

ANNUAL REPORT

1998



WAGON R



BALENO



GSX-R750



Outboard Motors

SUZUKI MOTOR CORPORATION

PROFILE

S

uzuki Motor Corporation designs and manufactures passenger cars, trucks, motorcycles, outboard motors, generators, general purpose engines and other products. The company is energetically promoting international economic and technical cooperation through numerous joint ventures overseas, and our production facilities are located in 26 countries around the world. This network enables Suzuki to operate as a global organization serving more than 188 countries.

Suzuki is committed to use our amassed technological expertise and human resources to help elevate society's living conditions by promoting corporate growth and producing goods that meet social demands.

CONTENTS



Headquarters, Engineering center and Motorcycle engines assembling plant

A Message from the President	1
Financial Highlights	2
Year in Review	
Sales Analysis	3
Automobiles	4
Motorcycles	6
Marine and Power Products	8
International Activities	9
Outline of the Suzuki Group	10
Five-Year Summary	12
Consolidated Financial Statements of 1998	14
Non-Consolidated Financial Statements of 1998	26
Directors and Auditors	29
Corporate Data	29

A MESSAGE FROM THE PRESIDENT

During the fiscal year ended 31st March, 1998, in the overall Japanese markets, sales of both motorcycles and automobiles decreased from the previous year -- a serious and severe situation which resulted from an economic downturn brought on by factors such as reduced demand in personal consumption. As for exports, both motorcycles and automobiles markedly increased from the previous year while sales of components for overseas production decreased due to the Southeast Asian currency crisis.

In these severe circumstances, in the domestic market, Suzuki and its subsidiaries have made great efforts to increase sales by introducing new models including motorcycles such as the Sky Wave and automobiles such as the Jimmy Wide, but sales did not exceed last year's figure. On the other hand, in the overseas market, introduction of new models in Europe such as the VL1500 motorcycle and the Wagon R+ (Wagon R Wide) automobile, and efforts at expanding sales in Central and South America, resulted in sales exceeding the previous year for both motorcycles and automobiles.

As a result, our net sales in this fiscal year stood at ¥1,488,785 million (US\$ 11,270 million), 99.1% of the previous year.

Our operating income was decreased to ¥56,608 million (US\$428 million), 83.1% from a year ago and our net income to ¥30,156 million (US\$228 million), 89.8% due to gloomy factor such as increase of sales costs.

The circumstances surrounding our company are becoming unprecedentedly challenging with the economic downturn in Japan and a drop in demand in the Southeast Asian markets. Nevertheless, we at Suzuki intend to make the best possible use of our corporate resources to bolster our corporate strength and develop our



business, by clearly and thoroughly defining the individual responsibilities of each product line and each sales region; by fortifying our sales function through expansion of our sales network in Japan; and by making efforts to open up new markets and strengthen competitiveness of the existing bases around the world; and furthermore by enhancing product safety, by strengthening our research for the development of environmentally friendly know-how, and by reducing production costs.

We are sincerely looking forward to your continued support and encouragement to our business.

June 1998

Osamu Suzuki
President & CEO

FINANCIAL HIGHLIGHTS

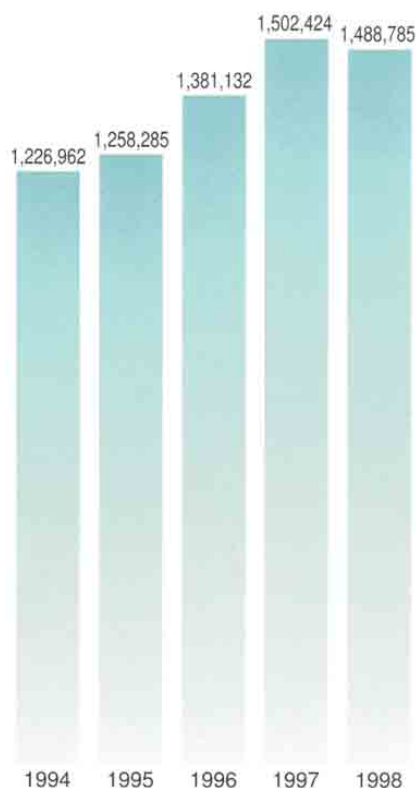
SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen (Note A) (except per share amounts)		Thousands of U.S. dollars (Note B) (except per share amounts)
	1998	1997	1998
Years ended 31st March, 1998 and 1997			
Net sales	¥1,488,785	¥1,502,424	\$11,270,139
Net income	30,156	33,586	228,287
Net income per share:			
Primary	67.17	74.84	0.508
Fully diluted	66.71	74.29	0.504
Cash dividends per share	7.50	8.50	0.056
Shareholders' equity	374,566	348,313	2,835,477
Total current assets	581,328	603,581	4,400,670
Total assets	1,037,280	1,009,631	7,852,239
Depreciation and amortization	67,263	60,225	509,183

Notes A: All yen figures have been rounded down to millions of yen.

B: Yen amounts have been translated into U.S. dollars, for convenience only, at ¥132.10= US\$1, the prevailing exchange rate on 31st March, 1998.

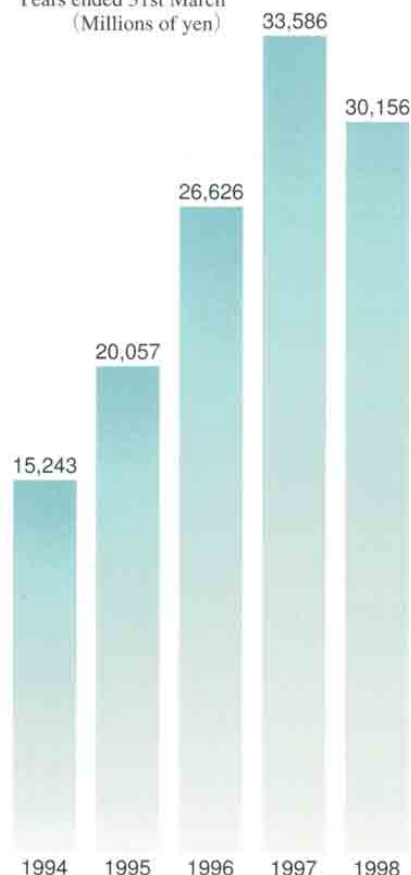
Net Sales

Years ended 31st March
(Millions of yen)



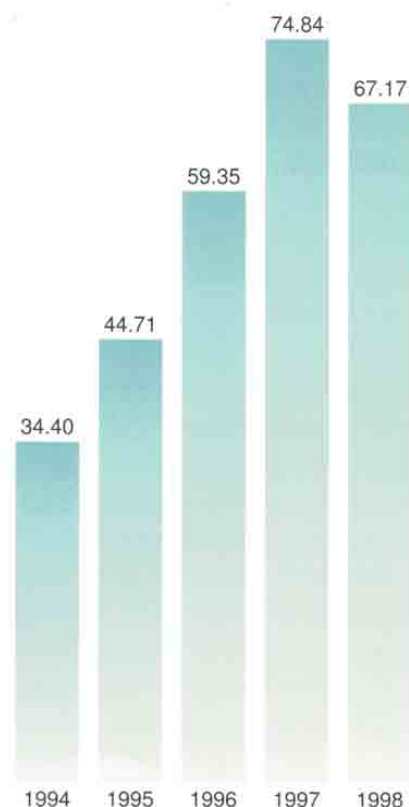
Net Income

Years ended 31st March
(Millions of yen)



Net Income Per Share

Years ended 31st March
(Yen)

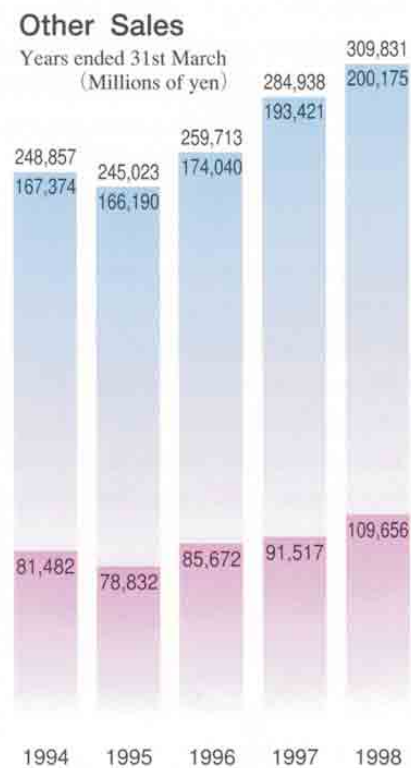
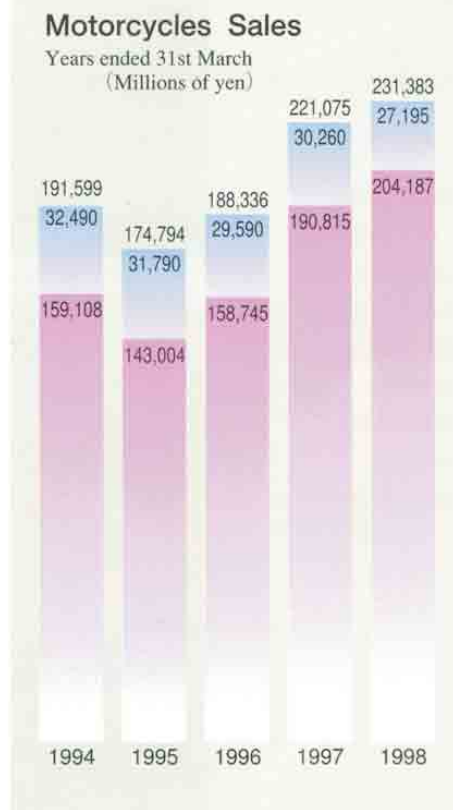
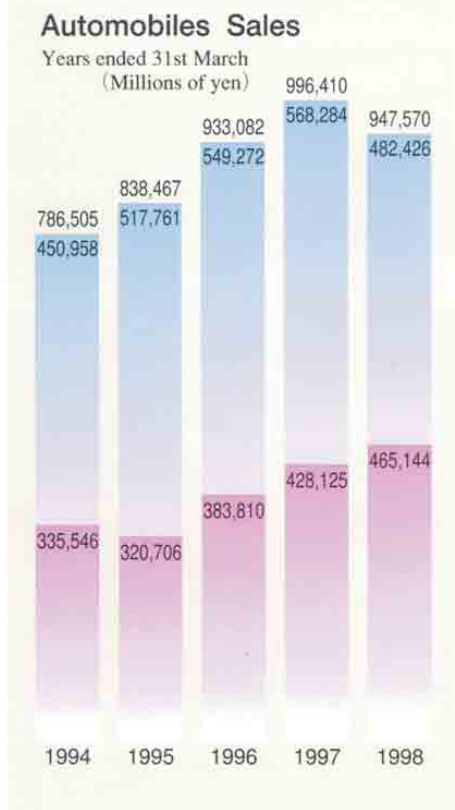
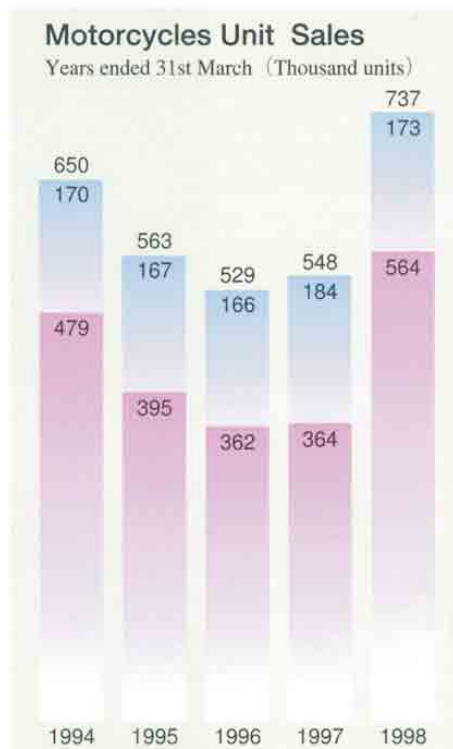
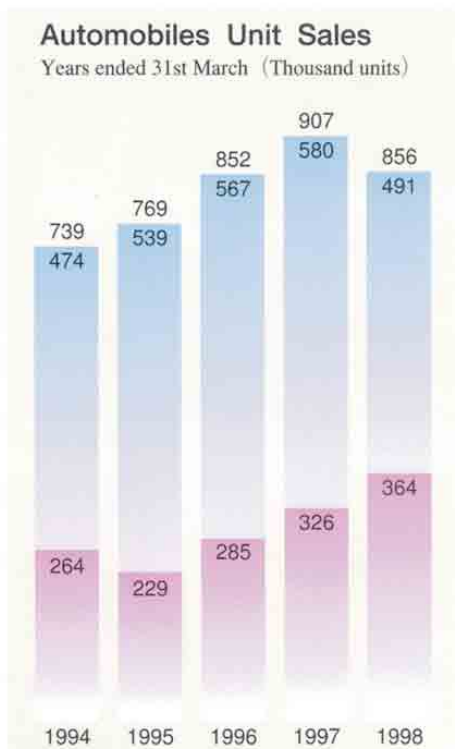


YEAR IN REVIEW

Sales Analysis

All figures based on consolidated subsidiaries.

Parts for KD manufacturing are included in the total monetary value of exports, but not in vehicle counts.



Japanese Market

Domestic automobile demand, having surpassed annual volumes every year since 1994, decreased for fiscal 1997 ending March 31, 1997 under the influence of economic downturn. Total sales of automobiles in this fiscal year amounted to 6,280,000 units, a 14% decrease from the previous year.

Under such circumstances, Suzuki's sales totalled 569,000 units, 90% of the previous year. Suzuki recorded a market share of 9.1%, increased by 0.4% and was in the fifth position among the eleven domestic automobile manufacturers in sales volume.

Looking back at this fiscal year for Suzuki, in the mini-car segment, 1) Suzuki's total mini-car sales was 495,000 units, 88% of the previous year's total; 2) Suzuki retained the first-place position among domestic manufacturers in the number of mini-cars sold for the 25th consecutive year; 3) the Carry Truck once again became the top-selling truck in the all-truck division, which includes compact and standard trucks, making it the top seller for the 27th consecutive year; and 4) the Wagon R, first introduced in September 1993, became the top seller among all mini-cars for the 3rd consecutive year since 1995.

In the subcompact segment, 1) Suzuki's sales continued its steady growth ever since our entry into this market and stood at 74,000 units (110% of the previous year); and 2) sales of the Wagon R Wide, added to the lineup in February 1997, showed favorable results. The product range was also enhanced with the introduction of two all-new-design products: the Escudo, in November 1997, and the Jimny 1300, in January 1998.



GRAND VITARA



Kosai automobile plant



Iwata automobile plant



BALENO WAGON



SWIFT built at Magyar Suzuki Corporation, Hungary



ALTO built at Maruti Udyog Limited, India

Overseas Markets

Total automobile sales for this fiscal year reached 1.22 million units, a 5% increase over last year, making this the third consecutive year of overseas sales exceeding one million units. Major contributing factors included the continuing expansion of overseas production, and a large, 19% increase in vehicle exports.

As for products, the strong sales growth of the Baleno series is continuing for the third consecutive year. The Wagon R⁺ (Plus), introduced at the end of the last fiscal year and whose sales began this year, continues to show strong sales. The Grand Vitara, a new SUZUKI lifestyle 4X4 vehicle, was introduced at the Geneva Motor Show; it has received high praises from many circles, and is showing strong sales.

As for overseas operations, Suzuki is making its utmost efforts to strengthen and enhance its sales network in mega-competition where every company must struggle for its survival. At the same time, at the overseas production bases, cost reduction, and quality-and-performance improvements were implemented to make our products more competitive. As a result, overseas production reached 1.05 million units, an increase of 3% over last year.

Looking at each region, automobile exports to Southeast Asia was severely affected by the currency crisis starting with the sharp devaluation of the Thai baht in July 1997 and later spreading to various countries in the region including South Korea. The drop in Southeast Asia, however, was offset by strong markets outside of the region. Vehicle exports to North America, Central America, South America and Europe greatly increased, while local production at Magyar Suzuki Corporation in Hungary, Maruti Udyog Limited in India, and China each surpassed all previous records. As a result, there was increased sales in the overseas markets in total.

Motorcycles

Japanese Market

The number of motorcycles shipped to the domestic market by the four Japanese manufacturers in this fiscal year from April 1997 through March 1998 was 1,158,000 units, 94% of the previous year, decreasing from the preceding year for the first time in three years.

Revision of the motorcycle-driving licensing system in 1997 led to a threefold increase in the number of newly licensed riders of large-size (over 401cc) motorcycles, to a total of 97,169. As a result, the number of newly registered over-401cc class motorcycles jumped, to 188% of the previous year; on the other hand, the number of newly registered 251-to-400cc class motorcycles plummeted, to 73% of the previous year. Sales for over-251cc class motorcycles in total dropped to 91% of the previous year.

Suzuki's sales for this fiscal year closely reflected the situation of the market as a whole, and the number of units shipped stood at 186,000 units, 94% of the previous year. Strong efforts were made particularly in the sales of scooters. Two newly introduced scooter models, the "Latin-flavored" Verde in the 50cc class and the thoroughly market-readied AN250 in the 250cc class, are both being well received.



GSF600



AN250W



Toyokawa motorcycle plant



GSX600F



TL1000R



XF650

Overseas Market

Exports of motorcycles and Knock Down Kits amounted to 354,000 units, 106% of the previous year. Total sales including sales of components for overseas production stood at 161,600 million yen, also 106% of the previous year.

In particular, motorcycle export increased by 6% from a year ago and sales revenue by 15% mainly due to an increased volume in the large-size segment and strong demand in Europe.

Also contributing to export growth was the favorable number of orders received for the newly introduced models, the VL1500, TL1000R, GSX600F and the GSX750F.

On the other hand, exports of components for overseas production, due to the economic downturn accompanying the currency crisis in Southeast Asia, decreased to 91% of the previous year in sales volume.



VL1500

Marine and Power Products

Marine Products

Sales of the marine products showed a large growth in overall though it was affected by the currency crises in the Southeast Asian countries in the latter half of this year.

A new 4-stroke motor, DF60/70 was introduced in black metallic color and received worldwide acclaim for its superior state-of-art technology. It already passed the EPA 2006 exhaust emission regulations and received the 1997 Innovation Award at the IMTEC show, Chicago, U.S.A.



Suzuki outboard motors provide power for a wide range of boats

Power Products

A new overhead valve 14 horsepower engine, V420 was added to Suzuki General Purpose Engine lineup and it also enabled us to launch a new generator SV7500 powered by V420 during this fiscal year.

Overall sales of the power products includes the record sales of snowmobile engines, while the sales of watercraft engines were declined due to sluggish market demand.



Outboard motor DF70



Generator SV7500E



General Purpose Engine V420E

International Activities

Contributing to regional economies and employment by aggressively pursuing overseas production has been a part of Suzuki's corporate policy. Currently, our global manufacturing and assembly network expands in 26 countries around the world.

Through the establishment of this worldwide production network, Suzuki aims to introduce not only various technologies for manufacturing processes to our overseas plants, but also technologies for managing QC (Quality Control) circles. Through these measures we encourage employees at all our overseas plants to become fully involved in efforts to implement improvements in our plants and to heighten awareness and motivation toward achieving higher productivity

and quality.

The Suzuki International QC Circle Convention is held for the purpose of spreading throughout the Suzuki group the insights gained in QC circle activities and the philosophy of production improvements, and to further expand QC circle activities. Last year, 12 QC circles representing our overseas plants and 10 circles representing our domestic plants gave presentations on actual cases of improvements they had implemented. The convention was attended by 850 participants representing 14 countries plus Japan, lending a lively international atmosphere to the event.

As part of our on-going efforts to provide comprehensive technological support to our overseas plants, Suzuki invites trainees to participate in various study programs. Through experiencing Suzuki QC circles and production systems for themselves, such trainees can then play an active role in promoting and developing QC circle programs in their own countries.

Our overseas exchanges are not limited to such technical matters, but also include a wide range of sports, economic, and other fields. This past April, the Suzuki World Cup '98 International Aerobic Championship, of which Suzuki is the chief sponsor, took place at the Tokyo Gymnasium. This event is organized by the International Aerobic Federation and was the ninth such event this year.

With the recent trend toward a healthier lifestyle, more and more people are taking up aerobics. This year's Championship event attracted over 4,300 people who enjoyed the performance of athletes from various nations; this year, 104 national-champion level participants from 22 countries and regions competed in four categories: women's singles, men's singles, pairs, and trios. Each of them, together with the enthusiastic spectators filling the gymnasium, made the event a great success.



1997 Suzuki International QC Circle Convention



Contestants at the Suzuki World Cup '98 International Aerobic Championship

Outline of the Suzuki Group

The Suzuki group is composed of the parent company and its 135 subsidiaries, and 21 affiliated companies. Its main business activities are the production and sale of motor vehicles (motorcycles and automobiles), outboard motors, housing, etc., along with distribution and other services, etc., related to the main business activities.

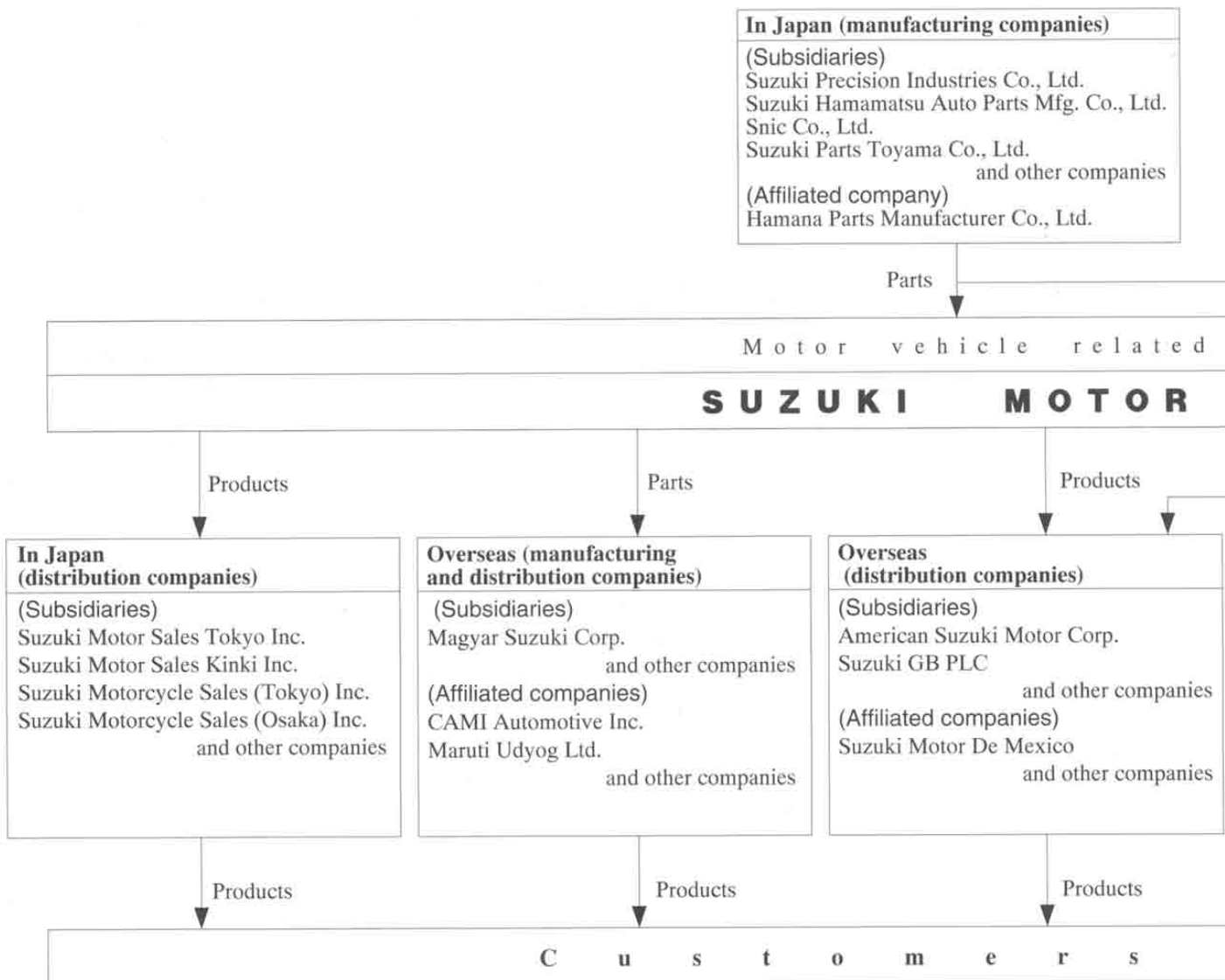
The positioning and division of the types of business within the Suzuki group are as follows:

(Motor vehicle related businesses)

Production of motorcycles and automobiles is carried out by Suzuki Motor Corporation, and, in overseas, by Magyar Suzuki Corporation, a subsidiary company; CAMI Automotive Inc., an affiliated company, and other companies. Some components are also produced by Suzuki Precision Industries, Co., Ltd., and other companies, and purchased by Suzuki Motor Corporation.

Sales inside Japan is carried out through

The organization chart of the Suzuki corporate group is as follows:



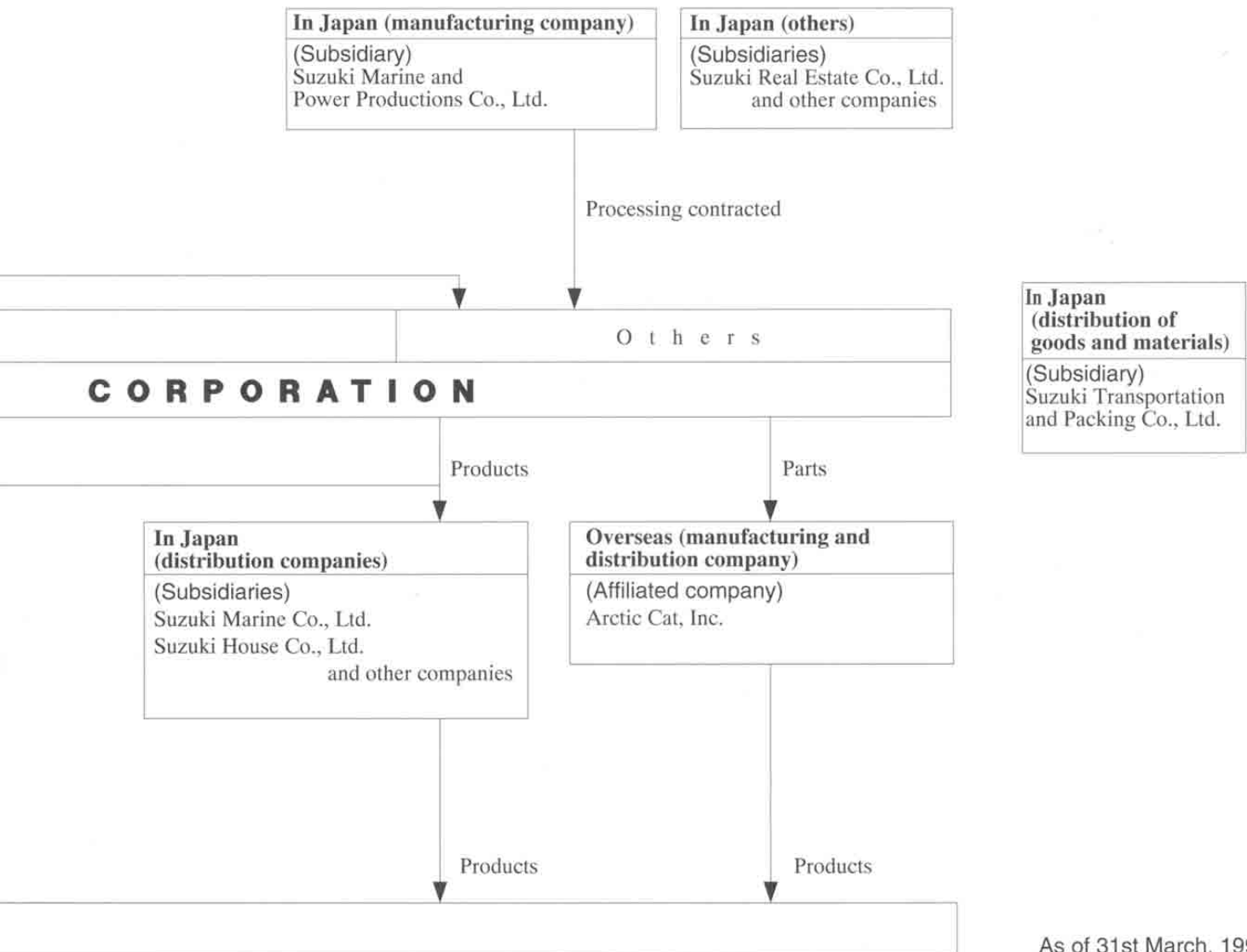
domestic sales channels including Suzuki Motor Sales Kinki Inc., a subsidiary company. Sales outside Japan is carried out through overseas distributors including American Suzuki Motor Corp. Distribution of goods and materials is carried out by Suzuki Transportation and Packing Co., Ltd.

(Other businesses)

Production of outboard motors is carried out by Suzuki Motor Corporation, but part of the

production process is contracted to Suzuki Marine and Power Productions Co., Ltd., a subsidiary. Sales of outboard motors is carried out by Suzuki Marine Co., Ltd. and others.

Sales of housing is carried out by Suzuki House Co., Ltd., a subsidiary. Suzuki Real Estate Co., Ltd., a subsidiary, and other companies carry out real estate and housing brokerage and other services.



As of 31st March, 1998

DIRECTORS AND AUDITORS

Chairman

Yoshio Saito

President & CEO

Osamu Suzuki

Executive Vice President

Masao Toda

Senior Managing Directors

Akira Tsutsui

Shigeo Narita

Akira Shinohara

Sokichi Nakano

Managing Directors

Hideo Takasugi

Taizo Miyake

Keiji Yamauchi

Yuichi Nakamura

Chosuke Sato

Tadao Kinoshita

Chuichi Mizuguchi

Osamu Matsuoka

Katsuhiko Yokota

Directors

Yoshinori Fujii

Kozo Senga

Kouhei Murata

Toshitaka Suzuki

Takahira Kiriyaama

Hidetoshi Tadokoro

Tsuneo Kobayashi

Hajime Shinkai

Junzo Sugimori

Takehisa Okabe

Ryujiro Nozawa

Kotaro Naito

Takashi Nakayama

Hiroshi Tsuda

Corporate Auditors

Takeshi Nakamura

Yoichiro Hosoe

Masao Tani

Takashi Suzuki

Shin Ishizuka

As of 1st July, 1998

CORPORATE DATA

Corporate Name:

SUZUKI MOTOR CORPORATION

Head Office:

300, Takatsuka, Hamamatsu

Shizuoka 432-8611, Japan

Mailing Address:

Hamamatsu-Nishi, P.O. Box 1

Hamamatsu, Shizuoka 432-8611, Japan

Established: 1920

Employees: 13,820 (As of 31st March, 1998)

MAJOR OVERSEAS SUBSIDIARIES

American Suzuki Motor Corp.

California, U.S.A.

Suzuki Canada Inc.

Ontario, Canada

Suzuki Motor de Colombia S.A.

Pereira, Colombia

Suzuki Australia Pty. Ltd.

Sydney, Australia

Suzuki New Zealand Ltd.

Wanganui, New Zealand

Suzuki Motor GmbH Deutschland

Heppenheim, Germany

Suzuki France S.A.

Trappes, France

Suzuki Italia S.P.A.

Torino, Italy

Suzuki Austria Automobil Handels G.m.b.H.

Salzburg, Austria

Suzuki Motor España, S.A.

Gijón, Spain

Suzuki Philippines Inc.

Manila, Philippines

Suzuki Motorcycles Pakistan Ltd.

Karachi, Pakistan

Suzuki Auto Madrid S.A.

Madrid, Spain

Suzuki GB PLC

West Sussex, United Kingdom

Pak Suzuki Motor Co., Ltd.

Karachi, Pakistan

Magyar Suzuki Corp.

Esztergom, Hungary

Thai Suzuki Motor Co., Ltd.

Thanyaburi, Thailand

FIVE-YEAR SUMMARY

SUZUKI MOTOR CORPORATION

Consolidated

Millions of yen (Note A)
(except per share amounts)

Years ended 31st March	1998	1997	1996	1995	1994
Net sales	¥1,488,785	¥1,502,424	¥1,381,132	¥1,258,285	¥1,226,962
Net income	30,156	33,586	26,626	20,057	15,243
Net income per share:					
Primary	67.17	74.84	59.35	44.71	34.40
Fully diluted	66.71	74.29	58.91	—	—
Cash dividends per share ...	7.50	8.50	8.50	7.50	7.50
Shareholders' equity	374,566	348,313	318,342	296,256	280,013
Total current assets	581,328	603,581	577,219	522,704	446,481
Total assets	1,037,280	1,009,631	952,603	875,862	797,714
Depreciation and amortization	67,263	60,225	57,175	64,572	62,113

Note A: All yen figures have been rounded down to millions of yen.

Thousands of U. S. dollars (Note B)
(except per share amounts)

Years ended 31st March	1998	1997	1996	1995	1994
Net sales	\$11,270,139	\$11,373,390	\$10,455,205	\$9,525,249	\$9,288,132
Net income	228,287	254,249	201,565	151,833	115,392
Net income per share:					
Primary	0.508	0.566	0.449	0.338	0.260
Fully diluted	0.504	0.562	0.445	—	—
Cash dividends per share ...	0.056	0.064	0.064	0.056	0.056
Shareholders' equity	2,835,477	2,636,740	2,409,856	2,242,667	2,119,707
Total current assets	4,400,670	4,569,123	4,369,566	3,956,887	3,379,875
Total assets	7,852,239	7,642,934	7,211,226	6,630,300	6,038,716
Depreciation and amortization	509,183	455,911	432,816	488,817	470,197

Note B: Yen amounts have been translated into U. S. dollars, for convenience only, at ¥132.10=US\$1, the prevailing exchange rate on 31st March, 1998.

Non-consolidated

Millions of yen (Note A) (except per share amounts)

Years ended 31st March	1998	1997	1996	1995	1994
Net sales	¥1,179,136	¥1,182,121	¥1,120,944	¥1,048,804	¥1,008,659
Net income	9,533	11,352	9,452	8,002	7,044
Net income per share:					
Primary	21.23	25.30	21.07	17.84	15.90
Fully diluted	21.12	25.14	20.94	—	—
Cash dividends per share ...	7.50	8.50	8.50	7.50	7.50
Shareholders' equity	247,350	241,780	234,224	228,245	223,710
Total current assets	392,663	416,839	402,630	393,473	328,405
Total assets	723,487	717,716	690,961	685,168	621,975
Capital expenditure	77,668	53,940	45,855	46,137	28,584
Depreciation and amortization....	47,339	42,987	42,702	50,507	51,785

Note A: All yen figures have been rounded down to millions of yen.

Thousands of U. S. dollars (Note B) (except per share amounts)

Years ended 31st March	1998	1997	1996	1995	1994
Net sales	\$8,926,090	\$8,948,686	\$8,485,572	\$7,939,470	\$7,635,575
Net income	72,168	85,940	71,554	60,578	53,328
Net income per share:					
Primary	0.161	0.192	0.160	0.135	0.120
Fully diluted	0.160	0.190	0.159	—	—
Cash dividends per share ...	0.057	0.064	0.064	0.057	0.057
Shareholders' equity	1,872,445	1,830,286	1,773,088	1,727,824	1,693,496
Total current assets	2,972,475	3,155,487	3,047,918	2,978,603	2,486,040
Total assets	5,476,815	5,433,127	5,230,595	5,186,739	4,708,371
Capital expenditure	587,951	408,328	347,129	349,262	216,388
Depreciation and amortization....	358,359	325,416	323,257	382,344	392,019

Note B: Yen amounts have been translated into U. S. dollars, for convenience only, at ¥132.10=US\$1, the prevailing exchange rate on 31st March, 1998.

CONSOLIDATED FINANCIAL STATEMENTS OF 1998

CONSOLIDATED BALANCE SHEETS

As of 31st March, 1998 and 1997

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
ASSETS			
Current assets:			
Cash and time deposits	¥ 185,121	¥ 261,541	\$1,401,372
Short-term investments (Note 4)	20,239	6,263	153,213
Receivables (Note 5):			
Trade notes and accounts	127,951	142,283	968,599
Non-consolidated subsidiaries and affiliates	6,339	7,452	47,989
Less allowance for doubtful receivables	(2,450)	(6,113)	(18,552)
Inventories (Note 3 and 5)	202,368	157,805	1,531,933
Other current assets	41,758	34,348	316,114
Total current assets	<u>581,328</u>	<u>603,581</u>	<u>4,400,670</u>
Property, plant and equipment (Note 5):			
Land	126,241	116,918	955,654
Buildings and structures	201,936	184,581	1,528,661
Machinery and equipment	591,180	534,550	4,475,252
Construction in progress	4,538	7,474	34,354
	923,897	843,525	6,993,922
Less accumulated depreciation	(586,908)	(542,048)	(4,442,913)
	<u>336,988</u>	<u>301,476</u>	<u>2,551,008</u>
Investments and other assets:			
Investments in securities (Note 4)	32,482	28,051	245,890
Investments in non-consolidated subsidiaries and affiliates	54,289	54,699	410,976
Other assets	9,586	10,765	72,567
	<u>96,358</u>	<u>93,515</u>	<u>729,434</u>
Foreign currency translation adjustments	22,605	11,058	171,125
	<u>¥1,037,280</u>	<u>¥1,009,631</u>	<u>\$7,852,239</u>

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

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 5)	¥ 124,524	¥ 136,112	\$ 942,651
Current portion of long-term debt (Note 5)	4,937	22,393	37,374
Payables:			
Trade notes and accounts	268,078	246,082	2,029,363
Non-consolidated subsidiaries and affiliates	5,955	4,007	45,081
Accrued expenses	82,230	77,864	622,490
Accrued income taxes (Note 9)	15,744	28,347	119,188
Other current liabilities	72,846	67,210	551,449
Total current liabilities	<u>574,317</u>	<u>582,018</u>	<u>4,347,599</u>
Long-term liabilities:			
Long-term debt (Note 5)	30,230	32,745	228,847
Accrued retirement and severance benefits	23,932	22,660	181,169
Other liabilities	25,934	19,903	196,324
	<u>80,097</u>	<u>75,309</u>	<u>606,341</u>
Minority interests	<u>8,298</u>	<u>3,990</u>	<u>62,821</u>
Contingent liabilities (Note 8)			
Shareholders' equity (Note 7):			
Common stock:			
Authorized-1,500,000,000 shares			
Issued, par value ¥50 per share			
as of 31st March, 1998-448,960,125	64,156	—	485,664
as of 31st March, 1997-448,956,853	—	64,155	—
Additional paid-in capital	70,852	70,851	536,357
Legal reserve	9,296	8,135	70,373
Retained earnings (Note 11)	230,262	205,172	1,743,094
Less treasury stock, at cost	(1)	(1)	(12)
	<u>374,566</u>	<u>348,313</u>	<u>2,835,477</u>
	<u>¥1,037,280</u>	<u>¥1,009,631</u>	<u>\$7,852,239</u>

CONSOLIDATED STATEMENTS OF INCOME

Years ended 31st March, 1998 and 1997

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Net sales	¥1,488,785	¥1,502,424	\$11,270,139
Cost of sales	1,133,128	1,154,184	8,577,807
Gross profit	355,657	348,240	2,692,332
Selling, general and administrative expenses	299,048	280,138	2,263,803
Operating income	56,608	68,101	428,529
Other income (expenses) :			
Interest and dividend income	4,339	4,106	32,848
Interest expense	(6,195)	(7,884)	(46,897)
Other, net	(1,201)	4,472	(9,098)
Income before income taxes	53,550	68,796	405,382
Income taxes:			
Current (Note 9)	38,812	46,082	293,810
Deferred	(4,303)	(1,329)	(32,577)
	34,508	44,752	261,233
Equity items:			
Minority interests in earnings of consolidated subsidiaries	(830)	(837)	(6,287)
Equity in earnings of non-consolidated subsidiaries and affiliates	12,654	11,047	95,796
Other (Adjustments on consolidated subsidiaries)	(709)	(667)	(5,370)
Net income	¥ 30,156	¥ 33,586	\$ 228,287
		Yen	U.S. dollars
Net income per share:			
Primary	¥67.17	¥74.84	\$ 0.508
Fully diluted	66.71	74.29	0.504
Cash dividends per share	7.50	8.50	0.056

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of SUZUKI MOTOR CORPORATION (the Company) have been prepared on the basis of generally accepted accounting principles and practices in Japan, and from the consolidated financial statements filed with the Minister of Finance as required by the Securities and Exchange Law of Japan.

Certain reclassifications and modifications have been made to the original consolidated financial statements for the convenience of readers outside Japan. In addition, the consolidated statements of shareholders' equity have been prepared as additional information, although such statements are not required in Japan, and the notes include information which is not required under generally accepted accounting principles and practices in Japan.

All yen figures have been rounded down to millions of yen. For the convenience of readers, the consolidated financial statements have been presented in U.S. dollars by translating all Japanese yen amounts on the basis of ¥132.10 to U.S.\$1, the rate of exchange prevailing as of 31st March, 1998. Consequently, the totals shown in the consolidated financial statements (both in yen and in U.S.dollars) do not necessarily agree with the sum of the individual amounts.

2. Summary of significant accounting policies

(a) Principles of consolidation

In the consolidated financial statements for the years ended 31st March, 1998 and 1997, the number of consolidated subsidiaries are 134 and 131 respectively. The Company's remaining subsidiaries, the gross assets, net sales, net income and retained earnings of which are not significant in the aggregate in relation to the comparable figures in the consolidated financial statements, have not been consolidated. All significant inter-company accounts and transactions are eliminated in consolidation.

Investments in certain significant unconsolidated subsidiaries and affiliated companies (20 per cent to 50 per cent owned) 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 and in unconsolidated subsidiaries and affiliated companies accounted for under the equity method is, as a rule, amortized over a period of five years after appropriate adjustments.

(b) Foreign currency translations

Current receivables and payables in foreign currencies of domestic companies are translated into Japanese yen at the exchange rates as of the balance sheet date, and other assets in foreign currencies are translated at the historical rates. Revenue and costs are translated at exchange rates prevailing during the year. Gains or losses resulting from translation of foreign currency transactions are credited or charged to income as incurred.

The balance sheet accounts, revenue and expenses of overseas consolidated subsidiaries are translated into Japanese yen on the basis of the year-end rates except shareholders' equity, which are translated at the historical rates.

Translation differences are shown as "Foreign currency translation adjustments" in the consolidated balance sheets.

(c) Investments in securities

Marketable securities (current and non-current) are stated at the lower of cost or market value, cost being determined by the moving average method. Non-marketable securities are stated at cost determined by the moving average method.

(d) Inventories

Inventories are stated at the lower of cost or market value, cost being determined principally by the gross average method.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is principally computed by the declining-balance method based on estimated useful lives of the assets.

Provision for additional depreciation is made to reflect use of machinery and equipment in excess of normal production schedules, a substantial portion of which is, however, not tax deductible.

Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

(f)Leases

Finance lease transactions, except for those which meet the conditions that the ownership of the lease assets is substantially transferred to the lessee, are accounted for on a basis similar to ordinary rental transactions.

(g)Income taxes

Income taxes are principally accounted for on an accrual basis. Deferred income taxes pertaining to timing differences are recognized only insofar as they relate to the elimination of unrealized inter-company profits and other adjustments for consolidation purposes.

(h)Retirement and severance benefits

The Company and certain consolidated subsidiaries have a funded retirement and severance pension plan and/or an unfunded retirement benefit plan, both of which cover all of their employees.

The amount of the retirement and severance benefits is in general determined on the basis of length of service and basic salary at the time of the retirement. The Company and certain consolidated subsidiaries reserve retirement and severance allowances for directors and statutory auditors. The liability for accrued retirement and severance benefits shown on the consolidated balance sheet represents the retirement and severance benefits accrued in respect of the unfunded plan of the Company and certain subsidiaries at the amounts which would be required if all employees voluntarily retired at the balance sheet date, plus the provisions for retirement and severance benefits of directors and statutory auditors computed by the retirement and severance benefit rule of directors and statutory auditors at the balance sheet date.

(i)Research and development expenses

Research and development expenses are charged to income as incurred.

(j)Revenue recognition

Sales of products are generally recognized in the accounts as delivery is made.

(k)Amounts 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 convertible bonds at the beginning of the year were converted into common stock, with an applicable adjustment for related interest expense and net of tax.

Cash dividends per share are the amounts applicable to the respective periods including dividends to be paid after the end of the period.

(l)Reclassification

Certain reclassifications of previously reported amounts have been made to conform with current classifications.

3. Inventories

Inventories as of 31st March, 1998 and 1997 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Finished goods	¥166,037	¥124,220	\$1,256,908
Work in process	18,106	20,512	137,067
Raw materials and others	18,224	13,072	137,957
	¥202,368	¥157,805	\$1,531,933

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Short-term investments and investments in securities

Short-term investments and investments in securities as of 31st March, 1998 and 1997 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Marketable securities-			
Equity securities	¥25,671	¥26,796	\$194,330
Bonds and other	6,192	1,615	46,877
	31,863	28,412	241,208
Other	20,858	5,902	157,896
	¥52,721	¥34,314	\$399,104
Market value of marketable securities	¥53,668	¥60,735	\$406,272

5. Short-term bank loans and long-term debt

Short-term bank loans were generally represented by short-term notes and/or bank overdrafts. The annual interest rates as of 31st March, 1998 were 0.75 per cent to 26.0 per cent.

Short-term bank loans as of 31st March, 1998 and 1997 consisted of:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Secured	¥ 10,055	¥ 9,640	\$ 76,118
Unsecured	114,469	126,472	866,533
	¥124,524	¥136,112	\$942,651

Long-term debt as of 31st March, 1998 and 1997 consisted of:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Loans maturing through 2009			
Secured	¥ 451	¥ 795	\$ 3,414
Unsecured	12,648	17,273	95,751
5.75 per cent yen bonds due 1997	—	5,000	—
4.35 per cent yen bonds due 1997	—	10,000	—
4.75 per cent yen bonds due 1999	20,000	20,000	151,400
Unsecured 2.1 per cent convertible bonds in yen due 2003	2,068	2,070	15,654
	¥35,167	¥55,138	\$266,221
Less portion due within one year	(4,937)	(22,393)	(37,374)
	¥30,230	¥32,745	\$228,847

The aggregate annual maturities of long-term debt outstanding as of 31st March, 1998 were as follows:

<u>Year ending 31st March</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
1999	¥ 4,937	\$ 37,374
2000	25,021	189,413
2001	1,336	10,118
2002	874	6,620
2003	2,885	21,839
Thereafter	113	856
	<u>¥35,167</u>	<u>\$266,221</u>

Assets pledged as collateral as of 31st March, 1998:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Receivables	¥ 1,807	\$ 13,685
Inventories	2,042	15,462
Property, plant and equipment	13,646	103,306
	<u>¥17,497</u>	<u>\$132,454</u>

The 2.1 per cent convertible bonds outstanding as of 31st March, 1998 may be redeemed at the option of the Company, in whole or in part, at prices ranging from 104 per cent to 100 per cent of the principal amount under certain conditions as provided in the applicable agreement.

The 2.1 per cent convertible bonds are convertible into common stock at the options of holders at the conversion price of ¥611 per share. If the outstanding convertible bonds were fully converted as of 31st March, 1998, approximately 3,384,000 additional shares of common stock would be issued.

As is customary in Japan, both short-term and long-term bank loans are subject 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.

6. Lease transactions

Finance lease transactions, except for those which meet the conditions that the ownership of the leased assets is substantially transferred to the lessee, as of 31st March, 1998 were as follows:

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>1998</u>	<u>1997</u>	<u>1998</u>
Future lease payments			
Within one year	¥ 462	¥ —	\$3,498
More than one year	602	—	4,561
	<u>1,064</u>	<u>—</u>	<u>8,060</u>
Lease expenses	<u>531</u>	<u>1,105</u>	<u>4,026</u>
Future lease revenues			
Within one year	74	—	562
More than one year	220	—	1,671
	<u>295</u>	<u>—</u>	<u>2,234</u>
Lease revenues	<u>¥ 73</u>	<u>¥ 64</u>	<u>\$ 555</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Operating lease transactions as of 31st March, 1998 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Future lease payments			
Within one year	¥ 255	—	\$ 1,933
More than one year	1,101	—	8,340
	<u>1,357</u>	<u>—</u>	<u>10,274</u>
Future lease revenues			
Within one year	32	—	246
More than one year	102	—	779
	<u>¥ 135</u>	<u>—</u>	<u>\$ 1,025</u>

7. Shareholders' equity

Under the Commercial Code of Japan, at least 50 per cent of the issue price of new shares, with a minimum of the par value, is required to be designated as common stock, and proceeds in excess of the amounts designated as common stock may be transferred to additional paid-in capital.

It also provides that an amount equivalent to at least 10 per cent of cash dividends and directors' and statutory auditors' bonuses shall be appropriated to a legal reserve until such reserve equals 25 per cent of common stock. The reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders or may be capitalized in the form of share split of common stock by resolution of the Board of Directors.

8. Contingent liabilities

As of 31st March, 1998, the Company and certain consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantee of indebtedness of non-consolidated subsidiaries, affiliates and others	¥ 3,358	\$ 25,422
Trade notes discounted	3,203	24,249
	<u>¥ 6,561</u>	<u>\$ 49,671</u>

9. Income taxes

The effective income tax rates on income before income taxes in the consolidated financial statements differ from the normal statutory rate in Japan. The principal reasons for such differences are (a) not to provide for deferred income taxes arising from all of the timing differences between financial and tax reporting; (b) certain expenses which are not deductible for income tax purposes; and (c) tax credit for certain qualified expenditures.

10. Segment Information

(a) Information by industry segment

The Company and certain consolidated subsidiaries operate mainly in a single industry known as motor business (included motorcycle business). In the fiscal years of both 1998 and 1997, motor business represented more than 90 per cent, all of gross assets, net sales and operating profit.

(b) Information by geographic area

Millions of yen

	1998				
	Japan	Europe	Other areas	Elimination and others	Consolidated
Net sales:					
Outside customers	¥1,069,320	¥ 220,731	¥ 198,733	¥ —	¥1,488,785
Inter-area	212,614	816	175	(213,605)	—
	<u>1,281,934</u>	<u>221,548</u>	<u>198,908</u>	<u>(213,605)</u>	<u>1,488,785</u>
Costs and expenses	<u>1,238,211</u>	<u>214,465</u>	<u>193,105</u>	<u>(213,605)</u>	<u>1,432,176</u>
Operating income	<u>¥ 43,723</u>	<u>¥ 7,082</u>	<u>¥ 5,803</u>	<u>¥ (0)</u>	<u>¥ 56,608</u>
Identifiable assets	<u>¥ 691,324</u>	<u>¥ 84,792</u>	<u>¥ 75,983</u>	<u>¥ 185,180</u>	<u>¥1,037,280</u>

1997

	Japan	Other areas	Elimination and others	Consolidated
Net sales:				
Outside customers	¥1,129,470	¥ 372,954	¥ —	¥1,502,424
Inter-area	174,004	940	(174,944)	—
	<u>1,303,475</u>	<u>373,894</u>	<u>(174,944)</u>	<u>1,502,424</u>
Costs and expenses	<u>1,244,883</u>	<u>364,384</u>	<u>(174,944)</u>	<u>1,434,322</u>
Operating income	<u>¥ 58,591</u>	<u>¥ 9,510</u>	<u>¥ (0)</u>	<u>¥ 68,101</u>
Identifiable assets	<u>¥ 639,184</u>	<u>¥ 144,060</u>	<u>¥226,387</u>	<u>¥1,009,631</u>

Thousands of U.S. dollars

	1998				
	Japan	Europe	Other areas	Elimination and others	Consolidated
Net sales:					
Outside customers	\$8,094,779	\$1,670,944	\$1,504,416	\$ —	\$11,270,139
Inter-area	1,609,494	6,181	1,325	(1,617,001)	—
	<u>9,704,274</u>	<u>1,677,125</u>	<u>1,505,741</u>	<u>(1,617,001)</u>	<u>11,270,139</u>
Costs and expenses	<u>9,373,288</u>	<u>1,623,512</u>	<u>1,461,811</u>	<u>(1,617,001)</u>	<u>10,841,610</u>
Operating income	<u>\$ 330,985</u>	<u>\$ 53,613</u>	<u>\$ 43,929</u>	<u>\$ (0)</u>	<u>\$ 428,529</u>
Identifiable assets	<u>\$5,233,345</u>	<u>\$ 641,877</u>	<u>\$ 575,194</u>	<u>\$1,401,821</u>	<u>\$ 7,852,239</u>

"Other areas" consists principally of North America and Asia.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(c)Export sales and sales by overseas subsidiaries

Millions of yen					
1998					
	Europe	Asia	North America	Other areas	Consolidated
Export sales and sales					
by overseas subsidiaries ...	¥297,641	¥195,608	¥177,844	¥107,894	¥ 778,989
Consolidated net sales					1,488,785
Percentage of such sales					
against consolidated net sales					52.3%

1997		Consolidated
Export sales and sales		
by overseas subsidiaries		¥ 710,458
Consolidated net sales		1,502,424
Percentage of such sales		
against consolidated net sales		47.3%

Thousands of U. S. dollars					
1998					
	Europe	Asia	North America	Other areas	Consolidated
Export sales and sales					
by overseas subsidiaries ...	\$2,253,153	\$1,480,760	\$1,346,288	\$816,761	\$ 5,896,964
Consolidated net sales					11,270,139
Percentage of such sales					
against consolidated net sales					52.3%

"Other areas" consists principally of Oceania and Central America.

11.Subsequent events

The following plan for the appropriation of retained earnings for the year ended 31st March, 1998 was approved by the ordinary general meeting of shareholders of the Company held on 26th June, 1998:

	Millions of yen	Thousands of U.S. dollars
Transfer to legal reserve	¥ 194	\$ 1,473
Year-end cash dividends of ¥4.00 per share	1,795	13,594
Directors' and statutory auditors' bonuses	150	1,135
	<u>¥2,140</u>	<u>\$16,203</u>

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Suzuki Motor Corporation

We have examined the accompanying consolidated balance sheets of Suzuki Motor Corporation and its consolidated subsidiaries as of 31st March, 1997 and 1998, and the related consolidated statements of income and earnings for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, based upon our examinations and the reports of other auditors, the aforementioned consolidated financial statements, expressed in yen, present fairly the financial position of Suzuki Motor Corporation and its consolidated subsidiaries as of 31st March, 1997 and 1998, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles in Japan applied on a consistent basis during the periods.

The accompanying consolidated financial statements as of and for the year ended 31st March, 1998 have been translated into United States dollars solely for the convenience of readers. We have reviewed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been properly translated into United States dollars on the basis set forth in Note 1. to the consolidated financial statements.

Tokyo, Japan
June 26, 1998

Seimei Audit Corporation

Seimei Audit Corporation

NON-CONSOLIDATED FINANCIAL STATEMENTS OF 1998

NON-CONSOLIDATED BALANCE SHEETS

As of 31st March, 1998 and 1997

SUZUKI MOTOR CORPORATION	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
ASSETS			
Current assets:			
Cash and time deposits	¥146,820	¥205,514	\$1,111,433
Short-term investments.....	9,971	—	75,486
Receivables:			
Trade notes and accounts	33,011	44,884	249,899
Subsidiaries and affiliates	72,174	71,823	546,363
Less allowance for doubtful receivables	(803)	(3,413)	(6,078)
Inventories	102,944	74,077	779,291
Other current assets	28,544	23,953	216,078
Total current assets	<u>392,663</u>	<u>416,839</u>	<u>2,972,475</u>
Property, plant and equipment:			
Land	90,477	84,375	684,916
Buildings and structures	136,885	127,650	1,036,224
Machinery and equipment	449,744	412,943	3,404,572
Construction in progress	3,015	2,320	22,827
	680,122	627,289	5,148,540
Less accumulated depreciation	(472,432)	(447,803)	(3,576,321)
	<u>207,690</u>	<u>179,485</u>	<u>1,572,219</u>
Investments and other assets:			
Investments in securities	30,683	26,301	232,278
Investments in subsidiaries and affiliates	91,157	93,597	690,064
Other assets	1,291	1,492	9,778
	<u>123,133</u>	<u>121,391</u>	<u>932,121</u>
	<u>¥723,487</u>	<u>¥717,716</u>	<u>\$5,476,815</u>

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans	¥ 35,480	¥ 47,000	\$ 268,584
Current portion of long-term debt	854	15,854	6,464
Payables:			
Trade notes and accounts	235,108	219,605	1,779,773
Subsidiaries and affiliates	20,711	17,110	156,785
Accrued expenses	75,820	71,140	573,960
Accrued income taxes	9,989	15,567	75,620
Other current liabilities	<u>40,536</u>	<u>32,992</u>	<u>306,861</u>
Total current liabilities	<u>418,499</u>	<u>419,271</u>	<u>3,168,052</u>
Long-term liabilities:			
Long-term debt	25,011	25,867	189,336
Accrued retirement and severance benefits	15,279	14,621	115,666
Other liabilities	<u>17,346</u>	<u>16,174</u>	<u>131,314</u>
	<u>57,637</u>	<u>56,663</u>	<u>436,317</u>
Shareholders' equity			
Common stock:			
Authorized-1,500,000,000 shares			
Issued, par value ¥50 per share			
as of 31st March, 1998-448,960,125	64,156	—	485,664
as of 31st March, 1997-448,956,853	—	64,155	—
Additional paid-in capital	70,583	70,582	534,320
Legal reserve	6,837	6,441	51,762
Retained earnings	<u>105,772</u>	<u>100,601</u>	<u>800,698</u>
	<u>247,350</u>	<u>241,780</u>	<u>1,872,445</u>
	<u>¥723,487</u>	<u>¥717,716</u>	<u>\$5,476,815</u>



SUZUKI MOTOR CORPORATION
300 TAKATSUKA, HAMAMATSU, JAPAN