

Financial results 2Q FY2025

Questions and answers in the briefing session for analysts

November 6, 2025
Suzuki Motor Corporation

(Consolidated financial results and forecast)

Q1: Please evaluate the first half results against the plan, and share your outlook for the full-year performance, including the impact of semiconductor supply constraints.

A. Although we have not disclosed our first half plan, results exceeded our internal targets. The main reasons were: the yen was weaker than expected, business risks only materialized in part, and fixed costs did not increase as much as planned.

Regarding semiconductor supply, there has been no substantial impact on production so far, but we are currently working to identify bottleneck semiconductors, search for alternatives, evaluate them, and finalize their use in production. We have had repeated internal discussions on how to factor in these impacts. As a result, since it is difficult to quantify the risks at this point, we have decided to leave our full-year forecast as is.

Q2: Despite strong first half results, the full-year forecast remains unchanged, which raises concerns about risks related to semiconductors. Can you provide more detailed information, such as inventory status and differences in risk between Japan and India?

A. Although semiconductors from Nexperia are relatively accessible components, there is a possibility of future inventory shortages, so we are working to secure supply as mentioned. This is a global issue, not limited to Japan or India, and we are collecting primary information from stakeholders such as Tier 1 companies and semiconductor manufacturers, and making daily adjustments. Production has not stopped so far, but we continue to address individual risks. It is currently difficult to provide a numerical estimate of the impact.

Q3: If there were no semiconductor shortages, would operating profit in the second half increase compared to the first half due to the GST effect in India?

A. It is difficult to make such an assumption, but if we truly disregard semiconductor shortages, there would be positive impact to certain extent.

Q4: What was the impact of tariffs on businesses other than Automobile in the first half results?

A. In the Motorcycle business, growth in the Indian and Latin American markets led to increased sales but decreased profits. In addition to currency exchange effects, the model mix in the Indian and US markets resulted in lower profits. Tariffs also had certain impact.

Marine business also saw increased sales but decreased profits, mainly due to tariff impact and a deterioration in product mix (a decrease in the ratio of large outboard motors, especially in North America).

Regarding tariff impact, we initially expected a business risk of -40 billion yen, of which about -20 billion yen was explained as tariff impact. However, in reality, only approximately -10 billion yen in business risks materialized in the first half, and about one-third of that was due to tariffs. Since this tariff impact began partway through the first half, we expect it to become more apparent in the second half.

Q5: In the second quarter, were there any one-time impacts such as unrealized profits or quality-related costs?

- A. In terms of overall operating profit, there was a year-on-year decrease of -15.4 billion yen in 1Q and -43.0 billion yen in 2Q, totaling -58.5 billion yen for the first half. The extent of the decrease differed significantly between 1Q and 2Q. In 1Q, positive factors included the yen's depreciation and strong domestic sales, while negative factors were higher raw material prices and increased fixed costs, resulting in a decrease in profit.

Unrealized profits contributed +16.2 billion yen to operating profit in 1Q, but were a -32.1 billion yen negative factor in 2Q, with the sign reversing quarter-on-quarter.

Comparing only 2Q, unrealized profits were +19.6 billion yen in the previous year, but -12.5 billion yen this year, resulting in a -32.1 billion yen decrease. This is a distinctive feature of 2Q. Quality-related costs were +0.2% of sales in 1Q, +0.3% in 2Q, and +0.2% for the first half overall, contributing positively. Our quality initiatives focus on prevention, early detection, and outflow prevention, and we continue to address issues while thoroughly investigating causes. As these efforts have stabilized, no major concerns arose, resulted in a +9.8 billion yen positive impact on profit and loss compared to the previous year.

(India Automobile business)

Q6: You mentioned strong local orders; please comment on the sustainability of sales trends and the impact on model mix. Also, is there a possibility that the overall demand outlook for 2030 will be revised upward in light of the current situation?

- A. Regarding India's GST, the new tax rate was implemented from September 22. For petrol cars, small cars up to 4 meters in length and with engine displacement of 1.2L or less are subject to an 18% tax rate, while other vehicles are taxed at 40%. In Maruti Suzuki's October retail sales, small car sales grew significantly to 129% year-on-year, while other vehicles were at 101%. Small cars such as Dzire, Fronx, Alto, Baleno, and Eeco performed particularly well. As for whether this trend will negatively affect profit margins, even among small cars, there are various models from entry-level to premium, so increased small car sales do not necessarily mean lower profit margins. We will continue to optimize the model mix as trends develop.

For the second half outlook, small cars are expected to grow by double digits year-on-year, while other vehicles will be flat, resulting in an overall increase of about 6% year-on-year. In the medium term, both GDP growth and passenger car market growth in India have averaged 5.9% over the past decade, and with GDP expected to grow at over 6%, we anticipate the passenger car market will also grow at around 6% annually.

Q7: What are the demand and sales trends for SUVs specifically?

A. In October, small SUV sales, especially Fronx, grew about 1.5 times year-on-year. On the other hand, non-small SUVs (Brezza, Grand Vitara, Victoris) had sales similar to the previous year. Our small SUV growth was notable, but since this is only one month's data, we will continue to monitor trends.

Incidentally, for the new Victoris, we received orders for 31,000 units from its launch on September 3 to October 31. Retail sales for this model were 11,000 units (1,000 in September, 10,000 in October), so there is still room for growth.

Q8: Are current orders following the same trend as October retail sales? Also, what is the inventory level, production system, and back order status relative to demand?

A. At Maruti Suzuki's financial results briefing, it was reported that post-tax cut orders totaled about 500,000 units, with about 70% of that in October alone. The conversion rate from orders to retail sales is about two-thirds. Orders are increasing almost in proportion to retail sales, with October retail sales at 242,000 units, 120% year-on-year.

In the Indian market, annual model year updates are well recognized, and customers tend to prefer new model year vehicles. Since November and December are immediately after the GST change and closely before the model year switch, production adjustments to some extent can be made based on sales trends, but large changes in a short period are difficult, and year-end retail sales will depend on inventory levels. On the other hand, in the new year, production is expected to increase in line with rising demand for new model year vehicles.

At the end of October, order backlogs varied by model but increased compared to the previous year. For example, the small car Alto has always had limited inventory, but orders have increased, resulting in a growing back order.

Q9: To expand demand, I believe it would be beneficial to ramp up operations at the new Kharkhoda plant as soon as possible. Please explain the outlook for production increase, including concerns about infrastructure such as power supply.

A. In the first phase at the Kharkhoda plant, we have established a production line with an annual capacity of 250,000 units (just over 20,000 units per month). Currently, we are operating at about 80% of production capacity, and since starting operations at the end of the last fiscal year, we have gradually increased production while prioritizing quality. Regarding electricity, the plant is equipped with its own power generation facilities to address India's chronic power outage issues, so power infrastructure is not currently a major constraint on production.

At this plant, we produce SUV models such as the new Victoris and Brezza (also produced at other plants), and while we understand strong market demand, we continue to prioritize quality.

(Japan Automobile business)

Q10: Other companies are launching new models one after another, and you are also introducing sub-compact and standard-sized vehicles. Are there changes or room for improvement within the domestic competitive environment?

A. Regarding orders in Japan, the impact of inflation continues, and the same trend was seen in 2Q. However, the launch of new models by various companies has revitalized the mini-vehicle market, and we are also strengthening our products for the year-end and New Year's sales season to recover sales.

At the same time, we will continue efforts to communicate product value to customers to avoid being drawn into price competition. We recognize that expanding total sales, including not only mini-vehicle but also sub-compact and standard-sized vehicle, is important. Fortunately, demand for sub-compact and standard-sized vehicles is strong, so we will work to strengthen sales of these as well.

Q11: Your sub-compact and standard-sized vehicle sales are increasing; how is the customer profile changing?

A. Regarding changes in sub-compact and standard-sized vehicle users, for models like Jimny Nomade and Fronx, more customers are switching from other brands rather than the traditional "mini to mini" or "Suzuki to Suzuki" replacements. As we attract more non-Suzuki customers, the overall volume is increasing.

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