

ANNUAL REPORT 2018



SUZUKI MOTOR CORPORATION

FINANCIAL SECTION

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Five-Year Summary

SUZUKI MOTOR CORPORATION

CONSOLIDATED

Years ended 31 March	Millions of yen (except per share amounts)				
	2018	2017	2016	2015	2014
Net sales	¥3,757,219	¥3,169,542	¥3,180,659	¥3,015,461	¥2,938,314
Net income attributable to owners of the parent	215,730	159,956	116,660	96,862	107,484
Net income per share:					
Primary	488.86	362.54	234.98	172.67	191.60
Fully diluted	473.74	362.48	234.92	172.63	191.57
Cash dividends per share	74.00	44.00	32.00	27.00	24.00
Net assets	1,595,227	1,387,041	1,187,703	1,701,390	1,494,357
Total current assets	1,941,081	1,955,973	1,632,630	2,008,729	1,790,832
Total assets	3,340,828	3,115,985	2,702,008	3,252,800	2,874,074
Depreciation and amortisation....	150,877	163,397	168,315	134,377	117,188

Consolidated Financial Statement

Consolidated Balance Sheets

As of 31 March 2018 and 2017

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen	
	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents ^{★NOTE 12}	¥ 600,846	¥ 614,031
Receivables:		
Notes and accounts receivable-trade ^{★NOTE 4}	388,973	349,224
Allowance for doubtful accounts	(4,769)	(4,821)
Inventories	352,916	332,116
Deferred tax assets ^{★NOTE 9}	122,092	113,845
Others	481,022	551,576
Total current assets	1,941,081	1,955,973
 Property, plant and equipment:		
Land ^{★NOTE 6}	280,866	261,130
Buildings and structures ^{★NOTE 6}	454,347	438,043
Machinery, equipment and vehicles	1,217,050	1,363,140
Tools, furniture and fixtures	585,610	396,523
Construction in progress	106,393	48,223
	2,644,269	2,507,061
Accumulated depreciation	(1,840,003)	(1,750,717)
Total property, plant and equipment	804,265	756,344
 Investments and other assets:		
Investment securities ^{★NOTE 4}	517,693	314,594
Investments in affiliates ^{★NOTE 4}	35,509	52,841
Assets for retirement benefits ^{★NOTE 8}	42	44
Deferred tax assets ^{★NOTE 9}	23,471	21,140
Others	18,764	15,047
Total investments and other assets	595,481	403,667
Total assets	¥3,340,828	¥3,115,985

The accompanying Notes to Consolidated Financial Statement are an integral part of these statements.

As of 31 March 2018 and 2017

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen	
	2018	2017
LIABILITIES AND NET ASSETS		
Current liabilities:		
Short-term loans payable *NOTE 4 and 6	¥ 97,598	¥ 96,643
Current portion of long-term loans payable *NOTE 4 and 6	93,157	119,958
Accounts payable-trade *NOTE 4	443,916	428,063
Electronically recorded obligations.....	68,322	83,070
Income taxes payable	40,598	31,863
Accrued expenses *NOTE 4	215,335	191,068
Provision for product warranties	105,106	76,995
Deferred tax liabilities *NOTE 9	929	55
Others *NOTE 6	177,305	160,402
Total current liabilities.....	<u>1,242,270</u>	<u>1,188,121</u>
Noncurrent liabilities:		
Bonds with subscription rights to shares *NOTE 4 and 5	194,211	200,400
Long-term loans payable *NOTE 4 and 6	192,943	222,870
Liabilities for retirement benefits *NOTE 8	65,224	63,099
Provision for disaster	1,914	1,976
Deferred tax liabilities *NOTE 9	1,175	1,384
Others *NOTE 6	47,860	51,091
Total noncurrent liabilities	<u>503,330</u>	<u>540,822</u>
Total liabilities	<u>1,745,601</u>	<u>1,728,943</u>
Net assets:		
Shareholders' equity:		
Capital stock:		
Common stock:		
Authorised: 1,500,000,000 shares Issued:		
as of 31 March 2018: 491,018,100 shares		
as of 31 March 2017: 491,000,000 shares	138,064	138,014
Capital surplus	143,868	144,035
Retained earnings	1,247,242	1,058,549
Treasury stock	(189,126)	(191,051)
Total shareholders' equity	<u>1,340,047</u>	<u>1,149,548</u>
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	108,528	98,827
Deferred gains or losses on hedges.....	22	1,269
Foreign currency translation adjustment	(140,136)	(119,236)
Accumulated adjustment for retirement benefits	(10,925)	(10,543)
Total accumulated other comprehensive income	<u>(42,511)</u>	<u>(29,683)</u>
Subscription rights to shares *NOTE 15	<u>126</u>	<u>126</u>
Non-controlling interests	<u>297,564</u>	<u>267,049</u>
Total net assets	<u>1,595,227</u>	<u>1,387,041</u>
Total liabilities and net assets	<u>¥3,340,828</u>	<u>¥3,115,985</u>

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

(Consolidated Statement of Income)

Years ended 31 March 2018 and 2017

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen	
	2018	2017
Net sales	¥3,757,219	¥3,169,542
Cost of sales	2,651,473	2,261,914
Gross profit.....	1,105,745	907,627
Selling, general and administrative expenses *NOTE 10 and 11 ...	731,563	640,942
Operating income.....	374,182	266,685
Other income (expenses):		
Interest and dividends income.....	35,633	16,827
Interest expense	(8,152)	(4,771)
Equity in earnings (losses) of affiliates.....	(13,870)	2,327
Impairment loss *NOTE 3	(2,585)	(39,936)
Others, net.....	(1,173)	54,067
Income before income taxes etc.	384,033	295,200
Income taxes: *NOTE 9		
Current.....	121,527	92,263
Deferred	(12,933)	5,319
	108,593	97,583
Net income.....	275,439	197,616
Net income attributable to non-controlling interests.....	59,709	37,660
Net income attributable to owners of the parent	¥ 215,730	¥ 159,956

	Yen	
Net income per share:		
Primary	¥ 488.86	¥ 362.54
Fully diluted	473.74	362.48
Cash dividends per share	74.00	44.00

The accompanying Notes to Consolidated Financial Statement are an integral part of these statements.

(Consolidated Statement of Comprehensive Income)

Years ended 31 March 2018 and 2017

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen	
	2018	2017
Net Income	¥275,439	¥197,616
Other comprehensive income *NOTE 13		
Valuation difference on available-for-sale securities	16,036	28,375
Deferred gains or losses on hedges.....	(1,232)	505
Foreign currency translation adjustment	(35,936)	3,634
Adjustment for retirement benefits.....	(514)	(655)
Share of other comprehensive income of associates accounted for using equity method.....	234	(2,318)
Total other comprehensive income	(21,411)	29,541
Comprehensive income	254,027	227,158
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent...	202,870	177,276
Comprehensive income attributable to non-controlling interests..	51,157	49,881

The accompanying Notes to Consolidated Financial Statement are an integral part of these statements.

Consolidated Statement of Changes in Net Assets

Years ended 31 March 2018 and 2017

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen					
	Thousands of shares of common stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance as of 31 March 2016	491,000	¥138,014	¥144,166	¥913,656	¥(191,169)	¥1,004,668
Dividends from surplus.....	—	—	—	(15,003)	—	(15,003)
Net income attributable to owners of the parent.....	—	—	—	159,956	—	159,956
Purchase of treasury stock ...	—	—	—	—	(4)	(4)
Disposal of treasury stock.....	—	—	(60)	—	122	62
Transfer to capital surplus from retained earnings	—	—	60	(60)	—	—
Capital increase of Consolidated subsidiaries	—	—	(130)	—	—	(130)
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Total changes during the fiscal year	—	—	(130)	144,892	118	144,880
Balance as of 31 March 2017	491,000	¥138,014	¥144,035	¥1,058,549	¥(191,051)	¥1,149,548
Issuance of new shares....	18	49	49	—	—	98
Dividends from surplus.....	—	—	—	(25,153)	—	(25,153)
Net income attributable to owners of the parent.....	—	—	—	215,730	—	215,730
Purchase of treasury stock ...	—	—	—	—	(6)	(6)
Disposal of treasury stock.....	—	—	(1,912)	—	1,930	18
Transfer to capital surplus from retained earnings	—	—	1,912	(1,912)	—	—
Capital increase of consolidated subsidiaries.....	—	—	(216)	—	—	(216)
Change of scope of equity method.....	—	—	—	28	—	28
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Total changes during the fiscal year	18	49	(166)	188,692	1,924	190,498
Balance as of 31 March 2018	491,018	¥138,064	¥143,868	¥1,247,242	¥(189,126)	¥1,340,047

Consolidated Financial Statement

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen							
	Valuation difference on available- for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Accumulated adjustment for retirement benefits	Total accumulated other comprehensive income	Subscription rights to shares	Non- controlling interests	Total net assets
Balance as of 31 March 2016	¥77,624	¥536	¥(115,551)	¥(9,580)	¥(46,970)	¥188	¥229,816	¥1,187,703
Dividends from surplus.....	—	—	—	—	—	—	—	(15,003)
Net income attributable to owners of the parent.....	—	—	—	—	—	—	—	159,956
Purchase of treasury stock ...	—	—	—	—	—	—	—	(4)
Disposal of treasury stock.....	—	—	—	—	—	—	—	62
Transfer to capital surplus from retained earnings	—	—	—	—	—	—	—	—
Capital increase of Consolidated subsidiaries	—	—	—	—	—	—	—	(130)
Net changes of items other than shareholders' equity.....	21,202	732	(3,685)	(962)	17,287	(62)	37,232	54,458
Total changes during the fiscal year	21,202	732	(3,685)	(962)	17,287	(62)	37,232	199,338
Balance as of 31 March 2017	¥98,827	¥1,269	¥(119,236)	¥(10,543)	¥(29,683)	¥126	¥267,049	¥1,387,041
Issuance of new shares....	—	—	—	—	—	—	—	98
Dividends from surplus.....	—	—	—	—	—	—	—	(25,153)
Net income attributable to owners of the parent.....	—	—	—	—	—	—	—	215,730
Purchase of treasury stock ...	—	—	—	—	—	—	—	(6)
Disposal of treasury stock.....	—	—	—	—	—	—	—	18
Transfer to capital surplus from retained earnings	—	—	—	—	—	—	—	—
Capital increase of Consolidated subsidiaries	—	—	—	—	—	—	—	(216)
Change of scope of equity method.....	—	—	—	—	—	—	—	28
Net changes of items other than shareholders' equity.....	9,700	(1,246)	(20,900)	(381)	(12,828)	—	30,514	17,686
Total changes during the fiscal year	9,700	(1,246)	(20,900)	(381)	(12,828)	—	30,514	208,185
Balance as of 31 March 2018	¥108,528	¥22	¥(140,136)	¥(10,925)	¥(42,511)	¥126	¥297,564	¥1,595,227

The accompanying Notes to Consolidated Financial Statement are an integral part of these statements.

Consolidated Statement of Cash Flows

Years ended 31 March 2018 and 2017

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen	
	2018	2017
Cash flows from operating activities		
Income before income taxes etc.	¥384,033	¥295,200
Depreciation and amortisation	150,877	163,397
Impairment loss	2,585	39,936
Increase (decrease) in allowance for doubtful accounts	(81)	(812)
Interest and dividends income.....	(35,633)	(16,827)
Interest expenses	8,152	4,771
Foreign exchange losses (gains).....	1,064	876
Equity in (earnings) losses of affiliates.....	13,870	(2,327)
Loss (gain) on sales of property, plant and equipment ...	(2,550)	(667)
Loss (gain) on sales of investment securities.....	(1,281)	(47,775)
Decrease (increase) in notes and accounts receivable-trade ..	(41,940)	(17,023)
Decrease (increase) in inventories	(23,449)	(50,386)
Increase (decrease) in notes and accounts payable-trade ...	5,710	45,218
Increase (decrease) in accrued expenses	29,720	6,473
Others, net.....	39,067	20,370
Sub-total	530,146	440,423
Interest and dividends income received	36,062	15,412
Interest expenses paid	(8,649)	(4,613)
Income taxes paid	(112,387)	(84,906)
Net cash provided by (used in) operating activities	445,171	366,315
Cash flows from investing activities		
Payments into time deposits	(141,102)	(38,552)
Proceeds from withdrawal of time deposits.....	96,086	8,367
Purchases of short-term investment securities	(729,488)	(297,947)
Proceeds from sales and redemption of short-term investment securities	775,840	268,519
Purchases of property, plant and equipment	(205,854)	(192,054)
Others, net.....	(137,066)	(36,898)
Net cash provided by (used in) investing activities	(341,585)	(288,564)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable.....	1,443	(102,949)
Proceeds from long-term loans payable	57,000	83,172
Repayment of long-term loans payable	(120,874)	(63,449)
Proceeds from issuance of bonds with subscription rights to shares	—	200,500
Redemption of bonds.....	(6,070)	—
Proceeds from share issuance to non-controlling shareholders	1,005	—
Purchase of treasury stock.....	(6)	(4)
Cash dividends paid	(25,146)	(15,003)
Cash dividends paid to non-controlling interests.....	(20,789)	(9,417)
Others, net.....	(484)	(3,342)
Net cash provided by (used in) financing activities.....	(113,922)	89,505
Effect of exchange rate changes on cash and cash equivalents	(2,848)	(3,313)
Net increase (decrease) in cash and cash equivalents	(13,185)	163,942
Cash and cash equivalents at beginning of period	614,031	450,088
Cash and cash equivalents at end of period *NOTE 12	¥600,846	¥614,031

The accompanying Notes to Consolidated Financial Statement are an integral part of these statements.

Notes to Consolidated Financial Statements

NOTE 1: Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Suzuki Motor Corporation (the "Company"), consolidated Subsidiaries, and Affiliates (the "Group") have been prepared on the basis of generally accepted accounting principles and practices in Japan, and the consolidated financial statements were filed with the Financial Services Agency as required by the Financial Instruments and Exchange Act of Japan.

The preparation of the consolidated financial statements requires the management to select and adopt accounting standards and make estimates and assumptions that affect the reported amount of assets and liabilities, revenue and expenses, and the corresponding methods of disclosure.

As such, the management's estimates are made reasonably based on historical results. However, due to the inherent uncertainties involved in making estimates, actual results could differ from these estimates.

For the convenience of readers outside Japan, certain reclassifications and modifications have been made to the original consolidated financial statements.

As permitted, an amount of less than one million yen has been omitted.

NOTE 2: Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements for the years ended 31 March 2018 and 2017 include the accounts of the Group, and the numbers of consolidated subsidiaries were 131 and 136 respectively. In addition, the numbers of investments in affiliated companies for the years ended 31 March 2018 and 2017 were 31 and 32 respectively. All significant inter-company accounts and transactions are eliminated in consolidation. Investments in affiliated companies are accounted for by the equity method. The difference at the time of acquisition between the cost and underlying net equity of investments in consolidated subsidiaries (goodwill) and in affiliated companies accounted for under the equity method is, as a rule, amortised on a straight-line basis over a period of five years after appropriate adjustments.

The account settlement date of 19 consolidated subsidiaries is 31 December, however Magyar Suzuki Corporation Ltd. and others are consolidated based on the financial statements of provisional account settlement as of 31 March.

The account settlement date of other consolidated subsidiaries is the same as the consolidated account settlement date.

(b) Allowance for doubtful accounts

In order to allow for loss from bad debts, estimated uncollectible amount based on actual ratio of bad debt is appropriated as general allowance. With respect to specific receivable with higher default possibility, recoverable amount is estimated respectively and uncollectible amount is appropriated.

(c) Allowance for investment loss

The differences between the book value and the fair value of securities and investment not quoted at an exchange are determined and appropriated as reserve in order to allow for losses from these investments.

(d) Provision for product warranties

The provision is appropriated into this account based on the warranty agreement and past experience in order to allow for expenses related to the maintenance service of products sold.

(e) Provision for Directors' bonuses

In order to defray bonuses for Directors and Audit & Supervisory Board Members, estimated amount of such bonuses is appropriated.

(f) Provision for Directors' retirement benefits

The amount to be paid at the end of fiscal year had been posted pursuant to the Company's regulations on the retirement allowance of Directors and Audit & Supervisory Board Members, however the Company's retirement benefit system for them was abolished at the closure of the Ordinary General Meeting of Shareholders held on 29 June 2006. And it was approved at Ordinary General Meeting of Shareholders that reappointed Directors and Audit & Supervisory Board Members would be paid their retirement benefit at the time of their retirement, based on their years of service. Estimated amount of such retirement benefits is appropriated at the end of the current consolidated fiscal year. Furthermore, for the Directors and Audit & Supervisory Board Members. Of some consolidated subsidiaries, the amount to be paid at the end of the year is posted pursuant to their regulation on the retirement allowance of Directors and Audit & Supervisory Board Members.

(g) Provision for disaster

Reasonably estimated amount is appropriated for anticipated loss mainly caused by relocation of plants and facilities located in the Ryuyo Region in Iwata City, Shizuoka Prefecture where massive tsunami damages caused by Tokai and Tonankai Earthquake are anticipated.

(h) Provision for product liabilities

The provision is appropriated for product compensation related to North American market which is not covered by "Product Liability Insurance" based on the actual payments.

(i) Provision for recycling expenses

The provision is appropriated for an estimated expense related to the recycle of products of the Company based on number of vehicles owned in the market, etc.

(j) Short-term investment securities and Investment securities

The Company and its subsidiaries hold securities of listed companies, which have a risk of price fluctuations, and non-listed companies whose stock prices are difficult to be evaluated.

If the Company and its subsidiaries judge the decline in investment value is not temporary, the Company and its subsidiaries recognise revaluation loss based on the reasonable standard. If the stock market falls, the Company and its subsidiaries may incur significant loss on valuation of securities.

Securities have to be classified into four categories: trading securities; held-to-maturity debt securities; investments of the Company in equity securities issued by consolidated subsidiaries and affiliates; and available-for-sale securities.

According to this classification, securities held by the Company and its subsidiaries are available-for-sale securities. Available-for-sale securities for which market quotations are available are stated at market value method based on the market values as of the consolidated account settlement date (the evaluation differences shall be reported as other comprehensive income, and sales costs shall be calculated mainly by moving average method).

Available-for-sale securities for which market quotations are unavailable are stated at cost by moving average method.

(k) Hedge accounting

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred until the gains and losses on the hedged items or transactions are recognised.

If foreign currency forward contracts meet certain criteria, special exceptional hedge accounting is applied and these contracts are handled together with hedged items. If interest rate swap contracts meet certain criteria, exceptional hedge accounting is applied and these contracts are handled together with hedged items. If cross currency interest rate swap contracts meet certain criteria, integration method (special exceptional method and exceptional method) is applied and these contracts are handled together with hedged items.

The derivatives designated as hedging instruments by the Company and its subsidiaries are principally forward exchange contracts, interest swaps and cross currency interest rate swaps. The related hedged items are foreign currency denominated transaction and borrowings.

The Company and its subsidiaries have a policy to utilise the above hedging instruments in order to reduce our exposure to the risks of the fluctuation of interest rate and foreign exchange. Thus, our purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items. The Company and its subsidiaries evaluate effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(l) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are converted into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net income or loss for the period.

Assets and liabilities of the foreign subsidiaries and affiliates are converted into Japanese yen at the exchange rates prevailing at the balance sheet date.

The components of net assets are converted into Japanese yen at their historical rates. Profit and loss accounts for the fiscal year are converted into Japanese yen by using the average exchange rate during the fiscal year. Differences in yen amounts arising from the use of different rates are presented as "Foreign currency translation adjustment" and "Non-controlling interests" in the net assets.

(m) Inventories

Stated at cost mainly determined by the gross average method (figures on the consolidated balance sheet are measured by the method of book devaluation based on the reduction of profitability).

(n) Method of depreciation and amortisation of significant depreciable assets

a. Property, plant and equipment (excluding lease assets)

..... Mainly declining balance method for the Company and domestic subsidiaries and mainly straight-line method for foreign subsidiaries.

Main durable years are as follows:

Buildings and structures 3 to 75 years

Machinery, equipment and vehicles 3 to 15 years

b. Intangible assets (excluding lease assets)

..... Straight-line method

c. Lease assets

Finance leases which transfer ownership

..... The same method as depreciation and amortisation of self-owned noncurrent assets.

Finance leases which do not transfer ownership

..... Straight-line method with the lease period as the durable years. With respect to lease assets with guaranteed residual value under lease agreement, remaining value is the guaranteed residual value. With respect to other lease assets, remaining value is zero.

(o) Income taxes

The provision for income taxes is computed based on the income before income taxes included in the consolidated statements of income. The asset and liability approach is adopted to recognise deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. In making a valuation for the possibility of collection of deferred tax assets, the Company and its subsidiaries estimate their future taxable income reasonably. If the estimated amounts of future taxable income decrease, deferred tax assets may decrease and income taxes may be posted.

Consolidated tax payment has been applied to the Company and its domestic wholly owned subsidiaries from the fiscal year ended 31 March 2012.

(p) Retirement benefits

With respect to calculation of retirement benefit obligations, benefit formula basis method is used to attribute expected benefit to period up to the end of this fiscal year. With respect to past service costs, they are treated as expense on a straight line basis over the certain years within the period of average length of employees' remaining service years at the time when it occurs. With respect to the actuarial gain or loss, the amounts, prorated on a straight line basis over the certain years within the period of average length of employees' remaining service years in each year in which the differences occur, are respectively treated as expenses from the next term of the year in which they arise.

Retirement benefit cost and retirement benefit obligation are calculated based on the actuarial assumptions, which include discount rate, assumed return of investment ratio, revaluation ratio, salary rise ratio, retirement ratio and mortality ratio. Discount rate is decided based on yield on low-risk and long-term bonds, and assumed return of investment ratio is decided based on the investment policies of pension assets of each pension system etc.

Decreased yield on long-term bond leads to a decrease in discount rate and it has an adverse influence on the calculation of retirement benefit cost. However, the pension system adopted by the Company has a cash balance type plan, and thus the revaluation ratio, which is one of the base ratios, can reduce adverse effects caused by the decrease in discount rate.

If the investment yield of pension assets is less than the assumed return of investment ratio, it will have an adverse effect on the calculation of retirement benefit cost. However, by focussing on low-risk investments, this influence should be minimal in the case of the pension fund systems of the Company and its subsidiaries.

(q) Net income per share

Primary net income per share is computed based on the weighted average number of shares issued during the respective years. Fully diluted net income per share is computed assuming that all stock options are exercised. Cash dividends per share are the amounts applicable to the respective periods including dividends to be paid after the end of the period.

(r) Cash and cash equivalents

All highly liquid investments with original maturities of three months or less when purchased are considered cash equivalents.

(s) Reclassification

Certain reclassifications of previously reported amounts are made to conform to current classifications.

(t) New accounting standards to be applied

- (1) "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, revised on 16 February 2018)
"Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, revised on 16 February 2018)

- 1) Outline

These guidances change the treatment of taxable temporary differences pertaining to shares of subsidiaries and affiliates in non-consolidated financial statements, and clarify the treatment of recoverability of deferred tax assets for an entity classified as type 1.

- 2) Scheduled date of application

The aforementioned guidances are scheduled to be applied at the start of the fiscal year ending 31 March 2019.

- 3) Effect of application of the accounting standards

The effect of the application of the aforementioned guidances on the Group's consolidated financial statements is under evaluation.

- (2) "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on 30 March 2018)

"Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, issued on 30 March 2018)

- 1) Outline

The aforementioned standard and guidance are comprehensive revenue recognition standards. Revenue is recognised by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

- 2) Scheduled date of application

The aforementioned standard and guidance will be applied at the start of the fiscal year ending 31 March 2022.

- 3) Effect of application of the accounting standards

The effect of the application of the aforementioned standards and guidance on the Group's consolidated financial statements is under evaluation.

NOTE 3: Impairment loss

The Group recorded impairment loss in the following group of assets as of 31 March 2017.

Use	Location	Classification	Amount (Millions of yen)
Assets for automobile business	Thailand	Machinery, equipment and vehicles, tools, furniture and fixtures, etc.	26,346
	Asia	Machinery, equipment and vehicles, etc.	296
Assets for motorcycle business	Asia	Machinery, equipment and vehicles, buildings and structures, etc.	5,192
Assets for other business	Japan	Land	1,496
Assets for rent	Japan	Land	6,007
Idle assets	Japan	Land	597
Total			39,936

The assets are divided into groups of the assets for business and the assets for rent respectively, mainly in units of business facilities. With respect to the assets which are decided to be disposed and idle assets which are not expected to be used in the future, tests of impairment are conducted based on individual assets.

[Assets for business]**(Suzuki Motor (Thailand) Co., Ltd.)**

Suzuki Motor (Thailand) Co., Ltd, a fully owned subsidiary of the Company in Thailand commenced its automobile production in March 2012, sells its product in the Thailand's domestic market and exports worldwide. However, due to slowdown in the domestic market as well as appreciation of Thai Baht, the performance of the automotive business in Thailand has remained at low level. In FY2016, the Company carried out the examination on future recoverability of the business assets of Suzuki Motor (Thailand) Co., Ltd. Since the examination indicated that the recoverable amount fell below the book value of the assets, the Company decided to record an impairment loss.

(Others)

Since the examination indicated that the recoverable amount fell below the book value of the assets, the Company decided to record an impairment loss.

[Assets for rent and idle assets]

The Company reduced the book value of the group of the assets whose market value particularly fell to the recoverable amount and recorded an impairment loss.

The impairment loss consists of ¥6,696 million for buildings and structures, ¥15,320 million for machinery, equipment and vehicles, ¥7,294 million for tools, furniture and fixtures, ¥8,101 million for land, and ¥2,523 million for construction in progress. The recoverable amount of the asset group is measured by net selling price or value in use, and the land value is evaluated by price calculated on a rational basis.

The Group recorded impairment loss as of 31 March 2018.
This information is not provided due to its low materiality.

NOTE 4: Financial Instruments**(a) Matters for conditions of financial instruments****a. Policy for financial instruments**

With respect to the fund management, the Group uses short-term deposits and short-term investment securities, and with respect to the fund-raising, the Group uses borrowings from financial institutions such as banks and issuance of bonds. The Group uses derivatives to hedge and manage the risks of the fluctuations of interest rates and exchange rates, and does not use derivatives for speculation purposes.

b. Type of financial instruments, risks and risk management

With respect to customers' credit risks from operating receivables such as notes and accounts receivable-trade, in order to mitigate the risks, the Group identifies credit standing of major counterparties and manages due date and receivable balance of each counterparty in line with our rules and regulations for credit control. The Group hedges the risks of the fluctuation exchange rate from operating receivables denominated in foreign currency by forward exchange contract in principle. Investment securities are mainly stocks of companies with which the Group has business relationship, and with respect to listed stocks, the Group quarterly identifies those fair values and reports them to the Board of Directors. Basically, accounts payable-trade is due within one year.

Applications of borrowings are fund for operating capital (mainly short-term) and capital expenditures (long-term), and the Group uses interest-rate swaps or cross currency interest rate swaps for the risks of the fluctuation of interest rate and exchange rate of some long-term borrowings.

Objectives of derivative transactions are foreign currency forward contracts to hedge the risks of the fluctuation of exchange rate related to receivables and payables denominated in foreign currencies, interest rate swaps to hedge the risks of the fluctuation of interest rate related to borrowings, and cross currency interest rate swaps to hedge the risks of the fluctuation of exchange rate and interest rate related to borrowings and lending. The Group executes and manages derivatives within the actual demand in line with our rules and regulations which set out the authority to trade. In addition, in using derivatives, the Group deals with financial institutions which have high credit grade in order to reduce credit risks.

In addition, each company of the Group manages liquidity risk related to accounts payable and borrowings by making a financial plan.

c. Supplement to fair values of financial instruments

Fair values of financial instruments include values based on quoted prices in active markets and values assessed by rational valuation techniques in case quoted prices are not available. Since the rational valuation techniques include variable factors, the results of valuation may differ when different assumptions are applied. In addition, in Note 4 (d) Derivative transactions, contract amounts do not present market risks for the derivative transactions.

(b) Matters for fair values of the financial instruments

Carrying amounts in the consolidated balance sheet, fair values and difference as of 31 March 2018 and 2017 were as follows. Financial instruments whose fair value cannot be reliably measured are not included in the below table.

Millions of yen

	2018			2017		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 690,418	¥ 690,418	¥ —	¥ 693,952	¥ 693,952	¥ —
(2) Notes and accounts receivable-trade	388,973	391,536	2,563	349,224	351,454	2,229
(3) Short-term investment securities and Investment securities						
Available-for-sale securities	753,949	753,949	—	636,102	636,102	—
Investments in affiliates	725	3,300	2,575	660	2,104	1,443
Total of assets	¥1,834,065	¥1,839,205	¥ 5,139	¥1,679,940	¥1,683,613	¥ 3,673
(1) Accounts payable-trade	443,916	443,916	—	428,063	428,063	—
(2) Short-term loans payable	97,598	97,598	—	96,643	96,643	—
(3) Current portion of long-term loans payable	93,157	93,235	(78)	119,958	119,809	148
(4) Accrued expenses	215,335	215,335	—	191,068	191,068	—
(5) Bonds with subscription rights to shares	194,211	275,825	(81,613)	200,400	251,450	(51,050)
(6) Long-term loans payable	192,943	192,920	23	222,870	221,236	1,634
Total of liabilities	¥1,237,163	¥1,318,831	¥(81,668)	¥1,259,003	¥1,308,270	¥(49,267)
Derivatives						
Hedge accounting is applied	153	153	—	1,544	1,544	—
Hedge accounting is not applied	51	51	—	296	296	—

* Assets or liabilities derived from derivatives are shown on a net basis and net liabilities are shown as ().

*1. Matters for methods used to measure fair values of financial instruments

Assets:

(1) Cash and deposits

Since fair values of deposits are approximately equal to the book values, book values are used as fair values.

(2) Notes and accounts receivable-trade

Fair values of sales finance receivables are calculated on the discount method by the expected rate applied to new loan contract, on each receivable classified into a certain term.

Notes and accounts receivable-trades except sales finance are settled in short term and those fair values are approximately equal to the book values. Therefore, book values are used as fair values.

(3) Short-term investment securities and Investment securities

With respect to these fair values, fair values of stock are prices of exchanges. With respect to negotiable certificate of deposit and other types of securities, book values are used as fair values because they are settled in short term and those fair values are approximately equal to the book values.

Liabilities:**(1) Accounts payable-trade, (2) Short-term loans payable and (4) Accrued expenses**

Since these are settled in short term and those fair values are approximately equal to the book values, such book values are used.

(3) Current portion of long-term loans payable and (6) Long-term loans payable

These fair values are measured by discounting. The discounting is based on the estimated interest rates at which similar new loans with same amount of principal and interest could have been borrowed.

(5) Bonds with subscription rights to shares

With respect to fair values of bonds with subscription rights to shares, they are calculated based on the prices offered by financial institutions, etc.

Derivatives:

Please refer to Note 4 (d) Derivative transactions.

***2. Financial instruments whose fair value cannot be reliably determined**

	Millions of yen	
	2018	2017
Available-for-sale securities		
Unlisted stock other than stocks of affiliates....	¥17,682	¥17,188
Unlisted stock of affiliates	24,943	20,514
Others	2,880	77

These fair values cannot be reliably measured because market values are unavailable and future cash flows cannot be estimated. Therefore, they are not included in "(3) Short-term investment securities and Investment securities" of assets.

***3. The amounts to be redeemed after the account settlement date of monetary receivables and available-for-sale securities**

	2018				2017			
	Within 1 year	Over 1 year, Within 5 years	Over 5 years, Within 10 years	Over 10 years	Within 1 year	Over 1 year, Within 5 years	Over 5 years, Within 10 years	Over 10 years
Cash and deposits	¥ 690,418	¥ —	¥ —	¥ —	¥ 693,952	¥ —	¥ —	¥ —
Notes and accounts receivable- trade	244,273	144,236	462	—	226,403	122,412	409	—
Securities and investment securities with maturities	256,695	—	—	16,000	338,756	—	—	—
Total	¥1,191,387	¥144,236	¥462	¥16,000	¥1,259,111	¥122,412	¥409	¥ —

(c) Securities

a. Available-for-sale securities with market value

Millions of yen						
	2018			2017		
	Carrying Amount	Acquisition cost	Difference	Carrying Amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs						
Stocks.....	¥133,196	¥ 45,588	¥ 87,608	¥127,569	¥ 50,691	¥ 76,878
Bonds.....	—	—	—	—	—	—
Others.....	562,361	490,621	71,739	477,832	413,408	64,423
Sub-Total	¥695,558	¥536,210	¥159,348	¥605,401	¥464,100	¥141,301
Securities for which the carrying amount does not exceed the acquisition costs						
Stocks.....	¥ 5,546	¥ 5,703	¥ (157)	¥ 700	¥ 758	¥ (58)
Bonds.....	12,844	16,000	(3,155)	—	—	—
Others.....	40,000	40,000	—	30,000	30,000	—
Sub-Total	¥ 58,391	¥ 61,703	¥ (3,312)	¥ 30,700	¥ 30,758	¥ (58)
Total	¥753,949	¥597,913	¥156,035	¥636,102	¥494,858	¥141,243

b. Available-for-sale securities sold

Millions of yen		
	2018	2017
Amounts sold	¥837,716	¥337,540
Gains on sales of available-for-sale securities	1,281	47,775

c. Marketable securities impaired / Loss on valuation of securities

Year ended 31 March 2017

The Group recognised impairment of 0 million yen on available-for-sale securities. With respect to impairing securities with a market value, if the market value at the end of the period has significantly declined compared to the acquisition cost, the Group recognises impairment to the extent deemed necessary based on recoverability. With respect to impairing securities without a market value, if the real price has significantly declined compared to the acquisition cost, the Group recognises impairment to the extent deemed necessary based on recoverability.

Year ended 31 March 2018

The Group recognised impairment of 352 million yen on available-for-sale securities (53 million yen on available-for-sale securities with market value and 299 million yen on shares of unconsolidated subsidiaries). With respect to impairing securities with a market value, if the market value at the end of the period has significantly declined compared to the acquisition cost, the Group recognises impairment to the extent deemed necessary based on recoverability. With respect to impairing securities without a market value, if the real price has significantly declined compared to the acquisition cost, the Group recognises impairment to the extent deemed necessary based on recoverability.

(d) Derivative transactions

The contract/notional amounts of derivatives which are shown in the below table do not represent the Group's exposure to market risk. With respect to fair values of derivatives which are shown in the below tables, commodity transactions are valued based on market price. Other transactions are valued based on the price offered by financial institutions.

a. Derivative transactions to which hedge accounting is not applied

(1) Currency-related transactions (non-market transactions)

Millions of yen

Type	2018				2017			
	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)
Foreign currency forward contracts								
Selling								
USD	¥ 432	¥ —	¥ 3	¥ 3	¥ 565	¥ —	¥ 2	¥ 2
Buying								
USD	13,015	—	44	44	17,432	—	(371)	(371)
EUR	1,239	—	2	2	1,377	—	(6)	(6)
JPY	8,500	—	304	304	13,500	—	221	221
Cross currency Swap								
Buying								
JPY	—	—	—	—	13,000	—	354	354
Total	¥23,187	¥ —	¥355	¥355	¥45,875	¥ —	¥199	¥199

(2) Interest and currency related transactions (non-market transactions)

Millions of yen

Type	2018				2017			
	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)
Cross currency interest rate swap								
Pay fixed								
receive floating								
Pay INR								
receive USD	¥ 2,576	¥858	¥ 96	¥ 96	¥ —	¥ —	¥ —	¥ —
Pay fixed								
receive floating								
Pay THB								
receive USD	13,747	—	(83)	(83)	—	—	—	—
Pay fixed								
receive floating								
Pay IDR								
receive USD	2,656	—	(105)	(105)	—	—	—	—
Total	¥18,980	¥858	¥ (91)	¥ (91)	¥ —	¥ —	¥ —	¥ —

(3) Commodity-related transactions (market transactions)

Millions of yen

Type	2018				2017			
	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)	Contract/ notional amount	Amount due after one year	Fair value	Gain (loss)
Commodity futures contract								
Buying	¥5,129	¥—	¥(212)	¥(212)	¥2,376	¥—	¥96	¥96
Total	¥5,129	¥—	¥(212)	¥(212)	¥2,376	¥—	¥96	¥96

(4) Earthquake-related transactions

Since fair values for derivative contract relating to earthquakes were not measured due to characteristic of instruments, they are not accounted for at fair values.

b. Derivative transactions to which hedge accounting is applied

(1) Currency-related transactions

Millions of yen

Type	2018			2017		
	Contract/ notional amount	Amount due after one year	Fair value	Contract/ notional amount	Amount due after one year	Fair value
Foreign currency forward contracts (Principle hedge accounting)						
Selling (Principal hedged item: Accounts receivable-trade)						
USD	¥ 2,128	¥—	¥ (2)	¥ 8,074	¥—	¥ 753
EUR	8,314	—	136	—	—	—
CAD	238	—	0	—	—	—
AUD	2,617	—	68	2,703	—	307
NZD	937	—	10	714	—	59
GBP	5,017	—	4	779	—	19
MXN	3,369	—	(55)	1,095	—	(32)
PLN	1,286	—	23	1,115	—	(11)
Buying (Principal hedged item: Accounts payable-trade)						
THB	697	—	(0)	2,555	—	8
USD	111	—	1	16	—	0
Buying (Principal hedged item: Current portion of long-term loans payable)						
JPY	10,000	—	144	—	—	—
Foreign currency forward contracts (Exceptional hedge accounting)						
Selling (Principal hedged item: Accounts receivable-trade)						
USD	998	—	*	3,931	—	*
EUR	13,588	—	*	11,930	—	*
CAD	153	—	*	236	—	*
AUD	403	—	*	775	—	*
NZD	625	—	*	451	—	*
GBP	7,900	—	*	10,020	—	*
MXN	819	—	*	1,677	—	*
PLN	3,879	—	*	1,768	—	*
CNY	1,063	—	*	—	—	—
Buying (Principal hedged item: Accounts payable-trade)						
THB	2,191	—	*	3,373	—	*
Total	¥66,342	¥—	¥330	¥51,221	¥—	¥1,103

* Since these foreign currency forward contracts are handled together with hedged items, their fair values are included in that of hedged items.

(2) Interest and currency related transactions

Millions of yen

Type	Principal hedged item	2018			2017		
		Contract/ notional amount	Amount due after one year	Fair value	Contract/ notional amount	Amount due after one year	Fair value
Interest rate swap (special exceptional hedge accounting)							
Pay fixed receive floating	Long-term debt	¥ 12,500	¥12,500	*	¥ 12,500	¥ 12,500	*
Cross currency interest rate swap (Principle hedge accounting)							
Pay fixed receive floating Pay IDR receive USD	Long-term debt	20,504	16,467	(176)	13,631	4,599	(89)
Pay fixed receive floating Pay THB receive USD		—	—	—	13,181	13,181	1,086
Pay fixed receive floating Pay IDR receive USD	Current portion of long-term loans payable	—	—	—	11,219	—	(430)
Pay fixed receive floating Pay IDR receive JPY		—	—	—	10,000	—	(126)
Cross currency interest rate swap (Integration hedge accounting)							
Pay fixed receive floating Pay JPY receive USD	Long-term debt	59,172	59,172	*	129,172	59,172	*
Pay fixed receive fixed Pay JPY receive EUR		11,300	11,300	*	11,300	11,300	*
Pay fixed receive floating Pay CNY receive JPY	Long-term receivable	—	—	—	243	243	*
Pay fixed receive floating Pay INR receive USD		—	—	—	2,720	2,720	*
Total		¥103,476	¥99,439	¥(176)	¥203,967	¥103,717	¥440

* Since these cross currency interest rate swap transactions are handled together with hedged items, their fair values are included in that of hedged items.

NOTE 5: Bonds with subscription rights to shares

(1) Name of the bond	SUZUKI MOTOR CORPORATION Euro Yen Zero Coupon (subject to the maximum number of shares to be delivered) Convertible Bond due 2021	SUZUKI MOTOR CORPORATION Euro Yen Zero Coupon (subject to the maximum number of shares to be delivered) Convertible Bond due 2023
(2) Total issue amount	100 billion yen plus the aggregate principal amount of the bonds in respect of replacement certificates of the bonds with stock acquisition rights	Same as on the left
(3) Issue price	100.5% of principal amount	100.0% of principal amount
(4) Offer price	103.0% of principal amount	102.5% of principal amount
(5) Balance as of 31 March 2018 (Millions of yen)	94,261	99,950
(6) Coupon	Zero	Same as on the left
(7) Closing and issue date	1 April 2016	Same as on the left
(8) Redemption price	100% of principal amount	Same as on the left
(9) Redemption at maturity, Early redemption and Cancellation by acquisition	31 March 2021 by 100% of principal amount Early redemption and cancellation by acquisition by the bonds under certain circumstances are specified in the Information Memorandum.	31 March 2023 by 100% of principal amount Same as on the left
(10) Matters concerning the stock acquisition rights		
i. Type of share to be issued upon exercise of the stock acquisition rights	Common stock of the Company	Same as on the left
ii. Total number of stock acquisition rights	10,000 units plus the units of the aggregate principal amount of the bonds in respect of replacement certificates of the bonds with stock acquisition rights divided by 10 million yen	Same as on the left
iii. Conversion price	4,116.3 yen (please refer to vii.)	Same as on the left
iv. Exercise period and Supplementary conditions	From 15 April 2016 to 17 March 2021 [Automatic-acquisition-upon-exercise clause (subject to the maximum number of shares to be delivered)] Exercising by 31 December 2020 [One-time acquisition clause (subject to the maximum number of shares to be delivered)] Giving notice from 31 March 2020 to 16 December 2020 [Contingent conversion mechanism (130%)] Until 31 December 2020	From 15 April 2016 to 17 March 2023 [Same as on the left] Exercising by 31 December 2022 [Same as on the left] Giving notice from 31 March 2022 to 16 December 2022 [Same as on the left] Until 31 December 2022
v. Asset and amount to be paid upon exercise of the stock acquisition rights	The bonds in respect of the relevant stock acquisition rights shall be contributed upon exercising of each stock acquisition right, and the price of the bonds shall be equal to the principal amount of the bonds.	
vi. Capital stock and capital surplus increased in case the stocks are issued by exercising stock acquisition rights	The amount of capital stock increased in case the stocks are issued by exercising stock acquisition rights shall be half of the maximum increase of capital stock and etc., calculated in accordance with Article 17 of the "Company Calculation Ordinance," and any amount less than one Yen arising from such calculation shall be rounded up. The increase in capital surplus shall be obtained by subtracting the capital stock increased from the maximum increase of capital stock and etc.	
vii. Adjustments of the conversion price	The dividend of fiscal year end retained earnings was approved as 44 Yen per share and the annual dividend was determined as 74 Yen per share during the Ordinary General Meeting of Shareholders held on 28 June 2018. By the approval and determination, the conversion price of Euro Yen Zero Coupon (subject to the maximum number of shares to be delivered) Convertible Bond due 2021 and Euro Yen Zero Coupon (subject to the maximum number of shares to be delivered) Convertible Bond due 2023 have been adjusted to 4,093.1 Yen retroactively since 1 April 2018 in accordance with the clause of Adjustments of the Conversion Price in the guideline for the bonds.	
(11) Security or guarantee	None	
(12) Use of proceeds	Proceeds from the issuance of the bonds shall be used as strategic investment for accelerating the Group's mid-term management plan and for strengthening its competitive position.	

NOTE 6: Short-term debts and long-term debts

	Millions of yen	
	2018	2017
Short-term loans payable and Current portion of long-term loans payable		
Unsecured	¥190,755	¥216,601
Lease obligations due within one year	11	12
	<u>¥190,766</u>	<u>¥216,613</u>

Long-term debts were as follows:

	Millions of yen	
	2018	2017
Long-term loans payable maturing through 2022		
Unsecured	¥192,943	¥222,870
Lease obligations due more than one year	13	7
Other interest-bearing debts (Long-term guarantee deposited)...	13,217	12,540
	¥206,175	¥235,419

As is customary in Japan, both short-term and long-term bank loans are subjected to general agreements which provide that the banks may, under certain circumstances, request additional security for those loans, and may treat any security furnished to the banks, as well as cash deposited with them, as security for all present and future indebtedness.

The aggregate annual maturities of long-term debts excluding other interest-bearing debts as of 31 March 2018 were as follows:

Year ending 31 March	Millions of yen
2020	¥ 54,496
2021	33,020
2022	105,439
Thereafter	0
	¥192,956

Assets pledged as collateral as of 31 March 2018:

	Millions of yen
Buildings and structures	¥524
Land	97
	¥621

Secured liabilities as of 31 March 2018:

	Millions of yen
Others (noncurrent liabilities)	¥228

NOTE 7: Loan commitment

The Company has the commitment line contracts with six banks for effective financing. The outstanding balance of these contracts was as follows:

	Millions of yen	
	2018	2017
Commitment line contract total	¥250,000	¥250,000
Actual loan balance	—	—
Variance	¥250,000	¥250,000

NOTE 8: Retirement and severance benefits**1. Outline of adopted retirement benefit systems**

The Company established cash balance corporate pension plan and lump-sum retirement benefit plan. Some of consolidated subsidiaries established defined benefit corporate pension plan and lump-sum retirement benefit plan. Some of foreign consolidated subsidiaries established defined contribution plan.

Some of consolidated subsidiaries adopt simplified method for the calculation of retirement benefits.

2. Defined benefit plan**(a) Reconciliation of retirement benefit obligation from the opening balance to the closing balance**

	Millions of yen	
	2018	2017
Opening balance retirement of benefit obligation	¥162,076	¥152,161
Service cost	8,719	8,706
Interest cost	467	754
Actuarial differences.....	309	1,832
Retirement allowance paid	(5,388)	(5,844)
Past service cost	423	100
Others	282	4,364
Closing balance of retirement benefit obligation	¥166,888	¥162,076

(b) Reconciliation of pension assets from the opening balance to the closing balance

	Millions of yen	
	2018	2017
Opening balance of pension assets	¥ 99,021	¥95,865
Expected return on pension assets.....	1,741	1,698
Actuarial differences.....	(980)	(671)
Contribution from employers.....	5,688	5,254
Retirement allowance paid	(3,808)	(3,599)
Others	44	473
Closing balance of pension assets	¥101,706	¥99,021

(c) Reconciliation between closing balance of retirement benefit obligation and pension assets and net amount of liability/asset for retirement benefits recognised in consolidated balance sheet

	Millions of yen	
	2018	2017
Defined benefit obligation of funded severance plan	¥115,760	¥112,320
Pension assets.....	(101,706)	(99,021)
	14,053	13,299
Defined benefit obligation of unfunded severance plan	51,128	49,755
Net amount of liability and asset for retirement benefits recognised in consolidated balance sheet.....	¥65,181	¥63,055
Liabilities for retirement benefits	¥65,224	¥63,099
Assets for retirement benefits	(42)	(44)
Net amount of liability and asset for retirement benefits recognised in consolidated balance sheet.....	¥65,181	¥63,055

(d) Breakdown of retirement benefit expenses

	Millions of yen	
	2018	2017
Service cost	¥8,719	¥8,706
Interest cost	467	754
Expected return on pension assets	(1,741)	(1,698)
Recognition of actuarial gains and losses	950	1,875
Amortisation of past service cost	1	(333)
Others	(197)	110
Total amount of retirement benefit expenses for defined benefit plans	¥8,199	¥9,415

(e) Adjustment for retirement benefits

Breakdown of adjustment for retirement benefit recognised were as follows:

	Millions of yen	
	2018	2017
Past service cost	¥(340)	¥(433)
Actuarial gains and losses	(435)	(447)
Total	¥(776)	¥(881)

(f) Accumulated adjustment for retirement benefits

Breakdown of accumulated adjustment for retirement benefit recognised were as follows:

	Millions of yen	
	2018	2017
Unrecognised past service cost	¥(2,932)	¥(2,591)
Unrecognised actuarial gains and losses	(12,321)	(11,885)
Total	¥(15,253)	¥(14,477)

(g) Pension assets

a. Major breakdown of pension assets

Portion of major components to total pension assets were as follows:

	2018	2017
Debt securities	41.7%	45.4%
General account of life insurance companies	38.7%	37.6%
Others	19.6%	17.0%
Total	100.0%	100.0%

b. Method to determine long-term expected return on pension assets

Expected return on pension assets were determined by considering the current and anticipated future portfolio of pension assets and current and anticipated future long-term performance of various asset classes that comprise pension assets.

(h) Actuarial assumptions

	2018	2017
Discount rate	mainly 0.15%	mainly 0.15%
Expected long-term return on pension assets	mainly 1.80%	mainly 1.80%

3. Defined contribution plan

Year ended 31 March 2017

Contribution to defined contribution plan by the Company and consolidated subsidiaries was 340 million yen.

Year ended 31 March 2018

Contribution to defined contribution plan by the Company and consolidated subsidiaries was 231 million yen.

NOTE 9: Income taxes

(a) Breakdown of deferred tax assets and deferred tax liabilities by their main occurrence causes

	Millions of yen	
	2018	2017
Deferred tax assets		
Impairment loss and Excess-depreciation	¥67,553	¥54,224
Various provisions	45,921	38,171
Unrealised profits elimination	21,160	21,698
Loss on valuation of securities	13,379	12,586
Deferred assets	2,601	3,210
Others.....	55,420	66,259
Deferred tax assets sub-total.....	206,035	196,151
Valuation allowance	(34,011)	(38,934)
Deferred tax assets total	¥172,024	¥157,217
Deferred tax liabilities		
Valuation difference on available-for-sale securities	¥(20,256)	¥(19,590)
Variance from the complete market value method of consolidated subsidiaries	(8,090)	(8,682)
Reserve for advanced depreciation of noncurrent assets ...	(3,850)	(3,678)
Others.....	3,630	8,279
Deferred tax liabilities total	(28,566)	(23,671)
Net amounts of deferred tax assets.....	¥143,458	¥133,545

* Net amounts of deferred tax assets are included in the following accounts in the consolidated balance sheets.

	Millions of yen	
	2018	2017
Current assets – Deferred tax assets.....	¥122,092	¥113,845
Investment and other assets – Deferred tax assets.....	23,471	21,140
Current liabilities – Deferred tax liabilities	(929)	(55)
Noncurrent liabilities – Deferred tax liabilities	(1,175)	(1,384)

(b) Breakdown of the differences between the statutory tax rate and the effective tax rate

	2018	2017
Statutory tax rate.....	30.21%	30.21%
Tax rate difference	1.64%	4.15%
Tax credit.....	(2.30)%	(3.01)%
Others.....	(1.28)%	1.7%
Effective tax rate	28.28%	33.06%

NOTE 10: Selling, general and administrative expenses

Main items of selling, general and administrative expenses were as follows:

	Millions of yen	
	2018	2017
Delivery expenses	¥73,240	¥65,210
Advertising expenses.....	78,508	74,303
Sales promotion expenses.....	77,684	56,468
Wages and salaries.....	86,183	80,426
Research and development costs.....	139,390	131,539
Provision of allowance for doubtful accounts.....	(209)	(651)
Provision for product warranties	58,194	41,692
Retirement benefit expenses	4,214	4,099
Provision for product liability insurance.....	1,968	12
Provision for recycling	1,434	1,865

NOTE 11: Research and development costs

Research and development costs included in selling, general and administrative expenses were as follows:

	Millions of yen	
	2018	2017
Research and development costs.....	¥139,390	¥131,539

NOTE 12: Cash and cash equivalents

Cash and cash equivalents were as follows:

	Millions of yen	
	2018	2017
Cash and deposits	¥690,418	¥693,952
Short-term investment securities	256,695	338,756
Time deposits with maturities of over three months.....	(119,571)	(79,920)
Bonds etc. with redemption period of over three months	(226,695)	(338,756)
	<u>¥600,846</u>	<u>¥614,031</u>

NOTE 13: Other comprehensive income

	Millions of yen	
	2018	2017
Valuation difference on available-for-sale securities		
Gain (loss) arising during the period	¥42,073	¥62,839
Reclassification adjustments.....	(24,303)	(51,445)
Before tax effect.....	17,769	11,393
Tax effect.....	(1,732)	16,982
Balance at the end of the period.....	¥16,036	¥28,375
Deferred gains or losses on hedges		
Gain (loss) arising during the period	¥1,247	¥5,324
Reclassification adjustments.....	(2,778)	(4,554)
Before tax effect.....	(1,530)	770
Tax effect.....	297	(264)
Balance at the end of the period.....	¥(1,232)	¥505
Foreign currency translation adjustment		
Gain (loss) arising during the period	¥(35,889)	¥3,634
Reclassification adjustments.....	(46)	—
Balance at the end of the period.....	¥(35,936)	¥3,634
Adjustment for retirement benefit		
Gain (loss) arising during the period	¥(1,240)	¥(1,684)
Reclassification adjustments.....	464	803
Before tax effect.....	(776)	(881)
Tax effect.....	261	225
Balance at the end of the period.....	¥(514)	¥(655)
Share of other comprehensive income of associates accounted for using equity method		
Gain (loss) arising during the period	¥234	¥(2,318)
Total other comprehensive income	¥(21,411)	¥29,541

NOTE 14: Cash dividends

	Resolutions	
	Ordinary General Meeting of Shareholders held on 29 June 2017	Meeting of the Board of Directors held on 2 November 2017
Total amount of cash dividends	¥11,914 million	¥13,239 million
Cash dividends per share	¥27.00	¥30.00
Record date	31 March 2017	30 September 2017
Effective date	30 June 2017	30 November 2017

Dividends which record date was in the current fiscal year and effective date was in the next fiscal year:

	Resolution
	Ordinary General Meeting of Shareholders held on 28 June 2018
Total amount of cash dividends	¥19,439 million
Cash dividends per share	¥44.00
Record date	31 March 2018
Effective date	29 June 2018

NOTE 15: Stock option plans

The Company adopts stock option plan by using subscription rights to shares.
The details of the plans were as follows:

	The plan adopted at 28 June 2012	The plan adopted at 27 June 2013	The plan adopted at 27 June 2014
Category and number of people to whom stock options are granted	10 Directors of the Company (excluding Outside Directors) 6 Managing Officers who do not concurrently serve as Directors	7 Directors of the Company (excluding Outside Directors) 10 Senior Managing Officers and Managing Officers who do not concurrently serve as Directors	6 Directors of the Company (excluding Outside Directors) 6 Managing Officers who do not concurrently serve as Directors
Class of shares that are the subject of subscription rights to shares	92,000 of Common stock of the Company	49,800 of Common stock of the Company	32,400 of Common stock of the Company
Adoption date	20 July 2012	19 July 2013	22 July 2014
Terms of exercise of subscription rights to shares	(1) A person who is allocated subscription rights to shares shall be able to exercise share subscription rights only up until 10th day (the next business day if the 10th day falls on a non-business day) from the day immediately following the date of resignation as the Company's Director as well as the Senior Managing Officer or Managing Officer without the role of Director being served concurrently. (2) If a person who is allocated subscription rights to shares was dead, the person's heir shall be able to exercise the rights.		
Period during which subscription rights to shares can be exercised	From 21 July 2012 to 20 July 2042	From 20 July 2013 to 19 July 2043	From 23 July 2014 to 22 July 2044
Number of shares which subscription rights to shares have not exercised	35,000	20,400	12,600

NOTE 16: Contingent liabilities

As of 31 March 2018 and 2017, the Company and some of consolidated subsidiaries had the contingent liabilities as follows:

	Millions of yen	
	2018	2017
Guarantee of indebtedness of affiliates and others	¥1,351	¥2,051

NOTE 17: Segment Information**1. Outline of reportable segments**

The reportable segments of the Company are the components of the Company business for which discrete financial information is available, and whose operating results are regularly reviewed by our decision-making body such as Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance.

The Company has three reportable segments of "Automobile business", "Motorcycle business" and "Marine business, etc." based on the form of management organisation and nature of products and services.

The segment which was previously stated as "Marine and Power products, etc." has been changed to "Marine business, etc." from this consolidated fiscal year. This change in the segment name does not affect the segment information.

Reportable segment of the previous fiscal year is reported as a renamed segment.

Main products and services of each segment are as follows:

Segment	Main products and services
Automobile business	Minivehicles, Sub-compact vehicles, Standard-sized vehicles
Motorcycle business	Motorcycles, All-terrain vehicles
Marine business, etc.	Outboard motors, Motorised wheelchairs, Electro senior vehicles, Houses

2. Methods of measurement for the amounts of net sales, profit or loss, assets and other items for each reportable segment

The accounting policies of the reportable segments are consistent to the description of the "Summary of significant accounting policies" (Note 2).

3. Information about the amounts of net sales, profit or loss, assets and other items by reportable segment

Millions of yen						
2018						
	Automobile business	Motorcycle business	Marine business, etc.	Total	Adjustment	Consolidated
Net Sales:						
Net sales to external customers	¥3,435,802	¥246,362	¥75,053	¥3,757,219	¥ —	¥3,757,219
Segment profit	355,027	4,606	14,548	374,182	—	374,182
Segment assets	2,446,239	222,057	47,105	2,715,402	625,425	3,340,828
Other content:						
Depreciation	136,293	11,281	3,302	150,877	—	150,877
Amortisation of goodwill	69	55	0	124	—	124
Impairment loss	2,366	17	201	2,585	—	2,585
Investments in affiliated companies accounted for by equity method	29,869	5,459	180	35,509	—	35,509
Increase in property, plant and equipment and intangible assets...	198,731	13,502	1,142	213,376	—	213,376
Millions of yen						
2017						
	Automobile business	Motorcycle business	Marine business, etc.	Total	Adjustment	Consolidated
Net Sales:						
Net sales to external customers	¥2,895,619	¥206,289	¥67,633	¥3,169,542	¥ —	¥3,169,542
Segment profit (loss)	255,060	(930)	12,555	266,685	—	266,685
Segment assets	2,205,138	204,159	46,375	2,455,673	660,311	3,115,985
Other content:						
Depreciation	150,475	9,796	3,124	163,397	—	163,397
Amortisation of goodwill	1,547	54	0	1,602	—	1,602
Impairment loss	33,077	5,343	1,514	39,936	—	39,936
Investments in affiliated companies accounted for by equity method	48,957	3,796	87	52,841	—	52,841
Increase in property, plant and equipment and intangible assets...	181,268	15,814	1,699	198,782	—	198,782

(Reference information)

As reference information, operating results by geographical areas were as follows:

The amount of net sales based on external customers

Millions of yen				
2018				
	Japan	India	Others	Consolidated
Net sales	¥1,116,764	¥1,306,616	¥1,333,838	¥3,757,219

Millions of yen				
2017				
	Japan	India	Others	Consolidated
Net sales	¥1,037,546	¥1,018,813	¥1,113,182	¥3,169,542

(Supplementary information)

The amount of net sales, operating income or loss based on location of the Company and its consolidated subsidiaries

Millions of yen							
2018							
	Japan	Europe	Asia	Other areas	Total	Eliminations	Consolidated
Net Sales:							
Net sales to external customers...	¥1,381,093	¥428,974	¥1,782,112	¥165,038	¥3,757,219	¥ —	¥3,757,219
Internal net sales or transfer among geographical areas.....	647,578	190,866	123,917	728	963,091	(963,091)	—
Total	2,028,672	619,840	1,906,030	165,766	4,720,310	(963,091)	3,757,219
Operating income.....	161,044	17,174	191,315	5,101	374,635	(453)	374,182

Millions of yen							
2017							
	Japan	Europe	Asia	Other areas	Total	Eliminations	Consolidated
Net Sales:							
Net sales to external customers...	¥1,293,486	¥344,591	¥1,389,743	¥141,721	¥3,169,542	¥ —	¥3,169,542
Internal net sales or transfer among geographical areas.....	565,322	213,651	117,165	546	896,685	(896,685)	—
Total	1,858,809	558,242	1,506,909	142,267	4,066,228	(896,685)	3,169,542
Operating income.....	137,240	13,101	121,396	4,060	275,799	(9,113)	266,685

- *Notes: 1. Classification of countries or areas is based on a geographical adjacency.
2. The major countries or areas belonging to classifications other than Japan:
(1) Europe Hungary, Germany, United Kingdom and France
(2) Asia India, Pakistan, Indonesia, and Thailand
(3) Other areas United States, Australia, Mexico and Colombia
3. Classification is counted based on the location of the Company and its consolidated subsidiaries.

Independent Auditor's Report

To the Board of Directors of
Suzuki Motor Corporation

We have audited the accompanying consolidated financial statements of Suzuki Motor Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as of 31 March 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, all expressed in Japanese Yen, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Suzuki Motor Corporation and its consolidated subsidiaries as at 31 March 2018, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Seimei Audit Corporation.

Seimei Audit Corporation
Tokyo, Japan
28 June 2018

Company Outline

1. Company Name	SUZUKI MOTOR CORPORATION
2. Date of Incorporation	March 1920 Incorporated as Suzuki Loom Manufacturing Co. June 1954 Name changed to Suzuki Motor Co., Ltd. October 1990 Name changed to Suzuki Motor Corporation
3. Head Office	300 Takatsuka-cho, Minami-ku, Hamamatsu-shi, Shizuoka 432-8611 Japan Website Address : http://www.globalsuzuki.com
4. Main Products	Automobiles, Motorcycles, Outboard Motors, Motorised Wheelchairs, Electro Senior Vehicles, etc.
5. Fiscal Year-End	31 March
6. Public Accounting Firm	Seimei Audit Corporation
7. Capital and Shareholders	(as of 31 March 2018)

Capital	¥138,064 million
Total number of authorised shares	1,500 million
Total number of shares issued	491,018,100
Number of shareholders	28,374
Stock Listing	Tokyo Stock Exchange
Securities Code	7269
Ordinary General Meeting of Shareholders	June
Record Dates	• Ordinary General Meeting of Shareholders 31 March • Year-End Dividend 31 March • Interim Dividend 30 September
Shareholders' Register Manager	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo

<Ten Major Shareholders>

Name of Shareholder	Number of Shares Held (Thousands of Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	37,146	8.4
Japan Trustee Services Bank, Ltd. (Trust Account)	23,507	5.3
Tokio Marine & Nichido Fire Insurance Co., Ltd.	17,961	4.1
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	16,000	3.6
The Shizuoka Bank, Ltd.	13,600	3.1
Resona Bank, Ltd.	13,000	2.9
JP Morgan Chase Bank 380055	12,859	2.9
Sompo Japan Nipponkoa Insurance Inc.	7,761	1.8
Nippon Steel & Sumitomo Metal Corporation	7,759	1.8
Japan Trustee Services Bank, Ltd. (Trust Account5)	7,573	1.7

(Note) *1. Number of shares less than 1,000 is truncated.

*2. Percentage of Shareholding is calculated excluding treasury stock (49,216 thousand shares).



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SUZUKI MOTOR CORPORATION

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