

# Financial results FY2020

## Questions and answers in the briefing session for analysts

May 13, 2021

SUZUKI MOTOR CORPORATION

(Carbon neutrality, electrification)

**Q1: What is the thoughts behind R&D expenditure in the New Mid-Term Management Plan? By calculation, 200 billion yen per year from the initial year will be spent. What is the concept of self-developed HV technology and support from Toyota, and when is the actual product introduction?**

A. The R&D expenditure of 1 trillion yen for 5 years (200 billion yen per year) planned in the New Mid-Term Management Plan will be used up. Our company is lagging behind in development, particularly in the field of electrification, so we will make investment and utilize all of internal and external resources to complete the development over the next 5 years.

As for the relationship with Toyota, since they have not developed HV technology for small cars such as minicars, we plan to develop our own HV suitable for our cars while applying technologies and components developed by Toyota.

With the help of internal and external resources as well as startup companies, we will use up all of our R&D expenditure of 1 trillion yen over 5 years and work to establish a system that can respond to the next generation.

As for the actual launch of products, some will take five years, while others will be launched before that, but we would like to launch them as soon as we have products that meet customer needs.

**Q2: Competitors are also planning to introduce EV minicars. What are Suzuki's views and plans?**

A. Other companies have already announced their plans for the introduction of EV minicars, and we feel the need to follow the trend. However, we would like to carefully assess what kind of products really meet customer needs. While some have pointed out that it would be good to sell low-priced compact EVs sold in China by bringing them to Japan, it is also necessary to carefully consider whether or not they are truly acceptable in the Japanese market in terms of quality and safety.

Our company is not at the forefront of EV development, instead, we recognize ourselves well behind others in this respect. Therefore, we would like to observe the trends of other companies, understand the current usage of minicars, and take time to develop EV minicars that are truly acceptable to our customers, while using R&D expenses.

**(Domestic business)**

**Q3: What is the latest environment of demand in Japan?**

- A. The impact of COVID-19 is still unpredictable in Japan as well, and in addition, there is a problem of a shortage of semiconductors. We also recognize that there is a tendency to postpone the purchase of expensive goods due to difficulties in their daily lives. While the future may be difficult to foresee, the sales situation may remain severe. That is why we believe it is necessary to continue our sales activities steadily while developing and introducing products at affordable price.

**(India business)**

**Q4: While situation in India remain uncertain, what is your view on demand trends compared with previous year? Are there any measures that can be taken under current situation?**

- A. In India, 80% of dealers are still closed. The difference from last year is that, in the last year, the whole country was under complete lockdown, but this year it's up to the states to decide. In this sense, there are differences from state to state, and we need to act in accordance with regional measures. However, when sales reached zero in April last year, we were seriously worried about what the whole year result would be, but as we saw gradual recovery through second and third quarter to levels higher than the previous year, we were relieved. However, COVID-19 is surging again in India. Although India has a high number of positive cases, it is still at a low level in terms of per capita, still we feel the situation worrisome and difficult. In this sense, it is more difficult to foresee this year than last year whether or not the V-shaped recovery is possible. Meanwhile, for digitization and other technologies, we will continue to promote CASE while utilizing India's talented resources. We will work to develop technologies and products that can be used by customers, while accumulating the technologies and experience that have already been introduced as a system through EV test drive and connected drive.

**(Miscellaneous)**

**Q5: What is the impact of the current semiconductor shortage? I understand that full-year forecast is undecided for this year, but I would like to know your thoughts on future procurement and production.**

- A. With regard to the effects of semiconductor shortages, we have reduced production for some models and stopped working overtime and day-offs, but in the current fiscal year, we have suspended operations for 2 days in April at the Kosai plant, and for 1 day in April and from 10 to 12 in May at the Sagara plant,, and shifted those work days to the second half of the fiscal year.

We are still in a situation where we cannot foresee the future, and we will try to minimize the impact by checking the supply status of parts through purchasing and adjusting the production schedule and models. Again, we think we have no choice but to keep close contact with suppliers. It's also unclear how many vehicles will be affected at this point.

**Q6: We understand that Mr. Ishii, Senior Managing Office, who will be newly appointed as Executive General Manager of Corporate Planning Office, is from Toyota. From your perspective, how do you evaluate Suzuki and how do you plan to change the organization?**

A. I have been with Suzuki for more than half a year, but I am rather familiar with Suzuki since I was stationed at Toyota in India. Since then, I have seen it as a distinctive company that was different from other manufacturers. I think Suzuki's strength is that the organization is compact, and the management triangle is also very compact, not the size of the usual triangle for large companies. Customers and company are close to each other, while the middle class and the planning and coordination function within the company are far smaller than those of other companies. It is for this reason that Suzuki has fostered a corporate culture in which all employees work as one, and a way of working that has supported Suzuki's various challenges and transitions with a sense of speed.

On the other hand, in order to cope with CASE in the future, I think it is important to align the significance and contribution of the company offered to customers, with the transition through CASE technologies. I strongly believe that if we can identify the technologies that customers really want from Suzuki's "focusing on customer" perspective, and incorporate them selectively into products with the spirit of small and medium enterprises, then it will be able to build a stronger Suzuki.

Our chairman and president have repeatedly said, "We must assure existence of minicars, which function as local transport and are the indispensable means of living in Japan" and "Enrich lives of first-time car buyers in emerging countries, particularly India, through the movement of people and goods". We believe that if we can further enhance the value of Suzuki's existence while making full use of CASE technology, Suzuki will continue to be a necessary presence for our customers and society, just as it has been in the past. I also believe that by achieving this while borrowing the resource and technology of various partners including Toyota, on the other hand, the very raison d'etre of Suzuki will surely realize the building of a win-win relationship that continues to exist as a necessary entity for partners.

**Q7: It is very impressive to see the payout ratio become 30% under the leadership of the chairman. The chairman's leadership has been very strong and a sense of crisis has driven the company, but I think there was also strong dependence on the chairman. In the future, how will you relate to the company as a senior advisor?**

A. This is the last time I'll be attending earnings call. I would like to thank the analysts for their 43 years of discussion.

The dividend payout ratio is 30%. So far, we have put priority on internal reserves, and shareholders have endured for a dividend payout ratio of 15% to 18%. On the other hand, although the equity capital ratio has reached the 40% level, I would like to ask for your understanding as we need to increase internal reserves.

As a senior advisor, I hope that no consultation will be made. In the past, I have often been consulted, but from now on I want the company to operate without consulting me.

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