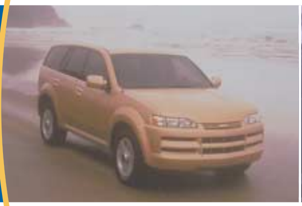
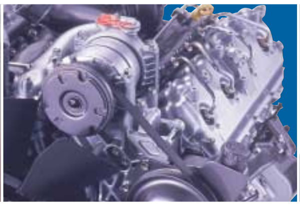
ANNUAL REPORT 2001


ISUZU MOTORS LIMITED

Year ended March 31, 2001

Profile

In May 2001, Isuzu Motors Limited instituted far-reaching reforms of its business and corporate structure. The company announced a medium-term business plan called the Isuzu V* Plan, covering the three-year period through March 2004 that sets a new stage from which to expand its business in the years ahead. The plan calls for a streamlined organization and the resurgence of corporate value, which forms the basis of sound management. Isuzu will leverage its own competitive advantages and alliance with General Motors to establish a global business network and achieve high growth. The entire Isuzu Group will make a concerted effort to accomplish these goals.

The Isuzu V Plan constitutes the first step toward the rebirth of the company. As such, the plan clarifies pressing issues that must be resolved and underscores Isuzu's commitment to becoming a corporation that can provide valued products enjoyed by customers worldwide.

* *The "V" stands for victory and also represents a V-shaped turnaround in performance.*

Contents

President's Message

Yoshinori Ida President and Representative Director

Far-reaching reforms

The Isuzu Group has reported net losses for two consecutive years, an extremely serious predicament. Management has come to the decision that Isuzu must bolster its corporate structure as quickly as possible. For this reason, we formulated the "Isuzu V Plan," our medium-term management plan covering the three-year period through March 2004, in May 2001. This plan calls for a more streamlined organization and the resurgence of corporate value. At the same time, we intend to establish a global business structure by leveraging our alliance with General Motors. The key objective is to expand business. The Isuzu Group is committed to accomplishing the goals of this business plan, and to becoming a corporation that can provide quality products enjoyed by customers all over the world.

In December 1998, Isuzu began group-wide structural reforms, including reforms to its domestic dealership organization and personnel structure. The result was an improvement in the company's profit structure, particularly in the domestic segment. However, Isuzu has reported operating losses and net losses for the last two fiscal years, ended March 31, 2000 and 2001, respectively. In the most recent fiscal year, consolidated shareholders' equity declined by ¥75,230 million to ¥94,108 million and the shareholders' equity ratio fell to 5.0%. This was mainly attributable to intrinsic weaknesses in Isuzu's corporate and business structure.

We believe three weaknesses in particular were responsible for the recent downturn in our performance. Firstly, the company had grown accustomed to the comparatively stable domestic commercial vehicle market, which precluded prompt responses to recent changes in our operating environment. The second relates to Isuzu's overseas business. Even though overseas sales accounted for more than 60% of total sales, Isuzu's business structure remained oriented around the Japanese market. Consequently, our product development didn't respond adequately to the needs of overseas customers. Additionally, the transfer of operations to overseas locations was inadequate, resulting in exchange rate losses and poor cost competitiveness. Finally, Isuzu lacked flexibility in business execution, and extensive fixed costs required to maintain existing levels of infrastructure and personnel hurt bottom-line performance.

In view of these circumstances, Isuzu is committed to making a company-wide effort to take on the challenge of accomplishing the goals contained in the Isuzu V Plan. To breathe life back into Isuzu's business, I will personally oversee the swift execution of this plan.

Reform of Costly Domestic Business Structure

One of the primary goals of the Isuzu V Plan is to recover corporate value. To this end, Isuzu will make a concerted effort to reform its cost structure, following an eight-step plan of action. The Isuzu V Plan targets consolidated net sales of ¥1,520.0 billion, consolidated operating income of ¥60.0 billion and consolidated net income of ¥30.0 billion for the fiscal year ending March 31, 2004.

The first step toward reforming our cost structure will be to consolidate our domestic production infrastructure. Specifically, we will transfer heavy-duty truck operations from the Kawasaki Plant to the Fujisawa Plant in 2002. Engine production will be transferred to the Tochigi Plant by the end of 2005, when the domestic production network will be consolidated into three manufacturing bases with the closure of the Kawasaki Plant. Vehicle production will be centralized at the Fujisawa Plant, while production of pick-up trucks for export will be shifted from Fujisawa to Thailand from 2003. Moreover, production of our next generation of sports utility vehicles (SUVs) will be transferred to North America. The Tochigi Plant will manufacture commercial vehicle engines, the Hokkaido Plant engine components for overseas markets and the Fujisawa Plant SUV engines.

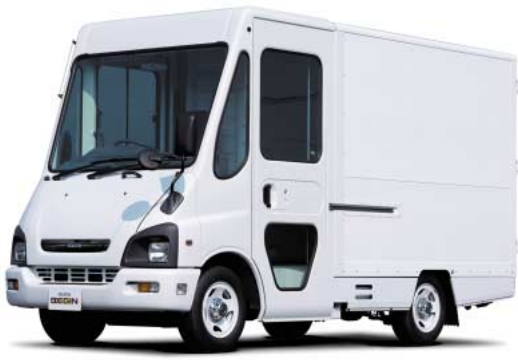
Under these measures, we will optimally re-allocate production, with the aim of raising capacity utilization rates from the current level of 50% to more than 90% in the years ahead.

Our second task will be reducing our workforce in each operation to an appropriate level, based on a careful assessment of current business scale and productivity. By the end of March 2004, we aim to reduce our total headcount by 9,700, from 38,000 at present to approximately 28,000. This will be accomplished through attrition, hiring freezes, voluntary early retirement and divestitures.

Thirdly, Isuzu will reduce materials costs through the review of parts specifications and world-scale parts commonization. The company will leverage the know-how and database of General Motors' WorldWide Purchasing (WWP) system with the aim of lowering costs by 20% over three years. Our sweeping specifications review calls for reducing vehicle models by 70% and halving component varieties. Components will be developed for collective use in new and existing models, as well as among different models.

Fourth, by March 2004 Isuzu will reduce total consolidated assets by approximately ¥350.0 billion, to ¥1,110 billion and write off interest-bearing debt by ¥250.0 billion, to ¥510.0 billion, excluding the financial segment. To accomplish these objectives, the company will sell its Kawasaki Plant and head office, unwind cross-shareholdings and reduce inventories.

Fifth, Isuzu will reinforce the earnings power of domestic dealers. Isuzu's 41 dealers will be combined into roughly 25 dealerships in a move to optimize marketing channels. At the same time, service operations will be reinforced. Dealers will exclusively handle the full line of Isuzu products, including both heavy-duty and light-duty trucks. Dealers



BEGIN, a new delivery vehicle designed to meet demand for small-item freight transport in urban areas.

with overlapping sales territories will be combined. Service outlets will be realigned by service work categories, handling either heavy-duty or light-duty vehicle maintenance, and market coverage of service operations will be reviewed. In this way, we will integrate service operations and enhance service quality. Isuzu aims to make all dealers profitable by the fiscal year ending March 31, 2004.

The sixth task calls for the review of business operations from a consolidated perspective. Here, Isuzu will rationalize and realign peripheral businesses to optimize operating efficiency. Following review and consolidation of operations, the number of group affiliates, totaling 109 at present, will be reduced by 40%.

Next, Isuzu will aim at increasing domestic SUV sales through the reciprocal use of marketing resources with GM, the transformation of Isuzu sales outlets into GM AutoWorld outlets, and the sale of Isuzu SUVs under the Chevrolet brand name.

Finally, Isuzu will integrate vehicle platforms into "core platforms," and raise the efficiency of product development by applying derivative technologies. In this way, we will bolster the efficiency of development programs and systems. Isuzu's seven vehicle platforms will be scaled down to three "core platforms," one each for heavy-duty and light-duty commercial vehicles and one for pick-up trucks.

Fundamental Strategies for Business Expansion

The Isuzu V Plan calls for worldwide business expansion. To this end, Isuzu will leverage its strengths in collaboration with GM as the nucleus of the GM group's diesel engine and commercial vehicle business. At the same time, the company will seek to optimally allocate resources worldwide. Isuzu will pursue four main strategies aimed at extending its business worldwide.

Firstly, Isuzu will establish a globally based business structure, in which work is shared among operating bases in the four geographical regions of Japan, Southeast Asia (ASEAN countries), China and North America (page 6). In each region, Isuzu will establish operating bases that conduct development, procurement, manufacturing and sales activities for a designated product category. Operating bases will expand business into other markets around the world. In each of the four geographical regions, Isuzu already has in place all operations from development through to sales. Our basic global business strategy is to expand business in countries where our operations are at their most advanced. Light- and medium-duty commercial vehicles and pick-up trucks are positioned as strategic global models. The company will market new "strategic models" featuring innovative product concepts all over the world. Additionally, Isuzu will enhance operations in regions with promising business opportunities such as Thailand, Indonesia and China.

Financial Highlights

Isuzu Motors Limited and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Net Sales	¥1,569,199	¥1,506,642	$12,665,050
Net Income (Loss)	(66,787)	(104,186)	(539,041)
Total Assets	1,891,492	1,843,053	15,266,282
Shareholders' Equity	94,108	169,338	759,555
	Yen		U.S. Dollars
Per Share:			
Net Income (Loss)	¥(52.76)	¥(82.48)	$(0.43)
Cash Dividends	–	–	–

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 ¥123.90=US$1; the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2001.*

Secondly, Isuzu will reinforce its powertrain business as one of the leading diesel engine manufacturers. We are targeting annual production of 1.8 million units by 2005, combining production at DMAX in the U.S., ISPOL in Europe, and other sites in Japan and Asia. Diesel engines feature leaner fuel consumption and lower levels of carbon dioxide emissions than gasoline engines. For this reason, demand for diesel engines has surged in Europe. Isuzu will supply both the GM group and other companies. We will also work to develop next-generation, ultra-clean diesel engines with even higher power and torque.

The third strategy aims to create new value that delivers real satisfaction to customers, and to bolster our Japanese logistics network. We will reinforce peripheral businesses such as service, financing, bodywork, used vehicles and car rental.

Finally, collaboration with GM will extend beyond the mere supply of products to a comprehensive alliance of business functions, products and regional business activities. On the engineering front, Isuzu will play a leading role in the GM group by leveraging our competitive edge as a supplier of diesel engines and commercial vehicles. The company will also incorporate GM's groundbreaking technologies and know-how into its own product development. Isuzu will participate in GM's WWP process. In manufacturing, Isuzu will draw on GM's infrastructure in Thailand and North America. Isuzu will market its products through GM's marketing channels and vice versa. In marketing activities, synergies will be pursued through the merger of sales channels for North American medium-sized commercial vehicles and SUVs in Japan.

Results for the Year Ended March 31, 2001

Consolidated net sales for the year ended March 31, 2001 increased 4.2% year on year to ¥1,569,199 million. Operating losses improved to ¥27,316 million, compared with ¥50,797 million in the previous fiscal year. Net losses also improved to ¥66,787 million compared with ¥104,186 million in the prior year. Despite improvements, these were the second consecutive operating and net losses for the Isuzu Group. In addition, consolidated shareholders' equity declined by ¥75,230 million to ¥94,108 million. As a result, the shareholders' equity ratio decreased to 5.0%. Meanwhile, total assets stood at ¥1,891,492 million as of March 31, 2001, an increase of ¥48,439 million compared with a year ago.

Domestic sales volume climbed 0.8% to 77,954 units, while overseas sales volume decreased 10.9% to 277,139 units. This brought total sales volume to 355,093 units, a decrease of 8.5% year on year. Engine component sales, however, surged 29.4% to ¥161,545 million owing to the start of mass production at Isuzu's engine plant in Poland and to the launch of production at a joint venture between Isuzu and GM.

Operational Highlights

	Vehicle Units					
	Domestic		Export		Total	
	2001	2000	2001	2000	2001	2000
Ex-Factory Sales:						
Heavy- & Medium-Duty Vehicles	20,133	19,183	13,023	10,627	33,156	29,810
Light-Duty Vehicles	55,638	56,374	264,116	300,345	319,754	356,719
Passenger Cars	2,183	1,748	–	–	2,183	1,748
Total	77,954	77,305	277,139	310,972	355,093	388,277

Isuzu will suspend dividend payments for the year ended March 31, 2001 in order to improve retained earnings and bolster its operating base.

New Management Team

In December 2000, Isuzu welcomed a new management team, and I am honored to have been appointed the new president of the company. Under Isuzu's new management system, I will assume full responsibility for the management of business operations.

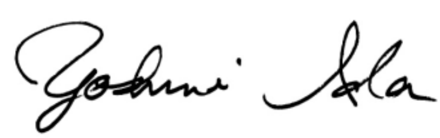
Mr. Kazuhira Seki stepped down as chairman and representative director and assumed the post of senior counselor, alongside GM Chairman John F. Smith, Jr. and Mr. Jay W. Chai, Vice Chairman of Itochu Corporation. Mr. Seki will continue to assist top management in this capacity.

Outlook for the Year Ending March 31, 2002

Uncertain prospects for the U.S. economy bode ill for Japan, where concerns over a slowdown in exports and falling prices could mire the economy deeper into recession. As such, constant vigilance is the order of the day.

In the automotive industry, despite the depreciation of the yen, a sharp increase in domestic truck demand is highly improbable, and Isuzu's operating environment is likely to remain difficult due to the U.S. market slowdown and fiercer global competition. As part of the medium-term management plan, the Isuzu V Plan, we will reduce our headcount by requesting 700 voluntary retirements. A special retirement allowance of approximately ¥9.0 billion for the fiscal year ending March 31, 2002 will compensate voluntary retirees.

Under these difficult circumstances, we will aim to flawlessly execute the Isuzu V Plan and return to profitability in the fiscal year ending March 2002. As the V Plan was formulated entirely by Isuzu, all Isuzu employees and myself are fully aware that we are the "main players" behind the implementation of this plan. We are firmly committed to executing the business policies and accomplishing the goals of the Isuzu V Plan with speed and vision.



Yoshinori Ida
President and Representative Director