FY2017 First Quarter Consolidated Financial Results (Japan GAAP)

(April 1, 2016 through June 30, 2016)

English Translation of the Original Japanese-Language Document

August 4, 2016

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 : August 8, 2016
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, 2016 through June 30, 2016)

<1> Consolidated Financial Results

(% indicates increase/decrease from previous 1st 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	%
FY2017 1st Quarter	432,492	(8.6)	36,822	(25.3)	36,782	(32.7)	23,018	(34.2)
FY2016 1st Quarter	473,080	16.8	49,261	32.6	54,672	42.6	34,990	63.9

[Note] Comprehensive Income FY2017 1st Quarter (10,780) millions of yen -%
FY2016 1st Quarter 35,985 millions of yen 71.2%

	Net Income per Share	Net Income per Share after Dilution of Potential Stock
	yen	yen
FY2017 1st Quarter	29.20	-
FY2016 1st Quarter	41.98	-

<2> Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	millions of yen	millions of yen	%
FY2017 1st Quarter	1,774,404	875,621	41.2
FY2016	1,809,270	897,650	41.5

[Note] Total Amount of Shareholders' Equity FY2017 1st Quarter 731,057 millions of yen
FY2016 751,364 millions of yen

2. Cash Dividends

	Dividend per Share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Total
	yen	yen	yen	yen	yen
FY2016	-	16.00	-	16.00	32.00
FY2017	-				
FY2017(Forecast)		16.00	-	16.00	32.00

[Note] Revision to the projected dividend for FY2017: None

3. Consolidated Financial Forecast for FY2017 (April 1, 2016 through March 31, 2017)

(% 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
2nd Quarter	881,000	(9.3)	71,000	(17.6)	78,000	(20.9)	40,000	(24.7)	50.73
Year-End	1,860,000	(3.5)	175,000	2.0	187,000	0.2	115,000	0.3	145.86

[Note] Revision to Consolidated Financial Forecast for FY2017: 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 : Adopted

(Note) This item indicates whether there was adoption of specific accounting methods for presenting quarterly consolidated financial statements.

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

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

<4> Number of shares issued (common stock)

Number of shares issued and outstanding at the end of the term (inclusive of treasury stock)	FY2017 1st Quarter	848,422,669	Shares
	FY2016	848,422,669	Shares
Number of treasury stocks at the end of the term	FY2017 1st Quarter	60,008,104	Shares
	FY2016	60,007,155	Shares
Average number of stocks issued	FY2017 1at Quarter	788,415,118	Shares
	FY2016 1st Quarter	833,425,323	Shares

*Information regarding the implementation of quarterly review procedures

These quarterly financial results are not subject to quarterly review procedures based on the Financial Instruments and Exchange Act. At the date of the announcement, quarterly financial results review procedures based on the Financial Instruments and Exchange Act have not been completed.

*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 FY2017 First Quarter
(3)Future Estimates such as Consolidated Financial Forecast ”
・The Company has posted its financial results on its web site on August 4, 2016.

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1. Qualitative Information concerning Consolidated Financial Results for FY2017 First Quarter

(1) Consolidated Financial Results

Qualitative Information on Consolidated Operating Results

In the current consolidated first quarter, Isuzu vehicle sales in Japan increased by 2,264 units or 15.9% to 16,531 units on firm demand over the same period last year.

Overseas, Isuzu vehicle sales fell 7,401 units or 6.6% year-on-year to 104,198 units due mainly to a sales drop in emerging and resource-rich economies.

As a result, total Isuzu unit sales in both domestic and overseas markets came to 120,729 units, a decrease of 5,137 units or 4.1% from the same period last year.

With regard to other products, sales amount of parts for overseas production fell by 13.6 billion yen or 55.5% year-on-year to 10.9 billion yen. Sales amount of engine components declined 2.5 billion yen or 10.6% to 21.6 billion yen. Sales amount from other dropped 2.0 billion yen or 2.4% to 84.5 billion yen.

Consequently, net sales amounted to 432.4 billion yen, a decrease of 40.5 billion yen or 8.6% from the same period last year. This comprises 167.0 billion yen posted for Japan, up 14.5% year-on-year, and 265.4 billion yen for the rest of the world, a decrease of 18.9% compared with the same period last year.

In spite of the increased vehicle sales in Japan, the decreased sales in overseas markets and the impact of the yen's appreciation against other currencies adversely impacted the Company's profitability. The Company posted operating income of 36.8 billion yen, a decrease of 25.3% year-on-year, ordinary income of 36.7 billion yen, down 32.7% year-on-year, and net income attributable to the parent company's shareholders of 23.0 billion yen, a decline of 34.2% from the same period last year.

(2) Consolidated Financial Position

Total assets as of the end of the current consolidated first quarter declined 34.8 billion yen to 1,774.4 billion yen from March 31 2016. This is primarily attributable to decreases in notes and accounts receivable-trade of 50.0 billion yen and investment securities of 10.8 billion yen, which cancelled out an increase in inventory assets of 24.0 billion yen.

Net assets decreased 22.0 billion yen to 875.6 billion yen from March 31, 2016.

This primarily reflects declines in retained earnings of 12.6 billion yen as a result of the dividend payment and foreign exchange translation adjustment of 27.7 billion yen, which are partially offset by 23.0 billion yen posted as net income attributable to the parent company's shareholders for the reporting quarter.

The capital adequacy ratio came to 41.2% compared with 41.5% as of March 31, 2016.

Interest-bearing liabilities grew 5.2 billion yen to 264.0 billion yen from March 31, 2016.

(3) 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

May 11, 2016.

*****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. Matters Concerning Summary Information

(1) Changes in significant subsidiaries during this period:

None

(2) Adoption of specific accounting methods for presenting quarterly consolidated financial statements:

Income taxes were calculated by multiplying consolidated quarterly income before income taxes and non-controlling interests by a rational estimate of the effective tax rate on consolidated income before income taxes and non-controlling interests for the fiscal year including the quarterly period after adjustments for the application of tax-effect accounting.

(3) Changes in accounting policies, accounting estimates and retrospective restatement:

Changes in accounting policies

(Application of the implementation guidance on recoverability of deferred tax assets)

"Implementation guidance on recoverability of deferred tax assets" (ASBJ Guidance No.26, March 28, 2016, henceforth referred to as "Implementation guidance on recoverability"), has been applied from the beginning of this first fiscal quarter and the accounting treatment for recoverability of deferred tax assets was partially reviewed.

As for the application of Implementation guidance on recoverability, the company follows the transitional treatment stipulated at Implementation guidance on recoverability Article 49, Paragraph 4, and the difference of the amount of deferred tax assets and liabilities calculated if "Implementation guidance on recoverability" No.49, Paragraph 3, Item 1 to 3 are applied at the beginning of this first fiscal year, and that of deferred tax assets and liabilities at the end of the previous fiscal year was summed up to the retained earnings at the beginning of this first fiscal year.

As a result, the impact of above on deferred tax assets (Investment and other assets) and retained earnings is immaterial.

(Application of practical solution on accounting for changes in depreciation method related to the 2016 Tax Law changes)

Following the amendment of Japanese corporate tax law, the company adopted "practical solution on accounting for changes in depreciation method related to the 2016 Tax Law changes" (ASBJ Practical Task Force No.32, June 17, 2016) for this first quarter, and the way to depreciate buildings and structures was changed from declining-balance method to straight-line method. The impact of this change to financial statement for this first quarter is immaterial.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(millions of yen)

	As of March 31, 2016	**As of June 30, 2016**
[ASSETS]		
CURRENT ASSETS		
Cash and deposits	285,686	296,028
Notes and accounts receivable-trade	249,331	199,305
Lease receivables and lease investment assets	64,728	66,088
Merchandise and finished goods	174,918	194,908
Work in process	15,793	18,614
Raw materials and supplies	58,363	59,616
Deferred tax assets	32,460	33,258
Other	49,358	43,481
Allowance for doubtful accounts	(935)	(784)
Total Current Assets	**929,705**	**910,517**
NON-CURRENT ASSETS		
Property, plant and equipment		
Buildings and structures, net	137,830	137,603
Machinery, equipment and vehicles, net	161,144	153,873
Land	276,225	275,510
Leased assets, net	9,747	9,223
Vehicles on operating leases, net	21,136	22,176
Construction in progress	23,261	27,223
Other, net	15,012	14,673
Total Property, Plant and Equipment	**644,357**	**640,284**
Intangible assets		
Goodwill	3,303	2,919
Other	13,145	13,240
Total Intangible Assets	**16,449**	**16,159**
Investments and other assets		
Investment securities	145,688	134,818
Long-term loans receivable	1,466	1,396
Net defined benefit asset	367	367
Deferred tax assets	33,319	34,511
Other	39,852	37,622
Allowance for doubtful accounts	(1,937)	(1,273)
Total Investments and Other Assets	**218,757**	**207,443**
Total Non-Current Assets	**879,564**	**863,887**
TOTAL ASSETS	**1,809,270**	**1,774,404**

(millions of yen)

	As of March 31, 2016	**As of June 30, 2016**
[LIABILITIES]		
CURRENT LIABILITIES		
Notes and accounts payable-trade	328,621	310,960
Electronically recorded obligations - operating	23,297	31,014
Short-term loans payable	68,530	78,614
Lease obligations	3,184	2,825
Income taxes payable	21,415	17,642
Accrued expenses	47,279	42,662
Provision for bonuses	18,242	26,567
Provision for directors' bonuses	100	100
Provision for product warranties	7,845	6,934
Deposits received	3,235	4,683
Other	43,524	35,523
Total Current Liabilities	**565,277**	**557,349**
NON-CURRENT LIABILITIES		
Long-term loans payable	180,067	174,727
Lease obligations	6,957	7,848
Deferred tax liabilities	2,161	2,095
Deferred tax liabilities for land revaluation	42,135	42,135
Net defined benefit liability	102,911	102,163
Long-term deposits received	1,442	1,415
Other	10,666	11,046
Total Non-Current Liabilities	**346,342**	**341,433**
TOTAL LIABILITIES	**911,620**	**898,782**
[NET ASSETS]		
SHAREHOLDERS' EQUITY		
Capital stock	40,644	40,644
Capital surplus	41,610	41,610
Retained earnings	635,691	646,759
Treasury stock	(70,259)	(70,261)
Total Shareholders' Equity	**647,686**	**658,753**
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Valuation difference on available-for-sale securities	12,025	7,719
Deferred gains or losses on hedges	174	851
Revaluation reserve for land	84,212	83,560
Foreign currency translation adjustment	20,302	(7,474)
Remeasurements of defined benefit plans	(13,036)	(12,352)
Total Accumulated Other Comprehensive Income	**103,677**	**72,304**
NON-CONTROLLING INTERESTS	**146,285**	**144,563**
TOTAL NET ASSETS	**897,650**	**875,621**
TOTAL LIABILITIES AND NET ASSETS	**1,809,270**	**1,774,404**

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

Consolidated Quarterly Statements of Income

(millions of yen)

For the first three months ended	FY2016 1st Quarter June 30, 2015	**FY2017 1stQuarter June 30, 2016**
Net sales	**473,080**	**432,492**
Cost of sales	**381,013**	**355,738**
GROSS PROFIT	**92,066**	**76,754**
Selling, general and administrative expenses	**42,805**	**39,931**
OPERATING INCOME	**49,261**	**36,822**
Non-operating income		
Interest income	1,129	708
Dividends income	202	245
Share of profit of entities accounted for using equity method	2,925	1,446
Rent income	123	94
Foreign exchange gains	1,253	-
Other	1,297	2,040
Total non-operating income	**6,932**	**4,534**
Non-operating expenses		
Interest expenses	599	458
Foreign exchange losses	-	3,196
Litigation settlement	95	46
Other	826	872
Total non-operating expenses	**1,521**	**4,574**
ORDINARY INCOME	**54,672**	**36,782**
Extraordinary income		
Gain on sales of non-current assets	39	10
Gain on bargain purchase	-	43
Other	0	-
Total extraordinary income	**39**	**54**
Extraordinary loss		
Loss on disposal of non-current assets	484	209
Impairment loss	318	-
Other	-	14
Total extraordinary losses	**802**	**223**
PROFIT BEFORE INCOME TAXES	**53,909**	**36,613**
Income taxes	**11,946**	**9,399**
PROFIT	**41,962**	**27,214**
Profit attributable to non-controlling interests	**6,971**	**4,196**
Profit attributable to owners of the parent	**34,990**	**23,018**

Consolidated Quarterly Statements of Comprehensive Income

(millions of yen)

For the first three months ended	FY2016 1st Quarter June 30, 2015	**FY2017 1stQuarter June 30, 2016**
Net Income	41,962	27,214
Other comprehensive income		
Valuation difference on available-for-sale securities	955	(4,389)
Deferred gains or losses on hedges	(129)	677
Foreign currency translation adjustment	(6,324)	(34,403)
Remeasurements of defined benefit plans, net of tax	583	707
Share of other comprehensive income of associates accounted for using equity method	(1,063)	(587)
Total other comprehensive income	**(5,977)**	**(37,994)**
Comprehensive income	**35,985**	**(10,780)**
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	30,756	(7,703)
Comprehensive income attributable to non-controlling interests	5,229	(3,077)

(3) Notes on premise of a going concern

None

(4) Segment information, etc.

Segment information

The First Quarter Consolidated Cumulative Period of Fiscal Year 2016

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 First Quarter Consolidated 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.

(5) Notes in the case of a significant change in shareholders' equity

None

4. Supplementary Information

(1) Sales Condition

<Sales Results by Region>

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

		FY2016 1st Quarter For the first three months ended June 30, 2015		FY2017 1st Quarter For the first three months ended June 30, 2016		Change	
		Volume (units)	Amount (millions of yen)	Volume (units)	Amount (millions of yen)	Volume (units)	Amount (millions of yen)
	Japan	5,585	46,040	6,903	60,131	1,318	14,090
	Overseas	10,082	50,643	8,550	40,319	(1,532)	(10,324)
Total HD/MD vehicles		15,667	96,684	15,453	100,450	(214)	3,766
	Japan	8,682	28,804	9,628	31,868	946	3,064
	Overseas	101,517	212,142	95,648	183,022	(5,869)	(29,119)
Total LD vehicles, etc		110,199	240,946	105,276	214,891	(4,923)	(26,055)
	Japan	14,267	74,845	16,531	91,999	2,264	17,154
	Overseas	111,599	262,785	104,198	223,341	(7,401)	(39,443)
Total vehicles		125,866	337,630	120,729	315,341	(5,137)	(22,289)
	Overseas	-	24,631	-	10,966	-	(13,664)
Parts for overseas production		-	24,631	-	10,966	-	(13,664)
	Japan	-	12,282	-	11,903	-	(379)
	Overseas	-	11,931	-	9,734	-	(2,197)
Engines / components		-	24,214	-	21,637	-	(2,576)
	Japan	-	58,749	-	63,174	-	4,425
	Overseas	-	27,855	-	21,372	-	(6,482)
Other		-	86,604	-	84,547	-	(2,056)
	Japan	-	145,876	-	167,077	-	21,200
	Overseas	-	327,203	-	265,415	-	(61,788)
Sales amount		-	473,080	-	432,492	-	(40,587)

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

<Overseas Sales>

Previous 1st Quarter Consolidated Cumulative Period (April 1, 2015 through June 30, 2015)

(millions of yen)

	North America	Asia	Other	Total
1 Overseas sales	30,430	153,508	143,264	327,203
2 Consolidated sales	-	-	-	473,080
3 Overseas sales per Consolidated sales	% 6.4	% 32.4	% 30.3	% 69.2

Current 1st Quarter Consolidated Cumulative Period (April 1, 2016 through June 30, 2016)

(millions of yen)

	North America	Asia	Other	Total
1 Overseas sales	28,943	127,555	108,917	265,415
2 Consolidated sales	-	-	-	432,492
3 Overseas sales per Consolidated sales	% 6.7	% 29.5	% 25.2	% 61.4

1. This segmentation is based on the geographical area.
2. Major countries or areas included
   (1) North America---USA
   (2) Asia---Thailand, China, Vietnam, Philippine
   (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.