

FY2018 Third Quarter Consolidated Financial Results (Japan GAAP)

(April 1, 2017 through December 31, 2017)

English Translation of the Original Japanese-Language Document



February 7, 2018

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 : February 9, 2018
 Expected starting date for distribution of cash dividends : -
 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 December 31, 2017)

<1> Consolidated Financial Results

(% indicates increase/decrease from previous 3rd 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 3rd Quarter	1,499,640	8.3	123,043	12.2	133,599	13.7	83,818	21.6
FY2017 3rd Quarter	1,384,536	(2.2)	109,680	(11.9)	117,507	(15.4)	68,904	(13.5)

[Note] Comprehensive Income
 FY2018 3rd Quarter 135,632 millions of yen 170.0%
 FY2017 3rd Quarter 50,227 millions of yen (9.3)%

	Net Income per Share	Net Income per Share after Dilution of Potential Stock
	yen	yen
FY2018 3rd Quarter	106.43	-
FY2017 3rd Quarter	87.45	-

<2> Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	millions of yen	millions of yen	%
FY2018 3rd Quarter	2,009,767	1,072,069	45.3
FY2017	1,880,826	962,107	43.5

[Note] Total Amount of Shareholders' Equity
 FY2018 3rd Quarter 910,378 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: None

*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
(6) Changes in Accounting Policies"

<4> Number of shares issued (common stock)

Number of shares issued and outstanding	FY2018 3rd 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 3rd Quarter	60,887,268	Shares
	FY2017	60,894,345	Shares
Average number of stocks issued	FY2018 3rd Quarter	787,531,619	Shares
	FY2017 3rd Quarter	787,950,818	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 First Nine Months
(3)Overview of Future Estimates such as Consolidated Financial Forecast "

•The Company has posted its financial results on its web site on February 7, 2018.

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1. Qualitative Information Concerning Consolidated Financial Results for FY2018 First Nine Months

(1) Overview of Consolidated Financial Results

In the current fiscal year's first nine months ended on December 31, 2017, vehicle unit sales in Japan decreased by 4,337 units (7.5%) compared with the same period last fiscal year to 53,499 units.

Overseas vehicle unit sales, which showed signs of recovery, fell by 220 units (0.1%) over the same period last fiscal year to 310,876 units because part of resource-rich countries continued to suffer from stagnant demand.

As a result, total vehicle unit sales in Japan and abroad declined by 4,557 units (1.2%) year-on-year to 364,375 units.

With regards to sales amounts of products other than vehicles, sales of parts for overseas production rose by 10.1 billion yen (26.3%) compared with the same period last fiscal year to 48.7 billion yen, engine and component sales increased by 16.9 billion yen (22.5%) over the same period last fiscal year to 92.5 billion yen, and other sales jumped by 32.0 billion yen (11.8%) year-on-year to 303.0 billion yen.

Net sales grew by 115.1 billion yen (8.3%) compared with the same period last fiscal year to 1,499.6 billion yen, which comprised 574.4 billion yen for Japan, up 0.5% over the same period last fiscal year, and 925.1 billion yen for the rest of the world, up 13.8% year-on-year, thanks to increased sales of vehicles, engines and components, and vehicle life-cycle management business as well as to favorable movements in foreign exchange rates.

On the profit and loss front, the afore-mentioned sales growth combined with steady profitability improvement based on cost-cutting efforts as well as with the favorable foreign exchange movements all raised operating income by 12.2% compared with the same period last fiscal year to 123.0 billion yen and ordinary income by 13.7% year-on-year to 133.5 billion yen. Net income attributable to owners of the parent rose by 21.6% over the same period last fiscal year to 83.8 billion yen.

(2) Overview of Consolidated Financial Position

Total assets as of the end of the current fiscal year's third quarter rose by 128.9 billion yen from March 31, 2017 to 2,009.7 billion yen. This is due mainly to increases in inventories of 51.5 billion yen, in investment securities of 35.6 billion yen, in cash and deposits of 31.0 billion yen, and in property, plant and equipment of 13.8 billion yen.

Liabilities increased by 18.9 billion yen from March 31, 2017 to 937.6 billion yen. This is primarily because, while provision for bonuses fell by 8.0 billion yen, interest-bearing liabilities grew by 28.3 billion yen.

Net assets grew by 109.9 billion yen from March 31, 2017 to 1,072.0 billion yen. This is due largely to increases in net income attributable to owners of the parent of 83.8 billion yen, in valuation difference on available-for-sale securities of 22.7 billion yen, and in non-controlling interests of 18.0 billion yen, partially offset by a decrease in retained earnings of 25.2 billion yen as a result of dividend payments.

The capital adequacy ratio stood at 45.3%, compared with 43.5% as of March 31, 2017.

Interest-bearing liabilities rose by 28.3 billion yen from March 31, 2017 to 275.6 billion yen.

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

The Company has not revised its consolidated financial forecast for the current fiscal year, which was announced on November 6, 2017.

*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 December 31, 2017
[ASSETS]		
CURRENT ASSETS		
Cash and deposits	275,234	306,253
Notes and accounts receivable-trade	256,582	248,379
Lease receivables and lease investment assets	87,379	95,831
Merchandise and finished goods	178,827	217,347
Work in process	19,754	22,162
Raw materials and supplies	57,391	68,009
Deferred tax assets	30,290	30,753
Other	52,755	55,225
Allowance for doubtful accounts	(811)	(1,441)
Total Current Assets	957,404	1,042,521
NON-CURRENT ASSETS		
Property, plant and equipment		
Buildings and structures, net	157,677	166,135
Machinery, equipment and vehicles, net	158,034	151,180
Land	277,230	278,079
Leased assets, net	8,596	8,587
Vehicles on operating leases, net	30,621	37,014
Construction in progress	34,025	38,349
Other, net	15,397	16,043
Total Property, Plant and Equipment	681,582	695,390
Intangible assets		
Goodwill	2,643	10,788
Other	16,997	17,071
Total Intangible Assets	19,640	27,860
Investments and other assets		
Investment securities	151,178	186,842
Long-term loans receivable	1,502	1,516
Net defined benefit asset	840	950
Deferred tax assets	31,169	19,722
Other	38,737	36,222
Allowance for doubtful accounts	(1,229)	(1,260)
Total Investments and Other Assets	222,198	243,994
Total Non-Current Assets	923,421	967,245
TOTAL ASSETS	1,880,826	2,009,767

(millions of yen)

	As of March 31, 2017	As of December 31, 2017
[LIABILITIES]		
CURRENT LIABILITIES		
Notes and accounts payable-trade	329,094	337,560
Electronically recorded obligations - operating	33,218	31,349
Short-term loans payable	40,670	71,746
Lease obligations	2,812	2,132
Income taxes payable	14,397	13,178
Accrued expenses	48,196	47,745
Provision for bonuses	18,253	10,227
Provision for directors' bonuses	142	—
Provision for product warranties	7,570	7,013
Deposits received	3,554	7,353
Other	58,427	49,000
Total Current Liabilities	556,336	577,307
NON-CURRENT LIABILITIES		
Long-term loans payable	197,953	194,600
Lease obligations	5,864	7,208
Deferred tax liabilities	2,187	2,571
Deferred tax liabilities for land revaluation	42,135	42,088
Provision for maintenance costs	3,046	4,394
Provision for management board incentive plan trust	161	295
Net defined benefit liability	99,208	97,158
Long-term deposits received	1,524	1,425
Other	10,301	10,645
Total Non-Current Liabilities	362,382	360,390
TOTAL LIABILITIES	918,719	937,697
[NET ASSETS]		
SHAREHOLDERS' EQUITY		
Capital stock	40,644	40,644
Capital surplus	42,081	42,127
Retained earnings	704,664	763,252
Treasury shares	(71,364)	(71,358)
Total Shareholders' Equity	716,026	774,666
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Valuation difference on available-for-sale securities	19,951	42,728
Deferred gains or losses on hedges	281	18
Revaluation reserve for land	83,880	83,880
Foreign currency translation adjustment	8,080	16,893
Remeasurements of defined benefit plans	(9,782)	(7,808)
Total Accumulated Other Comprehensive Income	102,411	135,712
NON-CONTROLLING INTERESTS	143,669	161,691
TOTAL NET ASSETS	962,107	1,072,069
TOTAL LIABILITIES AND NET ASSETS	1,880,826	2,009,767

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

Consolidated Quarterly Statements of Income

(millions of yen)

For the first nine months ended	FY2017 3rd Quarter December 31, 2016	FY2018 3rd Quarter December 31, 2017
Net sales	1,384,536	1,499,640
Cost of sales	1,148,399	1,227,723
GROSS PROFIT	236,136	271,916
Selling, general and administrative expenses	126,455	148,872
OPERATING PROFIT	109,680	123,043
Non-operating income		
Interest income	1,773	1,831
Dividend income	1,432	1,761
Foreign exchange gains	42	589
Share of profit of entities accounted for using equity method	6,821	7,516
Other	2,878	2,350
Total non-operating income	12,948	14,048
Non-operating expenses		
Interest expenses	1,459	1,415
Litigation settlement	146	—
Other	3,515	2,076
Total non-operating expenses	5,121	3,492
ORDINARY INCOME	117,507	133,599
Extraordinary income		
Gain on sales of non-current assets	124	152
Gain on step acquisitions	—	4,076
Gain on sales of investment securities	24	74
Gain on bargain purchase	43	—
Total extraordinary income	193	4,304
Extraordinary losses		
Loss on disposal of non-current assets	1,242	1,051
Impairment loss	214	365
Other	16	81
Total extraordinary losses	1,473	1,498
PROFIT BEFORE INCOME TAXES	116,227	136,405
Income taxes	36,160	37,070
PROFIT	80,067	99,335
Profit attributable to non-controlling interests	11,162	15,516
Profit attributable to owners of the parent	68,904	83,818

Consolidated Quarterly Statements of Comprehensive Income

(millions of yen)

For the first nine months ended	FY2017 3rd Quarter December 31, 2016	FY2018 3rd Quarter December 31, 2017
Profit	80,067	99,335
Other comprehensive income		
Valuation difference on available-for-sale securities	6,704	22,879
Deferred gains or losses on hedges	(1,424)	(262)
Revaluation reserve for land	320	—
Foreign currency translation adjustment	(24,015)	11,330
Remeasurements of defined benefit plans, net of tax	2,185	1,993
Share of other comprehensive income of entities accounted for using equity method	(13,609)	356
Total other comprehensive income	<u>(29,839)</u>	<u>36,297</u>
Comprehensive income	<u>50,227</u>	<u>135,632</u>
Comprehensive income attributable to:		
owners of the parent	43,407	117,118
non-controlling interests	6,820	18,513

(3) Notes on Premise of a Going Concern

None

(4) Segment Information

The Third 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 Third 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.

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

None

(6) 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 third quarter are shown below.

		FY2017 3rd Quarter		FY2018 3rd Quarter		Change	
		For the first nine months ended December 31, 2016		For the first nine months ended December 31, 2017			
		Volume (units)	Amount (millions of yen)	Volume (units)	Amount (millions of yen)	Volume (units)	Amount (millions of yen)
	Japan	25,239	224,234	22,807	204,804	(2,432)	(19,429)
	Overseas	27,210	128,566	29,480	153,059	2,270	24,492
Total HD/MD vehicles		52,449	352,801	52,287	357,863	(162)	5,062
	Japan	32,597	107,666	30,692	103,089	(1,905)	(4,577)
	Overseas	283,886	538,828	281,396	594,268	(2,490)	55,439
Total LD vehicles, etc		316,483	646,495	312,088	697,357	(4,395)	50,862
	Japan	57,836	331,900	53,499	307,893	(4,337)	(24,007)
	Overseas	311,096	667,395	310,876	747,327	(220)	79,931
Total vehicles		368,932	999,296	364,375	1,055,221	(4,557)	55,924
	Overseas	-	38,597	-	48,749	-	10,152
	Parts for overseas production	-	38,597	-	48,749	-	10,152
	Japan	-	40,927	-	50,910	-	9,983
	Overseas	-	34,676	-	41,688	-	7,012
Engines / components		-	75,603	-	92,599	-	16,995
	Japan	-	198,782	-	215,644	-	16,861
	Overseas	-	72,256	-	87,425	-	15,169
Other		-	271,039	-	303,069	-	32,030
	Japan	-	571,611	-	574,448	-	2,837
	Overseas	-	812,925	-	925,191	-	112,266
Sales amount		-	1,384,536	-	1,499,640	-	115,103

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

<Overseas Sales>

Previous Third Quarter Consolidated Cumulative Period (April 1, 2016 through December 31, 2016)

(millions of yen)

	North America	Asia	Other	Total
1 Overseas sales	100,011	388,984	323,928	812,925
2 Consolidated sales	-	-	-	1,384,536
3 Overseas sales per Consolidated sales	% 7.2	% 28.1	% 23.4	% 58.7

Current Third Quarter Consolidated Cumulative Period (April 1, 2017 through December 31, 2017)

(millions of yen)

	North America	Asia	Other	Total
1 Overseas sales	108,714	463,854	352,622	925,191
2 Consolidated sales	-	-	-	1,499,640
3 Overseas sales per Consolidated sales	% 7.2	% 30.9	% 23.5	% 61.7

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.