May 14, 2025
ISUZU MOTORS LIMITED

Q&A Summary of the Explanatory Session for Institutional Investors and Analysts for FY ended March 2025

【Message from Mr. Minami, President and COO】

Operating income for the year ended March 2025 was 229.1 billion yen, down 64.0 billion yen from the previous year. The decline in Thailand's LCV market, which is our important market, was at a level not seen over the past 20 years, resulting in large-scale inventory reduction by dealers and distributors, had a significant impact on our business results.

As for CV sales, although our market shares grew, constraints related to the timing of model changes prevented us from recovering profit by increasing unit sales. Therefore, sales expansion was deferred to the current fiscal year and beyond.

The business environment for the fiscal year ending March 31, 2026 is more uncertain than that for previous years, and at this moment it is particularly difficult to assess trends in the US market and other global markets. However, the earnings forecast presented today is based on highly reliable sales volume estimates and is referred to as our bottom line at the moment.

With regard to the U.S. tariff impact, although the direct cost increase is estimated to be about 20.0 billion yen, we expect net operating income to decrease by 16.0 billion yen as recovery measures such as cost reduction and sales expansion are factored into it.

On the profit and loss front, we expect operating income of 210.0 billion yen and net income of 130.0 billion yen, down 3% from the previous year due to the negative impact of a stronger yen. We have set them out as minimum targets and will make sure to achieve them.

As we aim to maintain stable shareholder returns, our plan is to pay a dividend of 92 yen per share, the same amount as for the previous fiscal year. Although a profit decline is expected for the current fiscal year, we should be able to deliver steady shareholder returns, considering our current level of net worth that will allow us to ongoingly make large investments for future growth as well as the promising outlook for future growth in sales and profits.

Despite the ever-changing business environment, the direction we have set ourselves remains unchanged. That being said, we will not change at this point our profit and loss targets set for the fiscal year ending March 31, 2027: 4 trillion yen of net sales and 360.0 billion yen of operating income. Moreover, there is no change in our plan to invest a total of 2.6 trillion yen in existing businesses and innovation toward FY2031.

Regarding the ongoing efforts in IX (*ISUZU Transformation*), significant progress and results were made in the previous fiscal year, and we are increasingly becoming confident that it will lead to dramatic growth in the future.

For the Japanese market, since a full line-up is put in place ranging from ELF mio light-duty truck to heavy-duty trucks and buses, in addition to the successful launch of BEV (battery EV) light-duty trucks and buses, this fiscal year is the time to drive our offensive strategy to capture more sales. Further, it was announced today that UD Trucks' regional sales functions will be consolidated to six Isuzu's consolidated sales companies by March 2027. Altogether it will cover 70% to 80% of the market, and we are expecting to see a tremendously positive impact on both customer satisfaction (CS) and earnings, especially in the Aftersales business.

In overseas markets, we have increased our market shares in countries and regions by tailoring products and after-sales services to suit local needs. Our next step is to launch the offering of maintenance lease and connected services in North America and Australia and subsequently expand to other markets. Regarding investment in building a new plant in North America, we will accelerate locally assembled vehicles and local procurement of parts.

In the area of new technologies, efforts to commercialize autonomous driving are making steady progress. In this fiscal year, in addition to increasing the number of AI-embedded demonstration vehicles to build track records, we will also conduct a range of test runs at actual business sites. Despite facing headwinds in electrification, we will find ways to redirect the attention of customers in Japan to BEV light-duty trucks and buses, taking a step-by-step approach to disseminate EVs across the market.

To strengthen our business foundation, we have implemented a new HR management system based on job type and are actively working to embrace it. We strive to drive corporate growth by fostering employee professional growth and encouraging them to challenge themselves.

All in all, our internal activities are making steady progress. The keys to success in achieving the mid-term business plan targets for the fiscal year ending March 31, 2027 relate to two external factors, such as the recovery in the Thai LCV market and the impact of U.S. tariff on the world economy.

[Q & A]

< Result for FY2025 ended March, 2025 and Outlook for FY2026 ending March, 2026 >

- Profitability -

Q: Please describe the assumptions for the profit decrease of 16.0 billion yen, which is included in the impact of U.S. tariffs.

A: We expect a cost increase of up to 20.0 billion yen from U.S. tariffs due to the addition of reciprocal tariffs (i.e. April to June 2025: 10%, and July 2025 to March 2026: 24%) to the previous automobile-related tariffs of 4% on average. On the other hand, we expect a recovery of about 4.0 billion yen through such measures as improving logistics efficiency and increasing the local procurement rate of parts. After considering these negative and positive impacts, we estimate a decrease in operating profit of 16.0 billion yen as net impact.
The impact of 16.0 billion yen corresponds to a decline in unit sales of approximately 7,000 units. Therefore, we revised the outlook for CV sales in North America in FY 2026 from 33,000 units, our forecast before considering the impact of tariffs, to 26,000 units.

Q: Please share risks and opportunities you have identified in terms of profitability for FY ending March 2026?

A: [Risk]

The possibility of U.S. tariffs affecting other regions is unclear at present. Therefore, this is not included in the forecast for FY 2026. Regarding the impact of foreign exchange rates, there is a risk of a decline in profits if the yen appreciates significantly from our assumed rate of 140 yen to the dollar.

[Opportunities]

In North America and other markets, there are no significant changes in market conditions at present, although there are concerns about the impact of tariffs. We regard the unit sales forecast presented this time as the bottom line, and we aim to steadily build on it going forward. By market, we expect an increase in unit sales as we see steady performance in the Middle East and Africa for CVs and Oceania for LCVs.

As for the LCV market in Thailand, industry sales are expected to be at the same level as the previous year, but we feel that the market has hit its bottom. Considering the effects of the government's various measures, we expect an upswing in recovery higher than our forecast from the second half of the year.

It is possible to accumulate stable earnings in the aftersales business even when the demand for new vehicles is sluggish. We aim to increase profits by such factors as the effect of the ongoing streamlining of service dealers.

Q: How do you allocate the operating income forecast of 210.0 billion yen in the first and second half of the fiscal year and how do you assume quarterly trends?

A: Although it is difficult to determine the timing of the impact of U.S. tariffs, considering the price realization and unit sales, we expect 80.0 billion to 90.0 billion yen in the first half and 130.0 billion to 120.0 billion yen in the second half. Quarterly profit trends are difficult to answer due to the uncertain business environment. However, the quarterly allocation of profits in 2Q onwards will be slightly worse than the past allocation trend, based on the presumption that the reciprocal tariffs imposed by the United States will increase by 24% from July.

- Unit Sales -

Q: What is the reason why the CV unit sales in Japan for the fiscal year ended March 31, 2025, fell short of the forecast announced in February? Additionally, please provide us with insights regarding what measures you are pursuing to achieve the planned unit sales for the fiscal year ending March 31, 2026.

A: For the fiscal year ended March 31, 2025, unit sales decreased as we were unable to process an unusually high volume of registration work concentrated at the end of the fiscal year. This was caused by several issues that arose during the year, including production capacity constraints, prolonged lead time in the body building process, and equipment failures.

For the fiscal year ending March 31, 2026, we aim to increase sales by 6,000 units by resolving process bottlenecks from production to selling. Regarding production, the production capacity for vehicles with AMT (Automated Manual Transmission), which had been insufficient, is scheduled to be expanded around mid-fiscal year. As for products, we aim to increase sales volume by expanding our product lineup for ELF and ELF mio. For operations, as the registration work tended to be concentrated in September and March, we will consult with customers and spread the work across the April-to-September period and October-to-March period respectively, aiming to maximize the number of vehicle registrations with our existing resources.

Q: Please provide information on the current inventory levels for CVs in North America and explain how these will impact the sales plan.

A: Dealer inventory at the end of the fiscal year ended March 31, 2025, stood at 20,000 units. This was 2,000 units lower than the amount of 22,000 units at the end of December 2024, but it remains relatively high. Given the uncertain outlook for the U.S. market, there may be a certain level of inventory reduction during the fiscal year ending March 31, 2026. Nevertheless, the underlying market potential remains strong, and we do not anticipate a sharp decline in sales.

Q: Please explain the inventory levels of LCVs in Thailand and how any inventory reduction may affect the sales plan.

A: For LCVs in Thailand, inventories of dealers and distributors were reduced as expected at the time of the 3Q earnings announcement. As a result, inventory declined to 13,000 units by the end of March 2025, equivalent to approximately two months' worth, which is considered a normal level. For the fiscal year ending March 31, 2026, we expect demand to remain at the same level as the previous fiscal year, while the global unit sales are projected to reach 71,000 units, equal to the addition of the amount for the fiscal year ended March 31, 2025 (46,000 units) and the volume of inventory reduction conducted in the fiscal year ended March 31, 2025 (25,000 units). Although the Thai market remains uncertain, signs of bottoming out have been observed, and how much the market can recover through the latter half of the fiscal year will be the key.

- Price Realization, Material Cost Change and Cost Reduction Activity -

Q: What is your action policy going forward on supplier requests for price increase, and on price realization?

A: We expect continued requests from suppliers for price increases for the fiscal year ending March 31, 2026, and we will continue to respond appropriately. Regarding price realization, we will aim to pass on higher costs at the time of model changes in both Japanese and overseas markets and will also continue to implement price revisions in the overseas CV business.

Currently, material cost increases are outpacing our price realization. However, from the second half of the fiscal year ending March 31, 2026, to the fiscal year ending March 31, 2027, we expect the benefits of our price realization to be steadily reflected. With a recovery in sales volume over the medium to long-term we anticipate a significant improvement in profitability.

< Mid-term Business Plan >

- Profit and loss -

Q: 360.0 billion yen is projected as your target operating income for the fiscal year ending March 31, 2027, but it is not in line with the target for the fiscal year ending March 31, 2026. What is the likelihood of you achieving the target?

A: A steady increase in unit sales is expected in countries other than Thailand, Indonesia and China. Also, because our product lineup of CVs and export LCVs are now highly complementary and our sales force is in full swing, we expect a resulting increase in unit sales this fiscal year. Additionally, we will find out how many more unit sales we can expect toward the fiscal year ending March 31, 2027. LCV unit sales in Thailand and CV unit sales in North America are significant determining factors for profit generation. Thus, in this fiscal year we will carefully examine to what extent we should be able to recover and grow.

In terms of profit and loss, there was a portion in the unexpected increase in costs, which we were not able to cover in the previous fiscal year. Therefore, from this fiscal year to the next, we will promote price realization while we carefully examine the extent to which we can pass it on to our customers and work on recovery measures together with cost-cutting activities. By steadily advancing these activities, we expect our profit level to come close to the mid-term target, and whether we achieve the target ultimately depends on LCV unit sales in Thailand and CV unit sales in North America. At this point, factors for profit growth have not built up to 360.0 billion yen, but we have not changed the mid-term business target because we believe it is attainable.

Q: What are the prospects for you achieving the final targets set out in the mid-term business plan and what is your view on this?

A: Of 6 trillion yen in sales for the fiscal year ending March 31, 2031, sales of 1 trillion yen is expected from new businesses, although there are still challenges in the commercialization of autonomous driving, etc., while sales of 5 trillion yen from existing businesses should be achieved either slightly earlier or later. Because we are making steady progress in realizing synergies through cooperation and integration, such as the development of common platform vehicles for ISUZU and UD Trucks, we have not changed our target. We will continue to share the progress we make in our mid-term business plan when we have opportunities to do so.

- Shareholder Returns -

Q: Why did you decide not to announce the purchase of treasury shares? Also, please tell us your financial strategy and shareholder return policy.

A: There is no change in our policy of returning dividends to shareholders and flexibly implement share purchases. Although a profit decline is anticipated, dividends are expected to remain unchanged at

92 yen per share, the same amount as for the fiscal year ended March 31, 2025, since our mid-term to long-term growth potentials remain unchanged. We are currently in the process of discussing the purchase of treasury shares, hoping to announce our policy shortly.

As for the ROE target of 15% for the fiscal year ending March 31, 2027, we are aiming to achieve the target by building on profit growth as planned, rather than counting backward to see how many treasury shares need to be purchased so as to achieve the 15% target.

- ISUZU's initiatives on dealers and plants -

Q: Is it correct to understand that profits in the aftersales business in FY ended March 2025 account for approximately 50% of the total operating income? Also, what is the expected impact on the aftersales business from the future integration of ISUZU and UD Trucks dealers in the Japanese market.

A: Your estimate about our profits from the aftersales business is more or less correct. Although the integration of dealers in Japan will take some time, we expect synergy effects of approximately 10.0 billion yen through FY ending March 2031. This is included in the synergy effects of 40.0 billion yen, which we have previously presented.

Q: Will opening a new plant in the United States mitigate the tariff policy effect?

A: At present, parts that are exported from Japan are expected to be subjected to reciprocal tariffs, and therefore, we anticipate that we can mitigate the tariff impact by promoting local procurement. However, the situation remains uncertain. We intend to carefully assess various factors, including production costs in North America, and make the best decisions from a comprehensive perspective.