

ANNUAL REPORT 2017



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)				
	2017	2016	2015	2014	2013
Net sales	¥3,169,542	¥3,180,659	¥3,015,461	¥2,938,314	¥2,578,317
Net income attributable to owners of the parent	159,956	116,660	96,862	107,484	80,389
Net income per share:					
Primary	362.54	234.98	172.67	191.60	143.31
Fully diluted	362.48	234.92	172.63	191.57	131.67
Cash dividends per share	44.00	32.00	27.00	24.00	18.00
Net assets	1,387,041	1,187,703	1,701,390	1,494,357	1,298,553
Total current assets.....	1,955,973	1,632,630	2,008,729	1,790,832	1,560,218
Total assets	3,115,985	2,702,008	3,252,800	2,874,074	2,487,635
Depreciation and amortization....	163,397	168,315	134,377	117,188	93,680

Consolidated Financial Statements

Consolidated Balance Sheets

As of 31 March 2017 and 2016

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen	
	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents ^{*NOTE 12}	¥ 614,031	¥ 450,088
Receivables:		
Notes and accounts receivable-trade ^{*NOTE 5}	349,224	335,343
Allowance for doubtful accounts	(4,821)	(5,528)
Inventories	332,116	286,301
Deferred tax assets ^{*NOTE 10}	113,845	116,378
Others	551,576	450,046
Total current assets	<u>1,955,973</u>	<u>1,632,630</u>
Property, plant and equipment:		
Land ^{*NOTE 7}	261,130	255,013
Buildings and structures ^{*NOTE 7}	438,043	416,217
Machinery, equipment and vehicles	1,363,140	1,286,385
Tools, furniture and fixtures	396,523	408,683
Construction in progress	48,223	50,361
	<u>2,507,061</u>	<u>2,416,660</u>
Accumulated depreciation	<u>(1,750,717)</u>	<u>(1,659,584)</u>
Total property, plant and equipment	<u>756,344</u>	<u>757,076</u>
Investments and other assets:		
Investment securities ^{*NOTE 5}	314,594	226,516
Investments in affiliates ^{*NOTE 5}	52,841	46,250
Assets for retirement benefits ^{*NOTE 9}	44	50
Deferred tax assets ^{*NOTE 10}	21,140	14,773
Others	15,047	24,709
Total investments and other assets	<u>403,667</u>	<u>312,301</u>
Total assets	<u>¥3,115,985</u>	<u>¥2,702,008</u>

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

	Millions of yen	
	2017	2016
LIABILITIES AND NET ASSETS		
Current liabilities:		
Short-term loans payable ^{*NOTE 5 and 7}	¥ 96,643	¥ 201,507
Current portion of long-term loans payable ^{*NOTE 5 and 7}	119,958	64,982
Accounts payable-trade ^{*NOTE 5}	428,063	402,624
Electronically recorded obligations.....	83,070	64,055
Income taxes payable	31,863	29,486
Accrued expenses ^{*NOTE 5}	191,068	183,695
Provision for product warranties	76,995	66,032
Deferred tax liabilities ^{*NOTE 10}	55	481
Others ^{*NOTE 7}	160,402	133,089
Total current liabilities.....	<u>1,188,121</u>	<u>1,145,956</u>
Noncurrent liabilities:		
Bonds with subscription rights to shares ^{*NOTE 5 and 6}	200,400	—
Long-term loans payable ^{*NOTE 5 and 7}	222,870	262,797
Liabilities for retirement benefits ^{*NOTE 9}	63,099	56,346
Provision for disaster	1,976	3,056
Deferred tax liabilities ^{*NOTE 10}	1,384	7,484
Others ^{*NOTE 7}	51,091	38,663
Total noncurrent liabilities	<u>540,822</u>	<u>368,348</u>
Total liabilities	<u>1,728,943</u>	<u>1,514,305</u>
Net assets:		
Shareholders' equity: ^{*NOTE 13}		
Capital stock:		
Common stock:		
Authorised: 1,500,000,000 shares		
Issued: 491,000,000 shares as of		
31 March 2017 and 2016	138,014	138,014
Capital surplus.....	144,035	144,166
Retained earnings	1,058,549	913,656
Treasury stock	(191,051)	(191,169)
Total shareholders' equity.....	<u>1,149,548</u>	<u>1,004,668</u>
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	98,827	77,624
Deferred gains or losses on hedges.....	1,269	536
Foreign currency translation adjustment	(119,236)	(115,551)
Accumulated adjustment for retirement benefits	(10,543)	(9,580)
Total accumulated other comprehensive income	<u>(29,683)</u>	<u>(46,970)</u>
Subscription rights to shares ^{*NOTE 16}	<u>126</u>	<u>188</u>
Non-controlling interests.....	<u>267,049</u>	<u>229,816</u>
Total net assets	<u>¥1,387,041</u>	<u>¥1,187,703</u>
Total liabilities and net assets.....	<u>¥3,115,985</u>	<u>¥2,702,008</u>

(Consolidated Statements of Comprehensive Income)

Years ended 31 March 2017 and 2016

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen	
	2017	2016
Net Income	¥197,616	¥153,300
Other comprehensive income *NOTE 14		
Valuation difference on available-for-sale securities	28,375	(77,011)
Deferred gains or losses on hedges.....	505	(29)
Foreign currency translation adjustment	3,634	(100,590)
Adjustment for retirement benefits	(655)	(10,562)
Share of other comprehensive income of associates accounted for using equity method	(2,318)	(3,411)
Total other comprehensive income	29,541	(191,605)
Comprehensive income	227,158	(38,304)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent...	177,276	(51,260)
Comprehensive income attributable to non-controlling interests..	49,881	12,955

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

Consolidated Statements of Changes in Net Assets

Years ended 31 March 2017 and 2016

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 2015	561,047	¥138,014	¥144,364	¥1,082,440	¥(62)	¥1,364,757
Dividends from surplus.....	—	—	—	(16,156)	—	(16,156)
Net income attributable to owners of the parent.....	—	—	—	116,660	—	116,660
Purchase of treasury stock ...	—	—	—	—	(460,479)	(460,479)
Disposal of treasury stock.....	—	—	(95)	—	180	84
Retirement of treasury stock ..	(70,047)	—	(269,191)	—	269,191	—
Transfer to capital surplus from retained earnings	—	—	269,287	(269,287)	—	—
Capital increase of Consolidated subsidiaries	—	—	(198)	—	—	(198)
Net changes of items other than shareholders' equity.....	—	—	—	—	—	—
Total changes during the fiscal year	—	—	(198)	(168,783)	(191,107)	(360,089)
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

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 benefit	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of 31 March 2015	¥158,788	¥679	¥(42,997)	¥864	¥117,333	¥250	¥219,048	¥1,701,390
Dividends from surplus.....	—	—	—	—	—	—	—	(16,156)
Net income attributable to owners of the parent.....	—	—	—	—	—	—	—	116,660
Purchase of treasury stock ...	—	—	—	—	—	—	—	(460,479)
Disposal of treasury stock.....	—	—	—	—	—	—	—	84
Retirement of treasury stock ..	—	—	—	—	—	—	—	—
Transfer to capital surplus from retained earnings	—	—	—	—	—	—	—	—
Capital increase of Consolidated subsidiaries	—	—	—	—	—	—	—	(198)
Net changes of items other than shareholders' equity.....	(81,163)	(142)	(72,553)	(10,444)	(164,304)	(62)	10,768	(153,598)
Total changes during the fiscal year	(81,163)	(142)	(72,553)	(10,444)	(164,304)	(62)	10,768	(513,687)
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

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

Consolidated Statements of Cash Flows

Years ended 31 March 2017 and 2016

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen	
	2017	2016
Cash flows from operating activities		
Income before income taxes etc.	¥295,200	¥245,631
Depreciation and amortization	163,397	168,315
Impairment loss	39,936	322
Increase (decrease) in allowance for doubtful accounts	(812)	(1,029)
Interest and dividend income.....	(16,827)	(20,885)
Interest expenses	4,771	6,381
Foreign exchange losses (gains).....	876	4,627
Equity in (earnings) losses of affiliates.....	(2,327)	2,492
Loss (gain) on sales of property, plant and equipment ...	(667)	(83)
Loss (gain) on sales of investment securities.....	(47,775)	(36,760)
Decrease (increase) in notes and accounts receivable-trade	(17,023)	3,479
Decrease (increase) in inventories	(50,386)	8,298
Increase (decrease) in notes and accounts payable-trade ...	45,218	593
Increase (decrease) in accrued expenses	6,473	14,857
Others, net.....	20,370	(36,630)
Sub-total	440,423	359,610
Interest and dividend income received	15,412	20,328
Interest expenses paid	(4,613)	(7,833)
Income taxes paid	(84,906)	(78,010)
Net cash provided by (used in) operating activities	366,315	294,095
Cash flows from investing activities		
Payments into time deposits	(38,552)	(61,915)
Proceeds from withdrawal of time deposits.....	8,367	28,596
Purchases of short-term investment securities	(297,947)	(274,553)
Proceeds from sales of short-term investment securities	268,519	173,478
Purchases of property, plant and equipment	(192,054)	(162,574)
Others, net.....	(36,898)	54,533
Net cash provided by (used in) investing activities	(288,564)	(242,435)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable.....	(102,949)	27,088
Proceeds from long-term loans payable	83,172	45,400
Repayment of long-term loans payable	(63,449)	(108,365)
Proceeds from issuance of bonds with subscription rights to shares	200,500	—
Purchase of treasury stock.....	(4)	(460,479)
Cash dividends paid	(15,003)	(16,156)
Cash dividends paid to non-controlling interests.....	(9,417)	(7,504)
Others, net.....	(3,342)	(344)
Net cash provided by (used in) financing activities	89,505	(520,361)
Effect of exchange rate changes on cash and cash equivalents	(3,313)	(13,471)
Net increase (decrease) in cash and cash equivalents	163,942	(482,172)
Cash and cash equivalents at beginning of period	450,088	932,261
Cash and cash equivalents at end of period *NOTE 12	¥614,031	¥450,088

The accompanying Notes to Consolidated Financial Statements 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 2017 and 2016 include the accounts of the Group, and the numbers of consolidated subsidiaries were 136 respectively. In addition, the numbers of investments in affiliated companies for the years ended 31 March 2017 and 2016 were 32 and 33 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, amortized 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 17 others are consolidated based on the financial statements of provisional account settlement as of 31 March. Subsidiary which has been consolidated based on the financial statements as of 31 December is 1 subsidiary.

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 receivable. With respect to specific receivable with higher default possibility, recoverable amount is estimated respectively and uncollectible amount is appropriated.

(c) Allowance for investment loss

In order to allow for loss from non-marketable securities, the difference between book value and fair value is appropriated.

(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 company auditors, 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 Company Auditors. 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 Company Auditors were 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 Company Auditors of some consolidated subsidiaries, the amount to be paid at the end of the year was posted pursuant to their regulation on the retirement allowance of Directors and Company Auditors.

(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, exceptional hedge accounting is applied and these contracts are handled together with hedged items. If interest rate swap contracts meet certain criteria, special 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 translated 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 translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

The components of net assets are translated into Japanese yen at their historical rates. Profit and loss accounts for the fiscal year are translated 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 amortization 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 amortization 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 fiscal year ended 31 March 2017. 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 focusing 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.

NOTE 3: Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

The "Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan (ASBJ) Statement No.26, 28 March 2016) has been applied since the fiscal year ended 31 March 2017.

NOTE 4: 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 and equipment and vehicles, Tools, furniture and fixtures, etc.	26,346
	Asia	Machinery and equipment and vehicles, etc.	296
Assets for motorcycle business	Asia	Machinery and 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, and has exported its product worldwide, besides sales in the Thailand's domestic market. 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 as an extraordinary 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 as an extraordinary 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 as an extraordinary loss.

The impairment loss consists of ¥6,696 million for buildings and structures, ¥15,320 million for machinery and 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.

NOTE 5: 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 5 (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 2017 and 2016 were as follows. Financial instruments whose fair value cannot be reliably measured are not included in the below table.

Millions of yen

	2017			2016		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥693,952	¥693,952	¥ —	¥497,187	¥497,187	¥ —
(2) Notes and accounts receivable-trade	349,224	351,454	2,229	335,343	337,385	2,041
(3) Short-term investment securities and Investment securities						
Available-for-sale securities	636,102	636,102	—	488,274	488,274	—
Investments in affiliates	660	2,104	1,443	588	1,024	436
Total of assets	1,679,940	1,683,613	3,673	1,321,394	1,323,872	2,477
(1) Accounts payable-trade	428,063	428,063	—	402,624	402,624	—
(2) Short-term loans payable	96,643	96,643	—	201,507	201,507	—
(3) Current portion of long-term loans payable	119,958	119,809	148	64,982	64,924	58
(4) Accrued expenses	191,068	191,068	—	183,695	183,695	—
(5) Bonds with subscription rights to shares	200,400	251,450	(51,050)	—	—	—
(6) Long-term loans payable	222,870	221,236	1,634	262,797	260,818	1,979
Total of liabilities	1,259,003	1,308,270	(49,267)	1,115,607	1,113,569	2,037
Derivatives						
Hedge accounting is applied	1,544	1,544	—	1,340	1,340	—
Hedge accounting is not applied	296	296	—	736	736	—

* 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:****a. Cash and deposits**

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

b. 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-trade 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.

c. 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:**a. Accounts payable-trade, Short-term loans payable and Accrued expenses**

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

b. Current portion of long-term loans payable and Long-term loans payable

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

c. Bonds with subscription rights to shares

These fair values are calculated based on the prices offered by financial institutions, etc.

Derivatives:

Please refer to Note 5 (d) Derivative transactions.

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

	Millions of yen	
	2017	2016
Available-for-sale securities		
Unlisted stock other than stocks of affiliates	¥17,188	¥17,882
Unlisted stock of affiliates	20,514	17,188
Others	77	210

Those 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

	2017			2016		
	Within 1 year	Over 1 year, Within 5 years	Over 5 years, Within 10 years	Within 1 year	Over 1 year, Within 5 years	Over 5 years, Within 10 years
Cash and deposits	¥ 693,952	¥ —	¥ —	¥ 497,187	¥ —	¥ —
Notes and accounts receivable- trade	226,403	122,412	409	244,470	90,513	360
Securities and investment securities with maturities	338,756	—	—	279,571	—	—
Total	¥1,259,111	¥122,412	¥409	¥1,021,229	¥90,513	¥360

(c) Securities

a. Available-for-sale securities with market value

	Millions of yen					
	2017			2016		
	Acquisition cost	Carrying Amount	Difference	Acquisition cost	Carrying Amount	Difference
Securities for which the carrying amount exceeds the acquisition costs						
Stocks.....	¥ 50,691	¥ 127,569	¥ 76,878	¥ 50,789	¥149,942	¥ 99,152
Bonds	—	—	—	—	—	—
Others.....	413,408	477,832	64,423	302,911	332,224	29,313
Sub-Total	¥464,100	¥605,401	¥141,301	¥353,700	¥482,166	¥128,465
Securities for which the carrying amount does not exceed the acquisition costs						
Stocks.....	¥ 758	¥ 700	¥ (58)	¥ 6,549	¥ 6,107	¥ (441)
Bonds	—	—	—	—	—	—
Others.....	30,000	30,000	—	—	—	—
Sub-Total	¥ 30,758	¥ 30,700	¥ (58)	¥ 6,549	¥ 6,107	¥ (441)
Total	¥494,858	¥636,102	¥141,243	¥360,249	¥488,274	¥128,024

b. Available-for-sale securities sold

	Millions of yen	
	2017	2016
Amounts sold	¥337,540	¥247,317
Gains on sales of available-for-sale securities	47,775	36,760

c. Marketable securities impaired / Loss on valuation of securities

Year ended 31 March 2016

The Group recognised impairment of 1,337 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 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.

(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

Currency-related transactions (non-market transactions)

Millions of yen

Type	2017				2016			
	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	¥ 565	—	¥ 2	¥ 2	¥ 5,444	—	¥175	¥175
Buying								
JPY	13,500	—	221	221	3,733	—	160	160
EUR	1,377	—	(6)	(6)	766	—	36	36
USD	17,432	—	(371)	(371)	83	—	(0)	(0)
MXN	—	—	—	—	57	—	(1)	(1)
Cross currency Swap								
Buying								
JPY	13,000	—	354	354	—	—	—	—
Total	¥45,875	—	¥199	¥199	¥10,085	—	¥370	¥370

Interest and currency related transactions (non-market transactions)

Millions of yen

Type	2017				2016			
	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 floating receive floating Pay INR receive USD	¥—	¥—	¥—	¥—	¥ 2,610	¥ —	¥842	¥842
Pay fixed receive floating Pay IDR receive USD	—	—	—	—	11,268	11,268	(932)	(932)
Pay fixed receive floating Pay IDR receive JPY	—	—	—	—	10,000	10,000	418	418
Total	¥—	¥—	¥—	¥—	¥23,878	¥21,268	¥328	¥328

Commodity-related transactions (market transactions)

Millions of yen

Type	2017				2016			
	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	¥2,376	—	¥96	¥96	¥859	—	¥36	¥36
Total	¥2,376	—	¥96	¥96	¥859	—	¥36	¥36

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

Currency-related transactions

Millions of yen

Type	2017			2016		
	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	¥ 8,074	—	¥ 753	¥ 6,790	—	¥106
EUR	—	—	—	5,738	—	227
CAD	—	—	—	296	—	3
AUD	2,703	—	307	2,897	—	(81)
NZD	714	—	59	270	—	(1)
GBP	779	—	19	575	—	35
MXN	1,095	—	(32)	1,657	—	(17)
PLN	1,115	—	(11)	—	—	—
Buying (Principal hedged item: Accounts payable-trade)						
USD	16	—	0	—	—	—
THB	2,555	—	8	4,289	—	(41)
EUR	—	—	—	515	—	1

Foreign currency forward contracts (Exceptional hedge accounting)							
Selling (Principal hedged item: Accounts receivable-trade)							
USD	3,931	—	*	961	—	*	
EUR	11,930	—	*	20,169	—	*	
CAD	236	—	*	353	—	*	
AUD	775	—	*	3,417	—	*	
NZD	451	—	*	308	—	*	
GBP	10,020	—	*	195	—	*	
MXN	1,677	—	*	597	—	*	
CNY	—	—	*	2,371	—	*	
PLN	1,768	—	*	—	—	*	
Buying (Principal hedged item: Accounts payable-trade)							
THB	3,373	—	*	2,223	—	*	
JPY	—	—	*	400	—	*	
Total	¥51,221	—	¥1,103	¥54,032	—	¥231	

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

Interest and currency related transactions

Millions of yen

Type	Principal hedged item	2017			2016		
		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	*	¥ 32,500	¥ 12,500	*
Cross currency interest rate swap (Principle hedge accounting)							
Pay fixed receive floating Pay IDR receive USD	Long-term debt	13,631	4,599	(89)	12,608	5,055	—
Pay fixed receive floating Pay THB receive USD		13,181	13,181	1,086	12,899	12,899	1,109
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	129,172	59,172	*	118,000	118,000	*
Pay fixed receive fixed Pay JPY receive EUR		11,300	11,300	*	—	—	*
Pay fixed receive floating Pay CNY receive JPY	Long-term receivable	243	243	*	243	243	*
Pay fixed receive floating Pay INR receive USD		2,720	2,720	*	2,732	2,732	*
Total		¥203,967	¥103,717	¥440	¥178,983	¥151,430	¥1,109

* 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 6: 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 2017 (Millions of yen)	100,400	100,000
(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	4,120.0 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 27 Yen per share and the annual dividend was determined as 44 Yen per share during the Ordinary General Meeting of Shareholders held on 29 June 2017. 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 has been adjusted to 4,116.3 Yen retroactively since 1 April 2017 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 7: Short-term debts and long-term debts

	Millions of yen	
	2017	2016
Short-term loans payable and Current portion of long-term loans payable		
Unsecured	¥216,601	¥266,490
Lease obligations due within one year	12	41
	<u>¥216,613</u>	<u>¥266,531</u>

Long-term debts were as follows:

	Millions of yen	
	<u>2017</u>	<u>2016</u>
Long-term loans payable maturing through 2022		
Unsecured	¥222,870	¥262,797
Lease obligations due more than one year	7	16
Other interest-bearing debts (Long-term guarantee deposited)	12,540	11,900
	<u>¥235,419</u>	<u>¥274,714</u>

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 2017 were as follows:

Year ending 31 March	Millions of yen
2019	¥ 79,110
2020	28,188
2021	18,578
Thereafter	97,000
	<u>¥222,878</u>

Assets pledged as collateral as of 31 March 2017:

	Millions of yen
Buildings and structures	¥552
Land	97
	<u>¥649</u>

Secured liabilities as of 31 March 2017:

	Millions of yen
Others (noncurrent liabilities)	<u>¥300</u>

NOTE 8: Loan commitment

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

	Millions of yen	
	<u>2017</u>	<u>2016</u>
Commitment line contract total	¥250,000	¥250,000
Actual loan balance	—	—
Variance	<u>¥250,000</u>	<u>¥250,000</u>

NOTE 9: 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	
	2017	2016
Opening balance retirement of benefit obligation	¥152,161	¥133,418
Service cost	8,706	8,322
Interest cost	754	1,855
Actuarial differences.....	1,832	14,073
Retirement allowance paid	(5,844)	(4,753)
Past service cost	100	347
Others	4,364	(1,103)
Closing balance of retirement benefit obligation	¥162,076	¥152,161

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

	Millions of yen	
	2017	2016
Opening balance of pension assets	¥95,865	¥94,487
Expected return on pension assets.....	1,698	1,537
Actuarial differences.....	(671)	(1,344)
Contribution from employers.....	5,254	4,856
Retirement allowance paid	(3,599)	(3,452)
Others	473	(219)
Closing balance of pension assets	¥99,021	¥95,865

(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	
	2017	2016
Defined benefit obligation of funded severance plan	¥112,320	¥108,729
Pension assets.....	(99,021)	(95,865)
	13,299	12,864
Defined benefit obligation of unfunded severance plan	49,755	43,431
Net amount of liability and asset for retirement benefits recognised in consolidated balance sheet	¥63,055	¥56,296
Liabilities for retirement benefits	¥63,099	¥56,346
Assets for retirement benefits	(44)	(50)
Net amount of liability and asset for retirement benefits recognised in consolidated balance sheet	¥63,055	¥56,296

(d) Breakdown of retirement benefit expenses

	Millions of yen	
	2017	2016
Service cost	¥8,706	¥8,322
Interest cost	754	1,855
Expected return on pension assets.....	(1,698)	(1,537)
Recognition of actuarial gains and losses	1,875	987
Amortization of past service cost.....	(333)	(342)
Others	110	48
Total amount of retirement benefit expenses for defined benefit plans	¥9,415	¥9,334

(e) Adjustment for retirement benefits

Breakdown of adjustment for retirement benefit recognised were as follows:

	Millions of yen	
	2017	2016
Past service cost	¥(433)	¥(293)
Actuarial gains and losses	(447)	(14,782)
Total	¥(881)	¥(15,075)

(f) Accumulated adjustment for retirement benefits

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

	Millions of yen	
	2017	2016
Unrecognised past service cost.....	¥(2,591)	¥(2,158)
Unrecognised actuarial gains and losses.....	(11,885)	(11,437)
Total	¥(14,477)	¥(13,596)

(g) Pension assets

a. Major breakdown of pension assets

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

	2017	2016
Debt securities.....	45.4%	43.9%
General account of life insurance companies	37.6%	37.9%
Others	17.0%	18.2%
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

	2017	2016
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 2016

Contribution to defined contribution plan by the Company and consolidated subsidiaries was 233 million yen.

Year ended 31 March 2017

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

NOTE 10: Income taxes

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

	Millions of yen	
	2017	2016
Deferred tax assets		
Impairment loss and Excess-depreciation	¥54,224	¥57,330
Various provisions	38,171	34,044
Unrealised profits elimination	21,698	19,383
Loss on valuation of securities	12,586	13,655
Deferred assets	3,210	3,606
Others	66,259	81,523
Deferred tax assets sub-total	196,151	209,544
Valuation allowance	(38,934)	(36,743)
Deferred tax assets total	¥157,217	¥172,800
Deferred tax liabilities		
Valuation difference on available-for-sale securities	¥(19,590)	¥(39,938)
Variance from the complete market value method of consolidated subsidiaries	(8,682)	(5,264)
Reserve for advanced depreciation of noncurrent assets ...	(3,678)	(3,265)
Others	8,279	(1,145)
Deferred tax liabilities total	(23,671)	(49,614)
Net amounts of deferred tax assets	¥133,545	¥123,186

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

	Millions of yen	
	2017	2016
Current assets – Deferred tax assets	¥113,845	¥116,378
Investment and other assets – Deferred tax assets	21,140	14,773
Current liabilities – Deferred tax liabilities	(55)	(481)
Noncurrent liabilities – Deferred tax liabilities	(1,384)	(7,484)

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

	2017	2016
Statutory tax rate	30.21%	32.34%
Tax rate difference	4.15%	2.82%
Effect of change of tax rate	—	2.64%
Others	(1.31)%	(0.21)%
Effective tax rate	33.06%	37.59%

NOTE 11: Research and development costs

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

	Millions of yen	
	2017	2016
Research and development costs	¥131,539	¥131,031

NOTE 12: Cash and cash equivalents

Cash and cash equivalents were as follows:

	Millions of yen	
	2017	2016
Cash and deposits	¥693,952	¥497,187
Short-term investment securities	338,756	279,571
Time deposits with maturities of over three months.....	(79,920)	(47,098)
Bonds etc. with redemption period of over three months	(338,756)	(279,571)
	<u>¥614,031</u>	<u>¥450,088</u>

NOTE 13: Net assets

The Companies Act of Japan (“the Companies Act”) requires that at least 50% of the contribution of new shares shall be included in capital stock. The portion to be recorded as capital stock is determined by resolution of the meeting of the Board of Directors. Proceeds in excess of the capital stock shall be credited to “Legal capital surplus”.

The Companies Act provides that an amount equivalent to 10% of cash dividends shall be appropriated as a legal capital surplus or legal retained earnings until total amount of them reaches a certain limit, defined as 25% of the capital stock.

The Companies Act allows both legal capital surplus and legal retained earnings to be transferred to the capital stock following the approval at an Ordinary General Meeting of Shareholders.

The legal retained earnings of the Company and its subsidiaries are included in “Retained earnings” on the consolidated balance sheets and are not shown separately.

According to the Companies Act, the articles of incorporation allow to repurchase treasury stock and dispose of such treasury stock by resolution of meeting of the Board of Directors.

NOTE 14: Other comprehensive income

	Millions of yen	
	2017	2016
Valuation difference on available-for-sale securities		
Loss (gain) arising during the period.....	¥62,839	¥(78,299)
Reclassification adjustments.....	(51,445)	(35,422)
Before tax effect.....	11,393	(113,722)
Tax effect.....	16,982	36,711
Balance at the end of the period.....	<u>¥28,375</u>	<u>¥(77,011)</u>
Deferred gains or losses on hedges		
Loss (gain) arising during the period.....	¥5,324	¥2,939
Reclassification adjustments.....	(4,554)	(3,088)
Before tax effect.....	770	(148)
Tax effect.....	(264)	119
Balance at the end of the period.....	<u>¥505</u>	<u>¥(29)</u>
Foreign currency translation adjustment		
Loss (gain) arising during the period.....	¥3,634	¥(101,996)
Reclassification adjustments.....	—	1,405
Balance at the end of the period.....	<u>¥3,634</u>	<u>¥(100,590)</u>
Adjustment for retirement benefit		
Loss (gain) arising during the period.....	¥(1,684)	¥(15,274)
Reclassification adjustments.....	803	198
Before tax effect.....	(881)	(15,075)
Tax effect.....	225	4,513
Balance at the end of the period.....	<u>¥(655)</u>	<u>¥(10,562)</u>
Share of other comprehensive income of associates accounted for using equity method		
Loss (gain) arising during the period.....	¥(2,318)	¥(3,411)
Total other comprehensive income	<u>¥29,541</u>	<u>¥(191,605)</u>

NOTE 15: Cash dividends

	Resolutions	
	Ordinary General Meeting of Shareholders held on 29 June 2016	Meeting of the Board of Directors held on 4 November 2016
Total amount of cash dividends	¥7,501 million	¥7,501million
Cash dividends per share	¥17.00	¥17.00
Record date	31 March 2016	30 September 2016
Effective date	30 June 2016	30 November 2016

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

	Resolution
	Ordinary General Meeting of Shareholders held on 29 June 2017
Total amount of cash dividends	¥11,914 million
Cash dividends per share	¥27.00
Record date	31 March 2017
Effective date	30 June 2017

NOTE 16: Stock option plans

The Company adopts stock option plan by using subscription rights to shares.

The plans were adopted at the Ordinary General Meetings of Shareholders and meetings of the Board of Directors held on 28 June 2012, 27 June 2013 and 27 June 2014 based on the Companies Act.

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

(Reference information)

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

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

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

	Millions of yen					
	2016					
	Japan	Europe	Asia	Other areas	Eliminations	Consolidated
Net Sales:						
Net sales to external customers...	¥1,301,207	¥323,309	¥1,402,285	¥153,857	¥ —	¥3,180,659
Internal net sales or transfer among geographical areas.....	508,962	227,156	93,830	542	(830,491)	—
Total	1,810,169	550,465	1,496,116	154,399	(830,491)	3,180,659
Operating income.....	84,812	6,721	103,823	2,431	(2,481)	195,308

- *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, Indonesia, Thailand and Pakistan
(3) Other areas United States, Australia, Mexico and Colombia
3. Classification is counted based on the location of the Company and its consolidated subsidiaries.

(b) The amount of net sales based on external customers

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

	Millions of yen			
	2016			
	Japan	India	Others	Consolidated
Net sales.....	¥1,047,883	¥980,640	¥1,152,134	¥3,180,659

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 subsidiaries, which comprise the consolidated balance sheet as of 31 March 2017, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and 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, but not for the purpose of expressing 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 referred to above present fairly, in all material respects, the consolidated financial position of Suzuki Motor Corporation and its consolidated subsidiaries as of 31 March 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Seimei Audit Corporation.

Seimei Audit Corporation
Tokyo, Japan
29 June 2017

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, Industrial Equipment
5. Fiscal Year-End	31 March
6. Public Accounting Firm	Seimei Audit Corporation
7. Capital and Shareholders	(as of 31 March, 2017)

Capital	¥138,014 million
Total number of authorised shares	1,500 million
Total number of shares issued	491,000,000
Number of shareholders	26,548
Stock Listing	Tokyo Stock Exchange
Securities Code	7269
Ordinary General Meeting of Shareholders	June
Record Dates	<ul style="list-style-type: none"> • 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)	31,352	7.1
Japan Trustee Services Bank, Ltd. (Trust Account)	18,106	4.1
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.	14,500	3.3
Resona Bank, Ltd.	13,000	2.9
JP Morgan Chase Bank 380055	9,697	2.2
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)	7,281	1.7

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

*2. Percentage of Shareholding is calculated excluding treasury stock (49,717 thousand shares).

Suzuki Group

Consolidated subsidiaries: 136 companies (69 in domestic, 67 in overseas) Affiliates: 32 companies

(1) Major Domestic Subsidiaries

[Manufacturing Subsidiaries]

Suzuki Auto Parts Mfg. Co., Ltd.
 Snic Co., Ltd.
 Suzuki Akita Auto Parts Mfg. Co., Ltd.
 Suzuki Toyama Auto Parts Mfg. Co., Ltd.

[Non-Manufacturing Subsidiaries]

Suzuki Transportation & Packing Co., Ltd.
 Suzuki Business Co., Ltd.
 Suzuki Engineering Co., Ltd.

[Marketing Subsidiaries]

54 directly managed domestic marketing companies

(2) Major Overseas Subsidiaries

[EUROPE]

Germany	Suzuki Deutschland GmbH
Spain	Suzuki Motor Iberica, S.A.U.
Italy	Suzuki Italia S.p.A.
France	Suzuki France S.A.S.
Hungary	Magyar Suzuki Corporation Ltd.
UK	Suzuki GB PLC
Austria	Suzuki Austria Automobil Handels G.m.b.H
Poland	Suzuki Motor Poland SP.Z.O.O.

[AMERICA]

USA	Suzuki Motor of America, Inc.
USA	Suzuki Manufacturing of America Corporation
Canada	Suzuki Canada Inc.
Mexico	Suzuki Motor de Mexico S.A. DE C.V.
Colombia	Suzuki Motor de Colombia S.A.

[ASIA]

India	Maruti Suzuki India Ltd.
India	Suzuki Motorcycle India Private Limited
India	Suzuki Motor Gujarat Private Limited
Pakistan	Pak Suzuki Motor Co., Ltd.
Indonesia	PT. Suzuki Indomobil Motor
Thailand	Thai Suzuki Motor Co., Ltd.
Thailand	Suzuki Motor (Thailand) Co., Ltd.
Philippines	Suzuki Philippines Inc.
Cambodia	Cambodia Suzuki Motor Co., Ltd.
China	Suzuki Motor (China) Investment Co., Ltd.
Vietnam	Vietnam Suzuki Corporation
Taiwan	Taiwan Suzuki Automobile Corporation
Myanmar	Suzuki (Myanmar) Motor Co., Ltd.

[OCEANIA]

Australia	Suzuki Australia Pty. Ltd.
New Zealand	Suzuki New Zealand Ltd.

[AFRICA]

South Africa	Suzuki Auto South Africa (Pty.) Ltd.
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Marketing Subsidiaries

43 directly managed overseas marketing companies



Way of Life!

SUZUKI MOTOR CORPORATION

300 Takatsuka-Cho,
Minami-Ku, Hamamatsu-shi,
Shizuoka, Japan 432-8611
<http://www.globalsuzuki.com>