

November 18, 2004

For immediate release

Regarding Capital Reduction
(with Retirement of Class-II Preferred Stock
with Payment to the Shareholders, "Kabushiki Yusho Shokuyaku")
and Reduction in Capital Reserve

November 18, 2004 (Tokyo) - Isuzu Motors Limited (TSE 7202) held a board meeting today, approving a resolution to submit proposals to an Extraordinary General Meeting of Shareholders scheduled for December 22, 2004, concerning the capital reduction (with retirement of Class-II Preferred Stock with payment to the shareholders) and the reduction in capital reserve.

Isuzu Motors expects the achievement of the business targets set forth in the New 3-year Business Plan, for which the company has been working for the past years, is already in sight. Based on this prospect, the company has formulated the New Mid-term Business Plan (covering the financial years beginning in April 2005 and ending in March 2008) with an aim of expanding its commercial vehicle and diesel engine businesses on a global basis.

In preparation of the start of the New Mid-term Business Plan, Isuzu will reduce its capital reserve in the current fiscal term (ending in March 2005) for the purpose of eliminating the losses carried forward. Concurrently, the company will reduce its capital with the retirement of Class-II Preferred Stock with payment to the shareholders of Class-II preferred stock, thereby preventing possible dilution of common stock as the result of conversion of the said preferred stock, while at the same time, reducing the future financial burden associated with the dividend payment.

Isuzu believes that, through the implementation of these measures, the company can reduce future financial risks, while responding to the expectations of our valued shareholders. Going forward, Isuzu Motors will make further endeavor in executing the initiatives set forth in the company's New Mid-term Business Plan, and make further improvements in its financial structure.

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I. Capital Reduction (with the retirement of Class-II Preferred Stock with payment to the shareholders)

1. Purpose

Through the execution of capital reduction with the retirement of Class-II Preferred Stock with payment to the shareholders, Isuzu wishes to prevent possible dilution of common stock as the result of the conversion of the said Preferred Stock and mitigate future financial burden associated with the dividend payment.

Hypothetically, if the all the issued shares of Class-II Preferred Stock were converted at the originally prescribed conversion price of 54 yen per share, the total number of then outstanding common stock would increase by 555,555,555 shares. The capital reduction with the retirement of Class-II Preferred Stock contemplated this time is expected to reduce the resulting impact of common stock dilution.

2. Description

(1) Amount of capital to be reduced:

A total of 60,000,000,000 yen capital is intended for reduction from the capital account of the company. At the end of October 2004, Isuzu Motors carried a 78,077,326,903 yen in its capital account. When the capital reduction becomes effective, the company's paid-in capital will be 18,077,326,903 yen (not including the increase of capital arising as the result of the exercise of new subscription rights of the Convertible Bonds that become exercisable between November 2004 and the date at which the said capital reduction becomes effective).

(2) Method:

Isuzu shall pay to the shareholders of the Class-II Preferred Stock the sum of 60,000,000 yen by means of retiring the entire issued shares of Class-II Preferred Stock (1,600 yen per share), distributing the payment in accordance with the number of shares held by such shareholders.

(3) Schedule

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|---------------------------------------------------------------------|-----------------------------|
| 1) Board of Directors Meeting: | November 18, 2004 |
| 2) Resolution of the Extraordinary General Meeting of Shareholders: | December 22, 2004 (plan) |
| 3) Deadline of creditors' objection period: | End of January, 2005 (plan) |
| 4) Capital reduction takes effect: | End of January, 2005 (plan) |

II. Capital Reserve Reduction

1. Purpose of Reduction in Capital

In addition to the capital reduction with the retirement of Class-II Preferred Stock, Isuzu Motors shall reduce its capital reserve and appropriate the amount of reduction to eliminate the losses carried forward, so that the company can plan for the resumption of dividend payout.

2. Description (Amount of capital reserve to be reduced):

A total of 50,000,000,000 yen capital reserve shall be reduced in accordance with Article 289, Section 2 of the Commercial Code. The entire amount of capital reserve to be reduced shall be appropriated to write off the losses carried forward. At the end of October 2004, Isuzu Motors carried a 77,422,663,097yen in its capital reserve account. When the capital reserve reduction becomes effective, the said account will be 27,422,663,097yen (not including the increase of capital reserve arising as the result of the exercise of new subscription rights of the Convertible Bonds that become exercisable between November 2004 and the date at which the said capital reduction becomes effective).

3. Schedule

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|---------------------------------------------------------------------|-----------------------------|
| 1) Board of Directors Meeting: | November 18, 2004 |
| 2) Resolution of the Extraordinary General Meeting of Shareholders: | December 22, 2004 (plan) |
| 3) Deadline of creditors' objection period: | End of January, 2005 (plan) |
| 4) Reduction of capital reserve takes effect: | End of January, 2005 (plan) |

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For Reference: Changes in the Capital Account - Parent Company, non-consolidated

Fiscal year to Mar. '04		6-months to Sept. '04		As of Oct. '04	
Capital: 67.6	Losses carried forward: (75.3)	Capital: 70.6	Losses carried forward: (56.2)	Capital: 78.1	Losses carried forward: (56.2)
Capital Reserve: 66.9	Shareholders' equity: 151.7	Capital Reserve: 69.9	Shareholders' equity: 175.8	Capital Reserve: 77.4	Shareholders' equity: 190.8
Variance of Land Revaluation: 85.8		Variance of Land Revaluation: 85.8		Variance of Land Revaluation: 85.8	
Other: 6.7		Other: 5.7		Other: 5.7	
<Description>		<Description>		<Description>	
CB with New-share subscription 6.0	Losses carried forward (56.2)	CB with New-share subscription 6.0	Losses carried forward (56.2)	CB with New-share subscription 15.0	Losses carried forward (56.2)
	Incl. H1 net income 19.1		Incl. H1 net income 19.1		Incl. H1 net income 19.1

At Extraordinary General Meeting: Capital Reduction		At Extraordinary General Meeting: Capital Reserve Reduction		Fiscal year to Mar. '05	
Capital: 18.1	Losses carried forward: 56.2	Capital: 18.1	Losses carried forward: (6.2)	Capital: 18.1	Retained earnings: 16.1
Capital Reserve: 77.4	Shareholders' equity: 130.8	Capital Reserve: 27.4	Shareholders' equity: 130.8	Capital Reserve: 27.4	Shareholders' equity: 141.7
Variance of Land Revaluation: 85.8		Variance of Land Revaluation: 85.8		Variance of Land Revaluation: 74.4	
Other: 5.7		Other: 5.7		Other: 5.7	
<Description>		<Description>		<Description>	
Capital reduction (60.0)	Losses carried forward (56.2)	Capital reserve reduction (50.0)	Losses carried forward (6.2)	Retained earnings 16.1	Write-down of land revaluation 11.4
	Incl. H1 net income 19.1		Incl. H1 net income 19.1	Including: Net income 30.0 Capital reserve reduction 50.0	

Note: 1) Other: Unrealized holding gain (loss) on securities, treasury stock

2) Parent capital account described above does not include the effects of common stock conversion exercisable by the second issue of CB from November '04 to the end of March '05.

3) Losses carried forward and retained earnings described above in the columns for October 2004, at Extraordinary General Meeting of Shareholders for capital reduction and capital reserve reduction, are based on the interim financial results as of September 2004.

Preferred Stock Management

- Retirement of Class-II outstanding convertible preferred stock through re-purchase and cancellation, with the purpose of reducing future risk of common stock dilution
- Business partners are now contemplating to take more than half of Class-I preferred stock

Holders	Classes of Preferred Stock	Scheme	
MZH UFJ Yokohama Tokyo Mitsubishi Mitsubishi Trust	Class II Par value: 30 bil. Latent shares: 550mil. Shares Conversion: Oct., '08	ISZ to re-purchase and cancel Class-II at x2 par value (JPY 60.0 Bil) [Submission to Dec'04 ESM]	Cancellation of fully-diluted shares
	Class I Par value: 30 bil. Latent shares: 550mil. shares Conversion: Oct., '06		
MZH	Class III Par value: 20 bil. Conversion: Oct., '10	Strategic business partners are contemplating to take more than half	
	Class IV Par value: 20 bil. Conversion: Oct., '12		
	Total JPY100 bil.		
		Conduct separate study, in light of maximum shareholders' value	

Recapitalization

- Concurrent with measures for preferred stock, losses carried forward will be eliminated through appropriation of capital reserve
(Submission to Dec. '04 Extraordinary Shareholders' Meeting planned)

< Net worth after Implementation of Financial Measures >

	(JPYbil.)	Mar '04 (Results)	Sep '04 (Results)	Oct '04	(ESM)	Mar '05
Parent	Capital	67.6	70.6*1	78.1*2	18.1*3	18.1
	Capital surplus	66.9	69.9	77.4	27.4	27.4
	Capital reserve	66.9	69.9*1	77.4*2	27.4*4	27.4
	Retained earnings	(75.3)	(56.2)*5	(56.2)*5	(6.2)*4	16.1

Consolidated	Re-eval. adjust. of land	85.8	85.8	85.8	85.8	74.4
	Re-eval. adjust. of mkt. securities	6.8	5.7	5.7	5.7	5.7
	Total Shareholders' Equity	151.8	175.8	190.8	130.8	141.7
	Capital	67.6	70.6 ^{*1}	78.1 ^{*2}	18.1 ^{*3}	18.1
	Capital surplus	67.4	70.5 ^{*1}	78.0 ^{*2}	28.0 ^{*4}	28.0
	Retained earnings	(111.1)	(75.0) ^{*5}	(75.0) ^{*5}	(25.0) ^{*4}	6.7
	Re-eval. adjust. of land	90.5	90.0	90.0	90.0	78.6
	Re-eval. adjust. of mkt. securities	(4.6)	(5.8)	(5.8)	(5.8)	(5.8)
	Total Shareholders' Equity	109.8	150.3	165.3	105.3	125.6

*1 CB #1 with common stock subscription rights: JPY 6.0Bil converted

*2 CB #2 with common stock subscription rights: JPY15.0 Bil converted (a/o end Oct '04)

*3 Retirement through re-purchase and cancellation of Class-II (JPY 30.0Bil par) at JPY60.0 Bil.

*4 Appropriate ¥50.0B capital reserve for losses carried forward

*5 First half earnings impact(actual a/o Sep '04)