Nov 12, 2025
ISUZU MOTORS LIMITED

Q&A Summary of the Explanatory Session for Institutional Investors and Analysts for 2Q of FY ending March 2026

【Greetings from Yamaguchi EVP】

In the first half, while there were fluctuations in unit sales for both CV and LCV against our initial forecasts, we achieved higher unit sales than in the same period last year.

In terms of profit and loss, while the increase in unit sales was supported by continued efforts in price realization and cost reductions, these positive factors were offset by negative impacts from exchange rate movements, such as the stronger yen and Thai baht, along with the effects of U.S. tariffs and higher parts procurement costs. As a result, operating income decreased by 28.0 billion yen compared with the same period of the previous year. Meanwhile, relative to our initial plan, operating income exceeded expectations by approximately 15.0 billion yen, primarily due to the weaker-than-expected yen and the deferral of certain expenses to the second half of the fiscal year.

Our full-year forecasts for both sales and profit remain unchanged from those announced at the beginning of the fiscal year.

As for sales volume, market performance varied across regions. CV sales in Japan, the Middle East, Africa, and Latin America have remained solid, while we have revised our outlook downward in some regions, mainly for LCVs in Thailand.

Despite the anticipated negative impact from lower sales volume, our aim is to achieve higher profitability by offsetting this through favorable exchange rate movements, additional contributions from after-sales business, and further cost reduction initiatives.

With regard to concerns over semiconductor supply, our production has not been affected thus far. We will continue to closely monitor the situation.

Although still at an early stage, we have provided a preliminary view of the business environment for the fiscal year ending March 2027. While the business environment for North American CVs and Thai LCVs has deteriorated significantly compared with the mid-term plan assumptions, performance in after-sales and overseas CVs outside North America is strong enough to reach our mid-term plan goals a year ahead of schedule. With steady progress in price realization and cost reductions, we expect operating income for the fiscal year ending March 2027 to rise significantly from the current fiscal year's forecast of 210.0 billion yen.

Regarding the impact of U.S. tariffs including the refund scheme, we are continuing to review the situation. We plan to provide an update at our third-quarter earnings announcement.

Finally, on the product and technology front, at the Japan Mobility Show we unveiled the Erga EV, an autonomous electric bus, and the Erga FCV, a next-generation fuel cell route bus jointly being developed with Toyota Motor Corporation. In addition, we have also decided to build a dedicated test course for autonomous driving - the first of its kind among Japanese commercial vehicle manufacturers - to accelerate real-world application of the technology. Furthermore, we have also launched demonstration testing for autonomous driving. Our initiatives toward carbon neutrality and autonomous driving solutions are progressing steadily.

That concludes my brief update on our financial results and business environment. We will continue to share timely information with you as our business conditions evolve.

【Q & A】

＜Result of First-Half of FY ending March 2026＞

- Profitability -

Q: How does the Company evaluate the first-half results?

A: Operating income exceeded the internal forecast by 15.0 billion yen.
The breakdown is as follows:

- +7.0 billion yen from foreign exchange effects (1 USD/140 JPY rose to 146 JPY),
- +7.0 billion yen due to the deferral of expenses to the second half,
- –1.5 billion yen from lower sales volume, and
- +2.0 billion yen from cost reduction initiatives.

＜Forecast for FY ending March 2026＞

- Profitability -

Q: What are the risks and opportunities for FY ending March 2026?

A:【Risks】
For North America–bound CVs, the additional 25% tariff on medium- and heavy-duty trucks has been imposed, creating an uncertain market environment, which we continue to monitor closely.
Regarding a potential Nexperia chip shortage, we do not expect any impact within this fiscal year at this point, but depending on how the future plays out, this could become a risk, and so we are monitoring the situation carefully.

【Opportunities】
We aim to further build on cost reduction initiatives and operating expense savings. In addition, if foreign exchange rates remain at current levels, they are expected to contribute positively to earnings.

Q: What is the reason for revising the full-year price realization outlook from 45.0 billion yen to 40.0 billion yen?

A: For the Japanese CV business, orders for the previous model placed before price revisions exceeded expectations, resulting in a negative impact of 4.0 billion yen due to fewer units sold after the price revision. Also, the LCV business outlook has been revised downward by 1.0 billion yen. Although we implemented an average price increase of 7% across Japanese CV models, orders are steadily coming in as forecast. Hence, we expect the price revisions will have a positive impact for the entire FY ending March 2027. We regard +40.0 billion arising from price realization as a conservative baseline with upside potential.

＜Forecast for FY ending March 2027＞

- Business in North America -

Q: Please explain the impact of the U.S. tariffs.

A: We have already factored the 16.0 billion yen negative impact into the operating income for the fiscal year ending March 2026. As a "25% additional tariff on medium- and heavy-duty trucks" will take effect from November, we are currently estimating the impact using a 29% total tariff rate. We expect the impact on profit to remain limited, as most units shipped this fiscal year will remain in inventory. For the fiscal year ending March 2027, we expect import costs to increase by 15.0 billion yen year-on-year. The previous tariff-related increase was reflected in our prices in August 2025, and we will determine any additional price adjustments carefully, taking into account the competitive environment.

While it will take time for the new North American plant to start operation and for the benefits of measures to increase the local sourcing ratio to materialize, we will continue considering various measures including looking into the conditions for reimbursement programs.

Q: Please explain the inventory levels and sales volumes on the North American sales side.

A: The inventory level at the sales side has decreased from 20 thousand units at the end of March 2025 to 14 thousand units as of the end of September 2025, due to inventory adjustments in the first half of the fiscal year. In the first half, retail sales came to 14 thousand units, while wholesale shipments reached 8 thousand units. For the second half, both retail and wholesale volumes are projected to be 16 thousand units. While no inventory adjustment is planned for the second half of the fiscal year, we will continue to monitor uncertainties, including economic conditions and the potential impact of the August price increase on retail demand.

- Others: market environment and unit sales -

Q: Please explain the CV sales volume in Japan from the perspectives of market demand and ISZ's supply capability.

A: We project the CV unit sales in Japan of 95 thousand units for the fiscal year ending March 2026. Given solid demand, a well-developed product lineup, and strong product competitiveness, the forecast is based on ISZ's supply capability.

On the production side, we are steadily preparing for increased production of AMT (Automated Manual Transmission, which can be operated with an automatic-only driver's license) planned for summer 2026, aiming for sales of 100 thousand units in the fiscal year ending March 2027.

Q: Weakness in export LCVs is being offset by growth in overseas CV sales outside North America. Could you explain the strengths and weaknesses of demand by market?

A: For overseas CVs, Indonesia is falling short of expectations due to sluggish public-sector projects and weaker demand caused by stricter loan screening. On the other hand, the Middle East, supported by Saudi Arabia's public works and logistics demand, Africa, with Egypt recovering from foreign-currency restrictions, and Central and South America, driven by firm demand in Colombia, are exceeding expectations. LCV export volumes are declining due to higher diesel fuel prices and a slowdown in public sector investment and construction-related demand in the Middle East, but conditions are improving in Africa and Oceania.

- Profitability –

Q: Please explain the business environment and operating income outlook for FY ending March 2027.

A: For North American CVs and Thai LCVs, both of which have deteriorated relative to the mid-term plan assumptions, we presented the outlook for FY ending March 2027 with some leeway to reflect the increased uncertainty.

Meanwhile, the Japanese CV business remains solid, and we are seeing clear positive momentum in other overseas CV markets as well. By further expanding our aftersales business and driving additional price realization, we aim to achieve a significant increase in operating income, targeting a new record, higher than 293.1 billion yen recorded in FY ended March 2024.

With respect to the mid-term targets of 4.0 trillion yen in revenue and 360.0 billion yen in operating income, although our North American CV and Thai LCV businesses are facing challenges in meeting the targets set for FY ending March 2027, underlying market demand remains strong, and at this stage, we expect to achieve these targets with a delay of one to two years. We plan to provide further details in conjunction with the business plan for the next fiscal year.

Q: Please explain the outlook for operating income in FY ending March 2027, both in terms of the variance from the FY ending March 2026 forecast of 210.0 billion yen and the variance from the mid-term plan assumption of 360.0 billion yen.

A: We expect the operating income to increase from FY ending March 2026 primarily due to higher sales volume and price realization. We plan to implement price realization globally. For the Japanese CV business, a price adjustment has been made to address rising costs in this FY ending March 2026, and we expect the price revisions will have a positive impact for the entire FY ending March 2027.

Compared with the mid-term plan assumption, the negative impact comes mainly from lower volumes in North American CVs and Thai LCVs. The rise in material costs is expected to be largely offset by further price realization, while higher labor costs will be a negative factor. Regarding foreign exchange, although movements vary by currency, we expect the overall impact to be limited, with positives and negatives offsetting each other.

Q: What is the outlook for CAPEX, R&D expenses, and depreciation?

A: Under the mid-term business plan, we outlined 1.0 trillion yen in innovation investments and 1.6 trillion yen in existing business investments over eight years. If converted them into annual figures, they correspond to approximately 160.0 billion yen per year for each category, and we expect this level to continue in FY ending March 2027 and FY ending March 2028. As for capital expenditures for the new US plant, we plan to finance them in the current and next fiscal years, and they are included within these figures. Depreciation expenses are expected to increase as we further move forward with investments.

＜Others＞

- After-sales business -

Q: Please explain the initiatives aimed at driving growth in overseas after-sales business.

A: In addition to expanding sales of service parts driven by the growth in vehicle units in operation in overseas markets, we aim for further growth by introducing initiatives such as financing schemes. Although the overseas business structure differs from Japan because local dealers are not our consolidated subsidiaries, we intend to build mutually beneficial relationships by expanding maintenance leasing contracts. In Australia, where a new company has been established, we plan to build up our track record over the next one to two years, and we are also preparing for the same initiative in North America.

- Shareholder returns and capital policy -

Q: Please explain dividend payout ratio and share buybacks for the fiscal year ending March 2027.

A: For dividends in fiscal 2027, we will make a decision, considering the 40% payout ratio stated in the mid-term business plan as the minimum level, and taking into account the fiscal 2026 dividend of 92 yen per share.

We have been consistently executing share buybacks over the first three years of the mid-term business plan period to improve capital efficiency. For fiscal 2027, we will make a decision, considering this fiscal year’s buyback level of 50 billion yen as a baseline, and also taking into account the increase in equity capital through profit growth.