

FY2017 Third Quarter Consolidated Financial Results (Japan GAAP)

(April 1, 2016 through December 31, 2016)

English Translation of the Original Japanese-Language Document



February 8, 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 : February 10, 2017
 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 December 31, 2016)

<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	%
FY2017 3rd Quarter	1,384,536	(2.2)	109,680	(11.9)	117,507	(15.4)	68,904	(13.5)
FY2016 3rd Quarter	1,416,328	5.0	124,490	1.2	138,837	2.1	79,621	(3.4)

[Note] Comprehensive Income
 FY2017 3rd Quarter 50,227 millions of yen (9.3%)
 FY2016 3rd Quarter 55,388 millions of yen (61.9%)

	Net Income per Share	Net Income per Share after Dilution of Potential Stock
	yen	yen
FY2017 3rd Quarter	87.45	-
FY2016 3rd Quarter	95.54	-

<2> Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	millions of yen	millions of yen	%
FY2017 3rd Quarter	1,763,330	906,061	43.6
FY2016	1,809,270	897,650	41.5

[Note] Total Amount of Shareholders' Equity
 FY2017 3rd Quarter 768,132 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: 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	FY2017 3rd 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 3rd Quarter	60,891,777	Shares
	FY2016	60,007,155	Shares
Average number of stocks issued	FY2017 3rd Quarter	787,950,818	Shares
	FY2016 3rd Quarter	833,422,543	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 Third Quarter

(3)Future Estimates such as Consolidated Financial Forecast "

•The Company has posted its financial results on its web site on February 8, 2017.

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

(1) Consolidated Financial Results

In the cumulative consolidated third quarter, unit sales in Japan continued to remain firm and increased by 7,129 units or 14.1% to 57,836 units compared with the same period last year.

Overseas, unit sales fell by 8,860 units or 2.8% year-on-year to 311,096 units due mainly to a sales drop in emerging and resource-rich countries.

As a result, total unit sales in both Japan and overseas decreased by 1,731 units or 0.5% from the same period last year to 368,932 units.

With regard to other products, sales amount of parts for overseas production declined by 24.9 billion yen or 39.3% over the same period last year to 38.5 billion yen. Sales amount of engine components rose by 5.3 billion yen or 7.7% year-on-year to 75.6 billion yen. Meanwhile, sales amount from others dropped by 1.8 billion yen or 0.7% to 271.0 billion yen compared to the same period last year.

Consequently, net sales amounted to 1,384.5 billion yen, a decrease of 31.7 billion yen or 2.2% from the same period last year. This comprises 571.6 billion yen posted for Japan, up 15.7% year-on-year, and 812.9 billion yen for overseas, down 11.8% over the same period last year.

Despite the increased sales in Japan, the decreased sales in the rest of the world and the influence of the yen's appreciation against other currencies contributed adversely to the Company's profitability. The Company posted 109.6 billion yen in operating income, down 11.9% year-on-year, 117.5 billion yen in ordinary income, down 15.4% from the same period last year, and 68.9 billion yen in net income attributable to owners of the parent, down 13.5% compared to the same period last year.

(2) Consolidated Financial Position

Total assets as of the end of the fiscal third quarter fell by 45.9 billion yen from March 31, 2016 to 1,763.3 billion yen. This is primarily the result of decreases in cash and deposits of 60.2 billion yen and in notes and accounts receivable-trade of 22.6 billion yen, which more than cancelled out increases in property, plant and equipment of 19.7 billion yen and in inventories of 14.2 billion yen.

Liabilities declined by 54.3 billion yen from March 31, 2016 to 857.2 billion yen due chiefly to a 28.1 billion yen drop in notes and accounts payable-trade and a 18.6 billion yen drop in interest-bearing liabilities.

Net assets increased by 8.4 billion yen from March 31, 2016 to 906.0 billion yen primarily because of the addition of 68.9 billion yen posted by the Company as net income attributable to owners of the parent for the cumulative third quarter, which more than offset decreases of 25.2 billion yen in retained earnings as a result of the dividend payment, of 33.3 billion yen in foreign currency translation adjustment, and of 8.3 billion yen in non-controlling interests.

Capital adequacy ratio came to 43.6 % compared to 41.5% as of March 31, 2016.

Interest-bearing liabilities fell by 18.6 billion yen from March 31, 2016 to 240.0 billion yen.

(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 November 7, 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 third quarter is immaterial.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(millions of yen)

	As of March 31, 2016	As of December 31, 2016
[ASSETS]		
CURRENT ASSETS		
Cash and deposits	285,686	225,407
Notes and accounts receivable-trade	249,331	226,648
Lease receivables and lease investment assets	64,728	79,341
Merchandise and finished goods	174,918	182,002
Work in process	15,793	21,695
Raw materials and supplies	58,363	59,599
Deferred tax assets	32,460	27,819
Other	49,358	49,620
Allowance for doubtful accounts	(935)	(776)
Total Current Assets	929,705	871,358
NON-CURRENT ASSETS		
Property, plant and equipment		
Buildings and structures, net	137,830	150,860
Machinery, equipment and vehicles, net	161,144	156,028
Land	276,225	277,045
Leased assets, net	9,747	7,854
Vehicles on operating leases, net	21,136	27,402
Construction in progress	23,261	29,671
Other, net	15,012	15,259
Total Property, Plant and Equipment	644,357	664,122
Intangible assets		
Goodwill	3,303	2,453
Other	13,145	14,993
Total Intangible Assets	16,449	17,446
Investments and other assets		
Investment securities	145,688	146,073
Long-term loans receivable	1,466	1,521
Net defined benefit asset	367	410
Deferred tax assets	33,319	29,535
Other	39,852	34,139
Allowance for doubtful accounts	(1,937)	(1,278)
Total Investments and Other Assets	218,757	210,402
Total Non-Current Assets	879,564	891,971
TOTAL ASSETS	1,809,270	1,763,330

(millions of yen)

	As of March 31, 2016	As of December 31, 2016
[LIABILITIES]		
CURRENT LIABILITIES		
Notes and accounts payable-trade	328,621	300,452
Electronically recorded obligations - operating	23,297	36,653
Short-term loans payable	68,530	59,025
Lease obligations	3,184	1,865
Income taxes payable	21,415	9,473
Accrued expenses	47,279	40,853
Provision for bonuses	18,242	9,276
Provision for directors' bonuses	100	2
Provision for product warranties	7,845	7,522
Deposits received	3,235	7,343
Other	43,524	46,652
Total Current Liabilities	565,277	519,120
NON-CURRENT LIABILITIES		
Long-term loans payable	180,067	171,617
Lease obligations	6,957	7,565
Deferred tax liabilities	2,161	2,223
Deferred tax liabilities for land revaluation	42,135	42,135
Net defined benefit liability	102,911	100,971
Long-term deposits received	1,442	1,488
Other	10,666	12,147
Total Non-Current Liabilities	346,342	338,148
TOTAL LIABILITIES	911,620	857,268
[NET ASSETS]		
SHAREHOLDERS' EQUITY		
Capital stock	40,644	40,644
Capital surplus	41,610	41,610
Retained earnings	635,691	679,710
Treasury shares	(70,259)	(71,361)
Total Shareholders' Equity	647,686	690,603
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Valuation difference on available-for-sale securities	12,025	18,692
Deferred gains or losses on hedges	174	(1,250)
Revaluation reserve for land	84,212	83,880
Foreign currency translation adjustment	20,302	(13,078)
Remeasurements of defined benefit plans	(13,036)	(10,716)
Total Accumulated Other Comprehensive Income	103,677	77,528
NON-CONTROLLING INTERESTS	146,285	137,929
TOTAL NET ASSETS	897,650	906,061
TOTAL LIABILITIES AND NET ASSETS	1,809,270	1,763,330

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

Consolidated Quarterly Statements of Income

(millions of yen)

	FY2016 3rd Quarter December 31, 2015	FY2017 3rd Quarter December 31, 2016
For the first nine months ended		
Net sales	1,416,328	1,384,536
Cost of sales	1,157,183	1,148,399
GROSS PROFIT	259,145	236,136
Selling, general and administrative expenses	134,654	126,455
OPERATING INCOME	124,490	109,680
Non-operating income		
Interest income	2,762	1,773
Dividend income	1,508	1,432
Share of profit of entities accounted for using equity method	8,811	6,821
Other	5,536	2,921
Total non-operating income	18,619	12,948
Non-operating expenses		
Interest expenses	1,571	1,459
Litigation settlement	717	146
Other	1,983	3,515
Total non-operating expenses	4,272	5,121
ORDINARY INCOME	138,837	117,507
Extraordinary income		
Gain on sales of non-current assets	1,817	124
Gain on bargain purchase	-	43
Other	47	24
Total extraordinary income	1,865	193
Extraordinary loss		
Loss on disposal of non-current assets	1,988	1,242
Impairment loss	445	214
Other	-	16
Total extraordinary losses	2,434	1,473
PROFIT BEFORE INCOME TAXES	138,268	116,227
Income taxes	42,154	36,160
PROFIT	96,114	80,067
Profit attributable to non-controlling interests	16,492	11,162
Profit attributable to owners of the parent	79,621	68,904

Consolidated Quarterly Statements of Comprehensive Income

(millions of yen)

	FY2016 3rd Quarter	FY2017 3rd Quarter
For the first nine months ended	December 31, 2015	December 31, 2016
Profit	96,114	80,067
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,082)	6,704
Deferred gains or losses on hedges	139	(1,424)
Revaluation reserve for land	(220)	320
Foreign currency translation adjustment	(31,806)	(24,015)
Remeasurements of defined benefit plans, net of tax	2,009	2,185
Share of other comprehensive income of entities accounted for using equity method	(5,763)	(13,609)
Total other comprehensive income	(40,725)	(29,839)
Comprehensive income	55,388	50,227
Comprehensive income attributable to		
owners of the parent	52,801	43,407
non-controlling interests	2,587	6,820

(3) Notes on premise of a going concern

None

(4) Segment information, etc.

Segment information

The Third 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 Third 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 third quarter are shown below.

		FY2016 3rd Quarter For the first nine months ended December 31, 2015		FY2017 3rd Quarter For the first nine months ended December 31, 2016		Change	
		Volume (units)	Amount (millions of yen)	Volume (units)	Amount (millions of yen)	Volume (units)	Amount (millions of yen)
	Japan	20,562	172,782	25,239	224,234	4,677	51,451
	Overseas	27,180	136,501	27,210	128,566	30	(7,934)
Total HD/MD vehicles		47,742	309,284	52,449	352,801	4,707	43,516
	Japan	30,145	99,615	32,597	107,666	2,452	8,050
	Overseas	292,776	600,726	283,886	538,828	(8,890)	(61,897)
Total LD vehicles, etc		322,921	700,341	316,483	646,495	(6,438)	(53,846)
	Japan	50,707	272,398	57,836	331,900	7,129	59,502
	Overseas	319,956	737,227	311,096	667,395	(8,860)	(69,832)
Total vehicles		370,663	1,009,626	368,932	999,296	(1,731)	(10,329)
	Overseas	-	63,595	-	38,597	-	(24,998)
Parts for overseas production		-	63,595	-	38,597	-	(24,998)
	Japan	-	37,061	-	40,927	-	3,866
	Overseas	-	33,143	-	34,676	-	1,532
Engines / components		-	70,205	-	75,603	-	5,398
	Japan	-	184,784	-	198,782	-	13,998
	Overseas	-	88,117	-	72,256	-	(15,860)
Other		-	272,901	-	271,039	-	(1,862)
	Japan	-	494,244	-	571,611	-	77,366
	Overseas	-	922,083	-	812,925	-	(109,158)
Sales amount		-	1,416,328	-	1,384,536	-	(31,792)

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

<Overseas Sales>

Previous 3rd Quarter Consolidated Cumulative Period (April 1, 2015 through December 31, 2015)

(millions of yen)

	North America	Asia	Other	Total
1 Overseas sales	103,120	405,811	413,152	922,083
2 Consolidated sales	-	-	-	1,416,328
3 Overseas sales per Consolidated sales	% 7.3	% 28.7	% 29.2	% 65.1

Current 3rd 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

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