Fiscal Year ended March 2018
Questions and answers in the briefing session for analysts

10 May 2018
SUZUKI MOTOR CORPORATION

(Domestic operations)

Q1: Domestic earnings improved significantly in 4Q results. What was the reason?

A. The reasons for the improved domestic earnings are that the sales of compact cars increased among domestic automobile sales and that models with higher added-value are becoming the mainstream of sales.

(India operations)

Q2: Indian sales forecast for the fiscal year ending March 2019 remains at + 6%. Is it because of the production capacity constraints? Will the capability of the Gujarat No. 2 plant also be used for export?

A. The No. 1 plant in Gujarat started operation in February last year, and it is now in full operation at 250,000 units a year. The No.2 plant is scheduled to start operation after January next year, so until that time the back order will continue.
Meanwhile, in the course of growing necessity of electrification, the facility to be required may change from what is required now, and we need to be careful about expanding existing engine plants and assembly plants.

(Asia operations)

Q3: While Indonesia is on a recovery trend, production capacity is not yet fully utilized, what are the future measures?

A. Besides efforts to increase domestic sales, exports to neighboring countries will also be increased.
For domestic sales increase, we will strengthen product such as new "Ertiga" and its derivative models, and in addition, we will strengthen dealer network to improve sales, for the purpose of improving utilization rate.

Q4: Even in the fiscal year ending March 2019, we still anticipate that sales in China are forecast to decline. What is your view on the future of the China operations?

A. Reasons for difficult situation in China include transition of mainstream sales to C and D segments, and lower demand for A and B segments where we are specialized in. In addition, it is conceivable that our response to the movements of the Chinese market, where environmental regulations are being strengthened as much as the US market, is lagging behind.
North America, China, and India are the three large markets, however, in view of the resources we can allocate, we would like to deploy people, capacity, fund, mainly to India, rather than pursuing all of them.

(Motorcycle Business)

Q5: Motorcycle business has turned positive this year. What are the analysis of the result and the outlook for the fiscal year ending March 2019?

A. Although we turned to profit in the fiscal year ended March 2018, it is only that it finally departed from the deficit trend.

We still need to monitor the situation of strengthening future product lineup and sales network in order to stabilize the profit trend.

We continue to concentrate on “sport” and “Backbone” models above 150cc, and we would like to strengthen sales force with new models.

(Mid-Term Management Plan)

Q6: What are the policies and strategies for maintaining company presence even after 10 to 30 years in the drastically changing world?

A. Since June 2015, we have advanced the mid-term plan "SUZUKI NEXT 100". The automobile industry is entering a drastic transformation period. As an example in India in 2030, when the Indian market grows by 9% each year as a prospect of a third party organization, the current 3 million units market will become 10 million units in 2030. If we are to maintain 50% of the market share in such circumstances, we have to sell 5 million units at that time. At the same time, the Government of India has set the goal of making 30% of new car sales to EV in 2030, so the market will consist of 3 million EVs and 7 million conventional hybrid cars, petrol cars and CNG cars. In that case, we have to make 1.5 million EVs and 3.5 million ICE cars among 5 million units.

We will not be reviewing the mid-term management plan on a yearly basis, but instead, we are establishing our future vison in 2030 on a long-term perspective, now in internal discussion phase.

Q7: In the long-term expansion strategy, we think that it will be necessary to choose projects, so what are the projects and areas that should be toned down to concentrate resources on India expansion?

A. As India produces compact cars and not mini cars, models can be marketed not only in Indian market but also can be exported to other destinations such as Europe. We believe it is possible to complement other markets by considering that more models in India means more models for other destinations, rather than to truncate something. However, electrification is a future trend, so it is necessary to promote improvements in productivity and cost by concentrating engines and platforms in parallel.

(Other)

Q8: You set R&D expenditure for the fiscal year ending March 2019 at 160 billion yen. Do you think you can utilize such amount in the absence of digesting the budget so far?

A. Speaking of R&D expenses, it does not mean that we did not do research and development, but instead, the budget estimate was excessive. In the future, while we make budget for research and development, we will make investment upon necessity without limitation.

Q9: We see that depreciation expenses in the fiscal year ending March 2019 are small compared to capital investment?

A. The increase in capital investment is mainly in India but the start of operation of the second plant in Gujarat will be in 2019 and the depreciation of Indian lithium-ion battery investment is still ahead. In addition, capital investment includes acquisition of land for sales outlet. Therefore, depreciation expenses remain relatively small.

Q10: What are the "changes in sales and model mix" of ▲ 200 million yen indicated in the factors of change in operating income for the fiscal year ending March 2019?

A. We are conservative in terms of earnings forecasts. As "changes in sales and model mix" incorporate higher raw material prices, it became a factor for declining profits.

Q11: Why is the equity in earning/loss of affiliates deteriorating in the 4Q performance?

A. The equity in earnings and losses of affiliates have shown significant deterioration in the 4Q performance. This is due to the impairment of fixed assets of affiliated companies accounted for by the equity method, in accordance with accounting standards.

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