ISUZU

2021 Financial Report

Consolidated Five-Year Summary

		Millions of yen					Thousands of U.S.Dollars
		2021	2020	2019	2018	2017	2021
For the Year:	Net sales	¥1,908,150	¥2,079,936	¥2,149,168	¥2,070,359	¥1,953,186	$17,235,573
	Cost of sales	1,605,111	1,730,354	1,765,270	1,700,726	1,623,948	14,498,344
	Gross profit	303,038	349,582	383,898	369,632	329,238	2,737,228
	Selling, general and administrative expenses	207,305	208,999	207,116	202,867	182,793	1,872,510
	Operating income	95,732	140,582	176,781	166,765	146,444	864,717
	Profit before extraordinary items	104,265	150,876	189,001	173,616	152,022	941,792
	Profit before income taxes	86,829	143,511	186,108	176,095	148,921	784,300
	Profit attributable to owners of the parent	42,708	81,232	113,444	105,663	93,858	385,767
At Year-End:	Total assets	¥2,244,970	¥2,152,090	¥2,130,894	¥2,066,539	¥1,879,853	$20,277,934
	Net assets	1,205,013	1,133,381	1,116,335	1,086,510	962,107	10,884,414

Non-Consolidated Five-Year Summary

		Millions of yen					Thousands of U.S.Dollars
		2021	2020	2019	2018	2017	2021
For the Year:	Net sales	¥922,628	¥1,074,968	¥1,130,825	¥1,081,384	¥1,065,886	$8,333,740
	Cost of sales	814,661	938,856	976,838	931,700	919,225	7,358,518
	Gross profit	107,966	136,111	153,986	149,684	146,661	975,221
	Selling, general and administrative expenses	101,409	104,351	104,136	103,139	96,391	915,995
	Operating income	6,556	31,760	49,849	46,544	50,269	59,225
	Income before extraordinary items	60,425	89,796	100,413	71,745	100,330	545,800
	Income before income taxes	50,790	79,055	95,422	69,875	98,927	458,766
	Net income	49,275	70,964	83,719	58,476	87,310	445,089
At Year-End:	Total assets	¥1,117,071	¥1,030,852	¥1,035,508	¥1,053,710	¥1,025,050	$10,090,065
	Net assets	657,786	604,015	573,641	593,999	544,117	5,941,525

Note:U.S dollar amounts are translated from yen, for convenience only, at the rate of ¥110.71 = US$1; the approximate exchange rate prevailing on the Foreign Exchange Market on March 31, 2021.

Management's Discussion and Analysis of Financial Condition and Results of Operation

(Note: yen amounts are rounded down to the nearest 100 million.)

(1) Overview of Results of Operations (Fiscal year ended March 2021)

1. Results of Operations

Economic conditions in the fiscal year ended March 2021 were severely impacted by the global spread of COVID-19. In the commercial vehicle market, global demand fell significantly due to the pandemic, but showed signs of recovery from the third quarter onward.

In this business environment, Isuzu has been working to achieve its mid- to long-term vision set out in the previous Mid-Term Business Plan (FY2019 to FY2021) (hereinafter, the *previous Mid-Term Business Plan)* to become *a company that inspires broad admiration for its exceptional CV, LCV, and powertrain products that support human lifestyles.*

Specifically, we continued our efforts to build an alliance system. In October 2020, we concluded a basic agreement for a strategic alliance with the Volvo Group in the field of commercial vehicles, and started full-scale collaboration in April 2021. Through this strategic alliance, we will leverage complementary areas of expertise, utilize each company's outstanding technologies and economies of scale, and collaborate on the development of both existing and advanced technologies for commercial vehicles. We will work together to address the future challenges facing the logistics industry, maximizing the value and benefits we provide to our customers and society, and create new value for the commercial vehicle industry.

In addition, in March 2021 we agreed on a new partnership with Hino Motors, Ltd. and Toyota Motor Corporation aiming to solve transportation issues and contribute to the realization of carbon neutrality. By combining Toyota's CASE technologies with the commercial vehicle platform cultivated by the Company and Hino, we plan to accelerate the societal implementation and spread of CASE technologies and services to help address various difficulties facing the transportation industry, which supports the movement of people and goods using commercial vehicles, such as improving transport efficiency, driver shortages, and long working hours. We also aim to contribute to the realization of a carbon neutral society.

In the fiscal year ended March 2021, vehicle unit sales in Japan fell by 10,282 units (14.4%) year-on-year to 61,071 units, reflecting a decrease in total industry volume, although the Company maintained its strong reputation in the light-duty truck segment, with a high market share of 40.8%.

Overseas vehicle unit sales decreased by 44,806 units (10.2%) year-on-year to 393,064 units, owing to a fall in total industry volume, primarily in Asia.

As a result, consolidated total vehicle unit sales in Japan and overseas decreased by 55,088 units (10.8%) year-on-year to 454,135 units.

As a result, the Company's earnings results for the fiscal year ended March 2021 were as follows.

(Billions of yen)

	Fiscal year ended March 2021	Fiscal year ended March 2020 comparison	
Net sales	1,908.1	(171.7)	(8.3)%
Operating income	95.7	(44.8)	(31.9)%
Profit before extraordinary items	104.2	(46.6)	(30.9)%
Profit attributable to owners of the parent	42.7	(38.5)	(47.4)%

In terms of profit and loss, operating income was 95.7 billion yen, down 31.9% compared to the previous fiscal year, due to the decrease in net sales, despite an improvement in profitability due to cost reduction activities, and progress on reducing expenses.

Profit before extraordinary items was 104.2 billion yen, down 30.9% on the previous fiscal year, and profit attributable to owners of the parent was 42.7 billion yen, down 47.4% on the previous year.

2. Overview of Financial Position

Total assets as of March 31, 2021 stood at 2,244.9 billion yen, an increase of 92.8 billion yen from March 31, 2020.

Liabilities increased by 21.2 billion yen from March 31, 2020 to 1,039.9 billion yen.

Net assets increased by 71.6 billion yen from March 31, 2020 to 1,205.0 billion yen.

The shareholders' equity ratio stood at 45.5%, compared with 44.3% on March 31, 2020.

Interest-bearing liabilities decreased by 20.1 billion yen compared with March 31, 2020 to 316.5 billion yen.

3. Cash Flows

Cash and cash equivalents (hereinafter referred to as *funds)* as of March 31, 2021 increased by 82.6 billion yen from March 31, 2020 to 386.6 billion yen. Operating activities provided net cash of 222.9 billion yen, while 93.4 billion yen was used for investing activities and 55.2 billion yen for financing activities.

Free cash flows, calculated by deducting investing cash flows from operating cash flows, saw a positive inflow of 129.5 billion yen, an increase of 317.2% from the fiscal year ended March 2020.

Cash Flows from Operating Activities

Funds provided by operating activities amounted to 222.9 billion yen, an increase of 80.2% year-on-year.

This was mainly due to recording inflows of funds of 86.8 billion yen for profit before income taxes , and of 82.3 billion yen for accumulated depreciation, as well as a decrease in inventories of 38.4 billion yen and increase in notes and accounts payable of 15.9 billion yen. These were partially offset by outflows of funds from an increase in notes and accounts receivable of 11.2 billion yen and cash paid for income taxes of 30.6 billion yen.

Cash Flows from Investing Activities

N Funds used in investing activities amounted to 93.4 billion yen, an increase of 0.8% year-on-year.

This mainly reflected outflows of funds of 97.8 billion yen for payment on the purchase of property, plant and equipment.

Cash Flows from Financing Activities

Net funds used in financing activities amounted to 55.2 billion yen, an increase of 119.8% year-on-year.

This mainly reflected outflows of funds of 84.8 billion yen for repayment long-term borrowings, 21.4 billion yen for payment of dividends made by the parent company, and payment on dividends to non-controlling shareholders of 16.2 billion yen. Inflows of funds included proceeds from long-term borrowings of 43.3 billion yen and proceeds from bonds issues of 50.0 billion yen.

(2) Analysis of Financial Condition and Results of Operations in the View of Management

The following provides an analysis of the Group's financial condition and results of operations in the view of management.

The following information contains forward-looking statements that reflect the judgement of management as of June 25, 2021.

Analysis of Results of Operations, etc. for Fiscal 2021

(a) Overview

CVs

Total commercial vehicle unit sales for the fiscal year ended March 2021 decreased by 44,537 units (18.2%) year-on-year to 200,729 units.

Total industry volume in Japan fell sharply in the first half due to the COVID-19 pandemic. In the second half, total industry volume recovered to almost the same level as the previous fiscal year, but due to the impact of the decline in the first half, vehicle unit sales in Japan for the fiscal year ended March 2021 fell by 10,282 units (14.4%) year-on-year to 61,071 units.

Overseas, total industry volume also declined sharply in the first half due to the pandemic, but the market returned to an overall recovery trend in the second half of the fiscal year. As a result, total vehicle unit sales in Japan and abroad decreased by 34,255 units (19.7%) year-on-year to 139,658 units.

The company's share of the domestic heavy- and medium-duty truck market increased 1.3 percentage points year-on-year to 33.8% due to stable sales. Moreover, the Company's market share for light-duty trucks decreased by 1.6 percentage points year-on-year to 40.8%, mainly reflecting a surge in the previous fiscal year due to last minute demand ahead of changes in emissions regulations.

·Sales Units of CV

		FY2020 (Units)	FY2021 (Units)	Changes	% Change
Japan	Heavy- and medium-duty	28,945	26,757	(2,188)	(7.6)
	Light-duty	42,408	34,314	(8,094)	(19.1)
	Total	71,353	61,071	(10,282)	(14.4)
North America	Heavy- and medium-duty	1,422	1,572	150	10.5
	Light-duty	27,561	19,765	(7,796)	(28.3)
	Total	28,983	21,337	(7,646)	(26.4)
Asia	Heavy- and medium-duty	16,061	11,986	(4,075)	(25.4)
	Light-duty	45,283	31,180	(14,103)	(31.1)
	Total	61,344	43,166	(18,178)	(29.6)
Others	Heavy- and medium-duty	19,375	15,910	(3,465)	(17.9)
	Light-duty	64,211	59,245	(4,966)	(7.7)
	Total	83,586	75,155	(8,431)	(10.1)
Total	Heavy- and medium-duty	65,803	56,225	(9,578)	(14.6)
	Light-duty	179,463	144,504	(34,959)	(19.5)
	Total	245,266	200,729	(44,537)	(18.2)

LCVs

Total LCV sales units in the fiscal year ended March 2021 dropped by 10,551 units (4.0%) year-on-year to 253,406 units.

In Asia, total industry volume fell sharply in the first half of the fiscal year due to the impact of the COVID-19 pandemic. However, volume began to recover from the second quarter onward.

As a result, vehicle unit sales decreased by 14,475 units (8.0%) year-on-year to 166,247 units. In other areas, sales of new models entered full swing from the second half, and overall vehicle unit sales increased by 3,924 units (4.7%) year-on-year to 87,159 units.

Although total demand for LCVs decreased in Thailand, the continued popularity of the new model resulted in a year-on-year increase in market share* to 42.3%.

*Up until the fiscal year ended March 2020, this figure represented cumulative results for calendar years from January to December. However, from the fiscal year ended March 2021, the cumulative results for the fiscal year from April to March are shown.

·Sales Units of LCV

	FY2020 (Units)	FY2021 (Units)	Changes	% Change
Asia	180,722	166,247	(14,475)	(8.0)
Others	83,235	87,159	3,924	4.7
Total	263,957	253,406	(10,551)	(4.0)

Powertrains

Shipments of industrial engines for the fiscal year ended March 2021 increased by 15,135 units (12.3%) from the previous year to 138,021 units, reflecting strong demand for construction machinery in China.

·Shipment Units of Industrial Engines

	FY2020 (Units)	FY2021 (Units)	Changes	% Change
Total	122,886	138,021	15,135	12.3

(b) Analysis of Results of Operations (Fiscal year ended March 2021)

Net Sales

Net sales fell by 171.7 billion yen (8.3%) over the previous fiscal year to 1,908.1 billion yen, mainly due to a decrease in vehicle sales in Japan and overseas.

Net sales in Japan were 751.6 billion yen (down 9.1% year-on-year), and net sales overseas 1,156.5 billion yen (down 7.7% year-on-year).

Operating Income

Operating income in the fiscal year ended March 2021 was 95.7 billion yen, (down 31.9% from the previous fiscal year).

The main contributing factors were 9.0 billion yen due to cost reduction activities, and 12.1 billion yen due to changes in expenses including extraordinary losses related to the COVID-19 pandemic. Additional negative factors included sales and model mix fluctuations due to the decrease in sales volumes, which reduced operating income by 66.0 billion yen.

As a result, Isuzu's operating income on net sales for the fiscal year ended March 2021 fell to 5.0% (6.8% for the previous fiscal year).

·Analysis of Fluctuations of Operating Income (year on year)

(Billions of yen)

Changes in expenses	12.2
Cost reduction activities	9.0
Exchange rate fluctuations	0
Economic fluctuations	0
Sales and model mix fluctuations	(66.0)
Total	(44.8)

Non-Operating Gains/Losses

In the fiscal year ended March 2021, Isuzu posted a non-operating gain of 8.5 billion yen, a decrease of 1.7 billion yen from the previous year.

Principle contributors to the result were a decrease in compensation expenses of 2.2 billion yen year-on-year, a positive factor. On the other hand, while net interest (interest and dividend income minus interest expenses) came to 2.5 billion yen, interest income decreased by 2.1 billion yen year-on-year, and equity in earnings of unconsolidated subsidiaries and affiliates decreased by 2.9 billion yen from the previous year.

Extraordinary Gains/Losses

For the fiscal year ended March 2021, Isuzu posted a net extraordinary loss of 17.4 billion yen, a deterioration of 10.0 billion yen from the previous year. Principal factors were extraordinary losses including loss on disposal of property, plant and equipment, impairment loss on fixed assets, and losses related to COVID-19, and extraordinary gains including gains on the disposal of property, plant and equipment, and gain on sales of investment securities.

Taxes

Taxes in the fiscal year ended March 2021 including current income taxes and deferred income taxes were 34.2 billion yen. In the fiscal year ended March 2020, taxes were 41.0 billion yen.

Non-Controlling Interests

Non-controlling interests consist primarily of profits returned to the non-controlling shareholders of Isuzu's locally incorporated subsidiaries in the ASEAN region and North America as well as Japanese parts manufacturers. Non-controlling interests in the fiscal year ended March 2021 were 9.8 billion yen, compared to 21.2 billion yen in the fiscal year ended March 2020.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent in the fiscal year ended March 2021 was 42.7 billion yen, a decrease of 38.5 billion yen from the previous year.

Profit attributable to owners of the parent per share came to 57.91 yen.

(c) Financial Condition (Fiscal year ended March 2021)

Assets

As of March 31, 2021, assets totaled 2,244.9 billion yen, an increase of 92.8 billion yen from March 31, 2020.

This was primarily because of increases in cash and time deposits of 83.3 billion yen, investment securities of 37.1 billion yen, and notes and accounts receivable of 20.8 billion yen, which were partially offset by decreases in inventories of 35.5 billion yen and deferred tax assets of 14.6 billion yen.

Liabilities

Total liabilities as of March 31, 2021 increased 21.2 billion yen from March 31, 2020 to 1,039.89 billion yen.

This was mainly due to increases in notes and accounts payable of 25.9 billion yen and other current liabilities of 11.7 billion yen, while interest-bearing liabilities decreased by 20.1 billion yen.

Net Assets

Net assets increased by 71.6 billion yen from March 31, 2020 to 1,205.0 billion yen.

This was chiefly because of an increase in profit attributable to owners of the parent of 42.7 billion yen, and the unrealized holding gain on securities was 27.3 billion yen and foreign currency translation adjustments improved by 13.3 billion yen, while dividends of surplus were 21.4 billion yen.

(d) Analysis of Capital Resources and Fund Liquidity

Demand for Funds

Principal sources of demand for funds in the Group include purchases of materials and parts for use in manufacturing products; manufacturing expenses; purchases of products; sales, general, and administrative expenses; working capital; and funds for capital investment.

Status of Fund Procurement

With regard to working capital, group companies ordinarily procure working capital in their local currencies in the form of short-term borrowings with a repayment period not exceeding one year. With regard to funds for capital investment, in principle the Group uses its own funds in the form of capital and retained earnings to cover such investments. Going forward, we may consider procuring funds by such means as borrowing or corporate bond issues.

Fund Liquidity

As we enter the CASE era, the Company's competitors, partners, and stakeholders are growing more diverse and expanding globally. To be accepted as a company in these rapidly changing times, we strongly recognize the need to change of our management culture.

To tackle this transformation, the company will place *evolving management from ESG perspectives* at the core of its activities, benchmarking ourselves against leading global manufacturers. To develop together with our increasingly globalized and diverse stakeholders, we aim to place greater emphasis on capital efficiency in management against a backdrop of stable accumulation of shareholders' equity, to realize sustainable and stable shareholder returns, even in an era of rapid change and uncertainty.

Specifically, we will increase capital efficiency by enhancing our social value through strengthening the products and services we provide, with the aim of achieving a 15% ROE in five years' time,

In addition, to realize sustainable and stable shareholder returns ,even in an era of rapid change and uncertainty, we aim to achieve an average dividend payout ratio of 40% during the period of *Mid-Term Business Plan 2024* (FY2022 to FY2024).

In addition, as part of our management focus on capital efficiency, we will consider flexible stock buybacks.

In accordance with the Mid-Term Business Plan through to the fiscal year ending March 2024, the Group will work to achieve these goals by using operating cash flow generated through its business operations to fund investments, debt repayment, and shareholder returns, and by mainly using borrowing and corporate bonds to finance M&As and other activities.

Although it remains necessary to closely watch the liquidity of our cash position, the Group's policy is to maintain sufficient liquidity to deal with abrupt changes in the financial markets by augmenting cash and cash equivalents with commitment line contracts with major banks.

Consolidated Balance Sheets

As of March 31, 2021 and 2020

Assets	Millions of yen 2021	Millions of yen 2020	Thousands of U.S.Dollars 2021
Current Assets:			
Cash and time deposits (Note 2)	¥ 404,754	¥ 321,427	$ 3,655,987
Receivable :			
Notes and accounts receivable	287,790	266,919	2,599,495
Less : Allowance for doubtful accounts	(1,253)	(1,098)	(11,321)
Lease receivables and lease investment assets	135,997	136,852	1,228,410
Inventories (Note 4)	288,264	323,806	2,603,782
Other current assets	67,793	71,631	612,348
Total Current Assets	1,183,346	1,119,539	10,688,702
Property, Plant and Equipment (Note 4)			
Buildings and structures	424,730	408,081	3,836,421
Machinery and equipment	770,354	749,075	6,958,308
Land (Note 8)	284,836	282,125	2,572,815
Lease assets	10,612	11,935	95,862
Vehicles on operating leases	113,402	95,556	1,024,319
Construction in progress	28,301	29,721	255,637
Others	155,937	148,943	1,408,526
Less : accumulated depreciation	(1,020,612)	(963,516)	(9,218,793)
Net Property, Plant and Equipment	767,563	761,922	6,933,096
Intangible Assets			
Goodwill	2,018	4,573	18,236
Others	16,945	18,701	153,060
Total Intangible Assets	18,964	23,274	171,297
Investments and Advances:			
Investment securities (Note 3)			
Unconsolidated subsidiaries and affiliated companies	82,785	80,447	747,770
Others	108,896	74,109	983,623
Long-term loans	1,043	987	9,426
Net defined benefit asset	2,372	2,158	21,431
Deferred tax assets (Note 6)	43,854	58,502	396,117
Other investments and advances	37,163	31,822	335,681
Less : allowance for doubtful accounts	(1,020)	(674)	(9,213)
Total Investments and Advances	275,096	247,352	2,484,838
Total Assets	**¥ 2,244,970**	**¥ 2,152,090**	**$ 20,277,934**

Liabilities and Net Assets	Millions of yen 2021	Millions of yen 2020	Thousands of U.S.Dollars 2021
Current Liabilities:			
Notes and accounts payable	¥ 329,540	¥ 312,048	$ 2,976,610
Electronically recorded obligations - operating	58,382	49,897	527,341
Short-term loans	52,913	80,178	477,944
Lease obligations	5,918	5,568	53,456
Accrued income taxes (Note 6)	17,507	17,060	158,139
Accrued expenses	78,043	68,846	704,934
Provision for directors' bonuses	375	233	3,390
Deposits received	4,353	3,413	39,319
Other current liabilities	76,931	65,946	694,895
Total Current Liabilities	623,965	603,193	5,636,031
Long-term Debt (Note 4)	257,728	250,963	2,327,958
Deferred Tax Liabilities (Note 6)	582	792	5,257
Deferred Tax Liabilities Related to Land Revaluation (Note 8)	42,135	42,135	380,595
Provision for Maintenance Costs	4,432	3,886	40,032
Provision for Management Board Incentive Plan Trust	136	198	1,230
Net Defined Benefit Liability (Note 5)	89,015	99,066	804,046
Other Long-term Liabilities	21,961	18,472	198,367
Net Assets			
Shareholders' Equity (Note 7)			
Common and preferred stock			
Common stock :	40,644	40,644	367,129
Capital surplus	42,599	42,503	384,780
Retained earnings	849,673	924,729	7,674,771
Less: treasury stock, at cost	(54,090)	(150,441)	(488,581)
Total Shareholders' Equity	878,826	857,436	7,938,098
Accumulated Other Comprehensive Income			
Unrealized holding gain (loss) on securities	52,942	25,597	478,205
Unrealized gain (loss) on hedging instruments	(796)	302	(7,195)
Revaluation reserve for land (Note 8)	83,881	83,881	757,666
Foreign currency translation adjustments	7,830	(5,517)	70,731
Remeasurements of defined benefit plans	(901)	(8,760)	(8,145)
Total accumulated other comprehensive income	142,955	95,503	1,291,262
Non-controlling interests	183,230	180,442	1,655,053
Total Net Assets	1,205,013	1,133,381	10,884,414
Total Liabilities and Net Assets	**¥ 2,244,970**	**¥ 2,152,090**	**$ 20,277,934**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S.Dollars
	2021	2020	2021
Net Sales	¥ 1,908,150	¥ 2,079,936	$ 17,235,573
Cost of Sales	1,605,111	1,730,354	14,498,344
Gross profit	303,038	349,582	2,737,228
Selling, General and Administrative Expenses	207,305	208,999	1,872,510
Operating income	95,732	140,582	864,717
Other Income (Expenses):			
Interest and dividend income	5,458	7,531	49,300
Interest expense	(2,859)	(2,833)	(25,830)
Equity in earnings of unconsolidated subsidiaries and affiliates	5,066	8,033	45,763
Foreign exchange gain	1,746	329	15,778
Others, net	(878)	(2,766)	(7,936)
Profit before extraordinary items	104,265	150,876	941,792
Extraordinary Items:			
Gain on sales of property, plant and equipment, net	180	289	1,630
Gain on sales of investment securities	714	14	6,455
Impairment loss on fixed assets (Note 14)	(13,840)	(190)	(125,018)
Loss on valuation of investment securities	(176)	(5,317)	(1,597)
Loss on Covid-19	(3,298)	----	(29,796)
Others, net	(1,014)	(2,161)	(9,165)
Profit before income taxes and non-controlling interests	86,829	143,511	784,300
Income Taxes (Note 6):			
Current	31,666	40,141	286,028
Deferred	2,626	880	23,724
Profit	52,537	102,489	474,547
Profit Attributable to:			
Non-Controlling interests	9,828	21,256	88,779
Owners of the Parent	¥ 42,708	¥ 81,232	$ 385,767

Per Share of Common Stock	Yen		U.S.Dollars
Profit Attributable to Owners of the Parent			
—Basic	¥ 57.91	¥ 110.14	$ 0.52

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S.Dollars
	2021	2020	2021
Profit	¥ 52,537	¥ 102,489	$ 474,547
Other Comprehensive Income			
Unrealized holding gain (loss) on securities	27,565	(13,345)	248,988
Unrealized gain (loss) on hedging instruments	(1,098)	170	(9,923)
Foreign currency translation adjustments	17,366	(19,294)	156,860
Remeasurements of defined benefit plans	7,757	(1,635)	70,070
Share of other comprehensive income of affiliates accounted for using the equity method	(28)	(857)	(257)
Total other comprehensive income (Note 15)	51,561	(34,962)	465,738
Comprehensive Income (Note 15)	104,098	67,526	940,285
Comprehensive Income Attributable to :			
Owners of the parent	90,160	51,088	814,386
Non-controlling interests	¥ 13,938	¥ 16,438	$ 125,898

See accompanying notes to consolidated financial statements.

Consolidated Statements of Change in Net Assets (Note 7)

For the years ended March 31, 2021 and 2020

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain (loss) on securities	Revaluation reserve for land	Unrealized gain (loss) on hedging instruments	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests
Balance as of March 31, 2019	**¥ 40,644**	**¥ 42,129**	**¥ 871,845**	**¥ (150,485)**	**¥ 38,754**	**¥ 83,880**	**¥ 131**	**¥ 10,195**	**¥ (7,314)**	**¥ 186,553**
Cumulative effect of changes in accounting policies			(287)							
Restated balance at the beginning of the current period	40,644	42,129	871,558	(150,485)	38,754	83,880	131	10,195	(7,314)	186,553
Cash dividends			(28,061)							
Reversal of revaluation reserve for land			(0)							
Profit attributable to owners of the parent			81,232							
Acquisition of treasury stock				(5)						
Disposal of treasury stock				50						
Purchase of shares of consolidated subsidiaries		374								
Net changes on items other than shareholders' equity					(13,156)	0	170	(15,713)	(1,446)	(6,110)
Balance as of March 31, 2020	**¥ 40,644**	**¥ 42,503**	**¥ 924,729**	**¥ (150,441)**	**¥ 25,597**	**¥ 83,881**	**¥ 302**	**¥ (5,517)**	**¥ (8,760)**	**¥ 180,442**
Cash dividends			(21,414)							
Profit attributable to owners of the parent			42,708							
Acquisition of treasury stock				(5)						
Disposal of treasury stock				10						
Cancellation of treasury stock		(96,336)		96,336						
Transfer to capital surplus from retained earnings		96,336	(96,336)							
Change in capital surplus due to transactions with non-controlling interests		95								
Change in scope of equity method			(12)	9						
Net changes on items other than shareholders' equity					27,344	-	(1,098)	13,347	7,859	2,788
Balance as of March 31, 2021	**¥ 40,644**	**¥ 42,599**	**¥ 849,673**	**¥ (54,090)**	**¥ 52,942**	**¥ 83,881**	**¥ (796)**	**¥ 7,830**	**¥ (901)**	**¥ 183,230**

Thousands of U.S.Dollars

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain (loss) on securities	Revaluation reserve for land	Unrealized gain (loss) on hedging instruments	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests
Balance as of March 31, 2020	**$ 367,129**	**$ 383,914**	**$ 8,352,719**	**$ (1,358,878)**	**$ 231,216**	**$ 757,666**	**$ 2,728**	**$ (49,834)**	**$ (79,133)**	**$ 1,629,864**
Cash dividends			(193,432)							
Profit attributable to owners of the parent			385,767							
Acquisition of treasury stock				(50)						
Disposal of treasury stock				93						
Cancellation of treasury stock		(870,169)		870,169						
Transfer to capital surplus from retained earnings		870,169	(870,169)							
Change in capital surplus due to transactions with non-controlling interests		865								
Change in scope of equity method			(113)	84						
Net changes on items other than shareholders' equity					246,989		(9,923)	120,565	70,988	25,188
Balance as of March 31, 2021	**$ 367,129**	**$ 384,780**	**$ 7,674,771**	**$ (488,581)**	**$ 478,205**	**$ 757,666**	**$ (7,195)**	**$ 70,731**	**$ (8,145)**	**$ 1,655,053**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows (Note16)

For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S.Dollars
	2021	2020	2021
Cash Flows from Operating Activities			
Profit before income taxes and non-controlling interests	¥ 86,829	¥ 143,511	$ 784,300
Depreciation and amortization	84,561	78,678	763,813
Equity in earnings of unconsolidated subsidiaries and affiliates	(5,066)	(8,033)	(45,763)
Increase (decrease) in provision for warranty costs	(715)	(188)	(6,462)
Increase (decrease) in provision for bonus accounts	(403)	21	(3,648)
Increase (decrease) in provision for directors' bonuses	179	(201)	1,621
Increase (decrease) in provision for allowance for doubtful accounts	567	(38)	5,130
Increase (decrease) in provision for maintenance costs	545	(1,929)	4,929
Increase (decrease) in provision for management board incentive plan trust	(62)	(11)	(562)
Increase (decrease) in net defined benefit liability	17	(446)	156
Interest and dividend income	(5,458)	(7,531)	(49,300)
Interest expenses	2,859	2,833	25,830
Loss (gain) on sales of property, plant and equipment, net	(180)	(289)	(1,630)
Loss (gain) on disposal of property, plant and equipment, net	975	1,987	8,814
Loss (gain) on sales of investment securities, net	(675)	4	(6,104)
Loss (gain) on valuation of investment securities, net	176	5,317	1,597
Loss on impairment of fixed assets	13,840	190	125,018
Other extraordinary loss (income)	---	155	---
Decrease (increase) in notes and accounts receivable	(11,255)	23,232	(101,669)
Decrease (increase) in lease receivables and lease investment assets	855	(19,121)	7,727
Decrease (increase) in inventories	38,494	(25,039)	347,701
Decrease (increase) in other current assets	2,383	(14,306)	21,533
Increase (decrease) in notes and accounts payable	15,981	(14,098)	144,355
Increase (decrease) in accrued expenses and taxes	8,285	(2,642)	74,839
Increase (decrease) in deposits received	928	(635)	8,383
Increase (decrease) in other current liabilities	14,574	(1,482)	131,644
Others	703	(285)	6,357
Cash received from interest and dividends	7,545	11,032	68,154
Cash paid for interest	(2,906)	(2,841)	(26,250)
Cash paid for income taxes	(30,664)	(44,139)	(276,982)
Net Cash Provided by Operating Activities	222,918	123,701	2,013,535

	Millions of yen		Thousands of U.S.Dollars
	2021	2020	2021
Cash Flows from Investing Activities			
Payment on purchase of investment securities	(49)	(434)	(448)
Proceeds from sales of investment securities	2,419	52	21,850
Payment on purchase of property, plant and equipment	(97,891)	(103,467)	(884,218)
Proceeds from sales of property, plant and equipment	5,492	6,475	49,608
Payment on long-term loans receivable	(351)	(333)	(3,177)
Collection of long-term loans receivable	340	312	3,079
Increase (decrease) in short-term loans receivable	168	(5)	1,524
Increase (decrease) in fixed deposits	(369)	5,188	(3,334)
Others	(3,172)	(446)	(28,652)
Net Cash Used in Investing Activities	(93,413)	(92,659)	(843,768)
Cash Flows from Financing Activities			
Increase (decrease) in short-term loan	(26,776)	7,408	(241,858)
Proceeds from long-term loan	43,300	59,000	391,111
Repayment on long-term loan	(84,873)	(37,289)	(766,624)
Proceeds from bonds issues	50,000	---	451,630
Proceeds from non-controlling shareholders	5,426	---	49,015
Repayment of lease obligations	(4,496)	(4,074)	(40,614)
Payment on acquisition of treasury stock	(4)	(5)	(44)
Payment on dividends made by parent company	(21,412)	(28,057)	(193,409)
Payment on dividends to non-controlling shareholders	(16,258)	(20,665)	(146,858)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(180)	(1,469)	(1,625)
Net Cash Used in Financing Activities	(55,275)	(25,153)	(499,277)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	8,465	(7,225)	76,466
Net Increase (Decrease) in Cash and Cash Equivalents	82,695	(1,336)	746,955
Cash and Cash Equivalents at Beginning of the Year	303,974	305,311	2,745,685
Cash and Cash Equivalents at End of the Year (Note 2)	¥ 386,670	¥ 303,974	$ 3,492,641

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presenting the Financial Statements

The accompanying consolidated financial statements of Isuzu Motors Limited ("the Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirement of International Financial Reporting Standards ("IFRS"), and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

In order to facilitate the understanding of readers outside Japan, certain reclassifications have been made to the consolidated financial statements prepared for domestic purposes and relevant notes have been added.

The yen amounts are rounded down in millions. Therefore, total or subtotal amounts do not correspond with the aggregation of such account balances.

U.S. dollar amounts have been translated from Japanese yen for convenience only at the rate of ¥110.71 = US$1, the approximate exchange rate prevailing on the Foreign Exchange Market on March 31, 2021. The translations should not be construed as a representation that Japanese yen have been or could be converted into U.S. dollars at that rate. The U.S. dollar amounts are then rounded down in thousands.

Certain reclassifications have been made in the 2020 financial statements to conform to the presentation for 2021.

2. Summary of Significant Accounting Policies

a) Consolidation

The consolidated financial statements include the accounts of the Company and significant subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

The excess of cost of investments in the subsidiaries and affiliates over the fair value of the net assets of the acquired subsidiaries at the dates of acquisition is recognized as a consolidation goodwill, which is being amortized over estimated periods not exceeding 20 years.

The Company's scope of consolidation and application of the equity method are as follows:

Scope of Consolidation

(1) Number of consolidated subsidiaries: 88

(2) Principal subsidiaries:

ISUZU MOTORS SALES LTD.;
Isuzu Motors Kinki Co., Ltd.;
ISUZU MOTOR SYUTOKEN CO., LTD.;
Isuzu Motors America, LLC.;
Isuzu Motors Co., (Thailand) Ltd.

(3) Changes in scope of consolidation:

There were no changes in the scope of consolidation during the current fiscal year.

(4) Principal non-consolidated subsidiaries:

Hakodate Isuzu Motors Ltd.

(5) Reasons for excluding subsidiaries from consolidation

The non-consolidated subsidiaries are small in terms of their total assets, net sales, net income or loss, and retained earnings (attributable to the Company). Thus, they only have minor effects on the consolidated financial statements.

Scope of Equity Method

(1) Number of companies accounted for by the equity method: 50

(2) Principal companies accounted for by the equity method

Non-consolidated subsidiaries: ISUZU INSURANCE SERVICE Limited
Affiliates: J-Bus Limited

(3) Changes in scope of equity method accounting

Fuji Shokai Co., Ltd. has been excluded from the scope of affiliates accounted for by the equity method because some of its shares were sold.

(4) Principal companies not accounted for by the equity method

Non-consolidated subsidiaries: Hakodate Isuzu Motors Ltd.
Affiliates: Suzuki Unyu Ltd.

(5) Reasons the equity method is not applied

These companies are not accounted for by the equity method because their effect on the consolidated financial statements is not significant, either individually or collectively.

Fiscal Period of Consolidated Subsidiaries

Of the consolidated subsidiaries, the fiscal year end for 21 overseas subsidiaries is primarily December 31.

In preparing consolidated financial statements, the Company uses the respective financial statements of the subsidiaries as of their fiscal year end. If significant transactions have been made between the two fiscal year end dates, the Company makes necessary adjustments.

The fiscal year end for 32 domestic subsidiaries and 35 overseas subsidiaries is the same as the consolidated fiscal year end.

b) Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate of the balance sheet date, and differences arising from the translation are included in the consolidated statements of income as a gain or loss. The Company translates the balance sheet accounts of foreign consolidated subsidiaries into Japanese yen at the exchange rate of the balance sheet date of each of those subsidiaries. Revenue and expense accounts of consolidated overseas subsidiaries are translated using the average exchange rate during the year. Differences arising from the translation are presented as foreign currency translation adjustments and non-controlling interests in the balance sheet.

c) Securities

The accounting standard for financial instruments requires that securities be classified into three categories: trading, held-to-maturity or other securities.

Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

d) Inventories

Inventories of the Company are valued at cost using the weighted average method. (Balance sheet values are measured by the lower of cost or market method.) Inventories of consolidated subsidiaries are principally valued at cost using the specific identification method. (Balance sheet values are measured by the lower of cost or market method.)

e) Property, Plant and Equipment (excluding lease assets)

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries is calculated principally by the straight-line method based on the estimated useful lives. Depreciation of property, plant and equipment of certain consolidated subsidiaries is calculated by the declining balance method.

f) Software (excluding lease assets)

Software used by the Company and its consolidated subsidiaries is amortized using the straight-line method, based on the estimated useful lives (generally 5 years).

g) Leases

The Company, as a lessor, leases properties under arrangements. Sales and cost of sales relating to finance lease transactions are recognized on receipt of lease payments.

The Company is also a lessee of various assets leased under finance lease contracts without transfer of ownership; these assets are depreciated over their respective lease periods by the straight-line method with residual values as specified in the lease contracts or a residual value of zero.

h) Provisions and Allowances

(1) Allowance for doubtful accounts

With a view to providing for bad debt losses on accounts receivable and loans receivable, etc., and bad debt expenses, the Company and domestic consolidated subsidiaries provide for the estimated irrecoverable amount based on the historical default rate for normal receivables and through the individual examination of recoverability for particular receivables such as claims to obligors with high possibility of business failure. Foreign consolidated subsidiaries determine allowances for doubtful accounts by assessing each individual account. The Company makes necessary adjustments to allowance for doubtful accounts in consolidation for the elimination of receivables and payables among consolidated subsidiaries.

(2) Provision for bonus accounts

Provision for bonus accounts are provided in an amount estimated to cover the bonus payment for services rendered by employees during the fiscal year.

(3) Provision for directors' bonuses

Provision for directors' bonuses are provided in an amount estimated to cover the bonus payment for services rendered by directors during the fiscal year.

(4) Provision for warranty costs

Provisions for warranty costs are provided to cover the cost of all services anticipated to be incurred during the entire warranty period in accordance with the warranty contracts. These provisions are calculated based on past experience.

(5) Provision for maintenance costs

Provision for maintenance costs is provided for the portion corresponding to the already leased period out of the total amount anticipated to be incurred during the entire lease period for maintenance costs based on lease contracts, such as lease automobile maintenance costs.

(6) Provision for management board incentive plan trust

Provision for management board incentive plan trust is provided in an amount estimated to cover the payment of Company stock benefits to Directors of the Board and others during the current fiscal year.

i) Employees' Retirement Benefits

The Company and its consolidated subsidiaries have defined benefit pension plans. Consolidated subsidiaries have also defined contribution pension plans.

The estimated amount of all retirement benefits to be paid at future retirement dates is allocated to each service year using the benefit formula method. Prior service costs are being amortized as incurred by the straight-line method over periods, which are shorter than the average remaining years of service of the eligible employees (mainly 10 years). Actuarial gains or losses are amortized by the straight-line method or the declining balance method over the period within the average remaining years of service of the eligible employees (mainly 10 years) commencing with the following periods.

Some of the consolidated subsidiaries are adopting the simplified method of calculating their retirement benefit obligations and its cost.

In the simplified method, the amount which would be required to be paid if all eligible employees of its subsidiaries voluntarily terminated their employment as of the balance sheet date is recognized as the retirement benefit obligation.

j) Income Taxes

Income taxes are accounted for on an accrual basis. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of change in tax rate is recognized in income in the period of the change.

k) Profit Attributable to Owners of the Parent Per Share

Profit attributable to owners of the parent per share of common stock is calculated based upon the weighted average number of shares of common stock outstanding during each year.

Basis for the calculation of profit attributable to owners of the parent per share as of March 31, 2021 is as follows:

	Millions of yen	Thousands of U.S. dollars
Profit attributable to owners of the parent	¥42,708	$385,767
Profit attributable to owners of the parent pertaining to common stock	¥42,708	$385,767
Average number of outstanding shares: Common stock:	737,543,812	

In the calculation of basic earnings per share, the number of shares of the Company's stock owned by the management board incentive plan (BIP) trust is included in treasury stock. Therefore, the number of those shares is deducted in calculating the number of shares of common stock outstanding at the end of the year and the weighted average number of shares of common stock outstanding during the year.

The weighted average number of shares of common stock is 838,968 shares for the year ended March 31, 2021.

l) Appropriation of Retained Earnings

The appropriation of retained earnings is recorded in the fiscal year in which such appropriation is approved by the board of directors or shareholders.

m) Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Reference for the reconciliation between cash and cash equivalents at end of the fiscal year is in Note 16. Consolidated statements of cash flows, (1) Reconciliation for cash status between balance sheets and cash flows.

n) Adoption of New Accounting Standard

(Significant Accounting Estimates)

(1) Accrued expenses for specific warranty programs such as recalls

① Amounts recorded on the consolidated financial statements for the current fiscal year

Account item	Consolidated balance sheet amount
Accrued expenses for specific warranty programs such as recalls	¥9,887 million ($89,305 thousand)

② Information related to significant accounting estimates for the identified item

The Group manufactures various products at its plants in Japan and abroad in conformity with stringent quality management standards accepted globally. To maintain and improve product quality, the Group strives for early detection and sharing of failure information, conducts assessments for quality improvement throughout the Company, and monitors the operational status of company-wide quality management through the Quality Assurance & Customer Satisfaction Improvement Committee.

The Group records accrued expenses to provide for the cost of product recalls, etc.

Such accrued expenses are calculated by multiplying the estimated number of units subject to recalls, etc. by estimated costs per unit.

Key assumptions used in calculating accrued expenses for specific warranty programs such as recalls are the estimated number of units subject to recalls, etc. for each specific warranty program and estimated costs per unit.

The estimated number of units is calculated by taking into account the expected number of units affected depending on the specific warranty programs reported to the relevant government agencies. The estimated costs per unit are calculated by estimating the cost of parts and labor required for individual repairs under specific warranty programs reported to the relevant government agencies.

The Group reviews these estimates on an ongoing basis through examination of the status of actual costs incurred for respective cases of recall, etc.

Accrued expenses for specific warranty programs such as recalls that were calculated by the Group have so far been appropriate and there has been no material difference between actual results and calculated amounts.

However, in the estimation of accrued expenses for specific warranty programs such as recalls, there are uncertainties in key assumptions and therefore if the actual cost of recalls, etc. deviates from estimated amounts, estimated obligations may need to be revised.

Furthermore, if conducting a new large-scale recall campaign, etc., the Group's business results and financial position may be adversely and significantly affected.

(2) Impairment loss on property, plant and equipment

① Amounts recorded on the consolidated financial statements for the current fiscal year

Asset group	Account item	Consolidated balance sheet amount
Manufacturing and sales subsidiary based in India	Property, plant and equipment	¥5,533 million ($49,981 thousand)
Manufacturing and sales subsidiary based in South Africa	Property, plant and equipment	¥7,879 million ($71,169 thousand)

② Information related to significant accounting estimates for the identified item

In anticipation of the expansion of logistics demand and the commercial vehicles market in emerging countries, the Group positions certain emerging markets as priority regions and promotes sales activities.

Property, plant and equipment that were acquired by overseas subsidiaries for the purpose of manufacturing commercial vehicles (CV) and pickup trucks and derivatives (LCV) for such emerging markets are primarily recorded as buildings and structures, machinery, equipment and vehicle and land on the consolidated balance sheet.

The Group classifies asset groups into business assets, idle assets and assets for rent, while identifying each of the individual idle assets and assets for rent as a stand-alone asset group.

When indication of impairment is identified on such business assets and assets for rent on account of a decline in market prices and decreased profitability, etc., the Group examines their recoverability on an individual basis.

The recoverable amount of property, plant and equipment is determined at the higher of value in use and net selling amount.

Value in use is calculated by discounting to the present value the estimated future cash flows generated by the asset group, based on the business plan, which was approved by the Board of Directors of the manufacturing and sales subsidiary. Assumptions that may have a material impact on the calculation of future cash flows include total demand in the market, market share and growth rates. An assumption that may have a material impact on the calculation of value in use is the discount rate. Total demand in the market, market share and growth rates factors in relevant markets take into consideration trends and changes in the operating environment based on the information currently available, with reference to the Group's past results and forecast data by third-party information agencies. The weighted average capital cost is used as the discount rate.

Net selling amount is calculated by deducting the estimated costs of disposal from the fair value of asset or asset group. Fair value, in principle, is based on third-party valuation reports prepared and is considered a price based on observable market prices. However, if no market price is observable, another price reasonably calculated according to the characteristics of the asset is used as fair value, such as a price calculated by the income approach or the cost approach considering obsolescence.

Considering the uncertainties associated with the spread of COVID-19, calculations are based on the premise that a decline in demand in emerging markets seen in the current fiscal year will continue in and after the next fiscal year. The Group reviews these forecasts based on the latest information available on an ongoing basis.

As a result of the examination of recoverability, the book values of asset groups for which impairment was recognized have been reduced to their recoverable amounts.

Demand for vehicles is strongly affected by economic conditions. As such, if economies decelerate and cause total demand in the market to decrease, leading to poor performance of investees in the future, the Group may be required to record an impairment loss.

If uncertainties heighten over the future economic conditions in each emerging market, accounting estimates and assumptions may be significantly affected, which may result in impairment of the property, plant and equipment that were acquired by overseas subsidiaries for the purpose of manufacturing CV and LCV for respective emerging markets.

o) Unapplied Accounting Standards

[Consolidated subsidiaries in the United States]

ASU 2016-02 "Leases"

(1) Overview

In accordance with ASU 2016-02, a lessee is required to recognize assets or liabilities for all leases on the balance sheet in principle.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standards from the beginning of the fiscal year ending March 31, 2023.

(3) Impact of adoption of ASU 2016-02

The impact of the adoption of ASU 2016-02 on the Company's consolidated financial statements is currently under evaluation.

[The Company and Domestic Consolidated Subsidiaries]

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021),"Guidance on Disclosures about Fair Value of Financial Instruments"(ASBJ Guidance No. 19, March 30, 2020).

(1) Overview

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards regarding revenue recognition, and released "Revenue from Contracts with Customers" in May 2014 (IFRS 15 by the IASB and Topic 606 by the FASB). Considering the fact that IFRS 15 is being applied from fiscal years beginning on or after January 1, 2018 and Topic 606 applied from fiscal years beginning after December 15, 2017, the ASBJ developed comprehensive accounting standards regarding revenue recognition and released the standards along with the implementation guidance.

In developing its business accounting standards regarding revenue recognition, the basic policy of the ASBJ was to include the basic principles of IFRS 15 in the accounting standards from a viewpoint of comparability between financial statements, which is one of the benefits of being in conformity with IFRS 15. However, if there is any item that needs particular consideration in light of Japanese business practices, a substitute treatment may be employed to the extent that it does not impair the comparability.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of adoption of accounting standard and implementation guidance

The impact of the adoption of the accounting standard and implementation guidance on the Company's consolidated financial statements is currently under evaluation.

On July 4, 2019, the Accounting Standards Board of Japan (ASBJ) issued "Accounting Standard for Fair Value Measurement " (ASBJ Statement No. 30), and "Implementation Guidance on Accounting Standard for Fair Value Measurement " (ASBJ Guidance No. 31), along with related updates to "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9), and "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10), "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31).

"Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 30, 2020).

(1) Overview

The ASBJ has developed an "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter collectively, the "Fair Value Measurement Standard"), which provide guidance for fair value measurement in order to improve comparability with internationally recognized accounting standards. The Fair Value Measurement Standard is applied with respect to the fair value of the following items;

• Financial instruments defined in "Accounting Standard for Financial Instruments"
• Inventories held for trading purposes defined in "Accounting Standard for Measurement of Inventories"

(2) Scheduled date of adoption

The Company expects to adopt the accounting standards and related implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of adoption of revised accounting standard and related implementation guidance

The Company is currently evaluating the effect of the adoption of the accounting standards and related implementation guidance on its consolidated financial statements.

p) Change in Presentation

(Application of the "Accounting Standard for Disclosure of Accounting Estimates")

The Group has applied the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No.31, March 31, 2020) in preparing the consolidated financial statements from the end of the current fiscal year and provides notes on significant accounting estimates in the consolidated financial statements.

However, comparative information for the previous fiscal year is not disclosed in accordance with the transitional treatment specified in Paragraph 11 of the aforementioned ASBJ Statement No.31.

q) Additional Information

(Performance-based Stock Compensation Plan for Directors and Corporate Officers)

The Company has adopted a revised performance-linked share-based remuneration plan, under which the Company's shares are granted to Directors (excluding those serving as Audit and Supervisory Committee Members) and Executive Officers (excluding those serving as Directors) through a trust.

(1) Outline of the plan

Based on approvals in its 119th Annual General Meeting of Shareholders held on June 25, 2021, the Company has changed its governance structure to a Company with an Audit and Supervisory Committee, and, in line with this change, has introduced the revised performance-linked share-based remuneration plan for Directors (excluding those serving as Audit and Supervisory Committee Members and Outside Directors) and Executive Officers (hereinafter referred to collectively as "Directors").

The objectives of the plan are to clarify the linkage between the remuneration of Directors and the Company's performance and share value, and to require Directors to share not only the benefits from a rise in the Company's share price but also the risks of a fall in it in order to further motivate them to attain the targets of the mid- to long-term business plans and improve corporate value.

Under the plan, which covers the Company's mid-term business plan period (basically three business years), the Company's shares are granted to Directors eligible for such grant from the trust, which acquires the Company's shares to be granted using trust assets established by contributions of the Company, depending on the attainment of the performance targets set in the mid-term business plan.

(2) The Company's shares remaining in the Trust.

The Company's shares remaining in the Trust are included in treasury stock in net assets at the carrying value (excluding related costs) in the Trust. As of March 31, 2021, the corresponding carrying value and the number of shares of the Company's stock are ¥1,126 million ($10,177 thousand) and 835,751 shares, respectively.

3. Securities

Fair value information of other securities as of March 31, 2021 and 2020 are as follows:

	Millions of yen			Thousands of U.S. dollars		
2021	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:						
Stocks:	¥28,781	¥103,205	¥74,423	$259,975	$932,217	$672,242
Total	¥28,781	¥103,205	¥74,423	$259,975	$932,217	$672,242
Unrealized loss:						
Stocks:	¥3,212	¥3,003	¥(209)	$29,021	$27,133	$(1,888)
Total	¥3,212	¥3,003	¥(209)	$29,021	$27,133	$(1,888)

	Millions of yen		
2020	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks:	¥23,949	¥62,027	¥38,078
Total	¥23,949	¥62,027	¥38,078
Unrealized loss:			
Stocks:	¥10,803	¥9,717	¥(1,086)
Total	¥10,803	¥9,717	¥(1,086)

Proceeds from sales of securities classified as other securities amounted to ¥2,419 million ($21,850 thousand) with an aggregate profit on sales of ¥714 million ($6,455 thousand), an aggregate loss on sales of ¥38 million ($350 thousand) for the year ended March 31, 2021.

Non-marketable securities classified as other securities as of March 31, 2021 amounted to ¥2,687 million ($24,272 thousand).

Investments in jointly controlled companies among shares of unconsolidated subsidiaries and affiliates as of March 31, 2021 amounted to ¥30,122 million ($272,082 thousand).

Impairment loss on marketable securities classified as other securities of ¥176 million ($1,598 thousand) was recognized during the year ended March 31, 2021.

4. Long-term Debt

Long-term debt as of March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Bonds	¥50,000	—	$451,630
Loans	¥232,412	¥273,985	$2,099,286
Lease obligations	20,436	21,890	184,594
Less: current portion	45,120	44,911	407,552
Total long-term debt	¥257,728	¥250,963	$2,327,958

The annual maturities of long-term debt as of March 31, 2021 are summarized as follows:

Planned maturity date	Millions of yen	Thousands of U.S. dollars
Over 1 year within 2 years	¥46,730	$422,101
Over 2 years within 3 years	54,456	491,884
Over 3 years within 4 years	59,660	538,889
Thereafter	96,880	875,081
Total	¥257,728	$2,327,958

The assets pledged as collateral and related liabilities as of March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
Assets pledged as collateral	2021	2020	2021
Inventories	¥270	¥2,618	$2,440
	Millions of yen		Thousands of U.S. dollars
Related liabilities	2021	2020	2021
Accounts payable	¥2,913	¥5,099	$26,315

5. Retirement Benefit Plans

The Company has defined benefit plans, i.e., corporate pension fund and lump-sum payment plans. Certain consolidated subsidiaries have defined benefit plans, i.e., corporate pension fund, welfare pension fund plans, and lump-sum payment plans and defined contribution pension plans. The Company and its consolidated subsidiaries occasionally make severance payments in addition to the retirement benefits noted above.

Some of the consolidated subsidiaries are adopting the simplified method of calculating their retirement benefit obligations.

1. Defined benefit plans as of March 31, 2021 and 2020 are follows;

(1) The reconciliation between beginning and ending balance of projected benefit obligation

	Millions of yen		Thousands of U.S. dollars
Changes in benefit obligation:	2021	2020	2021
Projected benefit obligation at beginning of the year	¥190,124	¥189,631	$1,717,316
Service cost	8,916	9,961	80,539
Interest cost on projected benefit obligation	2,059	2,119	18,606
Actuarial (gain) loss	(140)	763	(1,266)
Benefit paid	(10,979)	(8,692)	(99,174)
Prior service cost	1,379	—	12,459
Others	1,288	(3,658)	11,648
Projected benefit obligation at the end of the year	¥192,649	¥190,124	$1,740,128

[Remarks]
*Benefit obligations in certain subsidiaries calculated by the simplified method are included.

(2) The reconciliation between beginning and ending balance of plan assets

	Millions of yen		Thousands of U.S. dollars
Changes in plan assets:	2021	2020	2021
Plan assets at beginning of the year	¥93,216	¥93,767	$841,992
Expected return on plan assets	1,710	1,785	15,451
Actuarial gain (loss) on plan assets	9,898	(3,229)	89,407
Employer's contributions	6,100	7,475	55,104
Benefit paid during the current fiscal year	(5,350)	(4,057)	(48,327)
Others	430	(2,524)	3,885
Plan assets at end of the year	¥106,006	¥93,216	$957,514

[Remarks]
*Plan assets in certain subsidiaries calculated by the simplified method are included.

(3) The reconciliation between ending balance of projected benefit obligation and plan assets and those balances on consolidated balance sheet as of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Projected benefit obligation under funded schemes	¥115,383	¥111,734	$1,042,213
Plan assets	(106,006)	(93,216)	(957,514)
	9,377	18,517	84,699
Projected benefit obligation under non-funded schemes	77,266	78,389	697,915
Asset and liability on the consolidated balance sheet, net	¥86,643	¥96,907	$782,614
Net defined benefit liability	89,015	99,066	804,046
Net defined benefit assets	(2,372)	(2,158)	(21,431)
Net liability for retirement benefits on the balance sheet	¥86,643	¥96,907	$782,614

[Remarks]
*Plan assets and projected benefit obligations in certain subsidiaries calculated by the simplified method are included.

(4) Breakdown of retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥8,916	¥9,961	80,539
Interest cost on projected benefit obligation	2,059	2,119	18,606
Expected return on plan assets	(1,710)	(1,785)	(15,451)
Amortization of actuarial net loss	2,444	1,953	22,080
Amortization of prior service cost	177	170	1,602
Net retirement benefit cost to defined benefit plans	¥11,887	¥12,418	$107,378

[Remarks]
*Retirement benefit cost in certain subsidiaries calculated by the simplified method are included.

(5) Components of remeasurements of defined benefit plans (before tax effects) included in other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Prior service cost	¥177	¥171	$1,602
Actuarial loss	11,671	(2,041)	105,421
Total	¥11,848	¥(1,869)	$107,024

(6) Components of remeasurements of defined benefit plans (before tax effects) included in accumulated other comprehensive income

	Millions of yen		Thousands of U.S. dollars
Unrecognized prior service cost	¥770	¥310	$6,962
Unrecognized actuarial loss	(830)	10,133	(7,501)
Total	¥(59)	¥10,444	$(539)

(7) Allocation of plan assets

In order to determine the expected long-term rate of return on assets, the Company and its consolidated subsidiaries considers the current and expected future allocation of the pension assets and the variety of the properties constituting the pension assets.

	Ratio	
	2021	2020
Debt securities	28%	26%
Equity securities	34%	30%
Cash and deposits	4%	5%
Life insurance company general accounts	26%	31%
Other assets	8%	8%
Total	100%	100%

[Remarks]

* “Other assets” includes alternative investments t

(8) Actuarial assumptions used to determine costs and obligations for retirement benefits (weighted average)

	2021	2020
Discount rates	1.2%	1.2%
Expected long-term return rates on plan assets	1.9%	1.9%
Expected rate of pay raises	3.7%	3.5%

2. Defined contribution pension plans are as follows;

Required contributions of certain subsidiaries to defined contribution pension plans were ¥830 million ($7,504 thousand) for the year ended March 31, 2021, and ¥726 million for the year ended March 31, 2020.

6. Income Taxes

Accrued income taxes in the consolidated balance sheets include corporation tax, inhabitant tax and enterprise tax.

The significant components of the Company and its consolidated subsidiaries’ deferred tax assets and liabilities as of March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Net defined benefit liability	¥24,797	¥28,705	$223,988
Loss on write-down of investments in subsidiaries and allowance for doubtful accounts	16,353	14,194	147,717
Accrued expenses	16,043	13,747	144,918
Accrued bonus	7,052	6,914	63,705
Loss on inventory write-down	2,345	2,991	21,188
Loss carry-forward (Note 2)	22,986	19,339	207,625
Unrealized profit eliminated in consolidation etc.	11,665	19,332	105,366
Others	26,781	16,408	241,903
Total gross deferred tax assets	¥128,026	¥121,633	$1,156,415
Valuation allowance for net operating loss carryforwards (Note 2)	(21,405)	(18,089)	(193,349)
Valuation allowance for deductible temporary differences	(27,542)	(21,556)	(248,776)
Subtotal of valuation allowance (Note 1)	(48,947)	(39,645)	(442,125)
Total deferred tax assets	¥79,079	¥81,987	$714,290
Deferred tax liabilities:			
Reserve for reduction entry of fixed assets	952	1,021	8,603

Unrealized holding gain on securities	20,612	10,620	186,188
Retained earnings in subsidiaries	5,529	5,670	49,943
Others	8,130	6,171	73,437
Total deferred tax liabilities	¥35,224	¥23,484	$318,172
Net deferred tax assets	¥43,854	¥58,502	$396,117
Deferred tax liabilities:			
Reserve for reduction entry of fixed assets	10	9	94
Unrealized holding gain on securities	31	52	284
Subsidiaries' land evaluation	514	705	4,645
Others	25	24	232
Net deferred tax liabilities	¥582	¥792	$5,257

Notes:
1. The variance in the valuation allowance is due mainly to the increase in the valuation allowance related to the net operating loss carryforwards of Isuzu Motors India Private Limited, a consolidated subsidiary of the Company.
2. A breakdown of net operating loss carryforwards and valuation allowance by expiry date as of March 31, 2021 and 2020 are as follows:

Millions of yen

2021	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	Total
Net operating loss carryforwards(a)	¥4,896	¥953	¥1,831	¥3,115	¥2,528	¥9,660	¥22,986
Valuation allowance	(3,904)	(893)	(1,774)	(3,066)	(2,459)	(9,307)	(21,405)
Deferred tax assets	¥992	¥59	¥57	¥49	¥68	¥353	¥1,580 (b)

Thousands of U.S. dollars

2021	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	Total
Net operating loss carryforwards(a)	$44,229	$8,612	$16,544	$28,141	$22,834	$87,262	$207,625
Valuation allowance	(35,264)	(8,071)	(16,027)	(27,698)	(22,214)	(84,072)	(193,349)
Deferred tax assets	$8,964	$541	$516	$442	$620	$3,190	$14,276 (b)

Millions of yen

2020	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	Total
Net operating loss carryforwards(a)	¥2,420	¥3,535	¥836	¥2,401	¥2,704	¥7,441	¥19,339
Valuation allowance	(1,986)	(3,100)	(778)	(2,354)	(2,654)	(7,215)	(18,089)
Deferred tax assets	¥433	¥434	¥57	¥46	¥50	¥226	¥1,249

(a) The amount is determined by multiplying the corresponding net operating loss carryforwards by the effective statutory tax rate.
(b) Deferred tax assets related to net operating loss carryforwards arose in the following consolidated subsidiaries of the Company: Isuzu North America Corporation, and Isuzu Hicom Malaysia Sdn. Bhd. The said deferred tax assets are judged recoverable, based on evaluation on their taxable incomes estimated on the basis of their future profitability.

Reconciliation between the effective statutory tax rate and the effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2021 and 2020 are as follows:

	2021	2020
Effective statutory tax rate	30.6%	30.6%
Tax credit	(2.7)	(4.1)
Net valuation allowance	10.7	5.1
Difference in tax rates applied at foreign subsidiaries	(2.9)	(4.2)
Equity in earnings of unconsolidated subsidiaries	(1.8)	(1.7)
Foreign withholding tax	6.8	4.4
Per capita levy of inhabitant tax	0.4	0.2
Retained earnings in subsidiaries	(0.2)	1.6
Others	(1.5)	(0.1)
Effective tax rate	39.5%	28.6%

7. Shareholders' Equity

Changes in the numbers of shares issued and outstanding for the years ended March 31, 2021 and 2020 are as follows:

Common stock outstanding

	2021	2020
Balance at the beginning of the year	848,422,669	848,422,669
Decrease	(70,980,600)	—
Balance at the end of the year	777,442,069	848,422,669

Treasury stock outstanding

	2021	2020
Balance at beginning of the year	110,881,195	110,912,927
Increase	5,595	5,552
Decrease	(71,002,834)	(37,284)
Balance at end of the year	39,883,956	110,881,195

The balance of treasury stock as of March 31, 2021 includes 835,751 shares, as of March 31, 2020 includes 843,426 shares of the Company held by the BIP trust.

(Overview of Reasons for Change)

Increase	
Purchase of fractional shares	4,939 shares
The Company's share of treasury stock acquired by equity method affiliates	656 shares
Decrease	
Disposal of treasury stock held by BIP trust	7,675 shares
Cancellation of treasury stock	70,980,600 shares
Exclusion of affiliates accounted for by the equity method	14,559 shares

Dividends paid

Date of Resolution	Type of Stock	Source of Funds for Dividends	Total Amount of Dividends Paid	Dividend per Share	Record Date	Effective Date
June 29, 2020 General Meeting of Shareholders	Common stock	Retained earnings	¥14,030 million ($126,732 thousand)	¥19.00 ($0.17)	March 31, 2020	June 30, 2020
November 6, 2020 Board of Directors Meeting	Common stock	Retained earnings	¥7,384 million ($66,701 thousand)	¥10.00 ($0.09)	September 30, 2020	November 30, 2020

Of the dividends whose record date falls in the current fiscal year, the dividend whose effective date falls in the following fiscal year

Planned Date of Resolution	Type of Stock	Source of Funds for Dividends	Total Amount of Dividends Paid	Dividend per Share	Record Date	Effective Date
June 25, 2021 General Meeting of Shareholders	Common stock	Retained earnings	¥14,768 million ($133,401 thousand)	¥20.00 ($0.18)	March 31, 2021	June 28, 2021

8. Land Revaluation

In accordance with the Law concerning Revaluation of Land enacted on March 31, 1999, the land used for business owned by the Company and its domestic consolidated subsidiaries was revalued, and the unrealized gain on the revaluation of land, net of deferred tax, was reported as "Revaluation Reserve for Land" within net assets, and the relevant deferred tax was reported as "Deferred Tax Liabilities related to Land Revaluation" in liabilities as of March 31, 2021.

Revaluation Date: March 31, 2000

(Revaluation Date: March 31, 2001 : Certain consolidated subsidiaries)

The method of revaluation is as follows:

Under article 2-4 of the Enforcement Ordinance on Law concerning Revaluation of Land, the land price for the revaluation was determined based on the official notice prices assessed and published by the Commissioner of National Tax Agency of Japan as the basis for calculation of Landholding Tax as stipulated in article 16 of the Landholding Tax Law. Appropriate adjustments for the shape of land and the timing of the assessment have been made. The land price for the revaluation for some of the land is based on appraisal value.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
The difference between the market value of the revalued land at the end of the period and the book value after the revaluation	¥63,466	¥63,181	$573,265

9. Commitment Lines

The Company and certain consolidated subsidiaries entered into contracts for overdraft with banks for efficient financing. Available commitment lines with banks as of March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Limit of overdraft	¥458,000	¥118,000	$4,136,934
Borrowing outstanding	13,700	33,000	123,746
Available commitment lines	¥444,300	¥85,000	$4,013,187

10. Lease Transactions

1. Lessor
(1) Finance lease
i) Net investments in direct financing leases as of March 31, 2021 and 2020 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total minimum lease payments to be received	¥97,854	¥101,630	$883,881
Estimated unguaranteed residual value of leased assets	17,521	15,840	158,267
Amounts equivalent to interest income	(7,147)	(7,254)	(64,560)
Net investment in direct financing leases	¥108,228	¥110,215	$977,588

ii) Maturities of future minimum lease payments as per lease receivables and lease investment assets as of March 31, 2021 and 2020 are as follows:

2021 Millions of yen

	Due within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Thereafter
Lease receivables	¥8,738	7,334	6,166	3,981	2,283	392
Lease investment assets	¥31,574	25,098	21,197	12,571	5,945	1,465

2021 Thousands of U.S. dollars

	Due within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Thereafter
Lease receivables	$78,934	66,245	55,696	35,964	20,622	3,545
Lease investment assets	$285,201	226,709	191,467	113,556	53,707	13,239

2020 Millions of yen

	Due within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Thereafter
Lease receivables	¥8,333	7,194	6,008	3,997	1,788	434
Lease investment assets	¥33,284	27,048	20,426	13,703	5,965	1,201

(2) Operating lease
Non-cancelable future lease payments as of March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Due within 1 year	¥17,152	¥14,698	$154,933
Thereafter	35,812	30,847	323,482
Total	¥52,965	¥45,546	$478,415

2. Lessee
(1) Finance leases
Finance lease contracts that do not transfer ownership

i) Description of leased assets
Property, plant and equipment
Mainly tools, furniture and fixtures and machinery in the automobile business
Intangible assets
Mainly software

ii) Depreciation method for leased assets
As described in 2. Summary of Significant Accounting Policies g) Leases

(2) Operating lease
Non-cancelable future lease payments as of March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Due within 1 year	¥661	¥681	$5,972
Thereafter	3,037	3,479	27,433
Total	¥3,698	¥4,161	$33,405

11. Derivatives

Derivatives recognized in the consolidated financial statements as of March 31, 2021 and 2020 are as follows:

1. Derivative transactions for which hedge accounting is not applied

(1) Foreign exchange-related

		As of March 31, 2021				As of March 31, 2020				As of March 31, 2021			
		Millions of yen				Millions of yen				Thousands of U.S. dollars			
Classification	Type of derivative transactions	Contract amount	Over one year	Fair value	Unrealized gain (loss)	Contract amount	Over one year	Fair value	Unrealized gain (loss)	Contract amount	Over one year	Fair value	Unrealized gain (loss)
Non-market transaction	Foreign exchange forward contracts Buy												
	Japanese yen	¥12,896	-	¥ (18)	¥ (18)	¥15,262	-	¥ (424)	¥ (424)	$116,488	-	$(165)	$(165)
	Australian dollar	62	-	1	1	6	-	0	0	563	-	11	11
	U.S. dollar	600	-	3	3	509	-	(2)	(2)	5,424	-	34	34
	Thai baht	-	-	-	-	2,111	-	(36)	(36)	-	-	-	-
	Others	108	-	0	0	1	-	(0)	(0)	978	-	2	2
	Foreign exchange forward contracts Sell												
	Japanese yen	-	-	-	-	812	-	33	33	-	-	-	-
	Australian dollar	17,417	-	(182)	(182)	1,081	-	6	6	157,323	-	(1,651)	(1,651)
	U.S. dollar	4,980	-	(90)	(90)	5,611	-	(78)	(78)	44,987	-	(815)	(815)
	Thai baht	-	-	-	-	4,822	-	262	262	-	-	-	-
	Others	10,674	-	(109)	(109)	3,908	-	(191)	(191)	96,420	-	(987)	(987)
	Total	¥46,740	-	¥ (395)	¥ (395)	¥ 34,129	-	¥ (430)	¥ (430)	¥ (422,187)	-	$(3,570)	$(3,570)

2. Derivative transactions for which hedge accounting is applied

(1) Foreign exchange-related

Hedge accounting method	Type of derivative transactions	Main hedged items	As of March 31, 2021 Millions of yen Contract amount	Over one Year	Fair value	As of March 31, 2020 Millions of yen Contract amount	Over one year	Fair value	As of March 31, 2021 Thousands of U.S. dollars Contract amount	Over one Year	Fair value
Principle accounting method	Foreign exchange forward contracts Buy										
	Japanese yen	Accounts payable	¥1,045	-	(58)	¥47	-	(1)	$9,445	-	$(531)
	Thai baht	Accounts payable	227	-	(0)	-	-	-	2,052	-	(7)
	U.S. dollar	Accounts receivable	19,292	-	(964)	18,359	-	215	174,263	-	(8,712)
	Australian dollar	Accounts receivable	7,737	-	(182)	2,476	-	233	69,891	-	(1,652)
	Others	Accounts receivable	775	-	(17)	1,207	-	65	7,005	-	(154)
Foreign exchange forward contracts under the designated hedge accounting method	Foreign exchange forward contracts Sell										
	U.S. dollar	Accounts receivable	4,322	-	(1*)	5,942	-	(1*)	39,046	-	(1*)
	Australian dollar	Accounts receivable	7,169			3,686			64,755		
Total			¥40,570	-	¥(1,224)	¥31,720	-	¥512	¥366,460	-	$(11,059)

(1*) Since foreign exchange forward contracts under the designated hedge accounting method are accounted for as an integral part of accounts receivable, the hedged item, their fair values are included in the fair value of the underlying accounts receivables.

(2) Interest rate-related

			As of March 31, 2021			As of March 31, 2020			As of March 31, 2021		
			Millions of yen			Millions of yen			Thousands of U.S. dollars		
Hedge accounting method	Type of derivative transactions	Main hedged items	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Principle accounting method	Interest rate swaps Pay fixed receive floating	Long-term debt	-	-	-	¥45,000	-	¥(14)	-	-	-
	Total		-	-	-	¥45,000	-	¥(14)	-	-	-

(2*) Since interest rate swaps under the exceptional accounting method are accounted for as an integral part of long-term debt, the hedged item, their fair values are included in the fair value of the underlying long-term debt.

12. Financial Instruments

(1) Policies for financial instruments

The Company limits its investments of surplus funds to deposits and obtains funds mainly from bank borrowings and issuance of bonds payable. The Company utilizes derivatives for avoiding risks related to future fluctuations of market prices, within the limits of receivables and payables denominated in foreign currencies and borrowings.

(2) Details of financial instruments, their risks and management systems for such risks

Notes and accounts receivable, which are operating receivables, and lease receivables and lease investment assets are exposed to customer credit risks, which are carefully managed based on the Company’s internal accounting manual, with outstanding balances of receivables from customers constantly monitored.

Investment securities, which are exposed to risks of market price fluctuations, are mainly equity securities issued by affiliates. The Company continually monitors their market prices in accordance with its internal rules for securities.

Notes and accounts payable, which are operating payables, and electronically recorded obligations - operating, and accrued expenses, are mostly due within one year.

With regard to borrowings, short-term loans are mainly long-term ones that are due within one year. Long-term loans are made to raise funds mainly for capital expenditure and long-term working capital. Bonds payable are issued to raise funds mainly for repaying borrowings. Borrowings with variable interest rates are exposed to interest rate fluctuation risks, and are hedged by derivatives (interest rate swaps and interest rate options). Hedge effectiveness is determined by comparing the cumulative changes in cash flows from the hedging instruments with those from the hedged items.

The Company has rules on derivative transactions and executes them and risk management based on those rules, which stipulates policies, procedures, retention limits and reporting systems.

Furthermore, operating payables and borrowings are exposed to liquidity risks, which the Company carefully manages by periodically checking their due dates and outstanding balances.

(3) Supplementary explanation about matters relating to the fair values of financial instruments

The amounts of derivative transaction contracts shown in the derivatives section of the notes to consolidated financial statements do not represent the market risks associated with the derivative transactions.

Financial instruments recognized in the consolidated financial statements as of March 31, 2021 and 2020 are as follows. Financial instruments, whose fair values are not readily available, are not included in the following table.

	As of March 31, 2021			As of March 31, 2020			As of March 31, 2021		
	Millions of yen			Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash and time deposits	¥404,754	¥404,754	-	¥321,427	¥321,427	-	$3,655,987	$3,655,987	-
(2) Notes and accounts receivable	287,790	287,790	-	266,919	266,919	-	2,599,495	2,599,495	-
(3) Lease investment assets and lease receivables	135,997	136,090	¥92	136,852	136,993	¥140	1,228,410	1,229,248	$838
(4) Investment securities	106,209	106,209	-	71,745	71,745	-	959,351	959,351	-
(5) Notes and accounts payable	(329,540)	(329,540)	-	(312,048)	(312,048)	-	(2,976,610)	(2,976,610)	-
(6) Electronically recorded obligations - operating	(58,382)	(58,382)	-	(49,897)	(49,897)	-	(527,341)	(527,341)	-
(7) Short-term loans	(13,711)	(13,711)	-	(40,835)	(40,835)	-	(123,847)	(123,847)	-
(8) Accrued expenses	(57,800)	(57,800)	-	(48,226)	(48,226)	-	(522,088)	(522,088)	-
(9) Bonds	(50,000)	(49,969)	31	-	-	-	(451,630)	(451,350)	280
(10) Long-term debt	(232,412)	(232,319)	92	(273,985)	(274,204)	(219)	(2,099,286)	(2,098,447)	(838)
(11) Derivatives	(1,619)	(1,619)	-	67	67	-	14,630	14,630	-

The figures in parenthesis indicate those posted in liabilities

Because market prices of unlisted equity securities of ¥2,687 million ($24,272 thousand) as of March 31, 2021 and ¥2,363 million as of March 31, 2020 and equity securities of non-consolidated subsidiaries and affiliates of ¥82,785 million ($747,770 thousand) as of March 31, 2021 and ¥80,447 million as of March 31, 2020, respectively, are not readily available, and their future cash flow cannot be estimated, it is extremely difficult to assume their fair values. Therefore, they are not included in "(4) Investment securities" mentioned above.

The redemption schedule for monetary receivables and marketable securities with maturity dates as of March 31, 2021 and 2020 are as follows:

	As of March 31, 2021		As of March 31, 2020		As of March 31, 2021	
	Millions of yen		Millions of yen		Thousands of U.S. dollars	
	Within one year	Over one year	Within one year	Over one year	Within one year	Over one year
Cash and time deposits	¥404,754	-	¥321,427	-	$3,655,987	-
Notes and accounts receivable	287,790	-	266,919	-	$2,599,495	-
Lease investment assets and lease receivables	43,254	¥92,742	44,012	¥92,839	$390,700	$837,710
Total	¥735,798	¥92,742	¥632,358	¥92,839	$6,646,182	$837,710

13. Research and Development Costs

Research and development costs included in "selling, general and administrative expenses" and manufacturing costs for the years ended March 31, 2021 and 2020 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Research and development costs	¥91,026	¥98,084	$822,203

14. Impairment Loss on Fixed Assets

Impairment loss on fixed assets recognized in the consolidated financial statements for the year ended March 31, 2021 is as follows:

Location	Usage	Type	Millions of yen	Thousands of U.S. dollars
Fujisawa-shi, Kanagawa prefecture	Idle assets	Machinery, furniture, fixtures and other	165	1,490
Tochigi-shi, Tochigi prefecture	Idle assets	Machinery, furniture, fixtures and other	82	744
Kasumigaura-shi Ibaraki prefecture	Business assets	Land	124	1,121
Andhra Pradesh state Republic of India	Business assets	Building, machinery and other	13,469	121,661
		Total	¥ 13,840	$125,018

As a general rule, assets were grouped into business assets, idle assets and assets for rent. Idle assets and assets for rent were individually grouped by each item. For rent assets and idle assets that were in need for impairment due to the decline in fair value of land, and business asset's value has declined or to be disposed of, their carrying values were written down to the recoverable amounts.

Breakdown of the impairment loss by asset type for 2021 is as follows:

Type	Millions of yen	Thousands of U.S. dollars
Land	¥124	$1,121
Building and structure	2,077	18,767
Machinery and equipment	10,087	91,118
Construction in progress	460	4,156
Intangible assets	359	3,245
Other	731	6,610

The recoverable amounts of assets are estimated based on the net amount that those assets could be sold (net selling amount) for land and buildings. The net selling amount is determined by the appraisal value based on real estate appraisal standards. Residual value is used in assessing the value of other assets except the above-mentioned when their recoverable amounts are difficult to obtain.

15. Notes to Consolidated Statements of Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income as of March 31, 2021 and 2020:

Details	Millions of yen		Thousands of U.S. dollars
Unrealized holding gain (loss) on securities:			
Gain (loss) arising during the current period	¥37,963	¥(24,773)	$342,907
Reclassification adjustment for gain (loss) realized	(516)	5,331	(4,664)
Net current period change, before income taxes	37,446	(19,401)	(338,242)
Income taxes on net current period change	(9,881)	6,056	(89,254)
Net unrealized holding gain (loss) on securities	27,565	(13,345)	248,988
Unrealized gain (loss) on hedging instruments:			
Gain (loss) arising during the current period	(2,017)	(100)	(18,225)
Reclassification adjustment for gain (loss) realized	435	274	3,930
Net current period change, before income taxes	(1,582)	174	(14,295)
Income taxes on net current period change	483	(28)	4,371
Net unrealized gain (loss) on hedging instruments	(1,098)	170	(9,923)
Foreign currency translation adjustments:			
Gain (loss) arising during the current period	17,366	(19,294)	156,860
Reclassification adjustment for gain (loss) realized	-	-	-
Net foreign currency translation adjustments	17,366	(19,294)	156,860
Remeasurements of defined benefit plans			

Gain (loss) arising during the current period	9,226	(3,993)	83,340
Reclassification adjustment for gain (loss) realized	2,622	2,124	23,683
Net current period change, before income taxes	11,848	(1,869)	107,024
Income taxes on net current period change	(4,091)	234	(36,953)
Net remeasurements of defined benefit plans	7,757	(1,635)	70,070
Share of other comprehensive income of affiliates accounted for using the equity method:			
Gain (loss) arising during the current period	(101)	(935)	(920)
Reclassification adjustment for gain (loss) realized	73	77	662
Net share of other comprehensive income of affiliates accounted for using the equity method	(28)	(857)	(257)
Total other comprehensive income	¥51,561	¥(34,962)	$465,738

16. Consolidated Statements of Cash Flows

(1) Reconciliation for cash status between balance sheets and cash flows.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and time deposits	¥404,754	¥321,427	$3,655,987
Time deposits with maturities exceeding three months	(18,084)	(17,453)	(163,345)
Cash and cash equivalents	¥386,670	¥303,974	$3,492,641

1. Contents of important non-cash transactions

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Lease assets	¥1,328	¥1,561	$11,999
Fixed assets others (Right-of use assets)	2,505	14,076	22,634
Lease obligations	3,834	15,926	34,634

[Remarks]

*Right-of use assets and lease obligations in the previous year increased by ¥13,119 million ($120,548 thousand) and ¥13,406 million ($123,189 thousand), respectively, due to the adoption of IFRS 16 Leases.

17. Subsequent Events

(Business combinations through acquisition)
The Company acquired all the shares in UD Trucks Corp. on April 1, 2021.

1. Overview of the business combination
(1) Name of the acquired company and business description
Name of the acquired company: UD Trucks Corp. (hereinafter referred to as "UDT")
Business description: Development, manufacture, export and sales of trucks; production and sales of parts for vehicles

(2) Main reason for the business combination
The auto industry has been facing a once-in-a-century upheaval, and particularly in the commercial vehicle segment, creation of new solutions including about advanced technologies is demanded to address various issues and challenges in the logistics industry, as well as to meet a wide variety of customer needs across the globe.
The Company, sharing these issues and challenges with Aktiebolaget Volvo (hereinafter "AB Volvo," headquartered in Gothenburg, Sweden), executed agreements to form a strategic alliance with AB Volvo within the commercial vehicle segment on October 30, 2020, based on which the Company and AB Volvo will intend to closely collaborate with each other to deepen existing technologies and develop advanced ones, leveraging the complementary nature of the expertise of the two companies, as well as using the advanced technologies possessed by each and a larger customer base created by this strategic alliance.
As the first step for this strategic alliance, the Company acquired all the shares owned by AB Volvo in UDT (hereinafter the "UDT Share Acquisition"), in order to further strengthen its heavy-duty truck business in Japan and abroad and to swiftly achieve results of the strategic collaboration.
The Company, together with UDT, will aim to create synergies in the long run and solve issues and challenges facing the logistics industry in the future, based on the stronger and closer relationship with AB Volvo.

(3) Date of the business combination
April 1, 2021

(4) Legal form of the business combination
Share acquisition with cash as the consideration

(5) Name of the acquired business after the business combination
No change

(6) Percentage of the voting rights acquired
100.0%

(7) Basis for determining the acquirer
The Company acquired all the shares in UDT with cash as the consideration.

(8) Other items related to the overview of the business combination
In the wake of the UDT Share Acquisition, 14 subsidiaries and three affiliated companies of UDT have become Isuzu Group companies.

2. Acquisition cost of the acquired business and breakdown by type of consideration

Consideration for the acquisition	Cash	¥49,062 million（$443,158 thousand）
Acquisition cost		¥49,062 million（$443,158 thousand）

(Note) The aforementioned consideration for the acquisition is tentative due to the fact that the share transfer agreement for the UDT Share Acquisition includes a transfer price adjustment clause. Since adjustments of the transfer price are expected, the final acquisition cost will change.

In addition, the said share transfer agreement includes an earn-out clause with ¥15,000 million as the upper limit to be paid. However, the aforementioned consideration for the acquisition does not include any amount to be paid according to the said earn-out clause.

The Company repaid in subrogation performance borrowings payable by UDT and its subsidiaries to AB Volvo Group companies (¥265,241 million). Consequently, the amount paid by the Company to AB Volvo for the UDT Share Acquisition amounted to ¥314,303 million, including the aforementioned consideration for the acquisition.

3. Descriptions and amounts of major acquisition-related costs

Advisory fees and commissions ¥1,900 million（$17,162 thousand）

(Note) The amount mentioned above is tentative, and thus the final amount could further change according to possible transfer price adjustments in the future.

4. Amount of goodwill, reasons for its occurrence, method and period of amortization

This information has not yet been finalized.

5. Breakdown of assets acquired and liabilities assumed at the date of the business combination

This information has not yet been finalized.

(Borrowing of funds)

The Company executed the following borrowing on April 1, 2021 in relation to the acquisition of shares in UD Trucks Corp.:

1. Purpose of borrowing

To acquire the shares in UD Trucks Corp. and repay in subrogation performance debts payable by UD Trucks Corp. and its subsidiaries to AB Volvo Group companies.

2. Name of Lender

Mizuho Bank, Ltd.

3. Amount and conditions of borrowings

Amount borrowed: ¥280,000 million（$2,529,130 thousand）

Borrowing interest rate: basic interest rate + spread

4. Borrowing and repayment date

Date of execution of borrowing: April 1, 2021

Repayment date: April 1, 2022

5. Assets pledged as collateral or any guarantee for borrowing

None

(Disposal of treasury stock through third-party allotment)

The Company resolved, at its Board of Directors Meeting held on March 24, 2021, to dispose of its treasury stock through a third-party allotment, and the payment was completed on April 9, 2021.

1. Overview of disposal

(1) Number of treasury stock disposed of: 39,000,000 shares

(2) Disposal price: ¥1,098 per share（$9.92）

(3) Total amount raised by disposal: ¥42,822 million（$386,794 thousand）

(4) Method of disposal: through a third-party allotment

(5) Transferee: TOYOTA MOTOR CORPORATION

(6) Disposal date: April 9, 2021

2. Purpose and reason for disposal

On March 24, 2021, the Company agreed with TOYOTA MOTOR CORPORATION (hereinafter referred to as “Toyota Motor”) and Hino Motors, Ltd. on new collaboration efforts for CV business (hereinafter the “New Collaboration Efforts”).

To smoothly develop and advance the New Collaboration Efforts, the Company, based on an agreement with Toyota Motor on a capital partnership, disposed of its treasury stock through a third-party allotment to Toyota Motor.

18. Segment Information

(1) Segment information

Year ended March 31, 2021

The Company and its consolidated subsidiaries compose a single business segment, primarily engaged in the manufacture and sale of vehicles and its components and industrial engines. Therefore the disclosure of segment information is omitted.

(2) Related information

Year ended March 31, 2021

a) Information by product and service

	Millions of yen				
	Vehicles	Parts for overseas production	Engines and components	Other	Total
Sales to third parties	1,302,246	32,358	149,661	423,883	1,908,150

	Thousands of U.S. dollars				
	Vehicles	Parts for overseas production	Engines and components	Other	Total
Sales to third parties	11,762,684	292,285	1,351,831	3,828,770	17,235,573

b) Geographical information
Year ended March 31, 2021

(i) Net sales

Millions of yen			
Japan	Thailand	Other	Total
751,633	362,754	793,762	1,908,150

Thousands of U.S. dollars			
Japan	Thailand	Other	Total
6,789,206	3,276,619	7,169,747	17,235,573

(ii) Property, plant and equipment

Millions of yen			
Japan	Thailand	Other	Total
619,159	85,762	62,641	767,563

Thousands of U.S. dollars			
Japan	Thailand	Other	Total
5,592,624	774,656	565,815	6,933,096

c) Information by major customer

Millions of yen	
Name of customers	Net sales
Tri Petch Isuzu Sales Co., Ltd	338,907

Thousands of U.S. dollars	
Name of customers	Net sales
Tri Petch Isuzu Sales Co., Ltd	3,061,221

(3) Information on impairment loss of noncurrent assets by business segment
Year ended March 31, 2021
The Company and its consolidated subsidiaries are composed of a single business segment, primarily engaged in the manufacture and sale of vehicles and its components and industrial engines.
Therefore the disclosure of this information is omitted.

(4) Information on amortization expense of goodwill and remaining unamortized balance by business segment
Year ended March 31, 2021
The Company and its consolidated subsidiaries are composed of a single business segment, primarily engaged in the manufacture and sale of vehicles and its components and industrial engines.
Therefore the disclosure of this information is omitted.

(5) Information on negative goodwill by business segment
Year ended March 31, 2021
The Company and its consolidated subsidiaries are composed of a single business segment, primarily engaged in the manufacture and sale of vehicles and its components and industrial engines.
Therefore the disclosure of this information is omitted.

Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
ey.com

Building a better working world

Independent Auditor's Report

The Board of Directors
Isuzu Motors Limited

Opinion

We have audited the accompanying consolidated financial statements of Isuzu Motors Limited (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

1. We draw attention to Note 17 to the consolidated financial statements, which describes the Company acquired all the shares in UD Trucks Corp. on April 1, 2021.
2. We draw attention to Note 17 to the consolidated financial statements, which describes the Company executed the borrowing on April 1, 2021 in relation to the acquisition of shares in UD Trucks Corp.

Our opinion is not qualified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Building a better working world

Impairment on property, plant and equipment

Description of Key Audit Matter	Auditor's Response
As described in Note 2 n), Significant Accounting Estimates, to the Consolidated Financial Statements, the Group has examined the impairment on property, plant and equipment of subsidiaries that mainly manufacture and sell pickup trucks in India and South Africa. The recoverable amount of property, plant and equipment is measured at the higher of value in use and net selling amount. The value in use of property, plant and equipment at the manufacturing and sales subsidiaries is measured based on the discounted present value of estimated future cash flows. Key assumptions involved in estimating value in use are total demand in the market, market share, growth rates and discount rates. The net selling amount of property, plant and equipment attributable to the manufacturing and sales subsidiaries is measured based on third-party valuation reports prepared using observable market prices, income approach, and cost approach considering obsolescence. In calculating the recoverable amount, uncertainty associated with the spread of Covid-19 is also taken into account. As described in Note 14, Impairment Loss on Fixed Assets, to the Consolidated Financial Statements for the fiscal year ended March 31, 2021, the Group recorded an impairment loss of ¥13,469 million on property, plant and equipment and others attributable to its manufacturing and sales subsidiary in India due to a decline in profitability. Given that the significant assumptions used to estimate the value in use and net selling amount are subject to uncertainty and require management's judgement, we determined	In order to evaluate assumptions involved in the estimation of the value in use and the net selling amount used in determining and measuring impairment losses on property, plant and equipment attributable to the manufacturing and sales subsidiaries in India and South Africa, we have engaged our overseas component teams to perform the following audit procedures: Valuation specialists are involved as needed in order to perform the following procedures: <Consideration of value in use> · Compared the estimated periods of future cash flows with the economic remaining years of major assets. · Compared the estimated future cash flows with the business plan approved by the Board of Directors to evaluate consistency. · Compared the Company's business plan for prior years with actual results to evaluate the effectiveness of management's estimation process. · Inquired of the management regarding key assumptions of value in use such as total demand in the market, market share, growth rate, discount rate as well as uncertainty with regard to COVID - 19 and compared the assumptions with market forecasts and available external data. <Consideration of net selling amount> · Inquired of the management regarding observable market prices and examined the consistency of input information with available external information. · Inquired of the management regarding methods used in the income and cost approach and examined the consistency of input information with the available external information.

EY
Building a better working world

impairment of property, plant and equipment to be a key audit matter.	In addition, in order to evaluate the reasonableness of the management's point estimates, we applied our own assumptions in developing a range to evaluate certain accounting estimates.

Accrued expenses for specific warranty programs such as recalls	
Description of Key Audit Matter	Auditor's Response
As described in Note 2 n), Significant Accounting Estimates, to the Consolidated Financial statements, the Group recognized ¥9,887 million as accrued expenses for specific warranty programs such as recalls in the consolidated balance sheet as of March 31, 2021. As described in the Note 2 n) to the Consolidated Financial Statements, accrued expenses for specific warranty programs such as recalls are calculated using key assumptions, such as the estimated number of units and estimated costs per unit for each specific warranty program. The estimated number of units is calculated by taking into account the expected number of units affected depending on the specific warranty programs reported to the relevant government agencies. The estimated costs per unit are calculated by estimating the cost of parts and labor required for individual repairs under specific warranty programs reported to the relevant government agencies. Given that the significant assumptions above are subject to uncertainty and require management's judgement, we determined specific warranty programs such as recalls to be a key audit matter.	We mainly performed the following audit procedures to assess accrued expenses for specific warranty programs such as recalls: · Assessed the details of each specific warranty program reported to the relevant government agencies and the expected number of units affected under specific warranty programs in order to evaluate the uncertainty of estimates for the accrued expenses. · Inspected the estimated documents related to individual repairs under specific warranty programs reported to the relevant government agencies and assessed the rationality of the estimated costs per unit in order to evaluate the uncertainty of estimates for the accrued expenses. · Compared the prior management estimates with actual results related to the expected number of units to be affected and estimated costs per unit for specific warranty programs in order to evaluate the uncertainty of estimates for the accrued expenses. · Inspected the minutes of the "Quality Assurance CS Improvement Committee" meetings held up to the date of the audit report related to specific warranty programs including recalls in order to examine whether such accrued expenses were thoroughly recorded.

EY
Building a better working world

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

A member firm of Ernst & Young Global Limited

EY
Building a better working world

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

EY
Building a better working world

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 25, 2021

Yuji Mukaide
Designated Engagement Partner
Certified Public Accountant

Kiomi Horikoshi
Designated Engagement Partner
Certified Public Accountant

Atsushi Suganuma
Designated Engagement Partner
Certified Public Accountant

A member firm of Ernst & Young Global Limited