

FY2020 Third Quarter Consolidated Financial Results (Japan GAAP)

(April 1, 2019 through December 31, 2019)

English Translation of the Original Japanese-Language Document



February 7, 2020

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 : February 13, 2020
 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, 2019 through December 31, 2019)

<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	%
FY2020 3rd Quarter	1,518,262	(4.4)	113,660	(21.1)	117,310	(22.9)	67,402	(28.3)
FY2019 3rd Quarter	1,588,354	5.9	144,130	17.1	152,136	13.9	93,949	12.1

[Note] Comprehensive Income FY2020 3rd Quarter 76,492 millions of yen (28.2)%
 FY2019 3rd Quarter 106,603 millions of yen (21.4)%

	Net Income per Share	Net Income per Share after Dilution of Potential Stock
	yen	yen
FY2020 3rd Quarter	91.39	—
FY2019 3rd Quarter	123.41	—

<2> Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	millions of yen	millions of yen	%
FY2020 3rd Quarter	2,130,453	1,142,405	45.1
FY2019	2,130,894	1,116,335	43.6

[Note] Total Amount of Shareholders' Equity FY2020 3rd Quarter 961,298 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	2,100,000	(2.3)	142,000	(19.7)	149,000	(21.2)	85,000	(25.1)	115.25

[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

(6) Changes in Accounting Policies"

<4> Number of shares issued (common stock)

Number of shares issued and outstanding	FY2020 3rd Quarter	848,422,669	Shares
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at the end of the term (inclusive of treasury stock)	FY2019	848,422,669	Shares
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Number of treasury stocks at the end of the term	FY2020 3rd Quarter	110,879,813	Shares
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	FY2019	110,912,927	Shares
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Average number of stocks issued	FY2020 3rd Quarter	737,528,789	Shares
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	FY2019 3rd Quarter	761,273,529	Shares
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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 Third Quarter

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

•The Company has posted its financial results on its web site on February 7, 2020.

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1. Qualitative Information Concerning Consolidated Financial Results for FY2020 Third Quarter

(1) Overview of Consolidated Financial Results

In the current fiscal year's first nine months ended on December 31, 2019, vehicle unit sales in Japan decreased by 550 units (1.0%) compared with the same period last fiscal year to 52,966 units, because, though well meeting the last-minute demand in the light-duty truck segment before the change of emissions regulations, the Company lost some market share in the medium- and heavy-duty truck segments.

Overseas vehicle sales volume fell by 21,731 units (6.4%) over the same period last fiscal year to 315,199 units due to decreases in sales volumes in Thailand, Indonesia and Australia.

As a result, the total number of vehicles sold in Japan and abroad declined by 22,281 units (5.7%) year-on-year to 368,165 units.

With regard to sales amounts of products other than vehicles, sales of parts for overseas production fell by 17.5 billion yen (37.9%) year-over-year to 28.7 billion yen, engine and component sales dropped by 9.2 billion yen (8.6%) compared with the same period last fiscal year to 98.6 billion yen, and other sales rose by 13.1 billion yen (4.1%) year-on-year to 335.8 billion yen.

Consequently, net sales declined by 70.0 billion yen (4.4%) over the same period last fiscal year to 1,518.2 billion yen, which comprised 602.7 billion yen posted for Japan, up 0.3% year-on-year, and 915.5 billion yen for the rest of the world, down 7.3% year-over-year, due to the decreases in sales of vehicles, parts for overseas production, and engines and components.

On the profit and loss front, operating income amounted to 113.6 billion yen, down 21.1% compared with the same period last fiscal year, and ordinary income reached 117.3 billion yen, down 22.9% year-on-year, as profitability improvement efforts driven by cost-cutting activities were adversely affected by the decrease in vehicle sales volume, as well as by the negative effect of the appreciating Thai baht over the profitability of products exported from Thailand, the Company's pickup truck export hub. Net income attributable to owners of the parent added up to 67.4 billion yen, down 28.3% year-over-year.

(2) Overview of Consolidated Financial Position

Total assets as of the end of the current fiscal year's third quarter fell by 0.4 billion yen from March 31, 2019 to 2,130.4 billion yen, mainly because, while inventories and property, plant and equipment rose by 55.3 billion yen and 28.5 billion yen, respectively, cash and deposits and notes and accounts receivable-trade dropped by 50.0 billion yen and 44.5 billion yen, respectively.

Liabilities decreased by 26.5 billion yen from March 31, 2019 to 988.0 billion yen. This is primarily because of decreases in notes and accounts payable-trade of 19.0 billion yen and in income taxes payable of 11.9 billion yen.

Net assets rose by 26.0 billion yen from March 31, 2019 to 1,142.4 billion yen. This is largely due to an increase in retained earnings of 39.0 billion yen, partially offset by decreases in valuation difference on available-for-sale securities of 6.3 billion yen and in non-controlling interests of 5.4 billion yen.

The capital adequacy ratio stood at 45.1%, compared with 43.6% as of March 31, 2019.

Interest-bearing liabilities increased by 24.1 billion yen from March 31, 2019 to 321.5 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 not only on the consolidated financial results of the current fiscal year's first nine months ended on December 31, 2019 but also on the sales plan that has reflected the latest economic performances and trends in markets around the world.

The Company expects net sales to decline due to further worsening of market conditions expected in overseas markets such as Thailand, Indonesia and Australia, as well as owing to the number of industrial engines to be shipped expected to decline.

It also forecasts profits to fall because of the fall in net sales driven by the worsening of overseas market conditions, despite less foreign exchange impact expected. Under these circumstances, the Company and its consolidated subsidiaries will be committed to cost reduction by further improving operational efficiency.

[Revised Forecast of Full-Year Consolidated Financial Results]

	Full Year
Net sales	2,100 billion yen
Operating Income	142 billion yen
Ordinary Income	149 billion yen
Net Income Attributable to Owners of Parent	85 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 December 31, 2019
[ASSETS]		
CURRENT ASSETS		
Cash and deposits	328,114	278,083
Notes and accounts receivable-trade	300,768	256,190
Lease receivables and lease investment assets	117,730	129,540
Merchandise and finished goods	204,502	241,533
Work in process	25,631	30,890
Raw materials and supplies	77,383	90,410
Other	60,040	71,672
Allowance for doubtful accounts	(1,601)	(1,543)
Total Current Assets	1,112,570	1,096,778
NON-CURRENT ASSETS		
Property, plant and equipment		
Buildings and structures, net	176,888	174,297
Machinery, equipment and vehicles, net	155,176	170,120
Land	282,623	282,719
Leased assets, net	10,015	5,039
Vehicles on operating leases, net	55,761	64,289
Construction in progress	34,050	33,415
Other, net	16,828	29,968
Total Property, Plant and Equipment	731,344	759,850
Intangible assets		
Goodwill	7,058	5,061
Other	18,320	17,304
Total Intangible Assets	25,379	22,365
Investments and other assets		
Investment securities	175,926	165,529
Long-term loans receivable	981	1,009
Retirement benefit asset	1,642	1,726
Deferred tax assets	54,938	52,884
Other	28,579	30,837
Allowance for doubtful accounts	(467)	(529)
Total Investments and Other Assets	261,600	251,458
Total Non-Current Assets	1,018,324	1,033,675
TOTAL ASSETS	2,130,894	2,130,453

(millions of yen)

	As of March 31, 2019	As of December 31, 2019
[LIABILITIES]		
CURRENT LIABILITIES		
Notes and accounts payable-trade	339,997	313,596
Electronically recorded obligations - operating	47,240	54,615
Short-term borrowings	71,191	82,170
Lease obligations	3,931	5,257
Income taxes payable	20,636	8,714
Accrued expenses	52,455	43,193
Provision for bonuses	20,634	10,120
Provision for directors' bonuses	441	43
Provision for product warranties	6,824	6,838
Deposits received	4,174	9,576
Other	58,800	55,818
Total Current Liabilities	626,328	589,947
NON-CURRENT LIABILITIES		
Long-term borrowings	214,985	217,642
Lease obligations	7,290	16,455
Deferred tax liabilities	2,862	1,013
Deferred tax liabilities for land revaluation	42,135	42,135
Provision for maintenance costs	5,815	6,943
Provision for share-based remuneration for directors	209	260
Net defined benefit liability	97,506	95,650
Long-term deposits received	1,546	1,522
Other	15,879	16,476
Total Non-Current Liabilities	388,231	398,100
TOTAL LIABILITIES	1,014,559	988,047
[NET ASSETS]		
SHAREHOLDERS' EQUITY		
Share capital	40,644	40,644
Capital surplus	42,129	42,487
Retained earnings	871,845	910,915
Treasury shares	(150,485)	(150,440)
Total Shareholders' Equity	804,134	843,608
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Valuation difference on available-for-sale securities	38,754	32,387
Deferred gains or losses on hedges	131	(176)
Revaluation reserve for land	83,880	83,880
Foreign currency translation adjustment	10,195	7,726
Remeasurements of defined benefit plans	(7,314)	(6,127)
Total Accumulated Other Comprehensive Income	125,647	117,690
NON-CONTROLLING INTERESTS	186,553	181,107
TOTAL NET ASSETS	1,116,335	1,142,405
TOTAL LIABILITIES AND NET ASSETS	2,130,894	2,130,453

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

Consolidated Quarterly Statements of Income

	(millions of yen)	
	FY2019 3rd Quarter	FY2020 3rd Quarter
For the first nine months ended	December 31, 2018	December 31, 2019
Net sales	1,588,354	1,518,262
Cost of sales	1,295,457	1,249,749
GROSS PROFIT	292,897	268,513
Selling, general and administrative expenses	148,766	154,853
OPERATING PROFIT	144,130	113,660
Non-operating income		
Interest income	3,097	3,537
Dividend income	1,776	2,126
Share of profit of entities accounted for using equity method	5,284	3,768
Other	3,397	2,548
Total non-operating income	13,556	11,980
Non-operating expenses		
Interest expenses	1,447	2,220
Foreign exchange losses	400	572
Litigation settlement	268	56
Compensation expenses	1,298	2,604
Currency option cost	734	789
Other	1,400	2,087
Total non-operating expenses	5,549	8,330
ORDINARY INCOME	152,136	117,310
Extraordinary income		
Gain on sales of non-current assets	487	273
Gain on bargain purchase	2,264	—
Gain on step acquisitions	667	—
Gain on sales of investment securities	—	6
Total extraordinary income	3,419	279
Extraordinary losses		
Loss on disposal of non-current assets	828	1,387
Loss on sales of shares of subsidiaries	161	—
Impairment loss	71	130
Loss on disaster	1,392	—
Total extraordinary losses	2,453	1,518
PROFIT BEFORE INCOME TAXES	153,103	116,071
Income taxes	39,467	32,471
PROFIT	113,636	83,599
Profit attributable to non-controlling interests	19,687	16,197
Profit attributable to owners of the parent	93,949	67,402

Consolidated Quarterly Statements of Comprehensive Income

(millions of yen)

	FY2019 3rd Quarter	FY2020 3rd Quarter
For the first nine months ended	December 31, 2018	December 31, 2019
Profit	113,636	83,599
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,805)	(6,390)
Deferred gains or losses on hedges	(148)	(307)
Foreign currency translation adjustment	767	426
Remeasurements of defined benefit plans, net of tax	1,662	1,383
Share of other comprehensive income of entities accounted for using equity method	(5,509)	(2,220)
Total other comprehensive income	(7,032)	(7,107)
Comprehensive income	106,603	76,492
Comprehensive income attributable to:		
owners of the parent	87,917	59,445
non-controlling interests	18,686	17,046

(3) Notes on Premise of a Going Concern

None

(4) Segment Information

The Third 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 Third 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.

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

None

(6) 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 third quarter consolidated balance sheet increased by 10,515 million yen, 1,953 million yen and 9,419 million yen respectively. The impact of the change on the consolidated statement of income for the third quarter is immaterial.

(7) Events after the Reporting Period

None

3. Supplementary Information

(1) Sales Condition

<Sales Results by Region>

		FY2019 (Fiscal year ending December 31, 2018)		FY2020 (Fiscal year ending December 31, 2019)		Change	
		Volume (units)	Amount (millions of yen)	Volume (units)	Amount (millions of yen)	Volume (units)	Amount (millions of yen)
HD/MD vehicles	Japan	20,918	194,259	20,294	193,079	(624)	(1,179)
	Overseas	32,572	157,301	27,256	134,933	(5,316)	(22,367)
		53,490	351,560	47,550	328,013	(5,940)	(23,547)
LD vehicles, etc	Japan	32,598	110,069	32,672	114,980	74	4,910
	Overseas	304,358	649,799	287,943	612,044	(16,415)	(37,754)
		336,956	759,868	320,615	727,024	(16,341)	(32,844)
Total vehicles	Japan	53,516	304,329	52,966	308,060	(550)	3,730
	Overseas	336,930	807,100	315,199	746,978	(21,731)	(60,122)
		390,446	1,111,429	368,165	1,055,038	(22,281)	(56,391)
Parts for overseas production	Overseas	-	46,247	-	28,708	-	(17,539)
		-	46,247	-	28,708	-	(17,539)
Engines / Components	Japan	-	61,325	-	53,870	-	(7,454)
	Overseas	-	46,624	-	44,779	-	(1,844)
		-	107,950	-	98,650	-	(9,299)
Other	Japan	-	235,250	-	240,778	-	5,527
	Overseas	-	87,477	-	95,087	-	7,609
		-	322,728	-	335,865	-	13,137
Sales amount	Japan	-	600,904	-	602,709	-	1,804
	Overseas	-	987,449	-	915,553	-	(71,896)
		-	1,588,354	-	1,518,262	-	(70,092)

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

<Overseas Sales>

FY2019 (April 1, 2018 through December 31, 2018)

(millions of yen)

	North America	Asia	Other	Total
1 Overseas sales	130,501	477,506	379,441	987,449
2 Consolidated sales	-	-	-	1,588,354
3 Overseas sales per Consolidated sales	% 8.2	% 30.1	% 23.9	% 62.2

FY2020 (April 1, 2019 through December 31, 2019)

(millions of yen)

	North America	Asia	Other	Total
1 Overseas sales	125,400	438,000	352,153	915,553
2 Consolidated sales	-	-	-	1,518,262
3 Overseas sales per Consolidated sales	% 8.3	% 28.8	% 23.2	% 60.3

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.