Financial results 1Q FY2025
Questions and answers in the briefing session for analysts

August 5, 2025
Suzuki Motor Corporation

(Consolidated financial results and forecast)

Q1: Please summarize the 1Q results, indicate if there were any one-off factors, and explain the impact of tariffs.

A. Operating profit of 1Q was 142.1 billion yen, which is not significantly off from our full-year plan of 500 billion yen. Compared to the previous year, profit decreased by 15.4 billion yen, mainly due to foreign exchange losses of 23.0 billion yen, which is within our annual forecast of a negative 80 billion yen. There was a rapid appreciation of the yen from August onwards, so while it may not be a one-off, that was the situation.

Raw material costs were down by 4.3 billion yen year-on-year. We expect a full-year impact of -35 billion yen, but in 1Q, while copper and aluminum prices rose in India, stable steel prices in Japan had a positive effect. Price pass-through from supplier base strengthening was not significant in 1Q, and the impact of price revisions is expected to appear in the future, so this can be considered a 1Q-specific factor.

Volume impact resulted in a 9.8 billion yen decrease in profit, mainly due to the end of exports of Ignis and Jimny to Europe. We expect a full-year increase of 50 billion yen, so we anticipate a recovery from 2Q onwards.

Product mix changes resulted in a 21.6 billion yen increase in profit, mostly due to adjustments for unrealized profits in consolidated accounting. The amount of unrealized profit booked in 1Q last year, which was -12.5 billion yen, became +3.8 billion yen this year, resulting in a year-on-year increase of +16.2 billion yen.

We expect a full-year decrease of profit from 100 billion yen in fixed costs, but in 1Q, there was a +1.3 billion yen increase. This was because there were no major new recall cases related to quality, which can be considered a one-off factor.

Regarding tariffs, since we do not have automobile business in North America, the main impact is on motorcycles, outboard motors, and their spare parts, and the direct impact of tariffs in the April–June period was not significant. In our earnings forecast, we expect a 40 billion yen decrease in profit as a business risk, about half of which is explained as tariff impact. The tariff rate was initially estimated at 24%, but it has now settled at around 15%. However, the impact of tariffs is not limited to Japan–US relations, but also depends on relations with other countries, the global economy, and demand trends, so there are still many uncertainties. Therefore, we are keeping our earnings forecast unchanged and will continue to monitor the situation and respond as necessary. We will carefully assess future production, sales, and profit trends, including pricing and price pass-through.

Q2: Despite the difficult situation in India, 1Q operating margin exceeded 10%. How do you evaluate this and its sustainability?

A. Regarding operating margin, we are steadily working toward our mid-term management plan target of over 10%. We are maintaining our full-year operating profit target of 500 billion yen and have not changed our earnings forecast, but this does not mean we are complacent in a tough environment. Although market outlook is difficult at this point, we recognize risks as risks and will continue to invest for growth. The 500 billion yen target is a bottom line, and we aim to achieve even more.

(Japan automobile business)

Q3: With competitor returning, has there been any change in the domestic sales environment?

A. Competition in the domestic market is intensifying, and mini-vehicle sales are slightly below last year, with orders also somewhat stagnant. We believe this is due more to rising prices and increased consumer caution, with more people choosing inspections renewal over replacing their cars, rather than the impact of rivals. On the other hand, standard and small vehicles, including new models and imports from India, are performing well, so overall sales exceeded last year. In terms of profit, the strong performance of standard and small vehicles is a positive factor, but price revisions have mostly run their course, so profit improvement has slowed somewhat compared to last year.

Q4: There was a production halt for Swift. We also hear that shipments of Jimny Nomade have been stopped. Is there any impact related to rare earths?

A. Production of the Swift was halted from May to June, but there are no longer any parts issues, and we are on track to recover, expecting to make up for the loss within this fiscal year. As for the Jimny Nomade, the shipment halt from the end of July is unrelated to rare earths and is due to ongoing quality checks. The cause is still under investigation, and the future impact is not yet clear. We aim to identify the cause and resume shipments as soon as possible, so it is not yet the stage to estimate the financial impact.

(India automobile business)

Q5: You mentioned expectations for income tax cuts in the second half, but have there been any recent changes? The SUV segment seems weak. What are your expectations for the new SUV in terms of volume, price range, and market share?

A. Maruti Suzuki's sales for April–June were -6% year-on-year. By segment, according to the Society of Indian Automobile Manufacturers, the A segment (hatchbacks and sedans) was -10%, and the B segment (SUVs and MPVs) was -1%, with particular struggles in small cars. The overall passenger car market was -1% year-on-year, with the A segment down -11% and the B segment up +4%, so small cars are more affected. The motorcycle market was also down -6% in April–June, and we see that households with annual incomes of 500,000–2,000,000 rupees are facing tough disposable income conditions.

To recover in the second half, we plan to launch two SUV models. New product will be added besides the e VITARA (BEV), however, please wait for details until the official announcement. Maruti Suzuki's market share in the A segment exceeds 60%, but in SUVs it is below 20%, so there is a large gap. We aim to increase our share in the SUV segment and will focus on sales. Normally, SUVs are more profitable than passenger cars, but we will need to overcome increased raw material costs and higher depreciation and labor costs due to the new Kharkhoda plant, so we will do our best.

In urban areas, the middle class is struggling with disposable income and sales are sluggish, but in rural areas, crops are growing well, money is circulating, and sales are good.

Q6: If the Kharkhoda plant moves to two shifts, what kind of costs and how much will increase?

A. The Kharkhoda plant started operations in February 2025 and is gradually ramping up production, just now starting two-shift operations. Please understand that we cannot disclose detailed cost increases, but we do not expect a dramatic increase in costs simply due to higher production volume.

Q7: What is the inventory and discount situation in India?

A. Due to uncertainty about the outlook, we have reduced market inventory by about 10% year-on-year under our president's policy. Regarding discounts, the economic environment in India is tough, the middle class has limited disposable income, and the market is shifting to SUVs, so we are planning to expand our SUV lineup. Discounts are roughly flat year-on-year. We hope to boost sales through an improved economic environment and the launch of new SUVs.

Q8: Did the new regulation requiring six airbags in India have any immediate impact on your sales or demand in April–June, or was it simply a tough market environment?

A. In India, we have added side and curtain airbags to the existing two airbags, and most models now comply with the six-airbag requirement. This increased costs, so we raised prices by an average of 3–4%, depending on the model. Due to the price increase, customers tend to hold off on purchases for about 2–3 months, but based on past experience, we expect customers to accept the new prices after that period. Therefore, we believe there was some temporary impact in 1Q.

Q9: At Maruti Suzuki's earnings briefing, it was explained that the demand outlook is optimistic. Please explain the background quantitatively.

A. There are several factors behind the expected improvement in demand in India. First, the government raised the minimum taxable income from 700,000 to over 1.2 million rupees in the FY2025 budget, so households with 1.2 million rupees in income will save 80,000 rupees in taxes. Second, the Reserve Bank of India (RBI) cut policy rates by 100bp from January to June 2025, and auto loan rates are expected to fall with a 6–8 month lag. Third, the RBI lowered the cash reserve ratio from 4% to 3%, injecting 2.5 trillion rupees of liquidity into the market, making auto loans easier to obtain. In addition, the monsoon season is bringing sufficient rainfall, and a good harvest is expected in October. Consumer price inflation is at 2.1%, at the lower end of the RBI's 4±2% target, leaving room for further policy action. Taking all these factors into account, we expect the economic environment to improve in the second half. However, there are uncertainties such as Trump tariffs and higher tariffs on Russian oil imports in India, so while we are optimistic, we remain cautious.

Q10: Exports from India to Japan are increasing. Is there room to strategically expand further? Please also comment on the profitability of triangular exports.

A. Maruti Suzuki's exports exceeded 90,000 units in April–June, and exports to Japan are growing but still less than 20%, with more than half going to the Middle East and Africa. In exports, Maruti Suzuki earns profits as the manufacturer, but since most transactions are triangular via Japan, profits other than manufacturing go to Suzuki headquarters.

(Middle East & Africa)

Q11: Sales in the Middle East and Africa were strong. What is your outlook for future demand?

A. In the Middle East and Africa, Maruti utilizes Suzuki dealership network to export vehicles mainly produced by Maruti Suzuki through a triangular trade system, by reinvoicing them at the headquarters. Indian-made models such as Swift, Baleno, Fronx, and Dzire, which are fuel-efficient, affordable, and durable, are popular in South Africa and Saudi Arabia. In Saudi Arabia, demand for small cars is rising due to a large youth population and more women entering the workforce, despite the market traditionally favoring trucks and large vehicles. In South Africa, the market was also truck-centered, but there is a growing emphasis on fuel efficiency and durability, and sales of Swift and Fronx are strong.

(Miscellaneous)

Q12: Please give an image of the 1Q automobile operating profit of 119.4 billion yen, broken down by final sales destination such as Japan, India, and others.

A. We do not have precise figures in hand at this time, but in terms of scale, India is the largest, followed by Japan. Outside of these, shipments from India to the Middle East and Africa increased particularly in April–June. In terms of profit, India is the largest contributor, with Japan also making a certain contribution. For the Middle East and Africa, since there are no mini-vehicles and mostly larger vehicles, profitability is relatively high. Profitability is higher for exports from India to the Middle East and Africa than for domestic sales in India.

Q13: Non-operating financial income is increasing. If this continues, the company will become more sensitive to interest rate trends. What discussions are taking place internally about this? Are you considering other effective uses or investments for these funds, or is it acceptable if non-operating income decreases?

A. I believe this question refers to the large amount of funds in India, which are mainly managed through investment trusts. Since interest rates are high in India, we select products mainly through investment trusts and also use time deposits. In terms of fund usage, Japan receives some through dividends, and besides, at the time we changed the capital relationship in Gujarat, we re-defined the policy that all mass production investment shall be covered at India side. We plan to continue investing in plants during the Mid-Term Management Plan, and these funds are considered the source of investments for mass production made in India. Indian funds cannot be freely used globally, but we recognize the need to be creative in their use going forward.

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