Fiscal Year ended March 2019
Questions and answers in the briefing session for analysts

10 May 2019
SUZUKI MOTOR CORPORATION

(Final vehicle inspection issue)

Q1: What is the current situation of domestic production related to the problem of final vehicle inspection?

A. At present, although production speed is down by 2 to 5%, we intend to minimize effect to our customers and in this regard, we are now placing efforts to establish a system to recover the volume.

Q2: Suzuki announced a ¥ 170 billion capital expenditure in five years. What is the breakdown and from when will this begin?

A. Priority should be given to final vehicle inspection-related measures, for example, prompt judgment of a wide variety of data related to final vehicle inspection and sampling inspection, IT investment in a system that enables inspectors to store inspection results correctly or automatically, as well as expansion and renewal of inspection lines at each domestic production plant, and we begin from the current fiscal year (ending March 2020) budget.

(India operations)

Q3: Sharing companies like Uber and Ola are rapidly penetrating in India. What is your vision about the ride share business in your long-term strategy?

A. Although our position with respect to ride sharing is not concrete, we understand that there is already demand for Rickshaw (such as three-wheeled taxis) sharing. Meanwhile, there is still a large demand for car ownership. Therefore, we need to closely watch trends of both sides.

Q4: Although Suzuki indicated sales forecast for India this fiscal year (ending March 2020) at + 4% YoY, having in mind the recent sales dip in India, do you think it is necessary to revise the long-term vision, including profitability?

A. There is no change in our long-term view that the Indian market will reach 10 million units in 2030, but we think that there is a slight standstill at the moment. The demand for the festival season last fall has not risen, and sales remain relatively low even after the turn of the year, as the hold off on purchasing before the general election continues. Furthermore, looking at the movements in April and May, some say that it will be difficult for demand to recover even after the election, and again this year it will be a bit of a swing, including foreign exchange, high oil prices and interest rate trends, etc.
On the other hand, we expect some last-minute demand before stricter exhaust gas regulations to be applied from April 2020. Although it seems little growth from this year, we are of the view that upward growth toward the market of 10 million

units in 2030 will continue. Under these assumptions, we will make necessary investment for that purpose, especially hybrids, which will be the main focus for electrification.

Q5: What is your medium-term profit margin target for your Indian business? It seems that the sales fell at the point where the production capacity was raised, and the profit margin is also falling.

A. The profit margin target cannot be mentioned in a single word. In addition to the investment in factories, sales networks and service networks for the "5 million units in 2030", the development cost of HV and EV vehicles will increase, so it would be difficult to maintain double-digits margin as before.

And there is also the problem that the sales system so far is coming to its limit. At present, in India, demand in rural areas is growing rapidly than in urban areas, so it is considered more challenging to strengthen regional bases than the immediate product plans and profit plans.

Q6: Will the introduction of BS6 (exhaust gas regulations) in India have an impact on your company's earnings and market share? Diesel is likely to stop, but is it necessary to upgrade the gasoline engine facilities?

A. As the level of exhaust gas regulation gets stricter, we think that the cost goes up naturally. We want to respond firmly by promoting model development systematically while maintaining the current share and volume. We cannot predict the exact level of last-minute demand before the introduction of new regulations in April next year, but old model stock will not be able to be sold after introduction, so the control of stock would be an important task.

As for engine production, it is extremely difficult to make investment decisions for future HV and EV, but as we believe that HV will occupy a certain percentage for the time being, we will proceed with investments that will not cause shortages.

Q7: There has been a large decrease in production in India recently, but how is the latest stock situation?

A. Dealer inventory at the end of March was almost the same level as at the end of the previous month, including factory inventory. We understand that there is no particular concern.

(Motorcycle Business)

Q8: Suzuki made motorcycle business an in-house company under the direct control of the president, but specifically how will it change?

A. By clarifying each employee's responsibility for profitability and making it a compact organization that can quickly carry out product planning and sales policies, we would like to create a profitable system that can make motorcycle business independent. Up until now, many of our products have been made to meet each individual market, but we will proceed to develop platforms that can deploy series of models in wide range of markets, in around the next two years.

(Others)

Q 9: What is your view on flat forecast for the current fiscal year (ending March 2020)? Is it a minimum commitment as usual?

A. As we cannot predict how much the problem of final vehicle inspection will affect, we maintained the original forecast. It is not a situation that we can increase prospects, but we think it is our job to minimize underperformance, so we would like you to understand that we will challenge to keep up with the previous year results.

We would also like to mention that in setting up this next year forecast, there are also concerns about the consumption tax increase and movements of automobile-related taxes in Japan, as well as the trends in post-election demand in India. In the case of our company, research and development for CASE is delayed, so we need to increase development costs and drop it into results. Please understand that this as a plan that involves such individual elements.

Q 10: What is the change in quality related expenses within expenses increase of ¥ 68.4 billion in the ended fiscal year (ending March 2019) and the reason for ± ¥ 0 billion in expenses in the current fiscal year (ending March 2020)?

A. Among expenses increase of ¥ 68.4 billion for the ended fiscal year (ending March 2019), ¥ 28.2 billion belongs to January to March period. Of the full-year result, increase in expenses has a major impact, which is mainly due to increase in shipping costs from change in accounting standards at Maruti Suzuki (¥ 16.7 billion) and the increase in quality related expenses (¥ 23.6 billion). In particular, quality related expenses for the January-March period alone account for more than ¥ 20 billion and was substantially the main cause in the January-March quarter.

In the current fiscal year (ending March 2020), while the quality-related expenses are considered as one-time expenses and shall normalize, we expect the increase in sales expenses occurring mainly in India.

Q 11: How will the hybrid ratio go up in the future, in consideration of partnership with Toyota? Also, how do you think about the increase in R&D expenses? There is an impression that figures does not increase significantly.

A. There is no firm figure yet on our hybrid ratio. Not only hybrid vehicles but also CNG vehicles need to be supported. In particular, customers in India calculate cost-effectiveness for improving fuel efficiency very strictly, so we need to make balance between fuel efficiency and cost.

As for insignificant increase in R&D expenses, of course there is a problem with personnel involved in research and development, and this will not increase simply, but we would like to promote efficient development including collaboration with external organizations, industry, government, and academia.

Q 12: Why is the product warranty allowance on the balance sheet in the ended fiscal year (ending March 2019) increased by ¥ 140 billion over the same period in the previous year?

A. In addition to ¥ 81.3 billion allowance recorded as an extraordinary loss on the final vehicle inspection issue, the provision for quality-related expenses that affected the 4Q (January to March) operating income described earlier is also included. Of these, as for ¥ 80 billion in extraordinary losses, as we will proceed with recalls within one year period, we expect it to lead to cash out in the current fiscal year. The other part is considered to be of the nature that goes around in the conventional, normal operating cash flow.

Q 13: Why is the cost reduction for this fiscal year (ending March 2020) of ¥ 31 billion, larger figure than before?

A. Certainly, it is a figure that is more than 10% higher than the actual figure of ¥ 28 billion in the ended fiscal year (ending March 2019), but production at the new plant in India shall increase through the year, and thus we plan higher cost reduction plan.

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