Financial results 3Q FY2023
Questions and answers in the briefing session for analysts

February 7, 2024
Suzuki Motor Corporation

(Domestic automobile business)

Q1: With domestic customers becoming defensive and demand weakening, what is the impact of the price hike on sales?
On the other hand, what is the impact of the price increase on the vehicle composition of the domestic segment?

A. The Spacia and Swift models were completely redesigned toward the end of the year, and thanks to this, orders have been strong. However, there is an up-and-down trend depending on the model, and the order of the higher range is rather better. On the other hand, some of the inexpensive cars are lower than the previous year, and the customers for smaller cars are more sensitive to price and a little more defensive. We had no choice but to raise the price of cars even like the Alto, however, as it was due to the unavoidable price increase in order to achieve a reasonable price, we will seek for firm understanding of customers in the sales field to sell good products at a reasonable price.
Going forward, we will appeal to customers that it is adjustment of the appropriate price considering material/energy prices and situations of suppliers, rather than a simple price increase, and we will expand sales with understanding of customers on product prices.

Q2: What is the situation on the ground when the rival cannot ship?

A. We believe that it is all about selling products that we are confident about.

(India automobile business)

Q3: What is your view on the decline in market share?

A. Although the total passenger car share in December declined, December is a month with seasonal factor in which the company adjusts shipments due to the model year change. This year, we had sufficient compact cars in stock, so we adjusted production and shipment for the 2023 model year. As a result, our market share dropped slightly. On the other hand, retail sales recorded an all-time high. As a result, the company was able to reduce its market inventory considerably, and it was reported that it was able to ship more than the previous year in January. In addition, there were issues that production was restricted last year due to the shortage of components, so in that sense, this year's growth can be expected. Meanwhile, Tier2 suppliers are experiencing a shortage of parts related to CNG vehicles. However, the situation should be resolved in January-March and we believe there will be no negative impact from next fiscal year.

Q4: The current SUV market share of 20% is relatively low compared to the growing market.
How do you maintain and improve the market share?

A. Nearly 50% of Indian Market are SUVs, and SUVs are clearly becoming the focus. As we have continuously introduced SUVs, we will continue expanding sales of these models.
Over the medium to long term, the company will adjust its production capacity and compete for extra market share. We have already started preparations for this, but in the short term, there will be no major expansion, for about a year, as the next expansion of production capacity will be at the beginning of 2025. In addition to introducing new products, the company is also considering whether the SUVs should be sold only through NEXA channel. We will deal with those issues in a span of 2-3 years together with the capacity issue.

Q5: The Indian Automobile Manufacturers Association predicts that the market will grow by about 2% in the next fiscal year, compared to 7~8% in the previous fiscal year. What is your company's view?

A. We are aware of the low growth forecast for the next fiscal year. In addition, there will be a general election around April-May, and India's annual budget announced in February is only tentative, so demand will likely remain on the sidelines for a while. On the other hand, there is expectation that the full year budget after the election will be prepared in a fairly aggressive manner based on the comments made by the Minister of Finance, so we also expect that demand will be stimulated there. In this sense, the first half of the next fiscal will be a little slow, and we expect that there will be a sense of hope that it will improve in the second half.

Q6: Maruti Suzuki's operating profit margin for the 3Q (October-December) was as high as 9.5%, despite inventory adjustments, etc., but will it be possible to further improve earnings in the next fiscal year through SUV composition, pricing strategies, etc.?

A. The ideal is to increase the rate of return as much as possible, but we need to take measures including production investment. In this context, it is very important to consider how to increase not only the profit margin but also the profit amount itself. Naturally, we will focus on the development and introduction of new products.

(European Business)

Q7: What is the impact of the Suez Canal on the logistics of European business?

A. As a problem that has already occurred, we have no choice but to deal with it to some extent. In January, the Magyar Suzuki plant stopped because the situation suddenly occurred and the company could not respond in time. As for the future, this has already been factored in, so we will make various arrangements depending on the amount of time required for shipping, which is about two weeks longer. So for now, we don't think there will be much negative impact from this issue.

(Consolidated financial results)

Q8: Are there any costs that are going down toward the next fiscal year? I think the change in sales composition includes shipping costs, which are on an increasing trend. How do you see the next fiscal year? What is the level of fixed costs for the next fiscal year?

A. Basically, the cost of various items has increased, so there is no reason for the price to go down, but for example, the price of raw materials may go down a little in that sense, as steel and precious metals are showing signs of stability.

The impact of shipping costs was about 30.4 billion yen in the total change in sales structure up to the third quarter of this fiscal year. In Japan alone, about 16 billion yen is included, and in the breakdown, the fare of the car carrier has increased considerably. This is also a somewhat long contract, so there is no sudden drop.

Domestic logistics costs are also on the rise. Labor and energy costs have risen in response to the 2024 problem, and it is difficult to secure trucks, so unit prices have risen. In this way, we will closely monitor the various costs and thoroughly obtain information, including those that can be dealt with by reducing internal costs.

Q9: The company revised down its full-year sales structure by 15 billion yen from the previous forecast. What are the details of this?

A. The impact of unrealized gains mainly due to the stock increase. It is difficult to predict the stock level, but the inventory tends to increase a little even in the third quarter, and the impact of the sales slowdown in some regions is also appearing in the volume forecast. As we forecast the stock level increase at the end of the period, the profit rate per unit to increase, and the continuation of the depreciation of the yen, therefore, we are looking at minus 15 billion yen.

(Research and Development)

Q10: Since the beginning of the fiscal year, Suzuki has greatly increased R&D and fixed costs. What are the results and responses? Will it also accelerate toward the next fiscal year?

A. The top priority of the growth strategy is to accelerate progress in electrification. We are late to the game, including EVs, and our engineers are struggling with the development to catch up. In addition to electrification, the environment is changing rapidly, such as autonomous driving and connected services, so we will work together to keep up. Progress over the past nine months has been mostly on an assumed basis, so we will continue to deliver solid results and implement our growth strategy in the remaining quarter.

In the next fiscal year, we plan to fully account for 4.5 trillion yen in research and development expenses (for 8 years until FY2030) as part of its growth strategy, and to produce results. For example, the cow dung biogas project in India, efforts will be made to not only sow seeds, but also to produce results.

(Shareholder returns)

Q11: The annual dividend was changed to “increase by 10 yen” from the previous forecast of “TBD”, but the dividend payout ratio is still 22%, lower than the past and the mid-term target of 30%. What is the meaning and message behind this guidance?

A. Based on the results up to the third quarter, we have raised the accuracy and announced the forecast of 110 yen. Suzuki's basic policy for shareholder returns is to pay progressive dividends, and even if earnings are expected to decline, the company will not cut dividends. We intend to maintain this fundamental concept in discussions at the Board of Directors.

We will also reorganize capital policy and cost of capital while we are in the stage where we need to complete our growth strategy, along with investment for growth. We would like to firmly reflect the engagement and dialogue with the stock market in our deliberations, but please understand that this is our outlook at this stage.

End