

# Financial results 1Q FY2024

## Questions and answers in the briefing session for analysts

August 6, 2024  
Suzuki Motor Corporation

(Japan automobile business)

**Q1: I understand that the Japanese automobile business is doing well, but how will it be sustained in the future? Also, what is the status of backlog and fresh orders in Japan?**

A. Stable production of popular models in particular, and not keeping customers waiting, is one of our priorities. At the same time, we will further strengthen our system to provide safe, comfortable, and convenient services through Suzuki Connect and other means, and communicate with customers. We would like to review that aspect, explain the merits of our products to our customers, and expand our efforts nationwide to gain their understanding. Backlog in Japan decreased slightly from the end of March due to increased supply, about 126,000 units at the end of June. Meanwhile, fresh orders have increased by about 20% year-on-year, so we would like to continue this trend.

(India automobile business)

**Q2: You spoke about slightly higher stock level. What is the demand situation in India?**

A. The Indian market is usually a bit slower in the first quarter than the rest of the year, but this year has been slower than expected, especially due to the election and adverse weather, including heavy rain and heat waves. As inventories have increased, we are making adjustments. In India, the rate of progress in the first quarter is between 20% to 22%, and it will increase to 25% to 30% from the second quarter to the third quarter during the peak demand period of the festive season. This year, the festive season starts in late August, a little earlier than the previous year, and the higher the demand, the volume for the whole period becomes bigger. Prime Minister Modi would remain in power, and the new Union budget was also decided. I had the opportunity to meet him a little the other day, and I felt that he was very positive and had a strong will to nurture the industry, so I think that the market continues to grow. Meanwhile, the full-year growth forecast of the SIAM for this year remains at around 2~3% higher than the previous year. In particular, in the second half of the fiscal year, we will place efforts to increase the number of units to the same level as initially planned, incorporating government measures.

**Q3: What is the status of retail sales and inventory in July?**

A. Retail sales in July have improved slightly compared to the level in April-June, and even in April-July, retail sales have reached about 3% increase year-on-year, but inventory adjustments are still needed. The key is to stimulate demand for the festival that starts in late August and Diwali in late October.

#### **Q4: CNG sales ratio is growing at 34%. How does it contribute to the mix?**

A. Backlog for CNG vehicles tend to be long previously, but CNG component supply capacity has been improving since the second half of last year. In particular, the supply of CNG for Ertiga was in short supply, but from the beginning of this fiscal year, the supply became sufficient. Ertiga is manufactured at Manesar Plant in India, which has increased its capacity by 100,000 units since last year. Currently, the annual production capacity of CNG vehicles is about 600,000 units. The two have combined to increase the supply of CNG vehicles.

In the future, we would like to connect this to biogas and CBG, which we are working on, and create a system to achieve net zero for cars using carbon-neutral fuel, so we would like to increase the supply of CNG cars.

In terms of profits, CNG vehicles have become profitable to some extent, and this is also a major reason to increase the number of CNG vehicles. Since the fuel cost of CNG is considerably lower than that of petrol and the demand from customers is very strong, we intend to further expand sales while maintaining a good balance between the two.

#### **Q5: There has been talk of exempting HEVs from road taxes in some states. What do you expect from the policy side?**

A. The Indian government is said to be allocating public funds for infrastructure development, etc., and in that sense, I believe it will be able to take measures to boost the economy considerably. But the biggest concern is the risk that India's economy will be negatively affected by the global slowdown. However, as for the domestic market, we believe that demand will be stimulated to some extent in the second half of the fiscal year.

We have also heard news of a bill in Uttar Pradesh to provide state tax benefits for HEVs. At the same time, biogas, which we are promoting, can be applied to CNG vehicles, and we would also like appeal it as alternative measure to achieve carbon neutrality in the future. We will discuss this with the government and discuss how it can be expanded.

#### **(Consolidated financial results)**

#### **Q6: What is the evaluation of 1Q results? What is the background for the full year that remains unchanged?**

A. In summary, the 1Q results were largely due to the weak yen. However, excluding external factors such as the impact of foreign exchange rates and raw material prices, we could achieve increase in net profit. This was mainly due to the price revision of domestic automobiles that started in the previous fiscal year and the improvement of mix due to strong sales of Spacia.

The full-year forecast has not been changed, since the market outlook is that demand for Indian automobiles is still uncertain, and that there is some uncertainty regarding demand for large motorcycles and outboard motors. We are currently adjusting production to reduce market stock and are closely monitoring demand trends. India will be in a critical period for the upcoming festive season, so we will closely monitor demand trends. Of course, reasons also include the recent volatility in foreign exchange rates and stock prices. In the future, we will review and consider the forecast as soon as the situation changes for the interim financial results.

#### **Q7: Why did the impact of raw materials increase by 7 billion yen in 1Q compared to -35 billion yen in the full year?**

A. In its full-year outlook, it had initially expected a slight impact from rising raw material prices in Japan and India. In fact, in the first quarter, it was a factor in the decline in profit in Japan, but it was not much a case in India, resulting in a total increase of 7 billion yen in this area. On the other hand, higher prices of components from suppliers in Japan are affecting the profit, which is expected to continue affect to profit decline. Of course, we will deal with suppliers properly and pass on appropriate prices.

### **(Electrification)**

**Q8: Let us know if there are any updates on the development status of BEV and HEV models and the procurement status of batteries.**

A. We will officially announce the BEV at Auto Expo in India in January next year, and we hope to launch it in early 2025. We will give priority to Europe first, and then expand to India and Japan. Regarding the battery, due to the contract with the supplier, we have to refrain from disclosing the details.

As for HEVs, we have already been supplied with THS models from Toyota, but we will use our own strong HEVs or mild HEVs while balancing appropriate models.

### **(Motorcycle Business)**

**Q9: Tell us about the situation in the motorcycle business, where profits have increased significantly.**

A. Sales of motorcycles in the Indian market have been very strong. Production reached a 1 million unit level last fiscal year and has been growing steadily since then. Meanwhile, sales volume in Latin America is growing, particularly those with small displacement. On the other hand, although retail-sales of large models increased in North America and Europe, the export from Japan is limited in order to reduce retail inventory. We would like to improve this situation as soon as possible so that we can increase the total profit.

### **(Other Regions)**

**Q10: Will the closure of the Thai plant have any financial impact this fiscal year?**

A. The Thai business was not always going well, and we made final decision this year. The decision was made that it would be difficult in the future due to changes in the Thai government's policy. Because of this situation, some provisions have already been made. Therefore, there will be no negative factors in this fiscal year. The company will stop production in Thailand but will continue sales and supply products from other ASEAN countries, Japan, India, and other countries, while making utmost efforts to remain in the Thai market. The factory will be closed by the end of 2025, and in due course, we will proceed with measures such as early retirement while paying appropriate compensation to the production-related departments, but we want to keep the functions of the sales department intact so that sales will be vitalized.

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