

FY2015 First Quarter Consolidated Financial Results (Japan GAAP)

(April 1, 2014 through June 30, 2014)

English Translation of the Original Japanese-Language Document



August 4, 2014

Company name : ISUZU MOTORS LIMITED
 Stock exchange on which the shares are listed : Tokyo Stock Exchange in Japan
 Code number : 7202
 URL : <http://www.isuzu.co.jp/world/investor/index.html>
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 Scheduled date for submission of quarterly financial statements : August 6, 2014
 Expected starting date for distribution of cash dividends : -
 The supplement materials of the quarterly financial results : Yes
 Holding of the quarterly financial results meeting : Yes

(Amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Highlights (April 1, 2014 through June 30, 2014)

<1> Consolidated Financial Result

(% indicates increase/decrease from previous 1st quarter.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
FY2015 1st Quarter	404,949	(4.1)	37,153	(16.5)	38,336	(19.2)	21,350	(22.7)
FY2014 1st Quarter	422,382	7.8	44,484	58.2	47,423	63.8	27,610	27.7

[Note] Comprehensive Income
 FY2015 1st Quarter 21,017 millions of yen (54.1%)
 FY2014 1st Quarter 45,749 millions of yen 123.9%

	Net Income per Share	Net Income per Share after Dilution of Potential Stock
	yen	yen
FY2015 1st Quarter	12.64	-
FY2014 1st Quarter	16.30	-

<2> Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	millions of yen	millions of yen	%
FY2015 1st Quarter	1,571,419	758,230	39.4
FY2014	1,521,757	768,953	41.6

[Note] Total Amount of Shareholders' Equity
 FY2015 1st Quarter 619,623 millions of yen
 FY2014 633,380 millions of yen

2. Cash Dividends

	Dividend per Share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Total
	yen	yen	yen	yen	yen
FY2014	-	6.00	-	6.00	12.00
FY2015	-	-	-	-	-
FY2015(Forecast)	-	7.00	-	14.00	-

[Note] Revision to the projected dividend for FY2015: None

The Company is planning to implement share consolidation in a rate of one share for every two shares effective October 1, 2014. Accordingly, per-share dividend forecast at the end of fiscal year ending March 2015 is calculated and listed in consideration of the effect of the planned share consolidation, and "-" is indicated for total amount of annual dividends.

If the effect of share consolidation is not taken into account, year-end dividend for the fiscal year ending March 2015 is projected to be 7.00 yen

and annual dividends per share would be 14.00 yen. For details, please refer to "Cautionary Statements with Respect to Forward-Looking Statements and Other Notes".

3. Consolidated Financial Forecast for FY2015 (April 1, 2014 through March 31, 2015)

(% indicates increase/decrease from previous term.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
2nd Quarter	860,000	(1.7)	70,000	(22.5)	75,000	(22.4)	40,000	(29.6)	23.60
Year-End	1,840,000	4.5	165,000	(5.3)	175,000	(6.2)	100,000	(16.2)	118.02

[Note] Revision to Consolidated Financial Forecast for FY2015: None

Amount of net income per share for fiscal year ending March 2015 of FY2015 Consolidated Financial Forecast is calculated in consideration of the share consolidation.

For details, please refer to "Cautionary Statements with Respect to Forward-Looking Statements and Other Notes".

4. Notes

<1> Changes in significant subsidiaries during this period : None

Newly consolidated : -
Excluded from the scope of consolidation : -

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during this period.

<2> Adoption of specific accounting methods for presenting quarterly consolidated financial statements : Adopted

(Note) This item indicates whether there was adoption of specific accounting methods for presenting quarterly consolidated financial statements.

<3> Changes in accounting policies, accounting estimates and retrospective restatement

Changes in accounting policies due to revisions of accounting standards : Yes
Changes in accounting policies due to factors other than revisions of accounting standards : None
Changes in accounting estimates : None
Retrospective restatement : None

<4> Number of shares issued (common stock)

Number of shares issued and outstanding at the end of the term (inclusive of treasury stock)	FY2015 1st Quarter	1,696,845,339	Shares
	FY2014	1,696,845,339	Shares
Number of treasury stock at the end of the term	FY2015 1st Quarter	18,452,856	Shares
	FY2014	2,260,843	Shares
Average number of stocks issued	FY2015 1st Quarter	1,689,371,641	Shares
	FY2014 1st Quarter	1,694,251,789	Shares

*Information regarding the implementation of quarterly review procedures

These quarterly financial results are not subject to quarterly review procedures based on the Financial Instruments and Exchange Act. At the date of the announcement, quarterly financial results review procedures based on the Financial Instruments and Exchange Act have not been completed.

*Cautionary Statements with Respect to Forward-Looking Statements and Other Notes

•The financial forecast and other descriptions of the future presented in this document are based on currently available information and assumptions which are deemed reasonable at present. Consequently, the actual financial performance may vary significantly from the forecast due to various factors. For such assumptions and notes with respect to performance forecast, please refer to "1. Qualitative Information Concerning Consolidated Financial Results for FY2015 First Quarter (3)Future Estimates such as Consolidated Financial Forecast"

A proposal for the consolidation of shares was approved at 112th ordinary general meeting of shareholders to be held on June 27, 2014. The share consolidation with a ratio of one share for two shares of common stock will be implemented effective October 1, 2014.

For reference purposes, when converted to the amount before share consolidation,

FY2015 consolidated financial and dividend forecasts are as follows:

1. Dividend forecast for fiscal year ending in March 2015: Dividends per share Interim: 7.00 yen (Note 1) Year-End: 7.00 yen (Note 2)

2. Net income per share forecast for fiscal year ending in March 2015: Year-End: 59.01 yen

Note 1 Interim dividends shall be paid according to the number of shares before consolidation.

Note 2 This dividend amount was calculated before share consolidation is contemplated

Note 3 Without the share consolidation, total amount of annual dividends for fiscal year ending in March 2015 is 14.00 yen.

•The Company has posted its financial results on its web site on Monday, August 4, 2014.

List of Contents of Attachments

1.	Qualitative Information Concerning Consolidated Financial Results for FY2015 First Quarter.....	4
	(1) Consolidated Financial Results.....	4
	(2) Consolidated Financial Position	4
	(3) Future Estimates such as Consolidated Financial Forecast.....	4
2.	Matters Concerning Summary Information	5
	(1) Changes in significant subsidiaries during this period.....	5
	(2) Adoption of specific accounting methods for presenting quarterly consolidated financial statements	5
	(3) Changes in accounting policies, accounting estimates and retrospective restatement	5
3.	Consolidated Quarterly Financial Statements	6
	(1) Consolidated Quarterly Balance Sheets.....	6
	(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income	8
	Consolidated Quarterly Statements of Income.....	8
	Consolidated Quarterly Statements of Comprehensive Income	9
	(3) Notes on premise of a going concern.....	10
	(4) Segment information, etc.....	10
	(5) Notes in the case of a significant change in shareholders' equity	10
4.	Supplementary Information.....	11
	(1) Sales Condition.....	11
	Sales Results by Region.....	11
	Overseas Sales	12

1. Qualitative Information concerning Consolidated Financial Results for FY2015 First Quarter

(1) Consolidated Financial Results

Vehicle sales in Japan in the current consolidated first quarter increased by 760 units or 5.7% to 14,199 units compared with the same period last year, thanks to a rise in construction demand arising from higher investment in Japan on top of demand related to reconstruction activities in the areas hit by earthquake and tsunami. Unit sales outside Japan decreased 9,225 units or 8.5% year-on-year to 98,831 units due to a decrease in truck and pickup sales in Thailand which suffered a stagnant economy and whose drop cancelled out robust truck sales in the Middle East, Africa and other markets.

Consequently, total vehicle sales in and outside Japan decreased 8,465 units or 7.0% to 113,030 units compared to the same period last year.

With regard to other products, sales amount of parts for overseas production increased by 4.3 billion yen or 23.6% year-on-year to 22.9 billion yen. Sales amount of engine components fell 2.1 billion yen or 7.7% to 25 billion yen from the same period last year.

As a result, net sales amounted to 404.9 billion yen, a decrease of 17.4 billion yen or 4.1% from the same period last year. This comprises 137.8 billion yen posted for Japan, up 8.6% year-on-year, and 267 billion yen for the rest of the world, down 9.6% over the same period last year.

In spite of material cost reduction, a contributing factor for profit increase, the decreased sales revenue in Thailand and increased spending for future growth strategy of business expansion downwardly impacted profit. Accordingly, operating income decreased 16.5% to 37.1 billion yen, ordinary income fell 19.2% to 38.3 billion. The Company posted net income of 21.3 billion yen, down 22.7% from the previous year.

(2) Consolidated Financial Position

Total assets as of the end of the current fiscal first quarter rose 49.6 billion yen to 1,571.4 billion yen from March 31, 2014. This change was principally due to gains in cash and deposits by 52.9 billion yen, inventory assets by 35.4 billion yen, which more than offset a decline in notes and accounts receivable-trade by 48.8 billion yen.

Net assets decreased 10.7 billion yen to 758.2 billion yen from March 31, 2014 mainly because of decrease in retained earnings. Though net income of 21.3 billion yen for the current first quarter was posted, retained earnings declined 21.3 billion yen due to dividend payment and the effect of application of retirement benefit accounting standard, and further 10 billion yen for repurchase of own stock.

The capital adequacy ratio came to 39.4% compared with 41.6% as of March 31, 2014. Interest-bearing liabilities rose 41.3 billion yen to 179.3 billion yen from March 31, 2014.

(3) Future Estimates such as Consolidated Financial Forecast

The Company has not revised its consolidated financial forecast for the fiscal second quarter and for the current fiscal year, which was announced on May 12, 2014.

* This consolidated financial results forecast for the current fiscal year is considered reasonable by the Company based on information available today. At the same time, we recognize that world economic and market conditions, as well as exchange ratios and other risk factors may change.

Actual financial results may differ considerably from this forecast. For the current fiscal year the above consolidated results forecast should therefore not be the sole basis for any investment decision.

2. Matters Concerning Summary Information

(1) Changes in significant subsidiaries during this period:

None

(2) Adoption of specific accounting methods for presenting quarterly consolidated financial statements:

Income taxes were calculated by multiplying consolidated quarterly income before income taxes and minority interests by a rational estimate of the effective tax rate on consolidated income before income taxes and minority interests for the fiscal year including the quarterly period after adjustments for the application of tax-effect accounting.

(3) Changes in accounting policies, accounting estimates and retrospective restatement:

Changes in Accounting Policies

Effective from the current consolidated first quarter, the Company applied provisions set forth in Article 35 of the Accounting Standard for Retirement Benefits and Article 67 of the Guidance on Accounting Standard for Retirement Benefits, and as a result it adopted in their entirety the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (“ASBJ”) Statement No. 26, May 17, 2012 and hereinafter called “Accounting Standard for Retirement Benefits”) and its implementation guidance - Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 and hereinafter called “Guidance on Accounting Standard for Retirement Benefits”). Consequently, the Company revised the calculation method of retirement benefit obligations and past service cost in such ways that the method of attributing expected benefit to periods was changed from the one based on service-period to the projected benefit method, and the rate of discount from the one based on years similar to the average remaining service years of employees to the single weighted average rate of discount which reflects amount to be paid each of projected years of retirement benefit payment and the length of such years.

In accordance with transitional accounting as stipulated in Article 37 of the Accounting Standard for Retirement Benefits, the effect of changes to the calculation method of retirement benefit obligations and past service cost was deducted from retained earnings at the beginning of the current consolidated first quarter.

As a result, liability related to retirement benefits increased 11.216 billion yen whereas retained earnings fell 11.169 billion yen. Meanwhile the impact of such changes was immaterial to operating income, ordinary income and income before income taxes and minority interests for the current consolidated first quarter.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(millions of yen)

	As of March 31, 2014	As of June 30, 2014
[ASSETS]		
CURRENT ASSETS		
Cash and deposits	234,849	287,771
Notes and accounts receivable-trade	253,140	204,252
Lease investment assets	18,526	22,263
Merchandise and finished goods	112,488	145,903
Work in process	12,654	12,851
Raw materials and supplies	57,722	59,535
Deferred tax assets	29,286	33,753
Other	28,297	28,908
Allowance for doubtful accounts	(1,022)	(1,043)
Total Current Assets	745,944	794,195
NON-CURRENT ASSETS		
Property, plant and equipment		
Buildings and structures, net	117,167	119,972
Machinery, equipment and vehicles, net	112,199	115,995
Land	275,149	275,116
Lease assets, net	8,761	8,327
Vehicles on operating leases, net	6,346	7,420
Construction in progress	44,459	36,863
Other, net	8,716	9,956
Total Property, Plant and Equipment	572,799	573,652
Intangible assets		
Goodwill	1,968	1,890
Other	9,331	9,618
Total Intangible Assets	11,299	11,508
Investments and other assets		
Investment securities	128,913	131,684
Long-term loans receivable	1,103	1,524
Deferred tax assets	26,483	24,657
Other	37,123	36,112
Allowance for doubtful accounts	(1,910)	(1,915)
Total Investments and Other Assets	191,713	192,062
Total Non-Current Assets	775,813	777,224
TOTAL ASSETS	1,521,757	1,571,419

(millions of yen)

	As of March 31, 2014	As of June 30, 2014
[LIABILITIES]		
CURRENT LIABILITIES		
Notes and accounts payable-trade	309,194	314,458
Electronically recorded obligations - operating	9,003	13,602
Short-term loans payable	51,178	63,894
Lease obligations	3,626	2,709
Income taxes payable	25,883	26,207
Accrued expenses	41,623	38,180
Provision for bonuses	16,344	23,704
Provision for product warranties	6,314	6,690
Deposits received	2,594	4,893
Other	44,646	36,146
Total Current Liabilities	510,409	530,488
NON-CURRENT LIABILITIES		
Long-term loans payable	77,333	106,056
Lease obligations	5,847	6,706
Deferred tax liabilities	3,852	3,878
Deferred tax liabilities for land revaluation	49,057	49,143
Net defined benefit liability	97,437	107,737
Long-term deposits received	1,382	1,389
Other	7,483	7,789
Total Non-Current Liabilities	242,394	282,700
TOTAL LIABILITIES	752,803	813,189
[NET ASSETS]		
SHAREHOLDERS' EQUITY		
Capital stock	40,644	40,644
Capital surplus	50,554	50,554
Retained earnings	463,492	463,505
Treasury stock	(677)	(10,680)
Total Shareholders' Equity	554,014	544,024
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Valuation difference on available-for-sale securities	12,095	14,501
Deferred gains or losses on hedges	(101)	103
Revaluation reserve for land	77,625	77,539
Foreign currency translation adjustment	7,750	788
Remeasurements of defined benefit plans	(18,003)	(17,333)
Total Accumulated Other Comprehensive Income	79,365	75,599
MINORITY INTERESTS	135,573	138,606
TOTAL NET ASSETS	768,953	758,230
TOTAL LIABILITIES AND NET ASSETS	1,521,757	1,571,419

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

Consolidated Quarterly Statements of Income

(millions of yen)

	For the first three months ended	
	FY2014 1st Quarter June 30, 2013	FY2015 1st Quarter June 30, 2014
Net sales	422,382	404,949
Cost of sales	345,326	333,241
GROSS PROFIT	77,055	71,707
Selling, general and administrative expenses	32,570	34,553
OPERATING INCOME	44,484	37,153
Non-operating income		
Interest income	347	756
Dividends income	181	77
Equity in earnings of affiliates	3,084	1,804
Rent income	100	102
Foreign exchange gains	266	-
Other	616	1,181
Total non-operating income	4,596	3,921
Non-operating expenses		
Interest expenses	468	409
Foreign exchange losses	-	545
Litigation settlement	259	476
Other	929	1,307
Total non-operating expenses	1,657	2,738
ORDINARY INCOME	47,423	38,336
Extraordinary income		
Gain on sales of non-current assets	7	28
Gain on step acquisitions	61	-
Compensation income for expropriation	4	-
Other	0	2
Total extraordinary income	73	31
Extraordinary loss		
Loss on disposal of non-current assets	203	248
Loss on revaluation of investments	14	1
Impairment loss	-	324
Other	11	9
Total extraordinary losses	229	583
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	47,268	37,784
Income taxes	13,152	11,214
Income before minority interests	34,115	26,569
Minority interests in income	6,504	5,219
NET INCOME	27,610	21,350

Consolidated Quarterly Statements of Comprehensive Income

(millions of yen)

For the first three months ended	FY2014 1st Quarter June 30, 2013	FY2015 1st Quarter June 30, 2014
Income before minority interests	34,115	26,569
Other comprehensive income		
Valuation difference on available-for-sale securities	2,546	2,444
Deferred gains or losses on hedges	454	205
Revaluation reserve for land	-	(85)
Foreign currency translation adjustment	4,544	(6,573)
Remeasurements of defined benefit plans, net of tax	-	657
Share of other comprehensive income of associates accounted for using equity method	4,088	(2,199)
Total other comprehensive income	<u>11,634</u>	<u>(5,551)</u>
Comprehensive income	<u>45,749</u>	<u>21,017</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	39,184	17,547
Comprehensive income attributable to minority interests	6,565	3,470

(3) Notes on premise of a going concern

None

(4) Segment information, etc.

Segment information

The First Quarter of Fiscal Year 2014

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

The First Quarter of Fiscal Year 2015

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

(5) Notes in the case of a significant change in shareholders' equity

None

4. Supplementary Information

(1) Sales Condition

<Sales Results by Region>

Consolidated sales results during the previous and current first quarter are shown below.

		FY2013 1st Quarter		FY2014 1st Quarter		Change	
		Volume (units)	Amount (millions of yen)	Volume (units)	Amount (millions of yen)	Volume (units)	Amount (millions of yen)
	Japan	4,825	38,861	5,603	44,035	778	5,174
	Overseas	11,055	57,814	7,527	32,661	(3,528)	(25,153)
Total HD/MD vehicles		15,880	96,676	13,130	76,697	(2,750)	(19,979)
	Japan	8,614	27,996	8,596	27,896	(18)	(100)
	Overseas	97,001	176,087	91,304	172,763	(5,697)	(3,324)
Total LD vehicles, etc		105,615	204,083	99,900	200,659	(5,715)	(3,424)
	Japan	13,439	66,857	14,199	71,931	760	5,074
	Overseas	108,056	233,902	98,831	205,424	(9,225)	(28,477)
Total vehicles		121,495	300,759	113,030	277,356	(8,465)	(23,403)
	Overseas	-	18,580	-	22,959	-	4,378
	Parts for overseas production	-	18,580	-	22,959	-	4,378
	Japan	-	10,026	-	13,500	-	3,474
	Overseas	-	17,135	-	11,557	-	(5,577)
Engines / components		-	27,161	-	25,058	-	(2,103)
	Japan	-	50,054	-	52,465	-	2,411
	Overseas	-	25,825	-	27,109	-	1,283
Other		-	75,879	-	79,574	-	3,694
	Japan	-	126,938	-	137,897	-	10,959
	Overseas	-	295,444	-	267,051	-	(28,393)
Sales amount		-	422,382	-	404,949	-	(17,433)

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

<Overseas Sales>

Previous 1st Quarter (April 1, 2013 through June 30, 2013)

(millions of yen)

	North America	Asia	Other	Total
1 Overseas sales	19,266	179,882	96,294	295,444
2 Consolidated sales	-	-	-	422,382
3 Overseas sales per Consolidated sales	% 4.6	% 42.6	% 22.8	% 69.9

Current 1st Quarter (April 1, 2014 through June 30, 2014)

(millions of yen)

	North America	Asia	Other	Total
1 Overseas sales	30,426	118,476	118,147	267,051
2 Consolidated sales	-	-	-	404,949
3 Overseas sales per Consolidated sales	% 7.5	% 29.3	% 29.2	% 65.9

1. This segmentation is based on the geographical area.
2. Major countries or areas included
 - (1) North America---USA
 - (2) Asia---Thailand, China, Indonesia, Hong Kong
 - (3) Other---Australia, Saudi Arabia, Egypt, Colombia, Turkey
3. Overseas sales are sales to all countries and areas excluding Japan
made by the parent company and consolidated subsidiaries.