

FY2020 Second Quarter Consolidated Financial Results (Japan GAAP)

(April 1, 2019 through September 30, 2019)

English Translation of the Original Japanese-Language Document



November 8, 2019

Company name : ISUZU MOTORS LIMITED
 Stock exchange on which the shares are listed : Tokyo Stock Exchange in Japan
 Code number : 7202
 URL : <https://www.isuzu.co.jp/world/investor/index.html>
 Representative : Masanori Katayama, President
 Contact : Tatsuyuki Hagiwara, General Manager,
 Corporate Communications Department Tel. (03) 5471 - 1138
 Scheduled date for submission of quarterly financial statements : November 13, 2019
 Expected starting date for distribution of cash dividends : November 29, 2019
 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, 2019 through September 30, 2019)

<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	%
FY2020 2nd Quarter	1,020,115	(1.4)	71,351	(18.4)	73,459	(21.3)	39,832	(29.4)
FY2019 2nd Quarter	1,035,043	5.1	87,491	18.1	93,292	12.7	56,434	7.2

[Note] Comprehensive Income
 FY2020 2nd Quarter 36,637 millions of yen (54.1)%
 FY2019 2nd Quarter 79,842 millions of yen 10.0%

	Net Income per Share	Net Income per Share after Dilution of Potential Stock
	yen	yen
FY2020 2nd Quarter	54.01	-
FY2019 2nd Quarter	72.99	-

<2> Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	millions of yen	millions of yen	%
FY2020 2nd Quarter	2,101,130	1,118,617	44.8
FY2019	2,130,894	1,116,335	43.6

[Note] Total Amount of Shareholders' Equity
 FY2020 2nd Quarter 941,930 millions of yen
 FY2019 929,781 millions of yen

2. Cash Dividends

	Dividend per Share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Total
	yen	yen	yen	yen	yen
FY2019	-	18.00	-	19.00	37.00
FY2020	-	19.00	-	-	-
FY2020(Forecast)	-	-	-	19.00	38.00

[Note] Revision to the projected dividend for FY2020: None

3. Consolidated Financial Forecast for FY2020 (April 1, 2019 through March 31, 2020)

(% 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
FY2020	2,160,000	0.5	150,000	(15.1)	156,000	(17.5)	90,000	(20.7)	122.03

[Note] Revision to Consolidated Financial Forecast for FY2020: 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 : Yes

Changes in accounting policies due to factors other than revisions of accounting standards : None

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	FY2020 2nd Quarter	848,422,669	Shares
at the end of the term (inclusive of treasury stock)	FY2019	848,422,669	Shares
Number of treasury stocks at the end of the term	FY2020 2nd Quarter	110,878,392	Shares
	FY2019	110,912,927	Shares
Average number of stocks issued	FY2020 2nd Quarter	737,521,198	Shares
	FY2019 2nd Quarter	773,157,231	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 FY2020 First Half

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

•The Company has posted its financial results on its web site on November 8, 2019.

List of Contents of Attachments

1.	Qualitative Information Concerning Consolidated Financial Results for FY2020 First Half.....	4
	(1) Overview of Consolidated Financial Results.....	4
	(2) Overview of Consolidated Financial Position	4
	(3) Overview of Future Estimates such as Consolidated Financial Forecast.....	4
2.	Notes on Consolidated Quarterly Financial Statements.....	5
	(1) Consolidated Quarterly Balance Sheets.....	5
	(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income	7
	Consolidated Quarterly Statements of Income.....	7
	Consolidated Quarterly Statements of Comprehensive Income	8
	(3) Consolidated Quarterly Statements of Cash Flows	9
	(4) Notes on Premise of a Going Concern	10
	(5) Segment Information.....	10
	(6) Notes in the case of a Significant Change in Shareholders' Equity	10
	(7) Changes in Accounting Policies.....	10
	(8) Events after the Reporting Period	10
3.	Supplementary Information.....	11
	(1) Sales Condition.....	11
	Sales Results by Region.....	11
	Overseas Sales	12

1. Qualitative Information Concerning Consolidated Financial Results for FY2020 First Half

(1) Overview of Consolidated Financial Results

In the current fiscal year's first six months ended on September 30, 2019, vehicle sales volume in Japan increased by 3,953 units (11.1%) compared with the same period last fiscal year to 39,506 units by effectively meeting the last-minute demand ahead of the change of emissions regulations. Vehicle sales volume of trucks and pickup trucks combined outside Japan decreased by 9,253 units (4.3%) over the same period last fiscal year to 206,943 units due to a drop in sales volume in Indonesia and other Asian countries.

As a result, total vehicle sales volume in Japan and abroad fell by 5,300 units (2.1%) year-on-year to 246,449 units.

With regards to sales amounts of products other than vehicles, sales of parts for overseas production dropped by 12.6 billion yen (43.2%) compared with the same period last fiscal year to 16.6 billion yen, engine and component sales fell by 3.8 billion yen (5.6%) over the same period last fiscal year to 65.5 billion yen, and other sales rose by 16.5 billion yen (7.9%) year-over-year to 225.7 billion yen owing to growth in the vehicle life-cycle management business such as after-sales services.

Net sales fell by 14.9 billion yen (1.4%) compared with the same period last fiscal year to 1,020.1 billion yen, which comprised 417.1 billion yen posted for Japan, up 6.6% year-over-year, and 602.9 billion yen for the rest of the world, down 6.3%, as a consequence of the drop in the vehicle sales volume in Asia as well as the fall in the sales amounts of parts for overseas production.

On the profit and loss front, operating income amounted to 71.3 billion yen, down 18.4% over the same period last fiscal year, and ordinary income 73.4 billion yen, down 21.3%, as profitability improvement efforts through cost reduction activities were adversely affected by the decrease in the vehicle sales volume, as well as by worsened export profitability due to the Thai baht appreciating against the currencies of markets to which the pickup trucks were exported from their export site, Thailand. Net income attributable to owners of the parent reached 39.8 billion yen, down 29.4% year-on-year.

(2) Overview of Consolidated Financial Position

Total assets as of the end of the current fiscal year's second quarter fell by 29.7 billion yen from March 31, 2019 to 2,101.1 billion yen, due mainly to a decrease in notes and accounts receivable-trade of 71.8 billion yen, partially offset by increases in inventories of 22.9 billion yen and in property, plant and equipment of 17.0 billion yen.

Liabilities decreased by 32.0 billion yen from March 31, 2019 to 982.5 billion yen chiefly because of a decrease in notes and accounts payable-trade of 36.6 billion yen.

Net assets rose by 2.2 billion yen from March 31, 2019 to 1,118.6 billion yen, due mainly to 39.8 billion yen recorded as net income attributable to owners of the parent, partially offset by decreases in retained earnings of 14.0 billion yen as a result of dividend payments, in valuation difference on available-for-sale securities of 8.3 billion yen, in foreign currency translation adjustment of 5.9 billion yen, and in non-controlling interests of 9.8 billion yen.

The capital adequacy ratio stood at 44.8%, compared with 43.6% as of March 31, 2019.

Interest-bearing liabilities increased by 9.8 billion yen from March 31, 2019 to 307.2 billion yen.

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

The Company has revised its consolidated financial forecast for the current fiscal year ending in March 2020, as shown below, based on the consolidated financial results of the current fiscal year's first half ended on September 30, 2019, as well as on the shipment plan that has reflected the latest economic performances and trends in markets around the world.

As regards net sales, though there are uncertainties looming over the world economy, the Company expects growth in sales volume of trucks in Japan and pickup trucks in Thailand.

On the profit and loss front, the difficult business environment is expected to continue, as the export profitability deteriorates by the appreciating Thai baht. Under this circumstance, the Company and its consolidated subsidiaries, will be committed to cost reduction by further improving operational efficiency, while implementing expenditure necessary to address the challenges stated in the Mid-term Business Plan.

[Revised Forecast of Full-Year Consolidated Financial Results]

	Full Year
Net sales	2,160 billion yen
Operating Income	150 billion yen
Ordinary Income	156 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. Notes on Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

	(millions of yen)	
	As of March 31, 2019	As of September 30, 2019
[ASSETS]		
CURRENT ASSETS		
Cash and deposits	328,114	330,482
Notes and accounts receivable-trade	300,768	228,946
Lease receivables and lease investment assets	117,730	128,910
Merchandise and finished goods	204,502	214,323
Work in process	25,631	31,092
Raw materials and supplies	77,383	85,089
Other	60,040	60,003
Allowance for doubtful accounts	(1,601)	(1,536)
Total Current Assets	1,112,570	1,077,312
NON-CURRENT ASSETS		
Property, plant and equipment		
Buildings and structures, net	176,888	173,915
Machinery, equipment and vehicles, net	155,176	164,665
Land	282,623	282,677
Leased assets, net	10,015	4,875
Vehicles on operating leases, net	55,761	61,669
Construction in progress	34,050	32,039
Other, net	16,828	28,528
Total Property, Plant and Equipment	731,344	748,371
Intangible assets		
Goodwill	7,058	5,707
Other	18,320	17,976
Total Intangible Assets	25,379	23,683
Investments and other assets		
Investment securities	175,926	161,488
Long-term loans receivable	981	988
Retirement benefit asset	1,642	1,683
Deferred tax assets	54,938	56,312
Other	28,579	31,782
Allowance for doubtful accounts	(467)	(491)
Total Investments and Other Assets	261,600	251,762
Total Non-Current Assets	1,018,324	1,023,818
TOTAL ASSETS	2,130,894	2,101,130

(millions of yen)

	As of March 31, 2019	As of September 30, 2019
[LIABILITIES]		
CURRENT LIABILITIES		
Notes and accounts payable-trade	339,997	297,769
Electronically recorded obligations - operating	47,240	52,827
Short-term borrowings	71,191	63,851
Lease obligations	3,931	4,824
Income taxes payable	20,636	15,092
Accrued expenses	52,455	52,086
Provision for bonuses	20,634	20,282
Provision for directors' bonuses	441	59
Provision for product warranties	6,824	6,927
Deposits received	4,174	4,472
Other	58,800	61,769
Total Current Liabilities	626,328	579,964
NON-CURRENT LIABILITIES		
Long-term borrowings	214,985	223,313
Lease obligations	7,290	15,287
Deferred tax liabilities	2,862	1,001
Deferred tax liabilities for land revaluation	42,135	42,135
Provision for maintenance costs	5,815	6,481
Provision for share-based remuneration for directors	209	217
Retirement benefit liability	97,506	96,155
Long-term deposits received	1,546	1,593
Other	15,879	16,362
Total Non-Current Liabilities	388,231	402,548
TOTAL LIABILITIES	1,014,559	982,512
[NET ASSETS]		
SHAREHOLDERS' EQUITY		
Share capital	40,644	40,644
Capital surplus	42,129	42,171
Retained earnings	871,845	897,362
Treasury shares	(150,485)	(150,438)
Total Shareholders' Equity	804,134	829,740
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Valuation difference on available-for-sale securities	38,754	30,367
Deferred gains or losses on hedges	131	85
Revaluation reserve for land	83,880	83,880
Foreign currency translation adjustment	10,195	4,276
Remeasurements of defined benefit plans	(7,314)	(6,421)
Total Accumulated Other Comprehensive Income	125,647	112,189
NON-CONTROLLING INTERESTS	186,553	176,687
TOTAL NET ASSETS	1,116,335	1,118,617
TOTAL LIABILITIES AND NET ASSETS	2,130,894	2,101,130

(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		FY2019 2nd Quarter September 30, 2018	FY2020 2nd Quarter September 30, 2019
Net sales		1,035,043	1,020,115
Cost of sales		846,414	842,814
GROSS PROFIT		188,628	177,301
Selling, general and administrative expenses		101,137	105,949
OPERATING INCOME		87,491	71,351
Non-operating income			
Interest income		2,208	2,557
Dividend income		1,670	1,905
Share of profit of entities accounted for using equity method		4,582	2,877
Other		1,738	1,722
Total non-operating income		10,200	9,061
Non-operating expenses			
Interest expenses		1,093	1,455
Foreign exchange losses		257	822
Litigation settlement		213	56
Compensation expenses		1,298	2,604
Currency option cost		437	550
Other		1,100	1,464
Total non-operating expenses		4,399	6,953
ORDINARY INCOME		93,292	73,459
Extraordinary income			
Gain on sales of non-current assets		485	44
Gain on bargain purchase		2,264	—
Gain on sales of investment securities		—	3
Total extraordinary income		2,750	48
Extraordinary losses			
Loss on disposal of non-current assets		523	926
Loss on sales of shares of subsidiaries		161	—
Impairment loss		10	96
Loss on disaster		1,378	—
Total extraordinary losses		2,073	1,023
PROFIT BEFORE INCOME TAXES		93,970	72,484
Income taxes		25,218	21,973
PROFIT		68,751	50,511
Profit attributable to non-controlling interests		12,317	10,678
Profit attributable to owners of the parent		56,434	39,832

Consolidated Quarterly Statements of Comprehensive Income

(millions of yen)

	FY2019 2nd Quarter	FY2020 2nd Quarter
For the first six months ended	September 30, 2018	September 30, 2019
Profit	68,751	50,511
Other comprehensive income		
Valuation difference on available-for-sale securities	7,659	(8,397)
Deferred gains or losses on hedges	(750)	(45)
Foreign currency translation adjustment	6,831	(5,564)
Remeasurements of defined benefit plans, net of tax	1,031	1,113
Share of other comprehensive income of entities accounted for using equity method	(3,681)	(979)
Total other comprehensive income	11,090	(13,874)
Comprehensive income	79,842	36,637
Comprehensive income attributable to:		
owners of the parent	67,659	26,374
non-controlling interests	12,183	10,262

(3) Consolidated Quarterly Statements of Cash Flows

	(millions of yen)	
	FY2019 2nd Quarter	FY2020 2nd Quarter
For the first six months ended	September 30, 2018	September 30, 2019
Cash Flows from Operating Activities		
Profit before income taxes	93,970	72,484
Depreciation	34,284	37,565
Amortization of goodwill	1,314	1,246
Share of (profit) loss of entities accounted for using equity method	(4,582)	(2,877)
Increase (decrease) in provision for product warranties	396	102
Increase (decrease) in provision for bonuses	(557)	(349)
Increase (decrease) in provision for directors' bonuses	(178)	(374)
Increase (decrease) in allowance for doubtful accounts	(228)	(14)
Increase (decrease) in retirement benefit liability	895	(519)
Increase (decrease) in provision for maintenance costs	833	665
Increase (decrease) in provision for share-based remuneration for directors	(263)	7
Interest and dividend income	(3,879)	(4,462)
Interest expenses	1,093	1,455
Loss (gain) on sales of non-current assets	(485)	(44)
Loss (gain) on disposal of non-current assets	523	926
Loss (gain) on sales of investment securities	—	(3)
Impairment loss	10	96
Other extraordinary loss (income)	(725)	—
Decrease (increase) in trade receivables	29,709	68,460
Net decrease (increase) in lease receivables and investment assets	(6,247)	(11,180)
Decrease (increase) in inventories	(27,371)	(28,559)
Decrease (increase) in other current assets	6,490	(1,370)
Increase (decrease) in trade payables	2,421	(32,182)
Increase (decrease) in accrued expenses	8,812	652
Increase (decrease) in deposits received	1,161	372
Increase (decrease) in other liabilities	(5,391)	2,647
Other, net	(491)	(86)
(Subtotal)	131,514	104,659
Interest and dividends income received	7,347	7,908
Interest paid	(1,092)	(1,462)
Income taxes paid	(33,262)	(27,210)
Net cash provided by (used in) operating activities	104,506	83,895
Cash Flows from Investing Activities		
Purchase of investment securities	(79)	(154)
Proceeds from sales of investment securities	—	13
Purchase of non-current assets	(46,044)	(47,462)
Proceeds from sales of non-current assets	2,379	2,717
Payments of long-term loans receivable	(167)	(162)
Collection of long-term loans receivable	251	158
Decrease (increase) in short-term loans receivable	147	(3)
Decrease (increase) in time deposits	6,933	1,761
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	27	—
Proceeds from transfer of business	3,268	—
Other, net	266	(415)
Net cash provided by (used in) investing activities	(33,017)	(43,547)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term borrowings	(9,321)	(10,060)
Proceeds from long-term borrowings	22,500	18,000
Repayments of long-term borrowings	(12,084)	(6,858)
Repayments of lease obligations	(1,503)	(1,617)
Purchase of treasury shares	(79,005)	(2)
Dividends paid	(13,401)	(14,027)
Dividends paid to non-controlling interests	(18,393)	(19,219)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(869)
Net cash provided by (used in) financing activities	(111,211)	(34,655)
Effect of Exchange Rate Change on Cash and Cash Equivalents	4,383	(921)
Net Increase (Decrease) in Cash and Cash Equivalents	(35,338)	4,770
Cash and Cash Equivalents at Beginning of Period	329,949	305,311
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	22	—
Cash and Cash Equivalents at End of Period	294,632	310,082

(4) Notes on Premise of a Going Concern

None

(5) Segment Information

The Second Quarter Cumulative Period of Fiscal Year 2019

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 2020

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

(Adoption of IFRS 16 Leases)

Starting the first quarter of the current fiscal year, the Company's overseas subsidiaries, except those incorporated in the US, adopt IFRS 16 Leases. The method applied in the adoption of IFRS 16 is to recognize the cumulative effect of adopting this standard at the date of initial adoption that is approved as an interim measure. Further, the lessee's leases that were previously classified as operating leases adopting IAS 17 are accounted for as right-of-use assets and lease liabilities as of the adoption date.

As a result of the aforesaid adoption of the accounting principle, property, plant and equipment (net), lease obligations in current liabilities, and lease obligations in non-current liabilities presented in the second quarter consolidated balance increased by 9,089 million yen, 1,465 million yen and 8,258 million yen respectively. The impact of the change on the consolidated statement of income for the second quarter is immaterial.

(8) Events after the Reporting Period

None

3. Supplementary Information

(1) Sales Condition

<Sales Results by Region>

		FY2019 (Fiscal year ending September 30, 2018)		FY2020 (Fiscal year ending September 30, 2019)		Change	
		Volume (units)	Amount (millions of yen)	Volume (units)	Amount (millions of yen)	Volume (units)	Amount (millions of yen)
HD/MD vehicles	Japan	14,426	132,777	14,024	132,784	(402)	7
	Overseas	21,873	107,302	18,592	93,488	(3,281)	(13,814)
		36,299	240,079	32,616	226,272	(3,683)	(13,807)
LD vehicles, etc	Japan	21,127	71,069	25,482	87,160	4,355	16,091
	Overseas	194,323	415,882	188,351	398,667	(5,972)	(17,215)
		215,450	486,951	213,833	485,827	(1,617)	(1,124)
Total vehicles	Japan	35,553	203,846	39,506	219,945	3,953	16,098
	Overseas	216,196	523,185	206,943	492,155	(9,253)	(31,030)
		251,749	727,031	246,449	712,100	(5,300)	(14,931)
Parts for overseas production	Overseas	-	29,367	-	16,672	-	(12,694)
		-	29,367	-	16,672	-	(12,694)
Engines / Components	Japan	-	37,650	-	34,680	-	(2,969)
	Overseas	-	31,806	-	30,896	-	(909)
		-	69,456	-	65,576	-	(3,879)
Other	Japan	-	149,927	-	162,500	-	12,572
	Overseas	-	59,259	-	63,265	-	4,006
		-	209,187	-	225,765	-	16,578
Sales amount	Japan	-	391,424	-	417,125	-	25,700
	Overseas	-	643,618	-	602,990	-	(40,628)
		-	1,035,043	-	1,020,115	-	(14,927)

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

<Overseas Sales>

FY2019 (April 1, 2018 through September 30, 2018)

(millions of yen)

	North America	Asia	Other	Total
1 Overseas sales	86,710	311,067	245,840	643,618
2 Consolidated sales	-	-	-	1,035,043
3 Overseas sales per Consolidated sales	% 8.4	% 30.1	% 23.8	% 62.2

FY2020 (April 1, 2019 through September 30, 2019)

(millions of yen)

	North America	Asia	Other	Total
1 Overseas sales	87,757	277,017	238,214	602,990
2 Consolidated sales	-	-	-	1,020,115
3 Overseas sales per Consolidated sales	% 8.6	% 27.2	% 23.4	% 59.1

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