

FY2017 Second Quarter Consolidated Financial Results (Japan GAAP)

(April 1, 2016 through September 30, 2016)

English Translation of the Original Japanese-Language Document



November 7, 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 : November 10, 2016
 Expected starting date for distribution of cash dividends : November 30, 2016
 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 September 30, 2016)

<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	%
FY2017 2nd Quarter	908,075	(6.5)	68,372	(20.7)	72,328	(26.7)	38,759	(27.0)
FY2016 2nd Quarter	970,954	10.1	86,174	11.9	98,624	16.5	53,091	7.0

[Note] Comprehensive Income FY2017 2nd Quarter (12,187) millions of yen -%
 FY2016 2nd Quarter 30,421 millions of yen (57.9%)

	Net Income per Share	Net Income per Share after Dilution of Potential Stock
	yen	yen
FY2017 2nd Quarter	49.18	-
FY2016 2nd Quarter	63.70	-

<2> Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	millions of yen	millions of yen	%
FY2017 2nd Quarter	1,729,602	857,720	42.1
FY2016	1,809,270	897,650	41.5

[Note] Total Amount of Shareholders' Equity FY2017 2nd Quarter 728,328 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	-	16.00	-	-	-
FY2017(Forecast)	-	-	-	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
Year-End	1,860,000	(3.5)	150,000	(12.6)	153,000	(18.1)	90,000	(21.5)	114.28

[Note] Revision to Consolidated Financial Forecast for FY2017: 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 : 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	FY2017 2nd Quarter	848,422,669	Shares
at the end of the term (inclusive of treasury stock)	FY2016	848,422,669	Shares
Number of treasury stocks at the end of the term	FY2017 2nd Quarter	60,889,454	Shares
	FY2016	60,007,155	Shares
Average number of stocks issued	FY2017 2nd Quarter	788,160,954	Shares
	FY2016 2nd Quarter	833,423,840	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.

*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 Second Quarter

(3)Future Estimates such as Consolidated Financial Forecast "

•The Company has posted its financial results on its web site on November 7, 2016.

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

(1) Consolidated Financial Results

In the cumulative consolidated second quarter, Isuzu vehicle sales in Japan increased on firm demand by 3,899 units or 11.3% to 38,359 units over the same period last year. Overseas, Isuzu vehicle sales fell 15,336 units or 7.0% year-on-year to 204,700 units due mainly to a sales drop in emerging and resource-rich economies. As a result, the total Isuzu unit sales in domestic and overseas markets came to 243,059 units, a decrease of 11,437 units or 4.5% from the same period last year.

With regard to other products, the sales amount of parts for overseas production fell by 25.3 billion yen or 52.8% year-on-year to 22.6 billion yen. Sales amount of engine components declined 2.7 billion yen or 5.6% to 46.1 billion yen from the same period last year. Meanwhile, sales amount from other rose 2.7 billion yen or 1.5% to 181.1 billion yen, compared to the same period last year.

Consequently, net sales amounted to 908.0 billion yen, a decrease of 62.8 billion yen or 6.5% from the same period last year. This comprises 377.6 billion yen posted for Japan, up 13.0% year-on-year, and 530.4 billion yen for the rest of the world, a decrease of 16.7% year-on-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 68.3 billion yen in operating income, a decrease of 20.7% year-on-year, 72.3 billion yen in ordinary income, a 26.7% year-on-year drop, and 38.7 billion yen in net income attributable to the parent company's shareholders, a decline of 27.0% from the same period last year.

(2) Consolidated Financial Position

Total assets as of the end of the fiscal second quarter fell by 79.6 billion yen from March 31, 2016 to 1,729.6 billion yen. This is primarily the result of decreases in cash and deposit of 47.4 billion yen, notes and account receivable-trade of 32.1 billion yen, and investment securities of 11.7 billion yen which cancelled out an increase in inventory assets of 10.5 billion yen.

Liabilities declined 39.7 billion yen to 871.8 billion yen from March 31, 2016 due chiefly to a 25.6 billion yen drop in notes and accounts payable trade and an 11.2 billion yen decrease in interest-bearing debt.

Net assets decreased 39.9 billion yen to 857.7 billion yen from March 31, 2016. This mainly represents decreases in retained earnings of 12.6 billion yen as a result of the dividend payment, foreign currency translation adjustment of 49.1 billion yen and non-controlling interests of 16.8 billion yen. Partially offsetting these declines is net income of 38.7 billion yen attributable to the parent company's shareholders for the first half of this fiscal year.

Capital adequacy ratio came to 42.1% compared to 41.5% as of March 31, 2016.

Interest-bearing debt fell by 11.2 billion yen to 247.4 billion yen from March 31, 2016.

(3) Future Estimates such as Consolidated Financial Forecast

The Company revised its financial forecast for the fiscal year ending in March 2017 as shown below. The decision was based on the financial results of the cumulative second quarter, the revised projection of the foreign exchange rate, and shipment plans for different markets according to their latest economic trends.

(Forecast of Full-Year Consolidated Financial Results)

Net sales	1,860 billion yen
Operating Income	150 billion yen
Ordinary Income	153 billion yen
Net Income Attributable to Owners of Parent	90 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. 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 second quarter is immaterial.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

	(millions of yen)	
	As of March 31, 2016	As of September 30, 2016
[ASSETS]		
CURRENT ASSETS		
Cash and deposits	285,686	238,218
Notes and accounts receivable-trade	249,331	217,198
Lease receivables and lease investment assets	64,728	74,981
Merchandise and finished goods	174,918	179,083
Work in process	15,793	19,184
Raw materials and supplies	58,363	61,309
Deferred tax assets	32,460	29,709
Other	49,358	48,756
Allowance for doubtful accounts	(935)	(781)
Total Current Assets	929,705	867,659
NON-CURRENT ASSETS		
Property, plant and equipment		
Buildings and structures, net	137,830	139,887
Machinery, equipment and vehicles, net	161,144	149,923
Land	276,225	275,409
Leased assets, net	9,747	8,232
Vehicles on operating leases, net	21,136	25,308
Construction in progress	23,261	30,822
Other, net	15,012	14,470
Total Property, Plant and Equipment	644,357	644,054
Intangible assets		
Goodwill	3,303	2,675
Other	13,145	13,935
Total Intangible Assets	16,449	16,611
Investments and other assets		
Investment securities	145,688	133,969
Long-term loans receivable	1,466	1,407
Net defined benefit asset	367	410
Deferred tax assets	33,319	32,649
Other	39,852	34,097
Allowance for doubtful accounts	(1,937)	(1,258)
Total Investments and Other Assets	218,757	201,276
Total Non-Current Assets	879,564	861,942
TOTAL ASSETS	1,809,270	1,729,602

(millions of yen)

	As of March 31, 2016	As of September 30, 2016
[LIABILITIES]		
CURRENT LIABILITIES		
Notes and accounts payable-trade	328,621	303,009
Electronically recorded obligations - operating	23,297	32,105
Short-term loans payable	68,530	60,902
Lease obligations	3,184	2,284
Income taxes payable	21,415	16,553
Accrued expenses	47,279	45,964
Provision for bonuses	18,242	18,502
Provision for directors' bonuses	100	2
Provision for product warranties	7,845	6,765
Deposits received	3,235	3,316
Other	43,524	39,829
Total Current Liabilities	565,277	529,236
NON-CURRENT LIABILITIES		
Long-term loans payable	180,067	176,547
Lease obligations	6,957	7,720
Deferred tax liabilities	2,161	2,234
Deferred tax liabilities for land revaluation	42,135	42,135
Net defined benefit liability	102,911	101,152
Long-term deposits received	1,442	1,456
Other	10,666	11,397
Total Non-Current Liabilities	346,342	342,645
TOTAL LIABILITIES	911,620	871,881
[NET ASSETS]		
SHAREHOLDERS' EQUITY		
Capital stock	40,644	40,644
Capital surplus	41,610	41,610
Retained earnings	635,691	662,500
Treasury stock	(70,259)	(71,358)
Total Shareholders' Equity	647,686	673,396
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Valuation difference on available-for-sale securities	12,025	11,353
Deferred gains or losses on hedges	174	288
Revaluation reserve for land	84,212	83,560
Foreign currency translation adjustment	20,302	(28,847)
Remeasurements of defined benefit plans	(13,036)	(11,423)
Total Accumulated Other Comprehensive Income	103,677	54,931
NON-CONTROLLING INTERESTS	146,285	129,392
TOTAL NET ASSETS	897,650	857,720
TOTAL LIABILITIES AND NET ASSETS	1,809,270	1,729,602

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

Consolidated Quarterly Statements of Income

(millions of yen)

	FY2016 2nd Quarter September 30, 2015	FY2017 2nd Quarter September 30, 2016
For the first six months ended		
Net sales	970,954	908,075
Cost of sales	790,836	753,518
GROSS PROFIT	180,118	154,557
Selling, general and administrative expenses	93,943	86,184
OPERATING INCOME	86,174	68,372
Non-operating income		
Interest income	1,985	1,346
Dividend income	1,699	1,273
Share of profit of entities accounted for using equity method	7,089	4,546
Other	4,655	3,084
Total non-operating income	15,429	10,250
Non-operating expenses		
Interest expenses	941	991
Foreign exchange losses	-	2,554
Litigation settlement	242	99
Other	1,794	2,650
Total non-operating expenses	2,979	6,295
ORDINARY INCOME	98,624	72,328
Extraordinary income		
Gain on sales of non-current assets	1,814	19
Gain on sales of investment securities	-	24
Gain on bargain purchase	-	43
Total extraordinary income	1,814	88
Extraordinary loss		
Loss on disposal of non-current assets	1,718	584
Impairment loss	450	162
Other	-	16
Total extraordinary losses	2,168	763
PROFIT BEFORE INCOME TAXES	98,270	71,652
Income taxes	32,913	25,713
PROFIT	65,357	45,939
Profit attributable to non-controlling interests	12,265	7,180
Profit attributable to owners of the parent	53,091	38,759

Consolidated Quarterly Statements of Comprehensive Income

(millions of yen)

	FY2016 2nd Quarter	FY2017 2nd Quarter
For the first six months ended	September 30, 2015	September 30, 2016
Profit	65,357	45,939
Other comprehensive income		
Valuation difference on available-for-sale securities	(9,077)	(708)
Deferred gains or losses on hedges	398	113
Revaluation reserve for land	(220)	-
Foreign currency translation adjustment	(27,258)	(46,000)
Remeasurements of defined benefit plans, net of tax	1,333	1,449
Share of other comprehensive income of entities accounted for using equity method	(111)	(12,981)
Total other comprehensive income	(34,935)	(58,127)
Comprehensive income	30,421	(12,187)
Comprehensive income attributable to		
owners of the parent	27,917	(9,335)
non-controlling interests	2,503	(2,852)

(3) Consolidated Quarterly Statements of Cash Flows

(millions of yen)

	FY2016 2nd Quarter September 30, 2015	FY2017 2nd Quarter September 30, 2016
For the first six months ended		
Cash Flows from Operating Activities		
Profit before income taxes	98,270	71,652
Depreciation	27,829	30,655
Amortization of goodwill	342	465
Share of (profit) loss of entities accounted for using equity method	(7,089)	(4,546)
Increase (decrease) in provision for product warranties	104	(648)
Increase (decrease) in provision for bonuses	120	77
Increase (decrease) in provision for directors' bonuses	-	(97)
Increase (decrease) in allowance for doubtful accounts	(13)	(822)
Increase (decrease) in net defined benefit liability	(629)	8
Interest and dividend income	(3,684)	(2,619)
Interest expenses	941	991
Loss (gain) on sales of non-current assets	(1,814)	(19)
Loss (gain) on disposal of non-current assets	1,718	584
Loss (gain) on sales of investment securities	-	(24)
Impairment loss	450	162
Other extraordinary loss (income)	-	(27)
Decrease (increase) in notes and accounts receivable-trade	7,097	14,294
Net decrease (increase) in lease receivables and investment assets	(9,683)	(10,253)
Decrease (increase) in inventories	(1,773)	(24,863)
Decrease (increase) in other current assets	(6,728)	(1,521)
Increase (decrease) in notes and accounts payable-trade	(41)	4,284
Increase (decrease) in accrued expenses	11,072	(410)
Increase (decrease) in deposits received	26	85
Increase (decrease) in other liabilities	(2,862)	5,677
Other, net	(62)	(16)
(Subtotal)	113,590	83,067
Interest and dividends income received	6,189	6,145
Interest expenses paid	(925)	(1,006)
Income taxes paid	(26,237)	(27,836)
Net cash provided by (used in) operating activities	92,617	60,370
Cash Flows from Investing Activities		
Purchase of investment securities	(2,659)	(26)
Proceeds from sales of investment securities	-	43
Proceeds from capital reduction of investment securities	-	810
Purchase of non-current assets	(51,661)	(50,553)
Proceeds from sales of non-current assets	4,746	1,777
Payments of long-term loans receivable	(158)	(141)
Collection of long-term loans receivable	141	115
Decrease (increase) in short-term loans receivable	205	(146)
Decrease (increase) in time deposits	2,767	6,758
Proceeds from purchase of share of subsidiaries resulting in change in scope of	-	589
Other, net	(1,205)	(201)
Net cash provided by (used in) investing activities	(47,823)	(40,973)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term loans payable	7,411	(14,616)
Proceeds from long-term loans payable	10,000	15,000
Repayment of long-term loans payable	(37,760)	(10,611)
Proceeds from share issuance to non-controlling shareholders	-	1,891
Repayments of lease obligations	(1,149)	(800)
Purchase of treasury shares	(8)	(1,098)
Cash dividends paid	(13,339)	(12,621)
Dividends paid to non-controlling interest	(22,395)	(16,267)
Net cash provided by (used in) financing activities	(57,242)	(39,123)
Effect of Exchange Rate Change on Cash and Cash Equivalents	(12,224)	(17,857)
Net Increase (Decrease) in Cash and Cash Equivalents	(24,672)	(37,584)
Cash and Cash Equivalents at Beginning of Period	305,563	259,282
Increase (decrease) in cash and cash equivalents resulting from change of	1,589	23
Cash and Cash Equivalents at End of Period	282,480	221,721

(4) Notes on premise of a going concern

None

(5) Segment information, etc.

Segment information

The Second 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 Second 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.

(6) 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 second quarter are shown below.

		FY2016 2nd Quarter For the first six months ended September 30, 2015		FY2017 2nd Quarter For the first six months ended September 30, 2016		Change	
		Volume (units)	Amount (millions of yen)	Volume (units)	Amount (millions of yen)	Volume (units)	Amount (millions of yen)
	Japan	14,177	120,152	16,631	147,547	2,454	27,394
	Overseas	19,310	96,888	18,052	85,768	(1,258)	(11,119)
Total HD/MD vehicles		33,487	217,040	34,683	233,315	1,196	16,274
	Japan	20,283	66,577	21,728	71,330	1,445	4,753
	Overseas	200,726	412,153	186,648	353,546	(14,078)	(58,607)
Total LD vehicles, etc		221,009	478,730	208,376	424,876	(12,633)	(53,853)
	Japan	34,460	186,729	38,359	218,877	3,899	32,148
	Overseas	220,036	509,042	204,700	439,314	(15,336)	(69,727)
Total vehicles		254,496	695,771	243,059	658,192	(11,437)	(37,579)
	Overseas	-	47,923	-	22,615	-	(25,307)
Parts for overseas production		-	47,923	-	22,615	-	(25,307)
	Japan	-	24,801	-	25,722	-	921
	Overseas	-	24,013	-	20,380	-	(3,632)
Engines / components		-	48,814	-	46,103	-	(2,711)
	Japan	-	122,588	-	133,042	-	10,453
	Overseas	-	55,856	-	48,120	-	(7,735)
Other		-	178,444	-	181,163	-	2,718
	Japan	-	334,119	-	377,643	-	43,523
	Overseas	-	636,835	-	530,432	-	(106,402)
Sales amount		-	970,954	-	908,075	-	(62,879)

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

<Overseas Sales>

Previous 2nd Quarter Consolidated Cumulative Period (April 1, 2015 through September 30, 2015)

(millions of yen)

	North America	Asia	Other	Total
1 Overseas sales	64,790	281,766	290,277	636,835
2 Consolidated sales	-	-	-	970,954
3 Overseas sales per Consolidated sales	% 6.7	% 29.0	% 29.9	% 65.6

Current 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

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.