

FY2018 Second Quarter Consolidated Financial Results (Japan GAAP)

(April 1, 2017 through September 30, 2017)

English Translation of the Original Japanese-Language Document



November 6, 2017

Company name : ISUZU MOTORS LIMITED
 Stock exchange on which the shares are listed : Tokyo Stock Exchange in Japan
 Code number : 7202
 URL : <http://www.isuzu.co.jp/world/investor/index.html>
 Representative : Masanori Katayama, President
 Scheduled date for submission of quarterly financial statements : November 9, 2017
 Expected starting date for distribution of cash dividends : November 30, 2017
 The supplement materials of the quarterly financial results : Yes
 Holding of the quarterly financial results meeting : Yes

(Amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Highlights (April 1, 2017 through September 30, 2017)

<1> Consolidated Financial Results

(% indicates increase/decrease from previous 2nd quarter.)

	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
FY2018 2nd Quarter	984,686	8.4	74,113	8.4	82,798	14.5	52,657	35.9
FY2017 2nd Quarter	908,075	(6.5)	68,372	(20.7)	72,328	(26.7)	38,759	(27.0)

[Note] Comprehensive Income
 FY2018 2nd Quarter 72,591 millions of yen -%
 FY2017 2nd Quarter (12,187) millions of yen -%

	Net Income per Share	Net Income per Share after Dilution of Potential Stock
	yen	yen
FY2018 2nd Quarter	66.86	-
FY2017 2nd Quarter	49.18	-

<2> Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	millions of yen	millions of yen	%
FY2018 2nd Quarter	1,957,297	1,016,415	44.4
FY2017	1,880,826	962,107	43.5

[Note] Total Amount of Shareholders' Equity
 FY2018 2nd Quarter 868,064 millions of yen
 FY2017 818,438 millions of yen

2. Cash Dividends

	Dividend per Share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Total
	yen	yen	yen	yen	yen
FY2017	-	16.00	-	16.00	32.00
FY2018	-	16.00	-	-	-
FY2018(Forecast)	-	-	-	16.00	32.00

[Note] Revision to the projected dividend for FY2018: None

3. Consolidated Financial Forecast for FY2018 (April 1, 2017 through March 31, 2018)

(% indicates increase/decrease from previous term.)

	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of parent		Net Income per Share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Year-End	2,060,000	5.5	164,000	12.0	175,000	15.1	109,000	16.1	138.41

[Note] Revision to Consolidated Financial Forecast for FY2018: Yes

*Notes

<1> Changes in significant subsidiaries during this period : None

Newly consolidated	: -
Excluded from the scope of consolidation	: -

Note: This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during this period.

<2> Adoption of specific accounting methods for presenting quarterly consolidated financial statements : None

<3> Changes in accounting policies, accounting estimates and retrospective restatement

Changes in accounting policies due to revisions of accounting standards	: None
Changes in accounting policies due to factors other than revisions of accounting standards	: Yes
Changes in accounting estimates	: None
Retrospective restatement	: None

Note: For more information, please refer to
 "2. Notes on Consolidated Quarterly Financial Statements
 (7) Changes in Accounting Policies"

<4> Number of shares issued (common stock)

Number of shares issued and outstanding	FY2018 2nd Quarter	848,422,669	Shares
at the end of the term (inclusive of treasury stock)	FY2017	848,422,669	Shares
Number of treasury stocks at the end of the term	FY2018 2nd Quarter	60,884,050	Shares
	FY2017	60,894,345	Shares
Average number of stocks issued	FY2018 2nd Quarter	787,528,509	Shares
	FY2017 2nd Quarter	788,160,954	Shares

Note: "Number of treasury stocks at the end of the term" include stocks owned by the Company and by the fund whose beneficiaries are directors of the Company.
 "Average number of stocks issued" does not include stocks owned by the Company and by the fund whose beneficiaries are directors of the Company.

*Consolidated financial results (Japan GAAP) are not subject to audit procedures.

*Cautionary Statements with Respect to Forward-Looking Statements and Other Notes

•The financial forecast and other descriptions of the future presented in this document are based on currently available information and assumptions which are deemed reasonable at present. Consequently, the actual financial performance may vary significantly from the forecast due to various factors. For such assumptions and notes with respect to performance forecast, please refer to

"1. Qualitative Information Concerning Consolidated Financial Results for FY2018 Second Quarter
 (3)Overview of Future Estimates such as Consolidated Financial Forecast "

•The Company has posted its financial results on its web site on November 6, 2017.

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1. Qualitative Information Concerning Consolidated Financial Results for FY2018 First Half

(1) Overview of Consolidated Financial Results

In the current fiscal year's first six months ended on September 30, 2017, vehicle unit sales in Japan decreased by 1,199 units (3.1%) compared with the same period last fiscal year to 37,160 units. Unit sales outside Japan of trucks and pick-up trucks combined fell by 4,936 units (2.4%) year-on-year to 199,764 units due to stagnant demand in part of resource-rich countries while pick-up trucks sold well in Thailand.

As a result, total vehicle unit sales in Japan and overseas declined by 6,135 units (2.5%) over the same period last fiscal year to 236,924 units.

With regards to sales amounts of products other than vehicles, sales of parts for overseas production rose by 6.4 billion yen (28.6%) compared with the same period last fiscal year to 29.0 billion yen, engine and component sales gained by 14.9 billion yen (32.4%) year-on-year to 61.0 billion yen, and other sales jumped by 20.0 billion yen (11.0%) over the same period last fiscal year to 201.1 billion yen as a result of growth in the vehicle life-cycle management business such as after-sales services.

Consequently, net sales grew by 76.6 billion yen (8.4%) year-on-year to 984.6 billion yen as the sales decrease in part of resource-rich countries was more than offset by the increases in the pick-up truck sales in Thailand, engine and component sales, and sales in the vehicle life-cycle management business. They comprised 390.5 billion yen posted for Japan, up 3.4% over the same period last fiscal year, and 594.1 billion yen for the rest of the world, up 12.0% compared with the same period last fiscal year.

On the profit and loss front, the afore-mentioned sales growth combined with steady profitability improvement based on cost reduction activities and favorable moves in exchange rates all raised operating income by 8.4% year-on-year to 74.1 billion yen and ordinary income by 14.5% over the same period last fiscal year to 82.7 billion yen. In addition to that, net income attributable to owners of the parent increased by 35.9% compared with the same period last fiscal year to 52.6 billion yen.

(2) Overview of Consolidated Financial Position

Total assets as of the end of the current fiscal year's second quarter rose by 76.4 billion yen from March 31, 2017 to 1,957.2 billion yen. This is due mainly to increases in cash and deposits of 30.4 billion yen, in inventories of 28.5 billion yen, in investment securities of 7.9 billion yen, and in intangible assets of 9.2 billion yen.

Liabilities increased by 22.1 billion yen from March 31, 2017 to 940.8 billion yen. This is primarily because of increases in notes and accounts payable-trade of 7.6 billion yen and in interest-bearing liabilities of 16.5 billion yen.

Net assets grew by 54.3 billion yen from March 31, 2017 to 1,016.4 billion yen. This is due largely to increases in net income attributable to owners of the parent of 52.6 billion yen, in valuation difference on available-for-sale securities of 5.4 billion yen, and in non-controlling interests of 4.6 billion yen, partially offset by a decrease in retained earnings of 12.6 billion yen as a result of dividend payments.

The capital adequacy ratio stood at 44.4%, compared with 43.5% as of March 31, 2017.

Interest-bearing liabilities rose by 16.5 billion yen from March 31, 2017 to 263.8 billion yen.

(3) Overview of Future Estimates such as Consolidated Financial Forecast

The Company has revised upward the consolidated financial forecast for the current fiscal year ending in March 2018 (shown below) based on the consolidated financial results of the current fiscal year's first half ended on September 30, 2017 as well as on the shipment plan that has reflected the latest economic performances and trends in markets around the world.

The Company expects an increase in sales for the current fiscal year's second half, as a decrease expected in vehicle sales in Japan is forecast to be more than offset by sales increases in overseas operations as a whole as well as by growth in the industrial engine business and vehicle life-cycle management business.

On the profit and loss front, the Company pursues an increase in profits by further improving cost control, such as cost-cutting activities and expense reduction, that, together with the afore-mentioned sales growth and favorable swings of exchange rates, more than offsets the negative effects of price increases in raw materials as well as of expenses for growth strategies.

[Revised Forecast of Full-Year Consolidated Financial Results]

Net sales	2,060 billion yen
Operating Income	164 billion yen
Ordinary Income	175 billion yen
Net Income Attributable to Owners of Parent	109 billion yen

*This forecast is considered reasonable by the Company in light of information available today. Actual financial results may differ considerably from this forecast as it is subject to risk factors and uncertainties: world economic and market conditions and foreign exchange rate, etc. The forecast above, therefore, shall not be the sole basis for making any investment decision.

2. Notes on Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(millions of yen)

	As of March 31, 2017	As of September 30, 2017
[ASSETS]		
CURRENT ASSETS		
Cash and deposits	275,234	305,660
Notes and accounts receivable-trade	256,582	248,457
Lease receivables and lease investment assets	87,379	94,548
Merchandise and finished goods	178,827	197,198
Work in process	19,754	22,967
Raw materials and supplies	57,391	64,390
Deferred tax assets	30,290	32,433
Other	52,755	54,587
Allowance for doubtful accounts	(811)	(1,392)
Total Current Assets	957,404	1,018,852
NON-CURRENT ASSETS		
Property, plant and equipment		
Buildings and structures, net	157,677	165,645
Machinery, equipment and vehicles, net	158,034	154,528
Land	277,230	277,954
Leased assets, net	8,596	8,734
Vehicles on operating leases, net	30,621	35,534
Construction in progress	34,025	26,479
Other, net	15,397	16,237
Total Property, Plant and Equipment	681,582	685,113
Intangible assets		
Goodwill	2,643	11,377
Other	16,997	17,543
Total Intangible Assets	19,640	28,921
Investments and other assets		
Investment securities	151,178	159,140
Long-term loans receivable	1,502	1,521
Net defined benefit asset	840	928
Deferred tax assets	31,169	29,146
Other	38,737	34,907
Allowance for doubtful accounts	(1,229)	(1,234)
Total Investments and Other Assets	222,198	224,409
Total Non-Current Assets	923,421	938,444
TOTAL ASSETS	1,880,826	1,957,297

(millions of yen)

	As of March 31, 2017	As of September 30, 2017
[LIABILITIES]		
CURRENT LIABILITIES		
Notes and accounts payable-trade	329,094	332,335
Electronically recorded obligations - operating	33,218	37,603
Short-term loans payable	40,670	48,251
Lease obligations	2,812	2,370
Income taxes payable	14,397	19,084
Accrued expenses	48,196	52,820
Provision for bonuses	18,253	18,920
Provision for directors' bonuses	142	—
Provision for product warranties	7,570	7,486
Deposits received	3,554	4,158
Other	58,427	46,341
Total Current Liabilities	556,336	569,372
NON-CURRENT LIABILITIES		
Long-term loans payable	197,953	205,953
Lease obligations	5,864	7,283
Deferred tax liabilities	2,187	2,527
Deferred tax liabilities for land revaluation	42,135	42,088
Provision for maintenance costs	3,046	3,894
Provision for management board incentive plan trust	161	242
Net defined benefit liability	99,208	97,732
Long-term deposits received	1,524	1,456
Other	10,301	10,330
Total Non-Current Liabilities	362,382	371,509
TOTAL LIABILITIES	918,719	940,881
[NET ASSETS]		
SHAREHOLDERS' EQUITY		
Capital stock	40,644	40,644
Capital surplus	42,081	42,127
Retained earnings	704,664	744,706
Treasury shares	(71,364)	(71,353)
Total Shareholders' Equity	716,026	756,126
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Valuation difference on available-for-sale securities	19,951	25,364
Deferred gains or losses on hedges	281	6
Revaluation reserve for land	83,880	83,880
Foreign currency translation adjustment	8,080	11,132
Remeasurements of defined benefit plans	(9,782)	(8,445)
Total Accumulated Other Comprehensive Income	102,411	111,938
NON-CONTROLLING INTERESTS	143,669	148,350
TOTAL NET ASSETS	962,107	1,016,415
TOTAL LIABILITIES AND NET ASSETS	1,880,826	1,957,297

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income

Consolidated Quarterly Statements of Income

(millions of yen)

For the first six months ended	FY2017 2nd Quarter September 30, 2016	FY2018 2nd Quarter September 30, 2017
Net sales	908,075	984,686
Cost of sales	753,518	812,028
GROSS PROFIT	154,557	172,657
Selling, general and administrative expenses	86,184	98,543
OPERATING PROFIT	68,372	74,113
Non-operating income		
Interest income	1,346	1,269
Dividend income	1,273	1,535
Foreign exchange gains	—	1,137
Share of profit of entities accounted for using equity method	4,546	5,541
Other	3,084	1,790
Total non-operating income	10,250	11,273
Non-operating expenses		
Interest expenses	991	1,047
Foreign exchange losses	2,554	—
Litigation settlement	99	—
Other	2,650	1,541
Total non-operating expenses	6,295	2,588
ORDINARY INCOME	72,328	82,798
Extraordinary income		
Gain on sales of non-current assets	19	137
Gain on step acquisitions	—	4,076
Gain on sales of investment securities	24	74
Gain on bargain purchase	43	—
Total extraordinary income	88	4,288
Extraordinary losses		
Loss on disposal of non-current assets	584	1,014
Impairment loss	162	356
Other	16	81
Total extraordinary losses	763	1,453
PROFIT BEFORE INCOME TAXES	71,652	85,633
Income taxes	25,713	23,581
PROFIT	45,939	62,051
Profit attributable to non-controlling interests	7,180	9,393
Profit attributable to owners of the parent	38,759	52,657

Consolidated Quarterly Statements of Comprehensive Income

(millions of yen)

For the first six months ended	FY2017 2nd Quarter September 30, 2016	FY2018 2nd Quarter September 30, 2017
Profit	45,939	62,051
Other comprehensive income		
Valuation difference on available-for-sale securities	(708)	5,426
Deferred gains or losses on hedges	113	(274)
Foreign currency translation adjustment	(46,000)	5,319
Remeasurements of defined benefit plans, net of tax	1,449	1,336
Share of other comprehensive income of entities accounted for using equity method	(12,981)	(1,268)
Total other comprehensive income	<u>(58,127)</u>	<u>10,540</u>
Comprehensive income	<u>(12,187)</u>	<u>72,591</u>
Comprehensive income attributable to:		
owners of the parent	(9,335)	62,184
non-controlling interests	(2,852)	10,407

(3) Consolidated Quarterly Statements of Cash Flows

(millions of yen)

For the first six months ended	FY2017 2nd Quarter September 30, 2016	FY2018 2nd Quarter September 30, 2017
Cash Flows from Operating Activities		
Profit before income taxes	71,652	85,633
Depreciation	30,655	32,995
Amortization of goodwill	465	1,163
Share of (profit) loss of entities accounted for using equity method	(4,546)	(5,541)
Increase (decrease) in provision for product warranties	(648)	(436)
Increase (decrease) in provision for bonuses	77	619
Increase (decrease) in provision for directors' bonuses	(97)	(142)
Increase (decrease) in allowance for doubtful accounts	(822)	176
Increase (decrease) in net defined benefit liability	8	(367)
Increase (decrease) in provision for maintenance costs	636	848
Increase (decrease) in provision for management board incentive plan trust	—	99
Interest and dividend income	(2,619)	(2,804)
Interest expenses	991	1,047
Loss (gain) on sales of non-current assets	(19)	(137)
Loss (gain) on disposal of non-current assets	584	1,014
Loss (gain) on sales of investment securities	(24)	(74)
Impairment loss	162	356
Other extraordinary loss (income)	(27)	(3,995)
Decrease (increase) in notes and accounts receivable-trade	14,294	17,608
Net decrease (increase) in lease receivables and investment assets	(10,253)	(7,109)
Decrease (increase) in inventories	(24,863)	(11,391)
Decrease (increase) in other current assets	(1,521)	(153)
Increase (decrease) in notes and accounts payable-trade	4,284	(4,041)
Increase (decrease) in accrued expenses	(410)	3,999
Increase (decrease) in deposits received	85	263
Increase (decrease) in other liabilities	5,041	(7,711)
Other, net	(16)	(320)
(Subtotal)	83,067	101,599
Interest and dividends income received	6,145	6,047
Interest expenses paid	(1,006)	(1,056)
Income taxes paid	(27,836)	(21,051)
Net cash provided by (used in) operating activities	60,370	85,539
Cash Flows from Investing Activities		
Purchase of investment securities	(26)	(603)
Proceeds from sales of investment securities	43	156
Proceeds from capital reduction of investment securities	810	—
Purchase of non-current assets	(50,553)	(42,989)
Proceeds from sales of non-current assets	1,777	1,291
Payments of long-term loans receivable	(141)	(145)
Collection of long-term loans receivable	115	142
Decrease (increase) in short-term loans receivable	(146)	26
Decrease (increase) in time deposits	6,758	311
Proceeds from purchase of share of subsidiaries resulting in change in scope of consolidation	589	284
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(8,329)
Other, net	(201)	2,634
Net cash provided by (used in) investing activities	(40,973)	(47,221)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term loans payable	(14,616)	5,265
Proceeds from long-term loans payable	15,000	26,000
Repayment of long-term loans payable	(10,611)	(16,034)
Proceeds from share issuance to non-controlling shareholders	1,891	—
Repayments of lease obligations	(800)	(680)
Purchase of treasury shares	(1,098)	(5)
Cash dividends paid	(12,621)	(12,614)
Dividends paid to non-controlling interests	(16,267)	(11,799)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(1,470)
Net cash provided by (used in) financing activities	(39,123)	(11,340)
Effect of Exchange Rate Change on Cash and Cash Equivalents	(17,857)	3,935
Net Increase (Decrease) in Cash and Cash Equivalents	(37,584)	30,913
Cash and Cash Equivalents at Beginning of Period	259,282	260,678
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	23	—
Cash and Cash Equivalents at End of Period	221,721	291,592

(4) Notes on Premise of a Going Concern

None

(5) Segment Information

The Second Quarter Cumulative Period of Fiscal Year 2017

The Company and its consolidated subsidiaries are composed of a single business segment, primarily engaged in manufacture and sale of vehicles and its components, industrial engines. Therefore the disclosure of segment information is omitted.

The Second Quarter Cumulative Period of Fiscal Year 2018

The Company and its consolidated subsidiaries are composed of a single business segment, primarily engaged in manufacture and sale of vehicles and its components, industrial engines. Therefore the disclosure of segment information is omitted.

(6) Notes in the case of a Significant Change in Shareholders' Equity

None

(7) Changes in Accounting Policies

(Change in the method to calculate income taxes)

The Company traditionally calculated income taxes by multiplying consolidated quarterly income before income taxes and non-controlling interests by a rationally estimated effective tax rate on consolidated income before income taxes and non-controlling interests for the fiscal year including quarterly periods after adjustments for the application of tax-effect accounting. However, in order to reflect income taxes more appropriately on quarterly consolidated financial statements, the Company has changed the calculation method since this fiscal year's first quarter to use the same method as it does in the annual account closing procedures.

This change does not retroactively apply because the influence is immaterial.

3. Supplementary Information

(1) Sales Condition

<Sales Results by Region>

Consolidated sales results during the previous and current second quarter are shown below.

		FY2017 2nd Quarter For the first six months ended September 30, 2016		FY2018 2nd Quarter For the first six months ended September 30, 2017		Change	
		Volume (units)	Amount (millions of yen)	Volume (units)	Amount (millions of yen)	Volume (units)	Amount (millions of yen)
	Japan	16,631	147,547	16,440	144,096	(191)	(3,450)
	Overseas	18,052	85,768	20,071	101,035	2,019	15,267
Total HD/MD vehicles		34,683	233,315	36,511	245,132	1,828	11,816
	Japan	21,728	71,330	20,720	69,145	(1,008)	(2,185)
	Overseas	186,648	353,546	179,693	379,080	(6,955)	25,534
Total LD vehicles, etc		208,376	424,876	200,413	448,225	(7,963)	23,349
	Japan	38,359	218,877	37,160	213,242	(1,199)	(5,635)
	Overseas	204,700	439,314	199,764	480,116	(4,936)	40,801
Total vehicles		243,059	658,192	236,924	693,358	(6,135)	35,165
	Overseas	-	22,615	-	29,091	-	6,475
	Parts for overseas production	-	22,615	-	29,091	-	6,475
	Japan	-	25,722	-	32,416	-	6,693
	Overseas	-	20,380	-	28,644	-	8,264
Engines / components		-	46,103	-	61,061	-	14,958
	Japan	-	133,042	-	144,923	-	11,881
	Overseas	-	48,120	-	56,251	-	8,130
Other		-	181,163	-	201,175	-	20,011
	Japan	-	377,643	-	390,582	-	12,939
	Overseas	-	530,432	-	594,103	-	63,671
Sales amount		-	908,075	-	984,686	-	76,610

(Note) The above amounts do not include consumption tax.

<Overseas Sales>

Previous 2nd Quarter Consolidated Cumulative Period (April 1, 2016 through September 30, 2016)

(millions of yen)

	North America	Asia	Other	Total
1 Overseas sales	62,488	239,441	228,502	530,432
2 Consolidated sales	-	-	-	908,075
3 Overseas sales per Consolidated sales	% 6.9	% 26.4	% 25.2	% 58.4

Current 2nd Quarter Consolidated Cumulative Period (April 1, 2017 through September 30, 2017)

(millions of yen)

	North America	Asia	Other	Total
1 Overseas sales	72,920	287,081	234,101	594,103
2 Consolidated sales	-	-	-	984,686
3 Overseas sales per Consolidated sales	% 7.4	% 29.2	% 23.8	% 60.3

1. This segmentation is based on the geographical area.
2. Major countries or areas included
 - (1) North America---USA
 - (2) Asia---Thailand, China, Philippines, Malaysia
 - (3) Other---Saudi Arabia, Australia, Columbia, South Africa, Italy
3. Overseas sales are sales to all countries and areas excluding Japan made by the parent company and consolidated subsidiaries.