

Q&A for the First Quarter of the Fiscal Year Ending March 31, 2022 Financial Results

◇ First quarter results/Outlook of the year

Q. How do you quantitatively rate the results of your first quarter?

A. Operating profit earned in the first quarter exceeded our forecast by 4 to 5 billion yen. Increase factors include an equal split between favorable foreign exchange rates and reduction and delay in fixed costs as a result of limitation of activities due to COVID-19. Conversely, decrease factors include a reduced production of LCVs in Thailand affected by semiconductor shortages which decreased our results more than we anticipated.

Q. Please explain the reason why your outlook of the year remains unchanged.

A. We concentrated our efforts in our previous Mid-Term Plan to increase market share by creating a close connection with our overseas customers and promoting consolidation of overseas distributors. As our efforts has begun to fruit and with our targeting markets in many parts of the world becoming more and more active, we expect to see a volume growth in our overseas CV business. However, our outlook of the year remains unchanged at this point in time because the business environment remains uncertain so that it is not possible to quantify impact from an increase in material prices, shortage of semiconductors, the spread of COVID-19, etc.

Q. Your financial results vary from quarter to quarter. Please explain what is causing the variance.

A. Our financial performance has been variable from quarter to quarter. In the first and third quarters costs tend to be low while profits are high. In the second and fourth quarters, on the other hand, costs tend to be high while profits are low. No change in this trend is expected even after UD Trucks is consolidated into our Group.

◇ Risks associated with semiconductor shortages and material price escalation

Q. How do you foresee the impact of semiconductor shortages on your LCV production in the second quarter and onwards?

A. In the first quarter, 10,000 units of LCVs were impacted by the microchip shortage. This supply shortage is expected to continue in the second quarter and beyond. The current situation merely allows us to predict the supply for the next two weeks. We aim to recover the loss in the second half, but risks remain that the semiconductor shortage may impact our full year performance.

Q. Please tell us the present situation of the rising costs of raw materials and the impact to your annual forecast.

A. The first quarter saw the rising prices of non-ferrous metals such as aluminum, palladium, copper, etc. Steel prices also shifted by one level higher than we predicted in May. In parallel, the surge in coal prices may further increase a risk of fall in profits forecast for the second quarter onwards. The actual impact on the profits is yet to be assessed, but there is a risk that our profit forecast for

the full year may need to be adjusted as much as 10-billion-yen level.

Q. What are the risk factors for production and demand in ASEAN including the novel coronavirus impact and how are you going to minimize those risks?

A. Production risks in Thailand have been increasing as the spread of COVID-19 in the ASEAN region is beginning to impact supplier operation. We aim to make up for the shortfall in the first half production in the second half of FY2022 by increasing plant operations with special work shifts. The demand is strong with no apparent impact. The inventory level in Thailand is low and need to be increased. However, this has been slow in progress.

◇ Sales status

Q. While there are risk factors in production, have there been opportunity losses in retail sales of CV and LCV such as order cancellations?

A. LCV sales in Thailand has started to see impact due to production shortfall. LCVs are on backorder for a little over two months. We will also need to closely monitor the situation for CVs into the future.

Q. You have mentioned that the order intake is robust. How long do you think supply risk will continue and how are you going to address the supply risk to meet the demand?

A. We project that the supply risk will continue until second quarter, and we will make up for the shortfall by increasing production volume in the second half of FY2022.

Q. Please advise the projection of the increase in sales units.

A. As LCV has production constraints, there are very little possibilities of significant increase in sales units. On the other hand, the CV production volume could be increased by at least 30,000 units in second quarter onward. Therefore, we forecast an increase in CV sales units.

Q. How do you assess the level of sales units in Japan?

A. Decrease in sales units caused by COVID-19 was moderate in Japan compared with that of overseas, resulting in a small rebound from the previous fiscal year. This trend is as expected since we anticipate the demand in Japan will decrease in the mid- to long-term.

Q. Please update us about the current situation of Isuzu's industrial engine business.

A. About 50% to 60% of industrial engines produced by Isuzu go to the Chinese market. The total industry volume of hydraulic excavators in the Chinese market declined year-on-year in May and June this fiscal year, a sign of the business trend changing slightly. However, the full-year industry volume is expected to be higher than the previous year, reaching about 355,000 units.

Q. In the first quarter, aftersales revenue grew. Please explain to us Isuzu's full-year forecast for

the aftersales revenue.

A. The first quarter revenue grew year-on-year as a result of low inventory levels of supply parts at overseas distributors. We consider it to be a transient event, therefore the full-year forecast remains unchanged. The customer retention rate in the Japanese market shows little change.

✧ About consolidation of UD Trucks

Q. Please tell us about the quantitative influence of the consolidation of UD Trucks.

A. As regards the influence on the balance sheets, assets have increased by 390 billion yen to 400 billion yen, and interest-bearing liabilities by about 260 billion yen. On the profit and loss front, the consolidation will start on the income statements from the second quarter. The current results to date are almost in line with the plan, and more details will be explained at the time of releasing the financial results for second quarter. There are no specific expenses that will be incurred unexpectedly.

✧ About alliance and collaboration

Q. Suzuki and Daihatsu have joined CJPT. What are the merits of the two auto makers joining it from the viewpoint of Isuzu?

A. The joining of the two companies into CJPT will be beneficial, especially in the Connected field. Though requested levels of Connected services/technologies are different between commercial vehicles and compact cars (Kei cars), there are possibilities of great benefits created through integration of platform standards, partial sharing of databases, etc.

Q. As regards the supply of Isuzu's LD trucks to Hino on an OEM basis for the North American market, please explain to us why Isuzu made this decision. Will this lead to sales collaboration with Hino in the future?

A. While the Euro emissions standards are implemented globally, the North American regulations on diesel engines is quite unique. Isuzu has put plenty of resources to comply with the North American emissions regulations, and this vehicle supply agreement with Hino has been judged to be beneficial from the standpoint of return on investment. Sales collaboration with Hino is not considered, with the relationship with Hino as a competitor kept.