Financial results 3Q FY2024
Questions and answers in the briefing session for analysts

February 6, 2025
Suzuki Motor Corporation

(Japan automobile business)

Q1: What are your thoughts on strategies, including production capacity and imports from India, to improve profitability in the Japanese business?

A. Suzuki produces mini vehicles and some compact cars at its domestic factories in Japan, primarily for the Japanese market. Meanwhile, from a global perspective, if vehicles produced at production sites worldwide are suitable for the Japanese market, we consider introducing them to Japan. Examples include Fronx and Jimny Nomade, but we are also developing various models, mainly in India, and if there are vehicles that Japanese customers accept, we would like to introduce new cars. In that sense, we believe there is still potential for growth in the Japanese market, and we want to continue to monitor it closely.

Q2: About Jimmy Nomade.

A. Our initial estimate was about 1,200 units per month, but we already received more than three times that number of orders on an annual basis. We are currently considering how to respond by increasing production and are preparing to notify customers of the resumption of orders as soon as possible, so we ask for a little more time.

(India automobile business)

Q3: What is the overall demand in India and your strategy?

A. The overall demand in the Indian market is currently slow, with wholesales not showing significant growth compared to the previous year. However, during the festival season in the third quarter and the sales season in December, retail sales became active, and Maruti Suzuki achieved record-high retail sales. As a result, inventory levels have been optimized.
While significant growth in wholesales is not expected, retail sales are expected to continue at about +3% year-on-year until the end of the fiscal year.
Also, the Indian government is trying to stimulate the economy through tax cuts for middle-income earners and subsidies for small and medium-sized enterprises. This is expected to lead to a recovery in actual demand. Furthermore, with the start of operations at the Kharkhoda plant, we aim to establish a supply system centered on SUVs and link it to actual sales activities.

Q4: The third quarter saw strong demand in rural areas. What is the background, and what are the differences in the competitive environment between urban and rural areas?

A. The sales ratio between urban and rural areas, which used to be 7:3 or 6:4, is becoming more balanced. One background factor is the penetration of the sales network in rural areas. The increased opportunities to contact customers and find new customers are reflected in the results. Additionally, economic measures by the government, such as subsidies to support rural economies, contribute to the robustness of rural economies. With these factors in mind, we aim to further expand the market by strengthening the sales network while looking at the potential for rural market development.

Regarding the competitive environment, direct contact with customers is important in rural areas, and we have a system where sales representatives visit customers in areas without dealership. Competitors are also advancing the placement of sales bases in rural areas, and competition is expected to intensify. However, Maruti Suzuki has a more extensive sales network than other companies. We aim to expand the current nearly 4,000 outlets to 5,000, 6,000, and 7,000 in the future and increase sales volume toward 2030.

Q5: Regarding SUVs, do you think the current lineup covers the market demand, or are there still opportunities?

A. The demand for SUVs in the Indian market is massive, accounting for more than 50% of the overall market, with 60 to 70 models introduced by various companies. We are deploying four models mainly in the B-segment and C-segment, but from the salespeople's perspective, there is a sense that the number of models is insufficient. Therefore, we believe it is necessary to further enhance the SUV lineup and are advancing product planning. By doing so, we aim to expand our share in the SUV market and increase our overall market share.

Q6: Is there any update on the e VITARA?

A. Since it is our first EV product, we will start approaching potential customers while thoroughly analyzing who might be interested from the customer database at Maruti Suzuki. In this context, we want to ensure customer satisfaction in sales. We also want to proceed with final adjustments, including the battery charging system and related facilities.

(Consolidated financial results)

Q7: How do you evaluate the October-December quarter results, and are there any transitory factors? Also, what are the risks and opportunities looking ahead to the next fiscal year?

A. Although we achieved increased sales and profits in the current period (April-December), the October-December quarter was somewhat challenging when viewed on a quarterly basis. Price negotiations to strengthen the foundation of suppliers and a decrease in exports have had an impact.

On the other hand, sales in Japan are strong, and although price increases have run their course compared to the previous year, the introduction of new models such as the Spacia, Fronx, minor-changed Wagon R Smile, and Solio has been successful. The year-end sales season in the Indian market was also strong, and we recorded the highest-ever sales volume for both wholesale and retail in the 2024 calendar year.

In terms of profits, the impact of the yen's depreciation is significant as a transient factor, but as of the end of December, there are no major negative factors. The fourth quarter is expected to fall short of the previous year when subtracting the results up to December from the revised full-year operating profit forecast, but since we have announced a forecast that exceeds the previous year for the full year, we will strive to exceed the previous year in January-March as well.

Q8: The profit in the third quarter was weaker compared to the first half, with mentions of strengthening the supplier base and a decrease in exports. Are these temporary?

A. Regarding strengthening the supplier base, as all companies continue to face wage increases and rising energy costs, it is necessary to have appropriate discussions with suppliers and ensure proper pricing. This may have a negative impact on profits.

Regarding exports, the impact of the discontinuation of Ignis in Europe is a factor, but we do not consider it a continuing major risk as we respond while monitoring market conditions. We will continue to establish a system that can respond appropriately in the future.

Q9: Is the sustainability of the consolidated operating profit margin of 10% at risk due to the Kharkhoda plant or EV impact?

A. Concerns include significant capital investment, increased depreciation due to the start of operations at Kharkhoda, the harsh profitability of EVs though we don't believe the shift to it will happen soon, and the impact of strengthening the supplier base. Labor costs are also expected to rise, and we recognize that such cost increases will continue to emerge.

However, we aim to increase sales volume and secure profit margins while reducing costs where possible. Furthermore, we will continue efforts to enhance corporate value through individual capability improvement and organizational strength enhancement, aiming to maintain and improve profit margins despite various cost increases.

Q10: What are the details and sustainability of the +10 billion yen in "Change in volume, mix/price, etc. " in the operating profit increase/decrease compared to the previous forecast?

A. We revised upward based on the situation where profitability has improved to some extent in the third quarter, mainly at Japanese distributors and Maruti Suzuki.

At Japanese distributors, recent model changes and newly introduced vehicles have been well received, and we have conveyed our passion into the products, from all departments including planning, development, and production at Suzuki, to the sales front, in order to gain customer understanding. As a result, we could achieve appropriate pricing and sales conditions. The effects of these thorough sales activities are beginning to appear.

At Maruti Suzuki, although there were shipment adjustments in the second quarter, the numbers have risen significantly for the third quarter, and the calendar year sales volume has reached record levels. We believe there is sustainability in this area, and we will strive to achieve the forecast for January-March and continue our efforts to sustain it in the next fiscal year and beyond.

Q11: Why did you not change the dividend forecast despite the upward revision of earnings?

A. Although we discussed revising the dividend proposal internally due to the upward revision of profits, we decided to keep it unchanged as it is the third quarter, and we want to proceed in a way that meets shareholder expectations once the numbers have risen firmly. Additionally, we have the announcement of the new mid-term management plan this month, and we decided not to make any changes this time, considering the initiatives there.

(Africa, Latin America, and Middle East)

Q12: In other regions, especially South Africa, Saudi Arabia, and Mexico are growing. What are the growth factors, and since the majority of sales are exports from India, please tell us about the supply-demand balance.

A. In the Mexican market, exports from India are increasing due to the impact of tariffs from Japan. SUV models are particularly popular, and sales are expanding smoothly, but we aim to maintain profitability by keeping appropriate inventory while monitoring the Mexican economy. In the Middle East and South African markets, Indian-made SUVs and sedans are highly rated. In Saudi Arabia, fleet sales are said to be the focus, which has successfully matched market needs. In South Africa, we have increased the volume over the past five years through our sales subsidiary, and our current share has expanded to over 10%. We aim to continue this growth in the future.

Q13: Based on the success in South Africa, are there any countries where you plan to set up sales subsidiaries or focus upon?

A. There are 54 countries on the African continent, and sales are conducted through CFAO, a French subsidiary of Toyota Tsusho, in half of them. In the remaining countries, independent dealerships are the main focus, but we are also considering setting up sales subsidiaries. Even in independent dealerships, we will expand business where they understand Suzuki's sales policy and operate appropriately. We plan to flexibly respond according to the situation and market characteristics of each country and advance our business in Africa.

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