Financial results FY2022
Questions and answers in the briefing session for analysts

May 15, 2023

Suzuki Motor Corporation

(Domestic business)

Q1: Profit by geographical region is at an all-time high in Japan. Will better production of automobiles in the future improve profit margins? You insisted on offering affordable cars, but what about price increases?

A. In the case of Suzuki we have considered it difficult to raise prices in Japan because we mainly sell minicars. However, with regard to the rising costs caused by high raw material prices and high energy prices, we do not believe that we should make an extra profit, but that we should make an appropriate profit by raising prices appropriately.

At the same time, in the course of electrification, we should reconsider the way cars should be. The current minicars are luxurious, and there is no discussion about what equipment customers really need. We would like to review that once again and, after improving our sales force and persuasion to our customers, make sure that we get into customers' thoughts and work on creating specifications for electrification and selling cars.

(India business)

Q2: What are the latest developments in the Indian automobile market, including the state of finance in India and bookings for the new Fronx and the Jimny five-door?

A. In FY2022, the Indian market grew by more than 20%, partly due to the poor performance in the previous year, but we would like to confirm that it is returning to normal in the current fiscal year. SIAM estimates 5~7% growth for the current fiscal year, which is a very solid forecast, and Maruti Suzuki itself has explained to the local market that it hopes to move beyond that into a growth strategy. At the moment, we also understand that it is a feasible number.

It so happened that Indian Finance Minister Shitamaran came to Japan last week and I had the opportunity to have conversation with her, and she told me that India has a very strong growth strategy for its 100th anniversary of independence in 2047, which is to take GDP growth to 10 times its current level. That means increasing the speed of growth, and with that comes the demand for automobiles, which we think we can expect to see substantial growth in the long run. In the short term, however, we expect stable growth to continue in the next few years, as last year saw a significant increase.

There is a possibility that the number of BEV launches will increase and the unit growth will be restrained, but we would like to aim for a total of 3 million units by 2030, and we will also proceed with various measures to secure 50% market share.

(FY2023 Forecast)

Q3: Given that you expect sales to grow faster in India than the market, the +6% global sales forecast for FY2023 seems low. Are there production constraints?

A. On the domestic production side, we have to expect a slight impact of the semiconductor shortage, and on the Indian side, we think we have to make up for it in the year, although a slight impact of the semiconductor shortage has occurred recently. We do not expect production cuts elsewhere. Although the effects of the semiconductor shortage are still being felt, we cannot drag on forever, so we are energetically working on improving procurement methods and reviewing contracts.

The period in which the impact remains in domestic production is from the first quarter to the first half of the second quarter, and from the second half of the second quarter onward, we believe that there will be no impact from the semiconductor shortage, so we put the figures

like these.
In fact, FY2022 was not so much affected by the demand side as by the supply side due to the semiconductor shortage and other factors. Demand continues to be strong and we have backlog, so we want to deliver as many units as possible to our customers while maintaining a solid supply structure. In the case of India, as it is unable to disclose a specific volume target, we hope to exceed the SIAM's forecast of a 5~7% increase for FY2023.

Q4: Expected global production growth is at +2%, lower compared to other companies. Why in particular is Asia's production outlook declining?

A. In the Indian market, Grand Vitara is not included in our company's production figures because it is commissioned by TKM (Toyota Kirloskar Motor), but it is included in sales figures.
As for other Asian countries besides India, Pakistan's economic situation has been slow to recover. If import restrictions due to the shortage of foreign currency are lifted and the economic situation improves, we would like to resume importing KD parts and increase production.

Q5: Expense growth is prominent in the FY2023 forecast. For next 2~3 years, will Suzuki's profit and loss situation be more expense than revenue?

A. We need to move ahead to achieve our growth strategy. Rather than talking about short-term profits, it is important to look 10 or 20 years into the future and make solid investments and produce results. At the briefing on the Suzuki's growth strategy, Suzuki committed an average annual R&D expenditure of 250 billion yen, but even if the amount is expected to increase this fiscal year, it will be 230 billion yen, and the amount is still small.
As for the investment in electrification, it does not mean that BEVs are the only thing to do in a large market like India. Various initiatives are needed, including the use of biogas derived from cow dung, ethanol fuel and hydrogen. We will also actively promote cooperation with other companies.
In terms of capital investment, in order to keep up with India's growth, we want to move ahead with the acquisition of factory sites and increase fixed costs such as global human resources development, investment to secure human resources, and R&D investment linked to it. We also need to anticipate an increase in miscellaneous expenses-related expenses in line with the increase in sales, and in order to implement the Three Actuals (Place, Thing, Site) in the face of changing times, we are anticipating an increase in various aspects, such as an increase in travel expenses in the sense that people from each department, including not only the Suzuki head office but also overseas bases, will go to the site.

Q6: Including the increase in fixed costs by 80 billion yen, Suzuki expects the cost items to increase significantly by more than 100 billion yen. This is an extraordinary number, but is it a budget tied to actual activities?

A. Again, to implement our growth strategy, we place the highest priority on operating for long-term growth rather than pursuing short-term profits. It is true that the amount of 80 billion yen is large, but the actual internal budget is estimated to be much larger. That's why we think we will be able to use it up, and we would rather devise and work on it to make sure we get through it. Please understand that the budget allocation to each department is also firmly attached.

Q7: R&D and capital expenditures are expected to increase significantly. What's the specific breakdown?

A. As we mentioned at the briefing on the Suzuki's growth strategy, about 2 trillion yen will be spent on research and development over the 8 years to 2030. As a breakdown, there is a need to speed up development of advanced technologies, especially in CASE. Until now, the division between mass production development and advanced development has not been firmly

established, and the amount of advance development has been small, so we have to accelerate and recover in the 8 years to 2030.
The focus will be on research and development in carbon-neutral areas such as electrification, including BEVs, the evolution of HEVs, and cow dung biogas as a diverse option in India, as well as on areas such as preventive safety and autonomous driving in response to CASE.

(Growth Strategy for FY2030 (Announced on Jan. 26, 2023))

Q8: With India's HEV ratio rising to 18% and the powertrain mix changing, what is the target for HEV ratio compared to India's BEV ratio target of 15% in 2030?

A. At the briefing on the Suzuki's growth strategy, Suzuki announced that the ratio of HEV in India for FY2030 would be 25%. We're now at 18%, but there's still room to grow.
The introduction of BEVs is also in a hurry, but along with CNG vehicles, HEVs are a realistic carbon-neutral solution and have the advantage of being offered at affordable prices to customers. We can contribute to carbon neutrality without worrying about charging infrastructure, so we want to use all the diverse options in the overall balance and also clear the fuel efficiency regulations in India.

(Shareholder returns)

Q9: What are your thoughts behind the share buyback? Do you have specific financial targets?

A. The share buyback is partly an effort to achieve the ROE and payout ratio goals set out in the current mid-term management plan, but we also took into account that many investors have suggested in previous dialogues that the share buyback is an effective means of improving capital efficiency and returning profits to shareholders and that it should be considered at an early stage. As we have only just begun to improve capital efficiency with a focus on capital costs, we started with announcement of the acquisition of our own shares.
In terms of capital policy, we would like to move forward with various concrete measures, but there are no clear indicators at this point. On the other hand, a lot of money will be needed going forward. The current situation is biased toward indirect financing through bank loans, but we will consider various options in the future.
In any case, we would like to make a comprehensive decision on the use of such funds while keeping an eye on the situation, and we hope to achieve a balance between shareholder returns and growth investments as a whole in order to improve PBR and ROE amid expectations of higher stock prices.

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