February 7, 2025

ISUZU MOTORS LIMITED

Q&A Summary of the Explanatory Session for Institutional Investors and Analysts for 3Q of FY ending March 2025

【Greetings from Yamaguchi EVP】

In the first nine months of the current fiscal year, sales and profit declined year over year due to a large-scale inventory reduction took place in Thailand and a cooled-down demand owing to prior year CV backorders in overseas markets mainly North America and Europe returned to normal levels, in addition to declines in unit sales of LCVs due to severe market conditions in both Thailand and export markets.

Operating profit for the October-to-December quarter decreased by 47.1 billion yen year-on-year to 63.3 billion yen. Compared with the internal plan, unit sales of Japan CV declined by 2,000 units due to production delays and those for the North American market fell short of the anticipated market growth from mid-year by 4,000 units. Both fell short of expectations, resulting in a decline of 4.0 billion yen.

The outlook for sales and all profit levels remains unchanged from the previous forecast announced in November, but unit sales have been updated to reflect the recent market conditions.

Although there was a production delay in CVs in the third quarter, we have kept the forecast unchanged since we are aiming to make up for it before the end of the fiscal year. Overseas CV unit sales were revised downward, since those did not grow as expected due to the prevailing concern for a shift in politics and economics, although there was firm demand in North America where the Isuzu brand marked a record-high retail volume in calendar year 2024. In contrast, unit sales for overseas markets mainly in the Middle East have been revised upward, and the total unit sales of Overseas CV are expected to increase. The Thai LCV market is still showing no signs of recovery, and an additional 4,000 units was revised down to allow for inventory reduction. The local inventory is expected to fall to about 15,000 units by the end of the fiscal year.

The forecast for sales and all profit levels are kept unchanged, despite a downswing in the October-to-December results, since we expect to recover from it in the fourth quarter by making up for the delay in Japan CV and increasing unit sales in Overseas CV.

Just as importantly, today we also announced a new organizational structure starting this coming April. We will continue to more vigorously march forward with our mid-term business plan by making it the best structure for swiftly responding to changes in the environment and resolving business challenges.

[Q & A]

<Result of 3Q of FY ending March 2025 >

Q: How were the October-to-December results viewed internally?

A: Operating income decreased by 4.0 billion yen compared to the internal plan. The breakdown includes a production delay in Japan CV of 2.0 billion yen, a decrease in Overseas CV of 4.5 billion yen due primarily to a decline in shipments to North America of 4,000 units, mainly offset by an upswing in aftersales of 0.5 billion yen and positive foreign exchange effects of 2.0 billion yen.

Q: What was the breakdown of the October-to-December price realization, which increased by 6.0 billion yen compared to the previous quarter?

A: The breakdown includes Japan CV of 1.0 billion yen, Overseas CV of 4.0 billion yen, Export LCV of 0.5 billion yen and another 0.5 billion yen attributed to others.

<Full-year outlook for FY2025 ending March, 2025>

- Profitability -

Q: Regarding the CV business in the Japanese market, the expected unit sales for Q4 is set at a high level, but is it achievable? What would be the impact of the shortfall on this target?

A: There is indeed a risk of not achieving the target as the target will remain high in February and beyond. However, no major impact is expected on the company's profitability front as we anticipate our profitability improvement activities will help achieve the target.

Q: The full-year outlook for the revenue from the aftersales business has been revised upwardly. Do you consider that Q4 will continuously bring opportunities to the company?

A: We have revised our sales outlook upward again, albeit by around 2 billion yen, and we expect to continue to see opportunities in Q4.

- CV business -

Q: As for the CV business in the Japanese market, what were the details of the production delays that occurred in Q3?

A: Fujisawa Plant was shut down for several working shifts due to a facility failure, and the impact extended to such areas as rear body application and registration. As a result, the unit sales fell short of the target by about 2,000 units.

Q: What is the background to the downward revision of the CV unit sales outlook in North America?

A: The retail unit sales of Isuzu-brand vehicles in North America have been steady, setting new calendar year records for both 2023 and 2024. At the beginning of this fiscal year, we set a strong volume target in order to respond to the strong inquiries from dealers amid the increase of backorders. However, we have lowered the target due to the fact that dealers are now in the mindset of taking a wait-and-see attitude due to the interest rate trend and the transition to the new U.S. administration, and therefore the number of inquiries has decreased.

- LCV business -

Q: Please tell us about the market and inventory situation in Thailand.

A: The Thai economy is solid in terms of GDP growth, the appreciation of the Thai baht, and export volume, but there are no signs of recovery in the consumer durables segment, including automobiles, due to the continued financial tightening. The retail unit sales for fiscal 2025, ending March 2025, have not changed from the previous announcement of approx. 70,000 units. Due to inventory reduction mainly in the first half of this fiscal year, the dealers and distributors had a total of 19,000 units of inventory at the end of December, down nearly 20,000 units from the end of March 2024.
Taking into account the current difficult market conditions and the outlook for fiscal 2026, we expect to reduce the inventory of dealers and distributors at the end of March to 15,000 units, which is roughly 2.5 months' worth of inventory, by revising down our shipments in Q4 by 4,000 units.

Q: The LCV export decreased by 40% in Q3 compared to the same period last year. The unit sales in Q4 are expected to be at the same level as last year, but is the target achievable?
A: The LCV export in Q3 last year was at a high level due to the elimination of backorders. The full-year outlook has not been revised since the previous forecast in November because progress has been generally as expected, although there are differences among destination markets.

<Full-year outlook for FY2026 ending March 2026>

Q: While it is difficult to expect a recovery in Southeast Asian markets at present, what is your outlook for FY2026 ending March 2026?
A: We aim to increase profit through ongoing cost improvement activities in addition to the recovery of export LCVs and increase in unit sales for Thai market where inventory reduction took place. Meanwhile, we are assessing the impact of the price increase requested by suppliers. Although implementing price realization is difficult on LCVs, we believe that initiatives such as highlighting the value of new CVs, now fully available in line-ups in the Japanese market, and steadily promoting annual price revisions for CVs for overseas markets, amid the continuing yen depreciation, will contribute to an increase in profit. Given that volume in Thailand will not fully recover, increasing our operating income for fiscal year 2026 to nearly 300.0 billion yen will be challenging, the midpoint between our target of 360.0 billion yen for fiscal year 2027 and that of this fiscal year. The operating income target of 360.0 billion yen remains unchanged as we will securely leverage the recovery of the market for unit sales increase in fiscal year 2027.

- CV Business -

Q: As for Japan CVs, how do you address demand and production challenges in fiscal year 2026?
A: As the market is expected to remain firm in the next fiscal year, we aim to reach the 86,000- unit level as we planned at the beginning of the fiscal year. However, given the ongoing insufficient supply capacity for some parts, we will evaluate the extent of capacity increase when formulating the plan for the next fiscal year.

Q: What is your view on CV unit sales for the Middle East and North America?

A: Unit sales in the Middle East are expected to remain firm, mainly in Saudi Arabia, due to stable crude oil prices and robust public investment. In North America, although wholesale units were revised downward for fiscal year 2025, retail unit sales have remained steady, reaching record highs in both calendar years 2023 and 2024, and they are expected to continue growing in the next fiscal year. With regard to slow down in the number of orders due to the wait-and-see approach of the dealers, we will strive to increase unit sales in the next fiscal year by completing adjustments through the downward revision of the wholesale volume by the end of this fiscal year. Although we anticipate that 45,000 units in fiscal 2027 will be a challenging target, we feel positive progress towards achieving the target of 50,000 units by 2030 as outlined in Medium-term Business Plan IX, including expansion of product lineups.

<Others>

Q: The new U.S. administration is considering changing its tariff policy for Mexico and Canada. How would it affect your North America business?

A: Completed vehicles and knockdown parts are imported from Japan, so there will be no direct impact on that front. As for parts procured locally in the U.S., a major impact is not anticipated, although investigation is being made on Tier 2 suppliers, etc. In addition, even if the tariff costs for imports from Japan rise, the impact on the profit and loss would not be significant as we expect to be able to implement price realization in the low cab forward (cab-over) segment, where we have almost no local competitors due to our established position in the market.

Q: Please tell us how the organizational structure will change in April.

A: While keeping the formation of the CEO at the center, supported by the COO, CMzO and CSO, Isuzu will make executive changes to be able to swiftly respond to changes in the business environment and steadily address various business challenges ahead. Please also note that, triggered by UD Trucks becoming a subsidiary, the title "Group CFO" has been used with the aim of promoting integration as the Group, but due to the completion of that phase, the name will be changed back to "CFO".

Japan sales and international sales were placed in the same division based on the policy of extending initiatives implemented in Japan to other countries. However, as we will be shifting to the execution phase of our measures, Sales Division will be divided with the aim of facilitating swift progress on a working level. In addition, the new structure is designed to have flexibility for achieving our mid-term business plan "ISUZU Transformation (IX)" by having younger members in wide range of managerial positions as well as actively adopting mid-career workers and UD Trucks members for those positions.