

PROFILE

Isuzu Motors Limited announced in May 2001 a medium-term business plan, the Isuzu V Plan. The company has been implementing every initiative in the plan to strengthen competitiveness and restore corporate value while fine-tuning the plan so as to expeditiously cope with a rapidly changing operating environment. Results to date have been impressive, as evidenced by our strong earnings rebound. The Isuzu Group remains committed to leveraging its own competitive advantages and alliance with General Motors to establish a global business network.

The Isuzu V Plan constitutes the first step toward the rebirth of Isuzu. It 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.

On the cover
Photographs:

ELF KR: This light-duty truck was launched on the market in June 2002. It boasts a newly developed engine that complies with new exhaust emission regulations that come into force in 2003. (Domestic specifications)

New model pickup truck: This pickup truck, which we market in Thailand, recently underwent a complete model change. The new model, launched in May 2002, was developed with GM and is to be sold worldwide.

8GF1 Diesel: The 32-valve OHC engine is manufactured at DMAX, in the U.S.A. under the name of Duramax 6600 Diesel to power GM full-size pickups.

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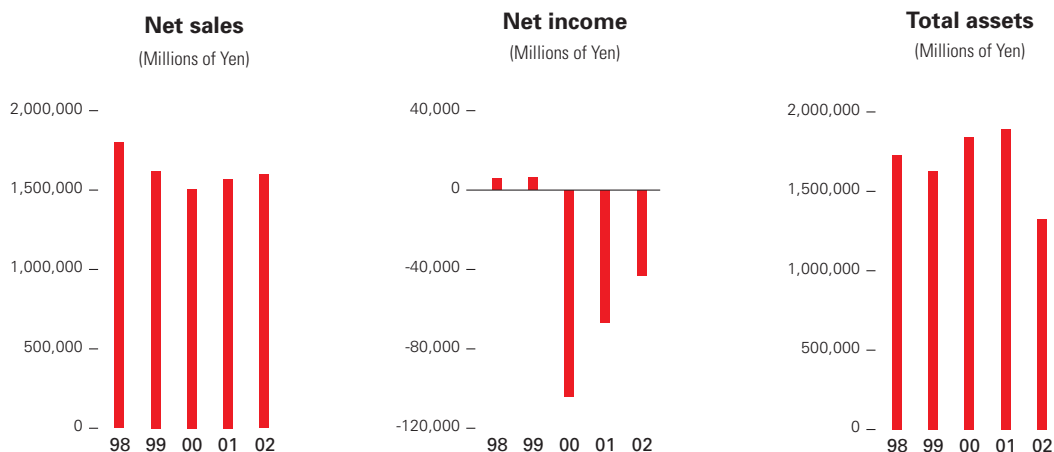
FORWARD-LOOKING STATEMENTS

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.

FINANCIAL HIGHLIGHTS

Years ended March 31	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	2002
For the Year:				
Net sales	¥1,597,701	¥1,569,199	¥1,506,642	\$11,990,254
Net loss	(42,991)	(66,787)	(104,186)	(322,639)
At Year-End:				
Total assets	¥1,324,144	¥1,891,492	¥1,843,053	\$9,937,296
Shareholders' equity	61,084	94,108	169,338	458,416
		Yen		U.S. Dollars
Per Share:				
Net loss — primary	¥(33.68)	¥(52.76)	¥(82.48)	\$(0.25)
Cash dividends	—	—	—	—

Note: U.S. dollar figures have been calculated at the rate of ¥133.25=U.S. \$1, the approximate rate of exchange on March 29, 2002.



PRESIDENT'S MESSAGE

In May 2001, we formulated the Isuzu V Plan, a new mid-term business plan, covering the three-year period through March 2004. The plan aims at far-reaching reforms of our business and corporate structure that will restore enterprise value and strengthen competitiveness. It also calls for a streamlined organization and 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.



Yoshinori Ida *President and Representative Director*

ISUZU V PLAN ♦ The Isuzu Group moved into the black in the fiscal year ended March 2002 after two consecutive years of consolidated operating losses. This is confirmation of the progress we have made under the Isuzu V Plan and that it is starting to yield tangible results. The original plan envisioned a minimum consolidated operating income of ¥60,000 million on consolidated net sales of ¥1.52 trillion in the fiscal year ending March 2004. The goal for consolidated net income was ¥30,000 million. However, factors such as the recent sudden drop in North American sales forced us in November 2001 to review

the plan's consolidated net sales target, which has now been scaled down somewhat to ¥1.33 trillion.

PROGRESS OF MID-TERM BUSINESS PLAN ♦ The focus in the first year of the plan was on energetically addressing the principal issues it identified while at the same time carrying out fine-tuning to expeditiously cope with dramatic changes in the operating environment, all for the purpose of achieving recognizable results. However, increased outlays for North American sales operations, the prolonged market slump in Japan and an intensifying competitive situation, all had a negative impact on earnings. Consequently, first year earnings fell short of target. Despite the shortfall, Isuzu aggressively implemented every initiative and we were able to lay a solid foundation for reforming the business and corporate structure, to increase revenue in the power-train business, and to develop a new model of a pick-up truck for urban deliveries, all while steadily expanding our collaboration with GM. I am confident that we are now in a position to achieve improved earnings in the years ahead.

As I said earlier, one of the primary goals of the Isuzu V Plan is to recover corporate value. To this end, Isuzu is making concerted efforts to reform its cost structure in Japan through an eight-step action plan.

(1) Consolidating Domestic Production Infrastructure ♦

The first step focuses on consolidating domestic production infrastructure at three facilities. Optimal allocation of resources is expected to raise capacity utilization rates

from the current 50% level to more than 90%. In terms of specifics, we will transfer heavy-duty truck production from the Kawasaki Plant to the Fujisawa Plant. Engine production will be transferred to the Tochigi Plant. This consolidation process is proceeding as planned.

(2) Reducing Group-Wide Workforce ♦ Our second task is to reduce the Group-wide headcount by 13,000 by March 2004. As of March 31, 2002, the total workforce had come down by 5,500.

(3) Reducing Materials Costs ♦ Isuzu was working to cut materials costs even before we launched the Isuzu V Plan. We are reducing these costs through reviews of parts specifications and the use of standardized, common parts on a worldwide scale. The company will draw on the know-how and database of General Motors' Worldwide Purchasing (WWP) system with the aim of lowering costs by 20% over 3 years. As of March 31, 2002, we had already lowered materials costs by 13% as compared to October 2000.

(4) Reduce Total Consolidated Assets (Excluding the Finance Segment) ♦ By March 2004, we will reduce total consolidated assets by approximately ¥350 billion, to ¥1,110 billion to enhance the efficiency of capital utilization. To accomplish this objective, the company will reduce interest-bearing debt by approximately ¥250 billion to ¥510 billion. As of March 2002, total assets had

been reduced by ¥210 billion and interest-bearing debt was brought down by ¥70 billion, compared to the time the Isuzu V Plan was launched.

(5) Reinforce Earnings Power of Domestic Dealers ♦ Isuzu's 41 dealers will be consolidated into roughly 25 dealerships and the existing 400 service outlets will be combined into 320. The goal is to reinforce the earnings power of domestic dealers, making all dealers profitable by the fiscal year ending March 31, 2004. As of the end of March 2002, we had reduced the dealer network by 1 to 40 and reduced the number of service outlets by 20 to 380.

(6) Realign Isuzu Group Companies ♦ The core task here is to review all of our Group-wide businesses. Isuzu will rationalize and realign non-core businesses to optimize operating efficiency. Following review and consolidation of operations, the number of Group affiliates, formerly 109, will be reduced by 40% by March 31, 2004. As of March 31, 2002, we had reduced Group affiliates to 83.

(7) Review the SUV Business in Japan ♦ Isuzu will review its SUV business in Japan, reciprocally use marketing resources with GM and transform Isuzu sales outlets into GM AutoWorld outlets. As of March 31, 2002, 24 Isuzu sales outlets had been converted into GM AutoWorld outlets.

(8) Engineering Efficiency Improvement ♦ Isuzu will bolster the efficiency of development programs and systems by integrating its seven current platforms into three “core platforms.” This will be achieved alongside the introduction of new models.

At the end of the first half of the fiscal year under review, Isuzu devised the Isuzu V Plan Advance, as a means of front-loading execution of key measures, with a focus on North American operations. This approach recognized the criticality of the immediate restoration of North American business to Isuzu Group’s reconstruction. In line with this move, Isuzu will define its business domains and review the North American operating structure and reduce structural costs. The Isuzu V Plan Advance has been incorporated into the original Isuzu V Plan. The operating structure reforms planned for the current fiscal year have been largely completed.

RESULTS FOR THE YEAR ENDED MARCH 31, 2002 ♦ Consolidated net sales for the year ended March 31, 2002 increased 1.8% year on year to ¥1,597,701 million, as growing sales of engine components more than offset the lower vehicle sales volume.

The company reported operating income of ¥15,134 million, reversing an operating loss of ¥27,316 million in the previous fiscal year. This dramatic improvement was partly due to reductions in materials and operating costs, and a weaker yen. The net loss narrowed by ¥23,795 million to around ¥42,991 million. Principal factors affecting

the bottom line were an ¥18,609 million gain on sales of property, plant and equipment and investment securities, a ¥9,452 million unrealized holding loss on securities and a ¥14,475 million expense for early retirement incentive packages. As a result, the cumulative deficit carried forward was ¥213,562 million.

Consolidated shareholders’ equity declined by ¥33,024 million to ¥61,084 million. As a result, the shareholders’ equity ratio decreased from 5.0% to 4.6%. Meanwhile, total assets stood at ¥1,324,144 million as of March 31, 2002, a reduction of ¥567,347 million compared to the previous fiscal year-end.

Domestic sales volume declined 17.7% compared to the previous fiscal year to 64,139 units while overseas sales volume decreased 11.8% to 244,298 units. As a result, total sales volume was 308,437 units, a drop of 13.1% against the previous fiscal year. In other product areas, sales of automotive components for overseas production declined by 37.5% to ¥46,741 million. Engine component sales, however, surged 39.6% to ¥225,582 million, owing to higher production at Isuzu’s engine plant in Poland (ISPOL) and to the start of mass production at a joint venture (DMAX) between Isuzu and GM.

With regret, Isuzu suspended dividend payments, as we did last year, due to weak earnings.

OUTLOOK FOR THE YEAR ENDING MARCH 31, 2003 ♦

While the Japanese economy has started showing signs of bottoming out, it must overcome several hurdles,

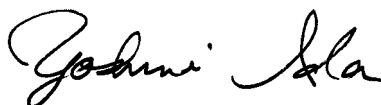
including the bleak employment situation, weak household income and uncertainties over corporate earnings, if it is to stage a complete recovery.

In the automotive industry, despite some bright spots, the operating environment remains extremely difficult, since improvement in domestic truck demand is late in coming and domestic and overseas competition is becoming fiercer.

Despite the challenging environment, we will aim for flawless execution of the Isuzu V Plan, make concerted efforts to increase sales and work toward building a well-balanced earnings structure as defined in the Vehicle Line Executive (VLE) system launched in June 2002. We will do so while leveraging the strengths of the Isuzu Group and cooperating with GM.

On April 30, 2002, we abolished the retirement incentive package provision in the employees' retirement benefit regulations. This will reduce retirement benefit expenses by roughly ¥8,000 million in the fiscal year ending March 31, 2003, compared to the current consolidated fiscal year. Moreover, the Ministry of Health, Labour and Welfare approved the company's request for the return of the portion of the pension fund assets managed on behalf of the Isuzu Motors Welfare Pension Fund on July 1, 2002. These pension fund assets are to be returned around the fall of 2003. This will translate into a one-time extraordinary profit of about ¥10,000 million in the fiscal year ending March 2003.

Following the approval of the 100th ordinary annual general meeting of shareholders in June, the company introduced an executive officer system as a part of actions to strengthen management. The new system will optimize decision-making by bolstering the oversight functions of the Board of Directors and also enhance operating efficiency by transferring executive authority to the operational level.



Yoshinori Ida

President and Representative Director