Financial Results 2Q FY2020
Questions and answers in the briefing session for analysts

5 November 2020
SUZUKI MOTOR CORPORATION

(Business in Japan)

Q1: What is the current domestic backlog and order status compared with previous year?
We recognize there were unique factors last year especially in October, such as consumption tax increase and typhoon disaster.

A. With the exception of Jimny and Jimny Sierra, the backlog of domestic orders has been nearly normalized to approximately one month. However, sales of Jimny and Jimny Sierra remain strong, and we have to apologize for taking approximately one year before delivery under the current circumstances.
On the other hand, the number of new orders in the 2nd quarter was 80 to 90% compared with the previous year. In October, there was a 50% increase from last year, but it was due to special factors such as consumption tax hike in the same month previous year, and the figure was still around 80% level of 2 years before. Therefore, we have the impression that the economy has yet to fully recover.
With regard to the status of new car registration as well as incoming orders, the number of units sold remain stable as a result of prioritizing the elimination of backlogs, however, the number of new orders remained at the level of 80 to 90% year-on-year. We believe that various sales efforts and ingenuity are necessary throughout the second half of the fiscal year.

Q2: Export figures seem to be in good shape at 83,000 units in the first half. The company provided annual forecast of 188,000 units, however, given the chances of another lock-down in Europe, what is the assumption of this figure by destination?

A. Of the 83,000 vehicles (103% YoY) exported in the first half of the fiscal year, 57,000 were exported to Europe (115%), 8,000 to Central and Latin America (68%), 6,000 to Southeast Asia (94%), 5,000 to Oceania (81%), and 4,000 to Africa (239%).
In Europe, where the volume is large, the year-on-year increase of 15% was partly due to reduced export volume in the 1st quarter in order to give priority on reduction of domestic backlog, but the normalization of production in the 2nd quarter led to a shift of volume to exports, which resulted in a year-on-year increase in the overall first half.
Regarding the outlook for the second half of the fiscal year, we believe it is

necessary to closely monitor the spread of COVID-19, especially in Europe. However, the effect of ongoing lock-down situation and stay home rules in European countries have not been fully incorporated into the full-year forecast at this stage. Therefore, we believe it is necessary to consider it with some discount.

(Business in India)

Q3: We understand that the sales assumptions in India are somewhat conservative, but as stock needs to be built up to meet the coming festive demand, how do you see future inventory trends?

A. Although inventories have been increased to meet demand for Diwali (festive season) in the 3rd quarter, Indian inventories are expected to decline due to strong retail sales. From the end of the 3rd quarter to the beginning of the 4th quarter, we will have to decide our move, by closely paying attention to the market situation.

Q4: In 1Q (April to June) briefing, you explained that demand for small cars was strong due to steady demand in rural areas as well as the creation of new demand through the establishment of flexible loans. Are such situations continue to be in place?

A. During the 2nd quarter, the proportion of entry-car class cars such as Alto and Wagon R increased by 5 points compared to the previous year. However, future demand depends on how the Indian economy recovers, and it is important to determine whether it is a temporary or the movement continues in the post-COVID19 era. The shift in customer demand to smaller vehicles can be an opportunity for us to expand sales, but it is also up to customers, so we need to keep a close eye on trends.

Speaking on the demand shift, the impact of COVID-19 is more serious in urban areas rather than in rural areas, and consequently the sales decline in rural areas has been small. We have been focusing on sales in rural areas even before COVID-19, by setting up own loans through tie-ups with financial institutions, appointing Resident Sales Executives (RDSEs), and deploying mobile service cars. We will continue accelerate the development of rural areas, utilizing above measures.

For your information, the Japan Bank for International Cooperation (JBIC) recently decided to extend a total of $1 billion in partnership loans to SBI (State Bank of India), India's largest state-run bank, to provide Indian automobile-related loans. We welcome the expanded financial support to help finance suppliers and dealers that suffered loss from COVID-19. The expanded financial support will facilitate the development of businesses on the demand and supply side of automobiles. We will encourage our dealers and suppliers to utilize such support.

(Miscellaneous)

Q5: 2Q (July-September) profit level is strong, but what is the actual profit level after excluding extraordinary factors?

A. The high level of profits in the 2Q (July-September period) was due to efforts to cut costs through fiscal austerity, including various budget deferrals and a decrease in depreciation due to reduction in capital expenditure. In addition, production in major plants such as in Japan and India also recovered. As a result, profits in the 2Q alone were higher than in the same period of the previous year.

But it's also very difficult to tell whether this continues. India is doing extremely well in the current 3Q (October-December) as it is in the festive season, but it is hard to predict whether this will continue in the 4Q (January-March). Under these circumstances, we will work hard to achieve the full-year forecasts we have set, while strengthening our sales policies and introducing models that customers want, including in Japan.

Q6: Suzuki is cutting expenses in 2Q (July-September) even as sales recover, but what's the outlook?

A. Although we have narrowed down the budget considerably from the initial budget in terms of the austerity budget, the decrease in 2Q is smaller than that in 1Q. This is mainly due to the recovery of sales. In fact, looking at changes in the sales composition, the amount in 1Q was minus 131.9 billion yen, while that in 2Q was minus 15.1 billion yen. The changes in various expenses reflect the increase in operating policy expenses and shipping expenses that increase proportionally with the number of units sold. We conclude that it is the result of both sales increase and accumulated efforts to reduce costs.

With regard to the future outlook of expenses, we will not immediately restore them under such circumstances, but will take a strict austerity approach to some extent while observing the situation.

Q7: In the 2Q (July-September), we noted there was a decline in the provision for product warranties. What is the trend in the ratio of quality-related expenses to sales, including moves in compensation from suppliers?

A. In terms of quality related expenses, the first half was significantly lower than the same period last year. As a percentage of sales, the total for the first half (April-September) was 0.3%, and for the 1Q (April-June period) it was 0.8%, and for the 2Q (July-September period) it was 0.1%. These figures were

included in the reduction in various expenses.
The decrease in provision for product warranties includes a decrease in the amount due to the determination of the amount of compensation to be paid by the counter party, but this is largely due to the fact that the reserve balance decreases as recall work proceed.

Q8: What is the outline of the new mid-term management plan under preparation, and when will it be announced?

A. With regard to the mid-term management plan, we are of the view that we need to further discuss in depth variety of issues such as corporate culture reform and digitization, and efforts to achieve carbon-neutral including products and factories, as a manufacturing company.
We hope to be able to release it by the end of this term.

Q9: Why did the first half dividend remain unchanged despite a 30% decline in profits?
On the other hand, the dividend for the full year has not been decided yet, but is there any intention to improve the dividend policy?

A. We intended to present our dividend policy in the mid-term management plan, but for the first half of the current fiscal year, we decided to maintain the dividend at 37 yen without reducing it. Although the outlook for the full year is still uncertain, we will place our utmost efforts.

Q 10: In the first half of the fiscal year, the company's profits were partly due to fiscal austerity to cope with COVID-19. Meanwhile can you share with us whether there was anything that strengthened earnings base and earning power in the medium term?

A. Under the COVID-19 circumstances, it has become difficult to apply what we used to think was common sense. Most significantly, we have come to realize once again that our company is far behind in areas such as digitization. In addition to simply promoting digitization, we had to review the way of work in the past, whether it suits digitalization.
In this respect, we have to focus on human resources development and corporate culture reform in addition to fiscal austerity. In other words, the problems that had been hidden up until now have come to light, and the problem of how to solve them has become clear. Therefore, it is necessary to build a solid foundation for profitability by investing in such areas after fiscal austerity. It is our view that we have a long way to go.

end