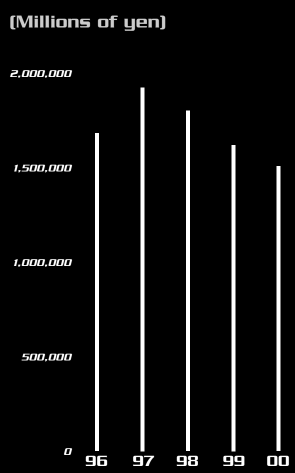
FINANCIAL HIGHLIGHTS

	Millions of Yen			Thousands of U.S. Dollars
	2000	1999	1998	2000
Net Sales	¥1,506,642	¥1,619,101	¥1,799,604	$14,193,519
Net Income (Loss)	(104,186)	6,235	6,039	(981,503)
Total Assets	1,843,053	1,627,302	1,730,857	17,362,731
Shareholders' Equity	169,338	177,771	122,215	1,595,272
	Yen			U.S. Dollars
Per Share:				
Net Income (Loss)	¥(82.48)	¥5.94	¥5.86	$(0.78)
Cash Dividends	–	–	5.00	–

	Vehicle Units					
	Domestic		Export		Total	
	2000	1999	2000	1999	2000	1999
Ex-Factory Sales						
Heavy- & Medium-Duty Vehicles	19,183	22,021	10,627	11,647	29,810	33,668
Light-Duty Vehicles	56,374	66,550	300,345	311,075	356,719	377,625
Passenger Cars	1,748	1,989	–	–	1,748	1,989
Total	77,305	90,560	310,972	322,722	388,277	413,282

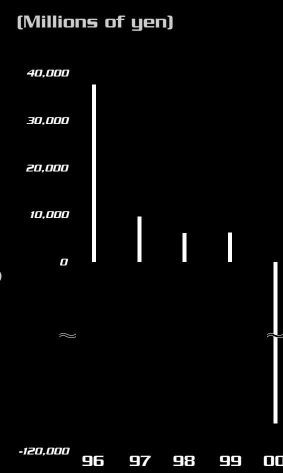
Notes: 1. Computation of net income per share is based on the weighted average number of shares outstanding during each fiscal period.

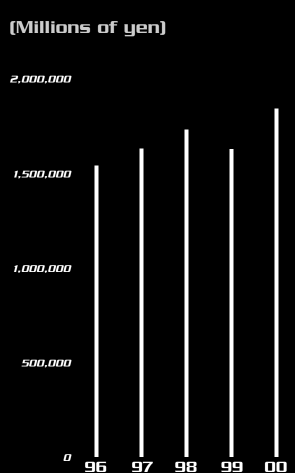
2. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106.15=US$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2000.



NET SALES

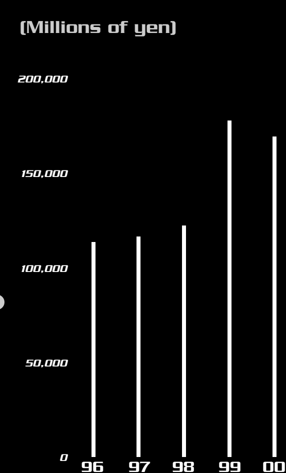
NET INCOME



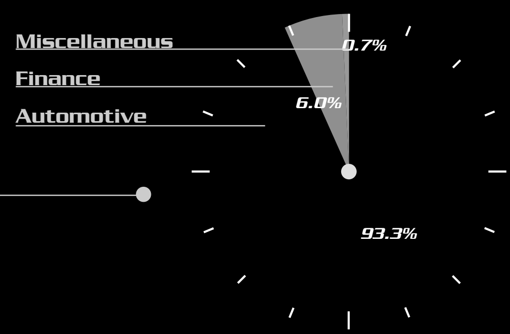


TOTAL ASSETS

SHAREHOLDERS' EQUITY



SHARE OF NET SALES



TO OUR FELLOW SHAREHOLDERS

Kazuhira Seki, Chairman and Representative Director

Operating Results

In the past fiscal year, the Japanese economy showed signs of having come through the worst of the recession as a result of the government's economic stimulus packages. Capital investments and consumer spending remained sluggish however, and combined to hold back the economy overall. Overseas, the European and U.S. economies exhibited steady growth, and the Asian economy also made solid progress toward recovery. On a negative note, the dramatic appreciation of the yen darkened the export picture.

The Japanese automobile industry witnessed a strong performance in exports to the North American market. Domestic demand continued to decline though, especially for trucks. Consequently, the total number of automobiles sold domestically and through exports was not significantly different from the previous fiscal year.

In this climate, the Isuzu Group committed itself to the development and sales, both domestic and overseas, of new products matching the needs of markets and society. A number of joint projects with General Motors Corporation (GM) provided another focus, as the entire Isuzu Group got to grips with structural reforms to realize a new level of efficiency in management. However, domestic vehicle sales in unit terms dropped 14.6% over the previous year to 77,305 units, with overseas sales declining 3.6% to 310,972. Total units sold came to 388,277, a drop of 6.1%. In contrast, Takeshi Inoh, President and Representative Director

sales of parts for overseas production soared 73.2% to ¥74.1 billion.

Net sales were down 6.9% to ¥1,506.6 billion due to the third consecutive significant fall in domestic unit sales of all categories of trucks. Earnings also suffered, in spite of structural reforms introduced to boost management efficiency. Major factors here were the slump in domestic demand, the severe difficulties the strong yen caused for exports and expenses related to capital investments in facilities for new product development. As a result, Isuzu recorded an operating loss of ¥50.7 billion. In addition, measures were taken to remove obstacles to future performance by bolstering our balance sheet. Specifically, we adopted a new standard relating to accrued retirement and severance benefits. The new standard requires the use of projected benefit obligations and resulted in an addition to accrued retirement and severance benefits. We also recorded an evaluation loss on affiliates, which resulted in a loss before income taxes of ¥150.9 billion. This brought the net loss for the year to ¥104.1 billion.

A Speedy Return to Profitability

Our operating environment is predicted to remain very difficult. In response, the Isuzu Group will accelerate group-wide structural reforms, dedicating all its energies to realizing a speedy return to profitability.

Fundamental Overhaul of the Domestic Sales System

Isuzu launched its group restructuring plan in 1992, a plan that came to completion with the arrival of the 21st century. Change must continue to take place though, particularly in the domestic sales network. This is an area in which we must be active, not reactive, in attempts to deal with sluggish demand. Fundamental reforms geared toward the improvement of customer satisfaction and the bolstering of price competitiveness were judged essential by management. This underlay the December 1998 announcement of the Isuzu Group restructuring plan, which will integrate domestic sales structures and greatly improve efficiency in all aspects of sales operations.

The numerical targets in this plan for the domestic sales subsidiaries are net sales of ¥710 billion and income before income taxes of ¥10 billion for the year ending March 31, 2001. A return to overall profitability at these subsidiaries is another priority. Specific steps to ensure the achievement of these goals are as follows:

- Regional sales strategies will be implemented by integrating small zones into broader regional ones.
- Commercial vehicle sales operations will be streamlined by combining sales companies that now specialize in large or small vehicles.

Through these measures, we aim to realign our operations into a network of 30 domestic sales companies, 480 sales bases, 4,320 service stalls and with 14,000 employees. In April 2000, the number of sales companies had already dropped to 45, resulting in rapid progress on the profitability front.

- In RV sales, a specialist RV sales company called Isuzu Square Japan has been spun off from existing sales companies. The new company is responsible for the expansion of a chain of “multi-stores” offering automotive, outdoor and fashion goods.
- Used-car operations have been spun off into an independent company called Isuzu U-Max that will be devoted exclusively to this market.
- A new company has been established to handle all back-office and support operations of Isuzu and its sales companies on an outsourcing basis.

In addition to these measures, we plan to continue work toward establishing a nationwide network of service companies.

Domestic production bases continued to be reorganized. Operations of the Yamato Plant were transferred to the Fujisawa Plant, steps were taken to produce more key components internally, and knock-down plant operations concentrated at fewer locations. This brought Isuzu’s production base reorganization, which started in 1994 with the relocation of a casting plant to Iwate Prefecture, very close to completion. Each of the changes the program introduced is expected to make significant contributions to profits.

Completing the Network of Overseas Production Bases

Isuzu has largely completed preparations for expansion of bases in China and Southeast Asia, markets where we are particularly strong. Streamlining measures in response to the 1997 currency crises in this region have resulted in a local network of a scale appropriate for current market conditions. This gives us an ideal base for embarking on a new expansion initiative.

In concrete terms, we commenced exports of pickup trucks from Thailand to Australia in August 1999, where their high quality won these vehicles favorable reviews from local distributors. Thai operations will be strengthened further in the years to come as Isuzu's main Asian production base. An example of this trend is the planned relocation of pickup trucks for exports. Beginning with the new model, all export pickup production will be shifted from Japan to Thailand, a move expected to yield significant gains in efficiency. Although the Asian economic recovery has not yet reached the heavy-duty truck market, we are putting in place a system which can quickly capitalize on an upturn when it comes.

In Europe, Isuzu's new plant in Tychy, Poland, Isuzu Motors Polska Sp. zo.o. (ISPOL), began full-scale production of 1.7 liter diesel engines for passenger cars in June 1999, two years after construction began. Europe is home to a large market for diesel engines, which are economical and environmentally friendly. Substantial growth in demand is predicted for the future. This plant represents the formation of a system able to supply high-quality, competitively priced, European-made diesel engines without any significant foreign exchange risk. It also meshes perfectly with the role Isuzu is due to play in GM's global diesel engine strategy. In both these senses, the plant is a vital first step toward increasing profitability in diesel engine operations.

In North America, DMAX, Limited, a joint venture company founded in Ohio in September 1998 with GM to manufacture and sell diesel engines, commenced production in the summer of 2000. The company aims to produce some 200,000 engines in 2004. The 6.6 liter V8 direct-injection engines made here are due to be used in GM's full-size pickup trucks. Isuzu aims to produce high-performance, clean and quiet-running engines, able to convince U.S. consumers of the merits of the diesel engine. Preparations for this project are also advancing at the Hokkaido Plant, where production has already started on the aluminum cylinder heads required by the engines DMAX manufactures. And through the commencement of operations at DMAX, Isuzu has put in place a network of production bases that spans the four key regions of Japan, Asia, Europe and North America.

Outlook

Automobile manufacturers are operating on an increasingly global scale, and the battle for survival is advancing apace. As outlined in the preceding pages, Isuzu will maintain its position as a global manufacturer of commercial vehicles and diesel engines. Making the best use of its strengths as a member of the GM Group, Isuzu has established a distinct position. As such, there is no shortage of opportunities to reinforce our operations. The full-fledged start of the supply of diesel engines to the GM Group in Europe and North America will combine with the economic recovery taking place in the ASEAN region to add impetus to Isuzu's drive to return to profitability. We are confident that the current fiscal year will be a period of solid gains in profitability accompanied by exhaustive structural improvements.

Kazuhira Seki

Kazuhira Seki, Chairman and Representative Director

T. Inoh

Takeshi Inoh, President and Representative Director

FINANCIAL REVIEW

Net Sales

Consolidated net sales in fiscal 2000, the year ended March 31, 2000, decreased 6.9% to ¥1,506.6 billion, mainly a reflection of a fall in sales volume. Automotive segment sales were down 7.3% to ¥1,440.1 billion and there was an operating loss of ¥52.6 billion. Finance segment sales, mainly from leasing and the purchase of receivables, increased 3.0% to ¥95.3 billion and operating income was ¥1.5 billion. Miscellaneous sales, mainly representing real estate businesses, decreased 8.0% to ¥20.6 billion and operating income was ¥0.4 billion. All figures are prior to eliminations.

By region, sales in Japan decreased 4.4% to ¥571.4 billion. The impact of contracting demand for trucks was greater than benefits of sales activities and the realignment of domestic sales subsidiaries. Sales in North America decreased 12.4% to ¥553.2 billion due to competitive pressures, sales in Asia (excluding Japan) increased 47.5% to ¥118.4 billion, and sales in other overseas regions decreased 14.9% to ¥263.5 billion despite the contribution of sales from the newly completed diesel engine plant in Poland, which began operations in June 1999. As a result, total overseas sales declined from 63.1% to 62.1% of total sales.

On a consolidated basis, Isuzu sold 77,305 vehicles in Japan during fiscal 2000, a decrease of 14.6%, and 310,972 vehicles overseas, a decrease of 3.6%. Heavy- and medium-duty truck sales decreased 11.5% to 29,810 and light-duty truck sales decreased 5.5% to 356,719. This resulted in a 6.1% decline in total vehicle sales to 388,277, including 1,748 passenger cars. Sales of parts manufactured in Japan for use at overseas production bases increased 73.2% to ¥74.1 billion. In other automotive categories, engine component sales declined 18.9% to ¥124.8 billion and service parts, accessories and others sales were down 1.6% to ¥421.8 billion.

Cost of sales decreased 1.8% to ¥1,297.2 billion due to lower production volume, the yen’s strength and product development programs. Cost of sales rose significantly as a percentage of net sales, mainly a reflection of competitive pressure on pricing and lower capacity utilization in Japan due to the prolonged economic weakness. Selling, general and administrative expenses decreased 9.9% to ¥260.1 billion. This was mainly attributable to cost containment initiatives and the positive effect of the yen’s strength on translations of overseas expenses. Due to these factors, there was an operating loss of ¥50.7 billion compared with operating income of ¥9.1 billion in the previous fiscal year.

Other income and expenses resulted in an expense of ¥17.3 billion compared with ¥15.0 billion in the previous fiscal year. This was mostly the result of a decrease in gains on sales of marketable securities and a small increase in interest expense. Special items resulted in an expense of ¥82.9 billion compared with income of ¥21.9 billion in the previous fiscal year. This was almost entirely attributable to a ¥93.5 billion retirement reserve provision applicable to obligations accrued in prior years. This is the result of the switch in fiscal 2000 to the statement of employees’ retirement benefits at the amount of discounted present value required when all eligible employees retire, less pension assets. The ¥93.5 billion provision covers the shortfall between pension assets and the discounted present value of obligations.

The result of these items was a loss before income taxes of ¥150.9 billion and a net loss of ¥104.1 billion compared with net income of ¥6.2 billion in the previous fiscal year. The loss per share was ¥82.48. Due to this loss, no dividends applicable to fiscal 2000 were declared or paid.

Financial Position and Capital Resources

Cash Flows

Years ended March 31	2000	1999	1998
	Millions of Yen		
Net income	**¥(104,186)**	¥ 6,235	¥ 6,039
Depreciation and amortization	**93,444**	95,841	93,260
Other adjustments	**8,747**	(44,685)	(55,369)
Changes in operating assets and liabilities	**66,939**	(61,617)	9,509
Net cash provided by operating activities	**64,942**	(4,227)	53,439
Net cash used in investing activities	**(48,771)**	(55,015)	(91,426)
Net cash provided by financing activities	**4,600**	5,994	61,805
Effect of exchange rate changes on cash and cash equivalents	**(3,948)**	(2,327)	558
Net increase in cash and cash equivalents	**¥ 25,757**	¥(51,918)	¥33,051

Operating cash flows in fiscal 2000 totaled ¥64.9 billion compared with a negative ¥4.2 billion in the previous fiscal year. Offsetting the year's net loss were depreciation and amortization and large contribution to cash flows by operating assets and liabilities. Investing activities used net cash of ¥48.7 billion. This mainly reflects the combination of capital expenditures of ¥110.6 billion and proceeds from sales of property, plant and equipment of ¥58.8 billion. In fiscal 2000, the major components of capital expenditures were equipment to produce new models, steps to streamline, upgrade existing facilities, develop engine parts for General Motors Corporation and relocate certain production equipment. Financing activities provided cash of ¥4.6 billion, the result of a small net increase in total debt. The net effect of these activities was a net increase in cash and cash equivalents of ¥25.7 billion.

Capital Structure

At March 31	2000		1999		1998	
	Millions of Yen (%)					
Bank loans and CP	**¥ 508,745**	**(44.1)**	¥ 506,747	(44.3)	¥ 552,304	(48.9)
Current portion of bonds	**30,000**	**(2.6)**	0	(0.0)	37,550	(3.3)
Long-term debt	**444,543**	**(38.6)**	458,958	(40.2)	418,558	(37.0)
Shareholders' equity	**169,338**	**(14.7)**	177,771	(15.5)	122,215	(10.8)
Total capital	**¥1,152,626**	**(100.0)**	¥1,143,476	(100.0)	¥1,130,627	(100.0)

Total interest-bearing debt was ¥983.2 billion as of March 31, 2000 compared with ¥965.7 billion one year earlier. Total assets increased by ¥215.7 billion to ¥1,843.0 billion. This increase was mainly attributable to revaluation of land used for business activities in accordance with a recently enacted Japanese law and the posting of deferred taxes of ¥58.8 billion due to the adoption in fiscal 2000 of tax effect accounting. Offsetting the increase in land was an addition of a variance on land revaluation to equity and deferred tax liabilities related to this revaluation to long-term liabilities. The inclusion of the land revaluation offset most of the decrease in total shareholders' equity caused by the fiscal 2000 net loss. As a result, equity declined from 15.5% to 14.7% of total capital, which is the sum of interest-bearing debt and equity.