

FINANCIAL HIGHLIGHTS

	Millions of Yen			Thousands of U.S. Dollars
	1999	1998	1997	1999
Net Sales	¥934,865	¥1,128,068	¥1,194,835	\$7,754,999
Net Income (Loss)	(4,566)	10,092	10,388	(37,881)
Total Assets	907,474	964,655	912,258	7,527,784
Shareholders' Equity	271,320	226,023	221,198	2,250,686

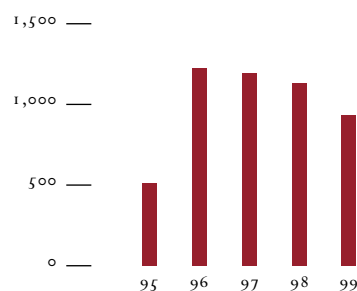
	Yen			U.S. Dollars
Per Share:				
Net Income (Loss)	¥(4.35)	¥9.79	¥10.08	\$(0.04)
Cash Dividends	0.00	5.00	5.00	0.00

	Vehicle Units								
	Domestic			Export			Total		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Ex-Factory Sales									
Heavy- & Medium-Duty Vehicles	19,344	30,521	40,782	10,570	16,197	21,178	29,914	46,718	61,960
Light-Duty Vehicles	61,794	90,736	114,454	216,490	215,820	169,799	278,284	306,556	284,253
Passenger Cars	2,334	3,207	3,129	—	—	—	2,334	3,207	3,129
Total	83,472	124,464	158,365	227,060	232,017	190,977	310,532	356,481	349,342

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 ¥120.55=US\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 1999.

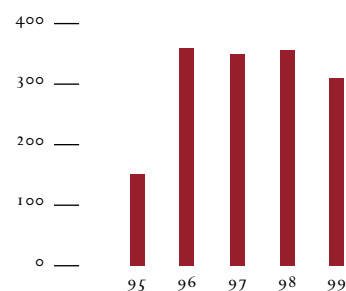
NET SALES

Billions of yen



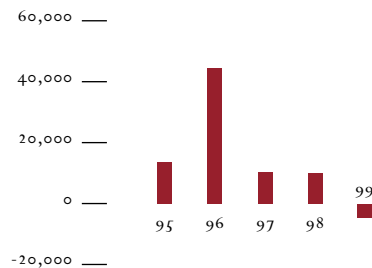
EX-FACTORY SALES

Thousands of units



NET INCOME (LOSS)

Millions of yen



Note: Fiscal 1995 was a five-month period because of a fiscal year change.

T O O U R S H A R E H O L D E R S

OPERATING RESULTS

Consumer spending in Japan was sluggish in the past fiscal year, with sentiment depressed by the collapse of several financial institutions and a worsening of the employment picture. This in combination with a major decline in capital investment due to inventory reductions and other factors pushed the economy into a still steeper decline. Domestic motor vehicle sales plummeted. Among overseas markets, Europe was buoyant, but Asian economies were unable to find a way out of the turmoil sparked by currency upheavals. Consequently, total sales in Japan's motor vehicle industry were lower as higher exports to Europe were insufficient to offset weakness in Japan and Asia.

In this climate, Isuzu worked hard to create an operating base capable of generating a steady flow of earnings for the group. Specifically, we developed attractive new products, focused on raising sales at home and abroad, and cut manufacturing and logistics costs. However, domestic vehicle sales in unit terms fell by 40,992, or 32.9 percent, to 83,472. Exports dropped by 4,957 units, or 2.1 percent, to 227,060. Overseas and domestic sales together were down by 45,949 units, or 12.9 percent, to 310,532. Net sales fell ¥193.2 billion (US\$1,602 million), or 17.1 percent from last year, to ¥934.8 billion (US\$7,754 million). Domestic sales decreased 29.8 percent to ¥346.6 billion (US\$2,875 million), and exports slid 7.3 percent to ¥588.2 billion (US\$4,879 million). Sales of parts for overseas production declined by ¥57.0 billion (US\$473 million), or 57.1 percent, to ¥42.8 billion (US\$355 million).

In addition to lower sales, results were impacted by a rise in expenses due to intense domestic competition. Furthermore, Isuzu recorded expenses amounting to ¥55.7 billion (US\$462 million) related to the restructuring of domestic sales companies and other parts of the Isuzu group. The result was a net loss of ¥4.5 billion (US\$37 million). We therefore made the difficult decision to suspend cash dividends.

Our operating environment is likely to remain very difficult. Although Isuzu has been taking dramatic actions for some time now to cope with a challenging market, we need to work still harder to return to profitability.

FUNDAMENTAL OVERHAUL OF THE DOMESTIC SALES SYSTEM

Isuzu's group restructuring plan, launched in 1992, is now in its final stage as we stand on the doorstep of the next century. However, revisions to the original plan are needed to bring about change of the necessary magnitude. In particular, the domestic sales network must not react passively to sluggish demand. We realize that more far-reaching changes are essential to make fundamental improvements to our ability to satisfy customers and market our products effectively. For these reasons, we plan to launch a two-year medium-term domestic

sales network restructuring plan in December 1999. The goal is a more efficient sales infrastructure centered on consolidation and closing of domestic sales bases.

The numerical targets in this plan for the domestic sales companies are annual net sales of ¥710 billion (US\$5,889 million) and operating income of ¥10 billion (US\$82 million) for the term ending in March 2000. We are also:

- ▶ redrawing sales areas by integrating small zones into broader regional ones
- ▶ streamlining commercial vehicle sales operations by combining sales companies specializing in large and small vehicles
- ▶ spinning off our successful RV business as an independent sales company and turning it into a new type of dealer that sells not only automotive products but also outdoor accessories, fashion goods and other items related to the RV lifestyle
- ▶ spinning off the used-car sales operation and turning it into an independent company devoted exclusively to used cars
- ▶ spinning off the service operations of the sales companies and running them as an independent entity, with the aim of offering a consistently high level of customer service nationwide
- ▶ setting up a company to handle all back office and support operations of Isuzu and its sales companies on an outsourcing basis.

Through these policies we aim to reduce the number of sales companies in Japan from the current 68 to 30, that of sales bases from 484 to 480, raise the number of service stores from 4,164 to 4,320 and cut staff by 1,300 to 14,000.

COMPLETING THE NETWORK OF OVERSEAS PRODUCTION BASES

Isuzu has more or less completed preparations for expansion of bases in China and Southeast Asia, markets where we are particularly strong. Streamlining efforts in the wake of the 1997 currency crisis in this region have given us a local network of the proper scale for current market conditions. We are thus in an excellent position to embark on a new stage of business activities.


In Europe, Isuzu's new plant in Tychy, Poland, Isuzu Motors Polska Sp. Zo.o. (ISPOL), began full-scale production of high-performance diesel engines in June 1999, two years after construction began. There is a large and growing market in Europe for diesel engines, which are economic and environment-friendly. The

start-up of production in Poland enables us to supply competitively priced, high-quality European-made engines without any foreign exchange risk. This project is also a vital element in Isuzu's assumption of a key role in General Motors Corporation's global diesel engine strategy. As such, it is an important first step toward increasing profitability.

TARGETING GROWTH IN JAPAN AND OVERSEAS

Automakers are moving more aggressively and on a global scale now. A winners-take-all pattern is emerging in the market, as symbolized by the wave of mergers and alliances that has overtaken the industry. As a global specialist in diesel engines, Isuzu will leverage its unique strengths to carve its own niche and make the most of chances to create a sounder business base. Most notable among these opportunities are the growing worldwide demand for diesel engines and the commencement of sales of these engines to General Motors this year.

Market conditions generally are poor. A further drop in demand is likely in Japan, which is still mired in a protracted recession, and there are no signs of a rebound in Asia yet. Faced with such difficulties, Isuzu will steadily restructure its domestic operations while laying the groundwork for future success overseas at the same time. In this way, I am convinced that we shall overcome our problems and turn today's opportunities into future growth.



Kazuhira Seki, *Chairman and Representative Director*



Takeshi Inoh, *President and Representative Director*



KAZUHIRA SEKI, CHAIRMAN & REPRESENTATIVE DIRECTOR (SEATED)
AND TAKESHI INOH, PRESIDENT & REPRESENTATIVE DIRECTOR

STRENGTHENING THE ALLIANCE WITH GM



GENERAL MOTORS CHAIRMAN AND CEO JOHN F. SMITH, JR. AND ISUZU CHAIRMAN AND CEO KAZUHIRA SEKI SEAL AN AGREEMENT FOR A CLOSER COOPERATIVE RELATIONSHIP. UNDER THE AGREEMENT, ISUZU WILL SUPPLY DIESEL ENGINES AND COMMERCIAL VEHICLES TO GM.

On December 18, 1998, Isuzu signed an agreement to further strengthen its business alliance with General Motors Corporation, with the goal of enlarging its diesel engine and commercial vehicle operations globally. As a result, GM raised its equity stake in Isuzu from 37.5% to 49.0% through a private placement. By acquiring 232.5 million shares, GM raised its stake in Isuzu from 386,517 thousand to 619,017 thousand shares.

Under the agreement Isuzu will develop and supply engines and commercial vehicles as a core component of GM's global diesel engine strategy. This is a reflection of the high esteem in which Isuzu's prowess in the commercial vehicle sector is held. The upgrading of this alliance follows an agreement last year that Isuzu should become the main entity responsible for developing and producing GM's diesel engines. This tie-up will enable Isuzu to expand its role in the supply of finished vehicles, too.

Since Isuzu and GM signed their original comprehensive alliance agreement in 1971, the two companies have maintained friendly relations on the basis of mutual esteem. The partnership has become global with time. Isuzu now supplies diesel engines to Adam Opel AG of Germany, develops commercial vehicles jointly with GM and entrusts Isuzu truck production to General Motors in North America. These and other forms of cooperation are evidence of the success of the alliance in responding to change in the global market. Backed by this alliance, Isuzu is in a good position to achieve the goal of becoming the world's largest supplier of commercial vehicles and diesel engines.