Financial results FY2023
Questions and answers in the briefing session for analysts

May 13, 2024
Suzuki Motor Corporation

(Consolidated financial results)

Q1: What is the evaluation of the finished period and what are the transient factors? Also, any changes on how to make the next forecast?

A. The finished period was very good due to the impact of foreign exchange, the calming of raw material prices and the elimination of semiconductor shortages. In Japan, the new Spacia and Swift are off to a good start, and other models are still on backorder, so we believe that we were able to offer the products that meet the market demand.

There is nothing unusual about the way plans are made. Based on a firm recognition of the company's capabilities, each division has worked together to build the numbers. We will work hard to achieve results that exceed this plan.

Q2: Of the factors for the change in the next forecast from the previous fiscal year, what are the details of the change in sales composition, etc. +80.2 billion yen, the increase in fixed costs -50 billion yen, and the change in raw material prices -35 billion yen?

A. With regard to changes in the sales structure, inventories were undersized in the past, due to production constraints caused by semiconductor shortages. This situation has been resolved and inventories have increased. In the current fiscal year, the realization of the unrealized profit is expected to have a large impact because the inventories will be sold and the profit will be realized. In addition, an increase in volume of higher-priced models will improve the mix, and price hikes will continue to have an effect, resulting in an estimated increase of 80.2 billion yen.

With regard to fixed expenses of -50 billion yen, mainly for overseas subsidiaries, we expect an increase in labor costs due to wage increases and an increase in promotional expenses in line with sales growth.

Slightly below 60% of the 35 billion yen change in raw material prices is to take place on a non-consolidated basis, and others are mainly in India (Maruti Suzuki). We do not foresee negative effect from precious metals, but prices of steel, aluminum and other metals are expected to rise in India, while prices of steel, aluminum and component prices as well as prices from suppliers to cover wage increases are expected to rise in Japan.

Q3: Looking at the results by region for the period ended, it seems that there was almost 60 billion yen in elimination between segments. What are the contents?

A. This is due to an increase in unrealized profit as the result of increase in inventories after resolution of semiconductor shortages.

Q4: It appears that the Japanese segment's revenue in the 4Q (January-March) has slowed since the 3Q (October-December). What are the facts?

A. Due to a slowdown in marine demand in North America and other countries, sales of outboard motors decreased largely, and there was a part that could not absorb the fixed cost that increased in 4Q. In Japan, prices have been raised, and the pace has not slowed down compared to the 3Q.

(Domestic automobile business)

Q5: Is it correct to assume that the price increase in Japan will not adversely affect the demand and that it will be well penetrated?

A. The impact of domestic price hikes should be carefully considered. We have introduced new products and received high evaluation, so I think we have satisfied our customers to such extent, but for other products, while paying attention to the competitive environment, we would like to maintain our approach in which customers are well explained about the characteristics and advantages of the products. Considering the sales floor, price hikes will have to be handled carefully in the future, and it will take some time to be accepted by customers.

(India automobile business)

Q6: Could you provide a comprehensive explanation of market share, SUVs, CNG vehicles, and market outlook?

A. In India, Suzuki captured 20.8% market share in the SUV segment, and 41.6% in the passenger cars market last year. The company has also managed to secure a top-tier share of SUV segment, but it has been hampered by the fact that production capacity in the fast-growing country has not kept pace. At the end of last fiscal year, Manesar plant increased its capacity by 100,000 units a year, and next March, the new Kharkhoda plant will start operation. We will increase the production capacity and through trainings, we will deliver cars with quality that satisfy customer demand.

With regard to the shortage of parts for CNG vehicles, which affected last year, it is now expected that CNG vehicle production will be increased by 30% to 40% this fiscal year.

On the market outlook, however, the economy usually slows down slightly in an election year, and I think that is why the Society of Indian Automobile Manufacturers made a somewhat conservative forecast of 2% year-on-year growth. If the current ruling party wins, it will announce a fairly aggressive economic policy toward the second half of the year, so I think it has the potential to revitalize the market. In this sense, we would like to keep our current forecast as a minimum and proceed to make further additions.

Q7: You say the economy will slow down in an election year, but is there any real change in demand trends?

A. Looking at the situation in April, it is true that the figure for wholesale sales seems to have slowed down a little, but we consider this to be a special situation of our company. In connection with the launch of the new Swift in India on May 9, dispatch of the previous model was reduced in April. I think that's one factor in the short term. On the other hand, retail sales are up 18% year-on-year, so I don't think the market has slowed down that much.

Q8: I think Suzuki will need its own strong hybrids besides mild hybrids. How will you compete in India with hybrids in the medium term?

A. We are emphasizing the multi-pathway policy. Suzuki has already introduced models equipped with Toyota's THS, and will also strengthen its own Strong Hybrid. We will promote product development according to the size of the car or customer's preference. On the other hand, in terms of volume, the CBG (Compressed Biomethane Gas) vehicles using biogas that we are working with, will probably be able to be introduced in a few years. In this sense, we have the advantage of being leader of CNG vehicles, so we would like to take a strategy to secure total volume through strengthening this segment. Of course, we are ensuring that the product plan is carried out, and the upcoming BEV will also make its position in the market.

(Other Regions)

Q9: In the Middle East, Africa and other parts of the world where India will be the source of supply, the imbalance between supply and demand is expected to widen. Is there room to utilize production bases in ASEAN, where operations are low?

A. In around 2017, about half of sales in the Middle East and Africa were sourced from India, but by the end of the ended period, the dependence on India-made automobiles has increased to 90%. The reason for this is that Indian regulations have become in line with the European regulations, making it easier to supply products globally, and efforts have been made to improve quality. We plan to double Middle East and Africa sales from current levels by 2030.

On the other hand, product development in ASEAN has not been successful and has been stagnant for several years. Therefore, we place priority on establishing a solid production and supply system for products in ASEAN, and try to adopt the latest model made in India to ASEAN and other countries as well, and continue to pursue our challenge in ASEAN.

Q10: What is your view on the impact of the increase in car exports from the China to emerging economies in the Middle East and Latin America?

A. It is true that there is a movement to promote EV exports from China to emerging countries, but we consider that it will take some more time before penetration of EVs in the emerging countries, considering infrastructure. Chinese ICE cars, on the other hand, can be cheap, but there are quality concerns. We will never forget our careful attention and continue to compete with them.

(New Mid-Term Management Plan and Technical Briefing)

Q11: You said that you plan to announce the new mid-term plan by the end of FY2024. What kind of update should we expect from the sales target of 7 trillion yen for FY2030 stated in the growth strategy?

A. While thoroughly discussing within the company what is required of Suzuki, including its capital policy and dividends, we will work to establish financial targets, engineering targets and management targets for FY2030. In particular, we will focus on how to keep up with the growth of the Indian market. We will make solid efforts to invest in human resources, including human resource development at production sites, as well as engineering development and capital expenditure and R&D investment, and will formulate a new mid-term management plan with emphasis on laying the groundwork for 10 and 20 years ahead, with India as the core pillar.

Q12: It's been a while since Suzuki has held a technical briefing, but when and what do you plan to focus on?

A. We will focus on how we grow in India, Japan, and Europe, where Suzuki upholds multi-pathway approach to electrification. We hope to be able to announce an engineering strategy after the summer covering CBG (Compressed Biomethane Gas) vehicles, which are variant of existing CNG vehicles, how to promote HEVs and roadmap to BEVs, and our efforts toward the era of carbon neutrality by combining the advancement of technology with our products.

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