuring based in North America; a severance benefit of ¥24,808 million for the early retirement plan; a business model reform loss of ¥12,201 million relating to the downsizing of the SUV business; and a ¥5,088 million loss on revaluation of investments. These losses were partly offset by gains on the sale of property, plant, equipment, and investment securities of ¥13,785 million, and a gain of ¥13,437 million on the return of the substituted portion of the employee pension fund to the government.

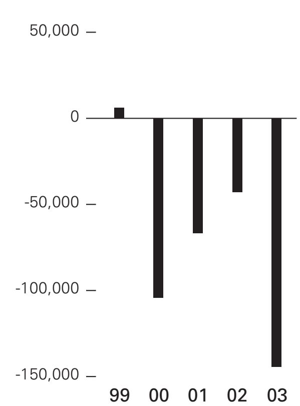
Net Sales

(Millions of Yen)



Net Income (Loss)

(Millions of Yen)



Segment Information

By Type of Business

Total sales in the automotive segment were ¥1,337,695 million, a decrease of 13.1% year on year. This mainly reflected structural reforms in the North American business. However, the Isuzu Group made a concerted effort to reduce costs, mainly at the parent company and domestic sales companies. The result was a significant 135.1% increase in segment operating income to ¥16,823 million.

Total sales in the finance segment declined 92.9% to ¥4,510 million. This mainly reflected the deconsolidation of IFCO Inc., a domestic automotive leasing firm, following the sale of 80% of shares in the company to a third party in the fiscal year ended March 31, 2002. The segment operating loss was ¥1,697 million due to restructuring costs accompanying the realignment of a North American financial services subsidiary.

The miscellaneous segment recorded sales of large real estate properties in the previous fiscal year, but no comparable real estate sales were posted in the fiscal year under review. Consequently, total sales in the miscellaneous segment decreased 50.8% to ¥11,683 million. Segment operating income declined 46.4% to ¥857 million.

By Geographical Area

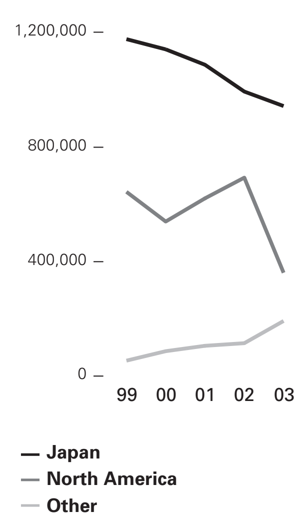
Total sales in Japan declined 5.1% to ¥942,455 million mainly due to the deconsolidation of IFCO. However, operating income improved 37.9% to ¥19,316 million, reflecting improved profitability at Isuzu and its domestic sales companies.

In North America, there was a large decrease in segment sales and a much wider operating loss. Total sales decreased 48.0% to ¥360,208 million, reflecting ongoing structural reforms. The operating loss widened from ¥7,129 million in fiscal 2002 to ¥11,518 million in fiscal 2003.

In other regions, total sales jumped to ¥192,003 million, due to brisk sales of a pickup truck model rolled out in Thailand in 2002 and other factors. Operating income, however, decreased 9.7% to ¥3,140 million, partly due to foreign currency fluctuations.

Total Sales by Geographic Segment

(Millions of Yen)



Financial Position

As of March 31, 2003, total consolidated assets were ¥1,028,844 million, a decline of ¥295,300 million from a year earlier. This mainly reflects inventory reductions, more timely collection of accounts receivables, and the sale of property, plant and equipment. Total current assets decreased ¥115,770 million to ¥433,170 million, reflecting declines in cash and deposits, notes and accounts receivable and inventories. Net property, plant and equipment were ¥477,191 million, a decline of ¥73,987 million from a year ago. Total investments and advances declined ¥104,361 million. As a result, fixed assets decreased ¥179,529 million to ¥595,673 million.

Total current liabilities were ¥660,857 million, a decrease of ¥211,283 million. The main components were declines of ¥173,087 million in bank loans and ¥36,500 million in the current portion of long-term bonds. Long-term liabilities were down ¥48,464 million at ¥338,776 million, mainly due to the redemption of corporate bonds. Interest-bearing debt was reduced ¥220,813 million to ¥517,921 million.

Although Isuzu booked large losses to eliminate future uncertainties, which caused a sharp decline in shareholders' equity, those losses were partly offset with the support of GM and the cooperation of Isuzu's primary lenders. This involved a capital increase of approximately ¥10.0 billion from General Motors Limited, a wholly owned subsidiary of GM, in December 2002 and the conversion of ¥100.0 billion in debt into equity by primary lenders. Shareholders approved a proposal to decrease capital and capital surplus at an Extraordinary Meeting held in November 2002, a move that will help to improve Isuzu's financial structure. As a result, total consolidated shareholders' equity stood at ¥26,434 million at the fiscal year-end. Through these and other actions, Isuzu made significant progress toward improving its financial health.

Cash Flows

Net cash provided by operating activities was ¥49,997 million, ¥5,182 million less than in the previous fiscal year. Despite significant cash outflows accompanying large personnel cuts, cash was provided by efforts to reduce inventories, improve collection of receivables and tighten cash flow management and other initiatives.

Net cash used in investing activities was ¥16,506 million, a reversal of ¥22,790 million from the previous fiscal year. This mainly reflected the large cash outlays needed to recapitalize affiliated companies in North America and the absence of the previous fiscal year's sale of large real estate holdings, offset partly by proceeds from the sale of shares in affiliated companies and the sale of finance receivables of an overseas finance subsidiary.

During fiscal 2003, the restructuring process placed a wide variety of funding requirements on Isuzu, yet the company continued to reduce interest-bearing debt through the redemption of bonds and other means. Net cash used in financing activities was ¥50,029 million, ¥73,501 million less than in the previous fiscal year, in the absence of significant proceeds from the sale of investments.

Consolidated Balance Sheets

As of March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars
Assets	**2003**	2002	2001	**2003**
Current Assets:				
Cash and cash equivalents (Notes 2, 4)	**¥ 63,389**	¥ 79,121	¥ 109,760	**$ 527,364**
Receivables:				
Notes and accounts (Note 4)	**204,371**	220,696	352,459	**1,700,258**
Less: allowance for doubtful receivables	**(8,331)**	(5,292)	(7,696)	**(69,317)**
Inventories (Note 4)	**108,972**	156,305	202,038	**906,591**
Deferred taxes (Note 6)	**16,614**	12,329	16,159	**138,222**
Other current assets	**48,155**	85,780	138,978	**400,630**
Total Current Assets	**433,170**	548,941	811,698	**3,603,751**
Investments and Advances:				
Investments (Notes 3, 4):				
Unconsolidated subsidiaries and affiliated companies	**20,387**	28,304	22,892	**169,609**
Others	**25,316**	37,893	63,362	**210,618**
Long-term loans	**28,799**	34,894	20,469	**239,597**
Deferred taxes (Note 6)	**10,697**	42,873	68,944	**89,001**
Other investments and advances	**42,478**	88,255	134,372	**353,399**
Less: allowance for doubtful accounts	**(14,937)**	(15,117)	(10,626)	**(124,273)**
Total Investments and Advances	**112,741**	217,103	299,415	**937,952**
Property, Plant and Equipment (Note 4)				
Land	**281,873**	281,163	322,290	**2,345,039**
Buildings and structures	**236,600**	247,188	265,951	**1,968,387**
Machinery and equipment	**558,851**	623,135	913,966	**4,649,342**
Construction in progress	**3,938**	9,236	14,304	**32,769**
Less: accumulated depreciation	**(604,072)**	(609,543)	(745,369)	**(5,025,559)**
Net Property, Plant and Equipment	**477,191**	551,179	771,142	**3,969,979**
Other Assets	**5,739**	6,920	9,235	**47,751**
Total Assets	**¥1,028,844**	¥1,324,144	¥1,891,492	**$ 8,559,434**

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity	Millions of Yen 2003	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars 2003
Current Liabilities:				
Bank loans	**¥ 299,869**	¥ 472,957	¥ 572,085	**$ 2,494,757**
Current portion of bonds	**15,500**	52,000	31,739	**128,951**
Commercial paper	**–**	–	50,000	**–**
Notes and accounts payable	**247,257**	237,298	302,544	**2,057,047**
Accrued expenses	**49,335**	60,656	86,697	**410,445**
Accrued income taxes (Note 6)	**1,633**	1,217	3,694	**13,588**
Deposits received	**13,912**	24,654	37,718	**115,747**
Deferred tax current liabilities (Note 6)	**–**	5	44	**–**
Other current liabilities	**33,348**	23,351	93,356	**277,442**
Total Current Liabilities	**660,857**	872,141	1,177,880	**5,497,979**
Long-term Debt (Note 4)	**202,551**	213,777	414,384	**1,685,122**
Accrued Retirement and Severance Benefits (Note 5)	**58,487**	98,562	105,385	**486,588**
Deferred Tax Liabilities (Note 6)	**2,107**	4,557	13,889	**17,529**
Deferred Tax Liabilities Related to Land Revaluation (Note 9)	**56,296**	56,460	68,116	**468,356**
Other Long-term Liabilities	**19,333**	13,880	13,171	**160,845**
Minority Interests	**2,775**	3,679	4,555	**23,091**
Contingent Liabilities (Note 10)				
Shareholders' Equity:				
Common stock and preferred stock (Notes 7, 8)	**55,545**	90,329	90,329	**462,105**
Preferred stock:				
Class I—authorized 37,500,000 shares; issued 37,500,000 shares in 2003				
Class II—authorized 37,500,000 shares; issued 37,500,000 shares in 2003				
Class III—authorized 25,000,000 shares; issued 25,000,000 shares in 2003				
Class IV—authorized 25,000,000 shares; issued 25,000,000 shares in 2003				
Common stock:				
Authorized 3,369,000,000 shares in 2003 and 3,000,000 shares in 2002 and 2001				
Issued 748,526,911 shares in 2003 and 1,277,453,911 shares, 2002 and 2001				
Capital surplus (Note 7)	**131,850**	101,741	101,741	**1,096,924**
Accumulated deficit	**(242,546)**	(213,562)	(188,891)	**(2,017,857)**
Variance of land revaluation (Note 9)	**90,064**	91,287	104,932	**749,290**
Unrealized holding gain (loss) on securities	**896**	(2,213)	–	**7,459**
Foreign currency translation adjustments	**(8,883)**	(6,474)	(13,239)	**(73,906)**
Less: treasury stock, at cost – 2,622,160 common shares in 2003	**(492)**	(22)	(764)	**(4,093)**
Total Shareholders' Equity	**26,434**	61,084	94,108	**219,921**
Total Liabilities, Minority Interests and Shareholders' Equity	**¥1,028,844**	¥1,324,144	¥1,891,492	**$ 8,559,434**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

For the years ended March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	2001	**2003**
Net Sales	**¥1,349,449**	¥1,597,701	¥1,569,199	**$11,226,704**
Cost of Sales	**1,171,366**	1,355,190	1,343,166	**9,745,144**
Gross Profit	**178,083**	242,510	226,032	**1,481,559**
Selling, General and Administrative Expenses (Notes 5, 12)	**162,621**	227,376	253,349	**1,352,923**
Operating Income (Loss)	**15,462**	15,134	(27,316)	**128,636**
Other Income (Expenses):				
Interest and dividend income	**2,724**	4,145	5,318	**22,663**
Interest expense	**(18,026)**	(21,848)	(23,522)	**(149,971)**
Equity in earnings of unconsolidated subsidiaries and affiliates	**(726)**	(2,211)	(1,149)	**(6,044)**
Others, net	**(3,633)**	2,794	(766)	**(30,227)**
Loss before special items	**(4,200)**	(1,984)	(47,435)	**(34,944)**
Extraordinary Items:				
Gain (loss) on sales or disposal of property, plant and equipment, net	**(504)**	5,526	5,306	**(4,200)**
Gain on sales of investments	**9,947**	7,878	1,017	**82,760**
Gains on return of substituted portion of employee pension fund (Notes 2, 5)	**13,437**	–	–	**111,791**
Loss on revaluation of investments	**(9,538)**	(15,209)	(17,006)	**(79,355)**
Loss on business model reform	**(12,201)**	–	–	**(101,507)**
Loss on investment for affiliated company restructuring	**(76,752)**	–	–	**(638,537)**
Severance benefit of early retirement plan	**(24,808)**	(14,475)	–	**(206,391)**
Others, net	**(6,906)**	(10,241)	(15,181)	**(57,462)**
Loss before Income Taxes and Minority Interests	**(111,527)**	(28,506)	(73,300)	**(927,848)**
Income Taxes (Note 6):				
Current	**5,103**	5,616	4,149	**42,455**
Deferred	**25,348**	9,532	(5,197)	**210,883**
Minority Interests in Income of Consolidated Subsidiaries	**2,323**	(664)	(5,466)	**19,327**
Net Loss	**¥ (144,301)**	¥ (42,991)	¥ (66,787)	**$ (1,200,515)**

	Yen			U.S. Dollars
Per Share of Common Stock:				
Net Loss	**¥(131.34)**	¥(33.68)	¥(52.76)	**$(1.09)**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

For the years ended March 31, 2003, 2002, 2001 and 2000

	Millions of Yen				Thousands of U.S. Dollars
	2003	2002	2001	2000	**2003**
Common Stock and Preferred Stock:					
Balance at beginning of the year	**¥ 90,329**	¥ 90,329	¥ 89,619	¥ 89,619	**$ 751,496**
Add:					
Issuance of common stock	**5,045**	–	710	–	**41,972**
Issuance of preferred stock	**50,000**	–	–	–	**415,973**
Deduct:					
Reduction of capital (offset with deficit)	**(89,829)**	–	–	–	**(747,336)**
Balance at end of the year	**¥ 55,545**	¥ 90,329	¥ 90,329	¥ 89,619	**$ 462,105**
Capital Surplus:					
Balance at beginning of the year	**¥ 101,741**	¥ 101,741	¥ 99,212	¥ 99,212	**$ 846,434**
Add:					
Profit from merger	**–**	–	2,528	–	**–**
Issuance of common stock	**4,954**	–	–	–	**41,222**
Issuance of preferred stock	**50,000**	–	–	–	**415,973**
Deduct:					
Reduction of capital reserve (offset with deficit)	**(24,846)**	–	–	–	**(206,705)**
Balance at end of the year	**¥ 131,850**	¥ 101,741	¥ 101,741	¥ 99,212	**$ 1,096,924**
Variance of Land Revaluation					
Balance at beginning of the year	**¥ 91,287**	¥ 104,932	¥ 102,292	¥ –	**$ 759,459**
Add:					
Land revaluation	**–**	3,841	2,501	102,292	**–**
Reversal of land revaluation	**–**	–	138	–	**–**
Deduct:					
Transfer to retained earnings and other	**(1,222)**	(17,486)	–	–	**(10,169)**
Balance at end of the year	**¥ 90,064**	¥ 91,287	¥ 104,932	¥ 102,292	**$ 749,290**
Accumulated Deficit:					
Balance at beginning of the year	**¥(213,562)**	¥(188,891)	¥(121,785)	¥ (11,058)	**$(1,776,724)**
Add:					
Reduction of capital	**89,829**	–	–	–	**747,336**
Reduction of capital reserve	**24,846**	–	–	–	**206,705**
Transfer from variance of land revaluation	**1,268**	17,486	(138)	–	**10,551**
Other	**47**	2,583	577	2,555	**393**
Deduct:					
Net loss	**(144,301)**	(42,991)	(66,787)	(104,186)	**(1,200,515)**
Other	**(673)**	(1,749)	(758)	(9,096)	**(5,605)**
Balance at end of the year	**¥(242,546)**	¥(213,562)	¥(188,891)	¥(121,785)	**$(2,017,857)**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	2001	**2003**
Cash Flows from Operating Activities				
Loss before income taxes and minority interests	**¥ 111,527**	¥ 28,506	¥ 73,300	**$ 927,848**
Depreciation and amortization	**43,387**	73,629	104,886	**360,964**
Equity in loss of unconsolidated subsidiaries and affiliates	**726**	2,211	1,149	**6,044**
Loss on revaluation of investments	**5,088**	15,209	14,460	**42,332**
Provision for retirement benefits, less payments	**(40,150)**	(4,725)	(10,329)	**(334,031)**
Provision for allowance for product warranties	**1,263**	(1,564)	(964)	**10,508**
Provision for allowance for bonuses	**(3,307)**	(2,748)	(2,520)	**(27,514)**
Provision for allowance for doubtful assets	**2,999**	1,842	468	**24,952**
Interest and dividend income	**(2,724)**	(4,146)	(5,440)	**(22,663)**
Interest expenses	**18,026**	21,848	23,522	**149,971**
Gain on disposal of property assets	**(3,838)**	(10,731)	(10,721)	**(31,937)**
Loss on disposal of property assets	**4,343**	8,122	8,360	**36,137**
Loss on investment for affiliated company restructuring	**72,795**	–	–	**605,620**
Gain on sales of securities	**(8,060)**	(5,943)	(973)	**(67,055)**
Decrease (increase) in receivables	**8,313**	35,113	(13,902)	**69,164**
Decrease (increase) in inventories	**29,163**	56,643	18,200	**242,625**
Decrease (increase) in other current assets	**18,130**	6,787	(12,102)	**150,835**
Increase (decrease) in notes and accounts payable	**29,325**	(29,065)	(34,823)	**243,973**
Increase (decrease) in accrued expenses and taxes	**(3,004)**	(25,811)	7,797	**(24,994)**
Increase (decrease) in deposits received	**(10,380)**	(15,611)	7,395	**(86,364)**
Increase (decrease) in other liabilities	**17,507**	(5,208)	32,048	**145,649**
Others	**1,437**	(8,717)	(1,469)	**11,960**
Cash received from interest and dividends	**3,650**	6,382	4,834	**30,374**
Cash paid for interest	**(18,466)**	(22,337)	(23,555)	**(153,633)**
Cash paid for income taxes	**(4,702)**	(7,492)	(2,025)	**(39,124)**
Net Cash Provided by Operating Activities	**49,997**	55,179	30,995	**415,950**
Cash Flows from Investing Activities				
Proceeds from sales of securities	**(50,247)**	(2,450)	(1,955)	**(418,036)**
Payments for purchase of securities	**16,934**	11,738	3,788	**140,886**
Payments for property, plant and equipment	**(34,703)**	(30,215)	(26,180)	**(288,714)**
Payments for leased property, plant and equipment	**–**	(37,395)	(73,105)	**–**
Proceeds from sales of property, plant and equipment	**9,284**	64,271	17,831	**77,245**
Payments for long-term loans receivable	**(8,735)**	(22,919)	(3,500)	**(72,677)**
Collection of long-term loans receivable	**16,600**	3,820	6,014	**138,108**
Increase (decrease) in short-term loans receivable	**(245)**	10,563	9,469	**(2,038)**
Increase (decrease) in finance receivables of overseas subsidiary	**43,376**	14,129	(35,527)	**360,871**
Others	**(8,771)**	(5,258)	(4,619)	**(72,975)**
Net Cash Provided by (Used in) Investing Activities	**(16,506)**	6,283	(107,785)	**(137,329)**
Cash Flows from Financing Activities				
Issuance of common stock	**9,999**	–	–	**83,194**
Increase (decrease) in short-term debt	**(40,088)**	(11,944)	36,002	**(333,513)**
Increase (decrease) in commercial paper	**–**	(50,000)	35,000	**–**
Proceeds from long-term debt	**136,453**	76,753	121,110	**1,135,217**
Payments of long-term debt	**(103,368)**	(92,953)	(116,657)	**(859,972)**
Payments (issuance) of bonds	**(53,000)**	(31,739)	(32,500)	**(440,931)**
Others	**(25)**	(13,647)	9,833	**(211)**
Net Cash Provided by (Used in) Financing Activities	**(50,029)**	(123,530)	52,788	**(416,217)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(2,752)**	2,649	2,489	**(22,897)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(19,291)**	(59,418)	(21,512)	**(160,493)**
Cash and Cash Equivalents at Beginning of the Year	**72,284**	137,363	157,584	**601,371**
Increase (Decrease) in Cash and Cash Equivalents from the Addition or Exclusion of Consolidated Companies	**(42)**	(5,660)	1,291	**(353)**
Cash and Cash Equivalents at End of the Year (Notes 2)	**¥ 52,951**	¥ 72,284	¥ 137,363	**$ 440,525**

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 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 ¥120.20=U.S.$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2003. 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 2002 and 2001 financial statements to conform to the presentation for 2003.

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 a 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 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 Interest" from 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 2001.

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 has adopted the 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 since 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 by ¥2,213 million 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 million, to increase deferred taxes assets by ¥4 million and to increase minority interests by ¥13 million for the year ended 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 its scrap value of some property, plant and equipment based upon an available time since 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 life as determined by the Company and its consolidated subsidiaries (generally 5 years).

g) 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.

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.

The Company has adopted the 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.

Following the enactment of the Welfare Pension Insurance Law in Japan, on July 1, 2002, the Company Employee Pension Fund, which the Company participates in, obtained approval from the Japanese Ministry of Health, Labour and Welfare for exemption from the future benefit obligation with respect to the portion of the Employee Pension Fund that the Company operates on behalf of the Government (the so-called substituted portion).

The Company applied transitional provisions as prescribed in paragraph 47-2 of the "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" (Accounting Committee Report No.13 issued by the Japanese Institute of Certified Public Accountants) and a gain in the amount of ¥13,437 million ($111,791 thousand) for the settlement of the substitutional portion was recognized at the date of approval from Japan's Ministry of Health, Labour and Welfare. The amount of plan assets to be returned is ¥29,150 million ($242,513 thousand) at the end of the fiscal year ended March 31, 2003.

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 of deferred tax assets and liabilities of a change in tax rate are recognized in income in the period that includes the enacted date.

j) Net Income per Share

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year. Under the revised financial statements regulations in Japan, the weighted average number of shares is calculated based on the number of issued shares less the number of treasury stocks from the fiscal year ended March 31, 2002.

Effective from the fiscal year ended March 31, 2003, the Company has adopted the Financial Accounting Standard No. 2 "Financial Accounting Standard for Earnings per Share" and the Financial Accounting Standard Implementation Guidance No. 4 "Implementation Guidance for Accounting Standard for Earnings per Share" issued by the Accounting Standards Board of Japan on September 25, 2002.

Basis for the calculation of net income per share at the year ended March 31, 2003 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Net loss	**144,301**	**1,200,515**
Less: Components not pertaining to common shareholders; Bonuses to directors and corporate auditors	**7**	**58**
Net income pertaining to common stock	**144,308**	**1,200,573**
Average outstanding shares of common stock (share):	**1,098,725,929**	**1,098,725,929**

k) 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.

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 for cash and cash equivalents at end of year on the statement of cash flows for the year ended March 31, 2003 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and time deposits on the consolidated balance sheet	**¥ 63,389**	**$527,364**
Time deposits with original maturities over three months at the time of purchase	**(10,438)**	**(86,839)**
Cash and cash equivalents on the statement of cash flows	**¥ 52,951**	**$440,525**

m) Treasury Stocks
Effective from the fiscal year ended March 31, 2003, the Company adopted the new Japanese regulation for the accounting standard regarding treasury stocks and reversal of legal reserves. As a result of the new regulation, there is no effect on the operating results for the fiscal year ended March 31, 2003.

n) Accounting Change
The house rent income and its cost expenses were recorded in "Other Income (Expenses)" until the fiscal year 2000. However, because of the revision of the operation to use the fixed property effectively, the Company changed its accounting method of the house rent and its income and expenses are recognized as "Net sales" and "Cost of sales" from the fiscal year 2001.

3. Investments
Fair Value of other securities as of March 31, 2003 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	**¥ 5,804**	**¥ 8,134**	**¥ 2,329**	**$ 48,292**	**$ 67,674**	**$ 19,381**
Bonds:						
Investment trusts	**157**	**271**	**113**	**1,312**	**2,260**	**948**
Total	**¥ 5,962**	**¥ 8,406**	**¥ 2,443**	**$ 49,605**	**$ 69,934**	**$ 20,329**
Unrealized loss:						
Stocks	**¥13,410**	**¥12,036**	**¥(1,374)**	**$111,570**	**$100,133**	**$(11,437)**
Bonds:						
Corporate bonds	**13**	**12**	**(0)**	**108**	**107**	**(1)**
Total	**¥13,423**	**¥12,048**	**¥(1,374)**	**$111,679**	**$100,240**	**$(11,438)**

Proceeds from sales of securities classified as other securities amounted to ¥6,433 million ($53,526 thousand) with an aggregate gain on sales of ¥111 million ($928 thousand) and an aggregate loss on sales of ¥1,172 million ($9,756 thousand) for the year ended March 31, 2003.

Non-marketable securities classified as other securities at March 31, 2003 amounted to ¥4,861 million ($40,443 thousand).

The redemption schedule for bonds with maturity dates at March 31, 2003 was summarized as follows:

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

	Thousands of U.S. Dollars	
	Due in one year or less	Due after one through five years
Corporate bonds	**–**	**$108**

4. Long-term Debt

Long-term debt at March 31, 2003 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
3.00% mortgage bonds due 2003	**¥ 500**	**$ 4,159**
2.65% straight bonds due 2004	**10,000**	**83,194**
3.45% straight bonds due 2005	**10,000**	**83,194**
2.50% straight bonds due 2003	**5,000**	**41,597**
3.00% straight bonds due 2004	**5,000**	**41,597**
Loans	**261,733**	**2,177,481**
Less: current portion	**89,681**	**746,102**
	¥202,551	**$1,685,122**

The annual maturities of long-term debt at March 31, 2003 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
2004	¥ 80,611	$ 670,648
2005	49,956	415,612
2006	23,430	194,929
Thereafter	48,552	403,932
Total	¥202,551	$1,685,122

The assets pledged as collateral for certain loans and other liabilities at March 31, 2003 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and time deposits	**¥ 11,488**	**$ 95,577**
Notes and accounts receivable	**72,642**	**604,345**
Inventories	**30,551**	**254,174**
Buildings and structures	**83,471**	**694,441**
Machinery and equipment	**47,253**	**393,127**
Land	**258,592**	**2,151,348**
Securities	**19,222**	**159,920**
Others	**14,867**	**123,685**

5. Retirement Benefits Obligation and Pension Plan

(1) Retirement benefits obligation as of March 31, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Projected benefits obligation at end of the year	**¥(118,492)**	**$(985,793)**
Fair value of plan assets	**21,953**	**182,643**
Accrued retirement and severance benefits on balance sheets	**58,487**	**486,588**
Net	**¥ (38,050)**	**$(316,562)**
Unrecognized actuarial net loss	**¥ (38,050)**	**$(316,562)**

Following the enactment of the Welfare Pension Insurance Law in Japan, on July 1, 2002, the Company Employee Pension Fund, which the Company participates in, obtained approval from the Japanese Ministry of Health, Labour and Welfare for exemption from the future benefit obligation with respect to the portion of the Employee Pension Fund that the Company operates on behalf of the Government (the so-called substituted portion.)

The Company applied transitional provisions as prescribed in paragraph 47-2 of the "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" (Accounting Committee Report No.13 issued by the Japanese Institute of Certified Public Accountants) and a gain in the amount of ¥13,437 million ($111,791 thousand) for the settlement of the substituted portion was recognized at the date of approval from Japan's Ministry of Health, Labour and Welfare. The amount of plan assets to be returned is ¥29,150 million ($242,513 thousand) at the end of the fiscal year ended March 31, 2003.

(2) Retirement benefit cost for the year ended March 31, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	**¥ 9,709**	**$ 80,774**
Interest cost on projected benefit obligation	**3,991**	**33,209**
Expected return on plan assets	**(1,484)**	**(12,349)**
Amortization of actuarial net loss (gain)	**3,053**	**25,407**
Amortization of prior service cost	**(9,384)**	**(78,076)**
Net periodic pension cost	**¥ 5,885**	**$ 48,965**
Gains on return of substituted portions of employee pension fund	**¥(13,437)**	**$(111,791)**
Total	**¥ (7,551)**	**$ (62,826)**

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

	2003
Discount rate	**2.3%**
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, 2003 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets:		
Retirement benefits	**¥ 15,890**	**$ 132,198**
Loss from revaluation of securities and allowance for doubtful accounts	**81,428**	**677,445**
Accrued expenses	**6,196**	**51,552**
Bonus payment reserve	**2,496**	**20,772**
Inventory write down	**1,101**	**9,161**
Loss carried forward	**78,559**	**653,574**
Unrealized gain	**9,829**	**81,775**
Other	**52,630**	**437,856**
Valuation allowance	**(208,594)**	**(1,735,397)**
Deferred tax liabilities		
Reserve for deferred income tax of fixed assets	**(5,303)**	**(44,125)**
Depreciation adjustment of foreign subsidiaries	**(6,802)**	**(56,592)**
Other	**(120)**	**(998)**
Total deferred tax assets	**¥ 27,312**	**$ 227,223**
Deferred tax liabilities:		
Reserve for deferred income tax of fixed assets	**540**	**4,494**
Other	**1,566**	**13,035**
Total deferred tax liabilities	**¥ 2,107**	**$ 17,529**

7. Shareholders' Equity

On October 1, 2001, an amendment (the "Amendment") to the Commercial Code of Japan (the "Code") became effective. The Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001.

The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment became effective, the Company's shares had a par value of ¥50 per share.

The Code provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

The legal reserves of the consolidated subsidiaries are included in retained earnings in the accompanying consolidated financial statements.

The Company received in trust 619,017,000 shares of common stock owned by General Motors Limited (GML), and then canceled the received common stock on December 25, 2002. Although the proposed cancellation of common stock has no effect on the stock owned by shareholders for which the Company wishes to express its deep apology.

The Company issued new common stock for GML and some classes of preferred stock for certain banks. The issuance of common stock and preferred stock increased the Company's capital from ¥90,329 million ($751,496 thousand) to ¥145,374 million ($1,209,441 thousand) at December 26, 2002.

The Company's capital in the amount of ¥145,374 million ($1,209,441 thousand) was reduced ¥89,829 million ($747,336 thousand) without any disbursement which offset with the deficit, into ¥55,545 million ($462,105 thousand) on January 7, 2003, which was approved by the shareholders' meeting held on November 27, 2002.

The Company's capital surplus in the amount of ¥22,582 million ($187,874 thousand) was transferred into retained earnings, which was approved by the Extraordinary Meeting of Shareholders held on November 27, 2002.

8. Preferred Stock

The Company issued preferred stock (Class I, Class II, Class III and Class IV) in the fiscal year 2003. Interim dividends shall not be paid to preferred shareholders or to preferentially registered pledges. When the amount of the dividend to be paid to the preferred shareholders or preferentially registered pledges in a given business year does not reach the amount of the preferred dividend, the shortfall will not be carried over to the next business year for accumulation.

When the residual property of the Company is to be distributed, ¥800 per share of the preferred stocks shall be paid to the preferred shareholders or to the preferentially registered pledges before the ordinary shareholders or the ordinarily registered pledges.

No other residual property than the above shall be distributed to the preferred shareholders or to the preferentially registered pledges.

The Company can always purchase preferred stocks and cancel the stocks at the purchased price by a profit distributed to shareholders. The preferred shareholders shall not have a voting right at the General Meeting of Shareholders.

The Company shall not conduct the consolidation or division of preferred stocks unless otherwise stipulated by law.

The Company shall not give preemptive rights, stock acquisition rights or subscription rights of bonds with stock acquisition rights to the preferred shareholders.

Payment of dividends and distribution of residual property to each class of the preferred stock shall be made according to the same order of priority.

a) Outline of the Issue of Class I Preferred Stock

(1) Preferred Dividends

Class I preferred dividends shall be calculated according to the following formula. Class I preferred dividends shall be calculated to four places of decimals of less than one yen and rounded off at the fourth place of decimals. However, when the calculation result exceeds ¥80, Class I preferred dividends will be set at ¥80.

Class I preferred dividend = ¥800 x (Japanese Yen TIBOR + 0.750%)

Any portion of the dividend which exceeds the amount of the Class I preferred stocks shall not be paid to Class I preferred shareholders and Class I preferentially registered pledges.

(2) Conversion Contract Right

(i) Period for Claiming Conversion

The period for claiming the conversion of the Class I preferred stocks shall be from October 1, 2006 to September 30, 2022.

(ii) Conditions for Conversion

The Class I preferred stocks can be converted to the common stocks of the Company at the per-share converting values specified below from (a) to (c).

(a) Initial Conversion Price = ¥54

(b) Revision of Conversion Price

Conversion price is revised to the average price on October 1 every year from October 1, 2007 to September 30, 2022 (hereinafter referred to as the date of revision of conversion price) when the average price (excluding days without closing price) of daily closing prices (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days starting from the 45th business day preceding the date of revision of conversion price (hereinafter referred to as actual value calculation period) is below the initial conversion price (revised conversion price shall be calculated to the first decimal point and then rounded up.) In addition, if during the actual value calculation period, a revision specified in (c) below has to be necessary, the average price shall be revised to an amount judged appropriate by the Board of Directors in accordance with (c). However, when after calculation, the revised conversion price is below the price equal to 70% of the initial conversion price (calculated to the first decimal point and then rounded up, hereinafter referred to as floor conversion price and revised according to (c),) the floor conversion price shall be treated as the revised conversion price.

(c) Adjustment of Conversion Price

After the issue of Class I preferred stocks, if any of the following applies, the conversion price shall be adjusted by the formula below (hereinafter referred to as the formula for the adjustment of conversion price.) In this formula, figures shall be calculated to the first decimal point and then rounded up.

Adj. conver. price =

$$\text{Pre-adjust conver. price} \times \frac{\text{No. of issued common stocks} + \dfrac{\text{No. of new common stocks} \times \text{Amount paid per new stock}}{\text{Market value per stock}}}{\text{No. of issued common stocks} + \text{No. of new common stocks}}$$

(iii) The Number of Common Stocks to be Issued Through Conversion

The number of common stocks of the Company to be issued through the conversion of the Class I preferred stocks shall be as follows:

$$\text{No. of common stocks issued through conversion} = \frac{\text{Total amount of issue price of Class I preferred stocks submitted by shareholders for asking conversion}}{\text{Conversion price}}$$

When fractions less than 1 are produced in calculating the number of common stocks to be issued, they shall be dropped.

(3) Mandatory Conversion

The Class I preferred stocks which are not requested for conversion during the period in which a request for conversion is possible shall become common stocks on the day determined by the Board of Directors' Meeting which is held on or after the next day of the last day of the said period (hereinafter referred to as the base date of mandatory conversion) and the number of the common stocks is obtained from dividing the amount equal to the amount paid per stock of the Class I preferred stocks by the average price (calculated to the first decimal point and then rounded up) of the daily closing price (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days (excluding days without closing price) starting from the 45th business day preceding the base date of mandatory conversion.

When the average price is lower than the floor conversion price, the Class I preferred stocks shall become common stocks whose number is obtained from dividing the amount equal to the amount paid per stock of the Class I preferred stock by the floor conversion price. Also, when the average price is more than the maximum conversion price, they shall become common stocks whose number is obtained from dividing the amount equal to the amount paid per stock of the Class I preferred stocks by the maximum conversion price.

The maximum conversion price is equal to the initial conversion price (subject to "Adjustment of Conversion Price" described in (2) (ii) (c) on the lefthand page.)

When fractions less than 1 are produced in calculating the above number of common stocks, they shall be treated according to the treatment of the reverse split of stocks stipulated in the Commercial Code.

b) Outline of the Issue of Class II Preferred Stock

(1) Preferred Dividends

Class II preferred dividends shall be calculated according to the following formula. Class II preferred dividends shall be calculated to four places of decimals of less than one yen and rounded off at the fourth place of decimals. However, when the calculation result exceeds ¥80, Class II preferred dividends will be set at ¥80.

Class II preferred dividend = ¥800 x (Japanese Yen TIBOR + 1.125%)

Any portion of the dividend which exceeds the amount of the Class II preferred stocks shall not be paid to Class II preferred shareholders and Class II preferentially registered pledges.

(2) Conversion Contract Right

(i) Period for Claiming Conversion

Period for claiming the conversion of the Class II preferred stocks shall be from October 1, 2008 to September 30, 2024.

(ii) Conditions for Conversion

The Class II preferred stocks can be converted to the common stocks of the Company at the per-share converting values specified below from (a) to (c).

(a) Initial Conversion Price = ¥54

(b) Revision of Conversion Price

Conversion price is revised to the average price on October 1 every year from October 1, 2009 to September 30, 2024 (hereinafter referred to as the date of revision of conversion price) when the average price (excluding days without closing price) of daily closing prices (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days starting from the 45th business day preceding the date of revision of conversion price (hereinafter referred to as actual value calculation period) is below the initial conversion price (revised conversion price shall be calculated to the first decimal point and then rounded up.) In addition, if during the actual value calculation period, a revision specified in (c) below has to be necessary, the average price shall be revised to an amount judged appropriate by the Board of Directors in accordance with (c). However, when after calculation, the revised conversion price is below the price equal to 70% of the initial conversion price (calculated to the first decimal point and then rounded up, hereinafter referred to as floor conversion price and revised according to (c),) the floor conversion price shall be treated as the revised conversion price.

(c) Adjustment of Conversion Price

After the issue of Class II preferred stocks, if any of the following applies, the conversion price shall be adjusted by the formula below (hereinafter referred to as the formula for the adjustment of conversion price.) In this formula, figures shall be calculated to the first decimal point and then rounded up.

Adj. conver. price =

$$\text{Pre-adjust conver. price} \times \frac{\text{No. of issued common stocks} + \dfrac{\text{No. of new common stocks} \times \text{Amount paid per new stock}}{\text{Market value per stock}}}{\text{No. of issued common stocks} + \text{No. of new common stocks}}$$

(iii) The Number of Common Stocks to be Issued Through Conversion

The number of common stocks of the Company to be issued through the conversion of the Class II preferred stocks shall be as follows:

$$\text{No. of common stocks issued through conversion} = \frac{\text{Total amount of issue price of Class II preferred stocks submitted by shareholders for asking conversion}}{\text{Conversion price}}$$

When fractions less than 1 are produced in calculating the number of common stocks to be issued, they shall be dropped.

(3) Mandatory Conversion

The Class II preferred stocks which are not requested for conversion during the period in which a request for conversion is possible shall become common stocks on the day determined by the Board of Directors' Meeting which is held on or after the next day of the last day of the said period (hereinafter referred to as the base date of Mandatory conversion) and the number of the common stocks is obtained from dividing the amount equal to the amount paid per stock of the Class II preferred stocks by the average price (calculated to the first decimal point and then rounded up) of the daily closing price (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days (excluding days without closing price) starting from the 45th business day preceding the base date of mandatory conversion.

When the average price is lower than the floor conversion price, the Class II preferred stocks shall become common stocks whose number is obtained from dividing the amount equal to the amount paid per stock of the Class II preferred stock by the floor conversion price. Also, when the average price is more than the initial conversion price, they shall become common stocks whose number is obtained from dividing the amount equal to the amount paid per stock of the Class II preferred stocks by the initial conversion price.

The maximum conversion price is equal to the initial conversion price (subject to "Adjustment of Conversion Price" described in (2) (ii) (c) on the previous page.)

When fractions less than 1 are produced in calculating the above number of common stocks, they shall be treated according to the treatment of the reverse split of stocks stipulated in the Commercial Code.

c) Outline of the Issue of Class III Preferred Stock

(1) Preferred Dividends

Class III preferred dividend shall be calculated according to the following formula. Class III preferred dividend shall be calculated to four places of decimals of less than yen and rounded off at the fourth place of decimals. However, when the calculation result exceeds ¥80, Class III preferred dividend will be set at ¥80.

Class III preferred dividend = ¥800 x (Japanese Yen TIBOR + 1.500%)

Any portion of dividend which exceeds the amount of the Class III preferred stocks shall not be paid to Class III preferred shareholders and Class III preferentially registered pledges.

(2) Conversion Contract Right

(i) Period for Claiming Conversion

Period for claiming the conversion of the Class III preferred stocks shall be from October 1, 2010 to September 30, 2027.

(ii) Conditions for Conversion

The Class III preferred stocks can be converted to the common stocks of the Company at the per-share converting values specified below from (a) to (c).

(a) Initial Conversion Price

This is equal to the average price of daily closing prices (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days (excluding days without closing price) starting from the 45th business day preceding the first day of the period for claiming conversion (calculated to the first decimal point and then rounded up.)

(b) Revision of Conversion Price

Conversion price is revised to the average price (excluding days without closing price) of daily closing prices (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days starting from the 45th business day preceding the date of revision of conversion price (hereinafter referred to as actual value calculation period) on October 1 every year from October 1, 2011 to September 30, 2027 (hereinafter referred to as the date of revision of conversion price.) (Revised conversion price shall be calculated to the first decimal point and then rounded up. In addition, if during the actual value calculation period, a revision specified in (c) below becomes necessary, the average price shall be revised to an amount judged appropriate by the Board of Directors in accordance with (c).) However, after the above calculation, when the revised conversion price is below the price equal to 50% of the initial conversion price (calculated to the first decimal point and then rounded up, hereinafter referred to as floor conversion price and revised according to (c),) the floor conversion price shall be treated as the revised conversion price. Also after the above calculation, when the revised conversion price is above the price equal to 200% of the initial conversion price (calculated to the first decimal point and then rounded up, hereinafter referred to as the maximum conversion price and revised according to (c),) the maximum conversion price shall be treated as the revised conversion price.

(c) Adjustment of Conversion Price

After the issue of Class III preferred stocks, if any of the following applies, the conversion price shall be adjusted by the formula below (hereinafter referred to as the formula for the adjustment of conversion price.) In this formula, figures shall be calculated to the first decimal point and then rounded up.

Adj. conver. price =

$$\text{Pre-adjust conver. price} \times \frac{\text{No. of issued common stocks} + \dfrac{\text{No. of new common stocks} \times \text{Amount paid per new stock}}{\text{Market value per stock}}}{\text{No. of issued common stocks} + \text{No. of new common stocks}}$$

(iii) The Number of Common Stocks to be issued through Conversion
The number of common stocks of the Company to be issued through the conversion of the Class III preferred stocks shall be as follows:

$$\text{No. of common stocks issued through conversion} = \frac{\text{Total amount of issue price of Class III preferred stocks submitted by shareholders for asking conversion}}{\text{Conversion price}}$$

When fractions less than 1 are produced in calculating the number of common stocks to be issued, they shall be dropped.

(3) Mandatory Conversion
The Class III preferred stocks which are not requested for conversion during the period in which a request for conversion is possible shall become common stocks on the day determined by the Board of Directors' Meeting which is held on or after the next day of the last day of the said period (hereinafter referred to as the base date of mandatory conversion) and the number of the common stocks is obtained from dividing the amount equal to the amount paid per stock of the Class III preferred stocks by the average price (calculated to the first decimal point and then rounded up) of the daily closing price (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days (excluding days without closing price) starting from the 45th business day preceding the base date of mandatory conversion.

When the average price is lower than the floor conversion price, the Class III preferred stocks shall become common stocks whose number is obtained from dividing the amount equal to the amount paid per stock of the Class III preferred stocks by the floor conversion price. Also, when the average price is more than the maximum conversion price, they shall become common stocks whose number is obtained from dividing the amount equal to the amount paid per stock of the Class III preferred stocks by the maximum conversion price.

When fractions less than 1 are produced in calculating the above number of common stocks, they shall be treated according to the treatment of the reverse split of stocks stipulated in the Commercial Code.

d) Outline of the Issue of Class IV Preferred Stock
(1) Preferred Dividends
The amount of preferred dividends per share (hereinafter referred to as "Class IV preferred dividends") shall be calculated according to the following formula. Class IV preferred dividends shall be calculated to four places of decimals of less than yen and rounded off at the fourth place of decimals. However, when the calculation result exceeds ¥80, Class IV preferred dividends will be set at ¥80.

Class IV preferred dividend = ¥800 x (Japanese Yen TIBOR + 2.000%)

When there is a residual profit after the Class IV preferred dividend is paid to the Class IV preferred stocks, dividend of profit can be paid to the common stocks until it becomes equal to Class IV preferred dividend. Also when dividend of profit is paid concerning the residual profit, the same amount of money per stock shall be paid to the Class IV preferred stocks and the common stocks.

(2) Conversion Contract Right
(i) Period for Claiming Conversion
Period for claiming the conversion of the Class IV preferred stocks shall be from October 1, 2012 to September 30, 2032.

(ii) Conditions for Conversion
The Class IV preferred stocks can be converted to the common stocks of the Company at the per-share converting values specified below from (a) to (c).

(a) Initial Conversion Price
The average price of daily closing prices (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days (excluding days without closing price) starting from 45th business day preceding the first day of period for claiming conversion (calculated to the first decimal point and then rounded up.)

(b) Revision of Conversion Price
Conversion price is revised to the average price (excluding days without closing price) of daily closing prices (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days starting from the 45th business day preceding the date of revision of conversion price (hereinafter referred to as actual value calculation period) on October 1 every year from October 1, 2013 to September 30, 2032 (hereinafter referred to as the date of revision of conversion price.) (Revised conversion price shall be calculated to the first decimal point and then rounded up. In addition, if during the actual value calculation period, a revision specified in (c) below becomes necessary, the average price shall be revised to an amount judged appropriate by the Board of Directors in accordance with (c).) However, after the above calculation, when the revised conversion price is below the price equal to 50% of the initial conversion price (calculated to the first decimal point and then rounded up, hereinafter referred to as floor conversion price and revised according to (c),) the floor conversion price shall be treated as the revised conversion price. Also after the above calculation, when the revised conversion price is above the price equal to 200% of the initial conversion price (calculated to the first decimal point and then rounded up, hereinafter referred to as the maximum conversion price and revised according to (c),) the maximum conversion price shall be treated as the revised conversion price.

(c) Adjustment of Conversion Price
After the issue of Class IV preferred stocks, if any of the followings applies, the conversion price shall be adjusted by the formula below (hereinafter referred to as formula for the adjustment of conversion price.) In this formula, figures shall be calculated to the first decimal point and then rounded up.

Adj. conver. price =

$$\text{Pre-adjust conver. price} \times \frac{\text{No. of issued common stocks} + \dfrac{\text{No. of new common stocks} \times \text{Amount paid per new stock}}{\text{Market value per stock}}}{\text{No. of issued common stocks} + \text{No. of new common stocks}}$$

(iii) The Number of Common Stocks to be issued through Conversion
The number of common stocks of the Company to be issued through the conversion of the Class IV preferred stocks shall be as follows.

$$\text{No. of common stocks issued through conversion} = \frac{\text{Total amount of issue price of Class IV preferred stocks submitted by shareholders for asking conversion}}{\text{Conversion price}}$$

When fractions less than 1 are produced in calculating the number of common stocks to be issued, they shall be dropped.

(3) Mandatory Conversion
The Class IV preferred stocks which are not requested for conversion during the period in which a request for conversion is possible shall become common stocks on the day determined by the Board of Directors' Meeting which is held on or after the next day of the last day of the said period (hereinafter referred to as the base date of mandatory conversion) and the number of the common stocks is obtained from dividing the amount equal to the amount paid per stock of the Class IV preferred stocks by the average price (calculated to the first decimal point and then rounded up) of the daily closing price (including quoted price) in regular transactions of common stocks of the Company at the Tokyo Stock Exchange during 30 business days (excluding days without closing price) starting from the 45th business day preceding the base date of mandatory conversion.

When the average price is lower than the floor conversion price, the Class IV preferred stocks shall become common stocks whose number is obtained from dividing the amount equal to the amount paid per stock of the Class IV preferred stock by the floor conversion price. Also, when the average price is more than the maximum conversion price, they shall become common stocks whose number is obtained from dividing the amount equal to the amount paid per stock of the Class IV preferred stocks by the maximum conversion price.

When fractions less than 1 are produced in calculating the above number of common stocks, they shall be treated according to the treatment of the reverse split of stocks stipulated in the Commercial Code.

9. 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, 2003.

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.

10. Contingent Liabilities
Contingent liabilities at March 31, 2003 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans	**¥17,325**	**$144,142**
Export bills discounted	**2,357**	**19,617**
Notes discounted	**3,767**	**31,344**
Notes endorsed	**648**	**5,398**
Accounts and loans receivable sold to others	**14,042**	**116,828**

11. Lease Transactions

(1) Finance lease transactions, except for those which meet the condition 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, 2003 and 2002 concerning the finance lease assets:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Acquisition costs	**¥62,540**	¥68,291	**$520,307**
Accumulated depreciation	**34,286**	33,097	**285,243**
Net balance	**28,254**	35,193	**235,064**

(ii) Future payment obligations of finance lease expenses as of March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Portion due within one year	**¥10,761**	¥11,299	**$ 89,530**
Thereafter	**20,073**	27,231	**167,000**
Lease expense paid	**12,405**	13,572	**103,206**

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.

(2) Operating leases were as follows:

(a) As a lessee

Future payment obligations of operating lease expenses as of March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Portion due within one year	**¥ 868**	¥1,291	**$ 7,221**
Thereafter	**3,572**	5,193	**29,718**

(b) As a lessor

Future receivable income of operating lease commitments as of March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Portion due within one year	**¥17**	¥42	**$141**
Thereafter	**64**	82	**538**

12. Segment Information

(1) The business segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2003 and 2002 was as follows:

	Automotive	Finance	Miscellaneous	Total	Eliminations	Consolidated
Year ended March 31, 2003			Millions of Yen			
Sales to third parties	**¥1,336,921**	**¥ 4,510**	**¥ 8,017**	**¥1,349,449**	**¥ –**	**¥1,349,449**
Interarea sales and transfers	**773**	**–**	**3,666**	**4,440**	**(4,440)**	**–**
Total sales	**1,337,695**	**4,510**	**11,683**	**1,353,889**	**(4,440)**	**1,349,449**
Operating expenses	**1,320,871**	**6,207**	**10,826**	**1,337,906**	**(3,918)**	**1,333,987**
Operating income (loss)	**16,823**	**(1,697)**	**857**	**15,983**	**(521)**	**15,462**
Total assets	**998,938**	**9,324**	**24,307**	**1,032,570**	**(3,726)**	**1,028,844**
Depreciation expenses	**42,999**	**65**	**145**	**43,211**	**–**	**43,211**
Capital expenditure	**32,635**	**–**	**35**	**32,670**	**–**	**32,670**

			Thousands of U.S. Dollars			
Sales to third parties	**$11,122,476**	**$ 37,523**	**$ 66,703**	**$11,226,704**	**$ –**	**$11,226,704**
Interarea sales and transfers	**6,438**	**–**	**30,500**	**36,939**	**(36,939)**	**–**
Total sales	**11,128,915**	**37,523**	**97,204**	**11,263,643**	**(36,939)**	**11,226,704**
Operating expenses	**10,988,950**	**51,643**	**90,073**	**11,130,668**	**(32,600)**	**11,098,067**
Operating income (loss)	**139,964**	**(14,119)**	**7,130**	**132,975**	**(4,339)**	**128,636**
Total assets	**8,310,636**	**77,577**	**202,222**	**8,590,437**	**(31,002)**	**8,559,434**
Depreciation expenses	**357,735**	**547**	**1,209**	**359,492**	**–**	**359,492**
Capital expenditure	**271,506**	**–**	**294**	**271,801**	**–**	**271,801**

	Automotive	Finance	Miscellaneous	Total	Eliminations	Consolidated
Year ended March 31, 2002			Millions of Yen			
Sales to third parties	¥1,518,134	¥59,886	¥19,680	¥1,597,701	¥ –	¥1,597,701
Interarea 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

(2) The geographical segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2003 and 2002 was as follows:

	Japan	North America	Other	Total	Eliminations	Consolidated
Year ended March 31, 2003	Millions of Yen					
Sales to third parties	**¥812,932**	**¥351,543**	**¥184,973**	**¥1,349,449**	**¥ –**	**¥1,349,449**
Interarea sales and transfers	**129,523**	**8,664**	**7,030**	**145,218**	**(145,218)**	**–**
Total sales	**942,455**	**360,208**	**192,003**	**1,494,668**	**(145,218)**	**1,349,449**
Operating expenses	**923,139**	**371,727**	**188,863**	**1,483,729**	**(149,741)**	**1,333,987**
Operating income (loss)	**19,316**	**(11,518)**	**3,140**	**10,938**	**4,523**	**15,462**
Total assets	**901,618**	**84,043**	**64,082**	**1,049,744**	**(20,900)**	**1,028,844**
	Thousands of U.S. Dollars					
Sales to third parties	**$6,763,164**	**$2,924,658**	**$1,538,880**	**$11,226,704**	**$ –**	**$11,226,704**
Interarea sales and transfers	**1,077,566**	**72,087**	**58,486**	**1,208,140**	**(1,208,140)**	**–**
Total sales	**7,840,731**	**2,996,745**	**1,597,366**	**12,434,844**	**(1,208,140)**	**11,226,704**
Operating expenses	**7,680,025**	**3,092,570**	**1,571,241**	**12,343,838**	**(1,245,770)**	**11,098,067**
Operating income (loss)	**160,706**	**(95,824)**	**26,124**	**91,006**	**37,630**	**128,636**
Total assets	**7,500,983**	**699,201**	**533,129**	**8,733,313**	**(173,878)**	**8,559,434**

	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
Interarea 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

(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 American	Asian	Other	Total
Year ended March 31, 2003	Millions of Yen			
Overseas sales	**¥377,503**	**¥210,736**	**¥287,223**	**¥ 875,462**
Consolidated net sales	**–**	**–**	**–**	**1,349,449**
Overseas sales per consolidated net sales	**28.0%**	**15.6%**	**21.3%**	**64.9%**
	Thousands of U.S. Dollars			
Overseas sales	**$3,140,625**	**$1,753,213**	**$2,389,546**	**$ 7,283,385**
Consolidated net sales	**–**	**–**	**–**	**11,226,704**
Overseas sales per consolidated net sales	**28.0%**	**15.6%**	**21.3%**	**64.9%**

	North American	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	44.1%	8.0%	16.3%	68.5%

Independent Auditors' Report

Shin Nihon & Co.

To the Board of Directors
Isuzu Motors Limited

We have audited the accompanying consolidated balance sheets of Isuzu Motors Limited and consolidated subsidiaries as of March 31, 2003, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Isuzu Motors Limited and consolidated subsidiaries at March 31, 2003, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Shin Nihon & Co.

June 27, 2003

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

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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

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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

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

The Hokkaido Plant, which manufactures engines, and the Hokkaido Proving Ground were spun off into different companies in October 2002. They changed their names to Isuzu Engine Manufacturing Hokkaido Co., Ltd. and Wa.com Hokkaido Co., Ltd., respectively.

Common Stock, Preferred Stock and Number of Shareholders

		Preferred Stock			
	Common Stock	Class I	Class II	Class III	Class IV
Shares authorized:	3,369,000,000	37,500,000	37,500,000	25,000,000	25,000,000
Shares issued:	748,526,911	37,500,000	37,500,000	25,000,000	25,000,000
No. of shareholders:	67,021	5	5	1	1

Major Shareholders (% of total)

(Common Stock)

General Motors Limited	(12.04)
Mizuho Corporate Bank Ltd.	(6.80)
Itochu Corporation	(2.55)
Isuzu Motors Vendors' Shareholding Association	(1.54)
Nihon Mutual Life Insurance Company	(1.45)
Asahi Mutual Life Insurance Company	(1.45)
The Tokio Marine and Fire Insurance Co., Ltd.	(1.38)
Mitsui Sumitomo Insurance Company, Limited	(1.28)
Isuzu Motors Employees' Shareholding Association	(1.22)
Dai-Ichi Mutual Life Insurance Company	(1.20)

(Class I Preferred Stock)

Mizuho Corporate Bank Ltd.	(68.52)
UFJ Bank Ltd.	(11.89)
The Bank of Yokohama Ltd.	(7.28)
The Bank of Tokyo-Mitsubishi Ltd.	(6.31)
Mitsubishi Trust and Banking Corporation	(6.00)

(Class II Preferred Stock)

Mizuho Corporate Bank Ltd.	(68.52)
UFJ Bank Ltd.	(11.89)
The Bank of Yokohama Ltd.	(7.28)
The Bank of Tokyo-Mitsubishi Ltd.	(6.31)
Mitsubishi Trust and Banking Corporation	(6.00)

(Class III Preferred Stock)

Mizuho Corporate Bank Ltd.	(100.00)

(Class IV Preferred Stock)

Mizuho Corporate Bank Ltd.	(100.00)

Transfer Agent
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(As of March 31, 2003)

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