

FINANCIAL SECTION

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Management policy

1. Business operations basic policy

Ever since establishment, the Suzuki group has maintained a basic policy of making "value-packed products" to give our customers satisfaction. The opening paragraph of our company's mission promises that we will "develop products of superior quality by focusing on the customer". Of course, the value of a product varies with the times as well as in different countries and lifestyles. By keeping on top of the dynamic changes in the market that occur over time, we strive to create products of real value, products that are always designed to win our customers' approval.

We are committed to making positive efforts in the production of small and subcompact vehicles, to develop vehicles that are environmentally benign and to develop vehicles that are in tune with our customers' demands. Under our "Small Cars for a Big Future" program, we are working to ensure our operations run in an efficient, well-coordinated and well-balanced manner.

2. Profit sharing basic policy

The Company's basic profit sharing policy is focused on maintaining a continuous and stable payout of dividends. At the same time, however, from a middle- and long-term perspective, we are always looking how to improve our performance, how to increase the dividend payout ratio and how internal reserves can be improved as a basis for enhancing our corporate structure to allow us to expand our business operations in the future.

The increase in consolidated net sales for the current fiscal year was largely due to the increase in overseas sales that resulted from an increase in production at our overseas manufacturing subsidiaries in developing countries. At the same time, we also saw a decrease in non-consolidated net sales and we could face a similarly tough situation in the coming fiscal year and thereafter. As previously stated, the Suzuki group has a structure in which profits are highly dependent on overseas manufacturing plants, mainly located in developing countries, and therefore are subject to exchange rates fluctuations. Furthermore we have plans to actively move ahead and increase our investment in these overseas manufacturing bases. For stable growth, we need to further enhance our corporate structure and to prepare for unforeseen circumstances.

Dividends for the current fiscal year are approved to be 8.00 yen per share as annual dividends (including interim dividends of 4.00 yen). In addition, special dividends of 1.00 yen are to be paid. Therefore, total dividends are 9.00 yen per share. As a result, the dividend payout ratio for the current fiscal year is 19.0% and the dividend rate of shareholders' equity is 0.9%.

3. Perspectives and policy for lowering investment unit of shares

The Company recognizes improvement in share liquidity and increasing the number of individual shareholders as significant issues to achieve a fair price for our shares. Therefore in September last year, we decided to improve the market environment for investors by lowering the investment unit from 1,000 down to 100 to facilitate the easier purchasing of shares. Furthermore, we will continue to take into consideration factors such as maximization of shareholders' interests, expansion of the number of individual investors, and improvement of share liquidity.

4. Medium-term management strategy

A new business target was put in place in May, 2002 in order for the Suzuki group to survive in drastically changing and tough business environment. The conditions upon which "Suzuki medium-term 3-year plan" was formulated have been subject to change, but each and every member of our business has been working as a team to achieve the goals.

5. Outstanding issues

An increase in the export market has brought about some signs of improvement in Suzuki group's business environment in the domestic market. The effect of factors such as the appreciation of the yen on foreign exchange markets and the slow recovery of the employment market mean the situation remains unstable. In addition, in overseas markets, uncertainties regarding the chaotic situation in Iraq also cloud positive sentiment for the future.

In order to cope in such difficult circumstances, we are striving to pursue the following motto to represent our basic policy: "In order to survive, let us stop acting in a self-styled manner and get back to basics". By which we intend to make positive efforts to strengthen our management structure by reviewing our practices in every area of our business.

In our motorcycle operations for the domestic market, we will promote sales increases of the domestic-made "Choinori"- the driving force in recent improvements in our market share - as well as push sales of our large-size models. In overseas markets, we will try to boost sales of small-size models in Asia and large-size models in the European and North American markets. In this way, we intend to establish a highly profitable motorcycle

business operation.

In our automobile business, we intend to achieve sales expansion of small and subcompact vehicles in the domestic market via measures such as upgrading the sales power of "Suzuki Arena"- our sales channel for subcompact vehicles - along with work on enhancing and improving our existing sales network, and through focusing on areas such as strengthening our understanding of the market and improving customer satisfaction. In overseas markets, in the marketing and product development stages, we will maintain closer contact with the market. At our overseas plants, further upgrading of our overseas plants will be pursued through measures such as furthering automation to facilitate improvements in both quality and productivity as well as finding innovative solutions for cost reduction and the promotion of local procurement of parts. Furthermore, we hope to maximize the business potential of the synergies gained by our strategic alliances with the General Motors Group to reinforce the corporate foundation.

Efforts will be taken to develop, in a speedy and effective manner, products that closely meet demands in each of the four major market regions in the world and to introduce them in a timely fashion. We are also continuing to further our environmentally friendly technology. Improvements are being sought in a wide range of global issues such as minimizing the environmental impact during the product development process, reducing gas emissions, improving fuel consumption, reducing the amount of resources consumed, recycling, etc. Development programs on advanced next-generation vehicles such as fuel-cell vehicles are also being carried out.

6. Corporate governance issues

(1) Basic concepts regarding corporate governance

The Company has made positive efforts towards the implementation of various measures aimed at ensuring our corporate activities are carried out in a fair and efficient manner. We are confident our business organization has the desire to always retain the faith of our shareholders, customers, business partners, and all members of our regional communities.

To highlight the importance of corporate ethics, we have brought in various measures, including establishing a set of guidelines for directors and employees of the Company. The "Suzuki Corporate Ethics Rules", lay out a set of basic points to enable each staff member to act in a fair and faithful manner in conformity to the laws, the norms of the society and company regulations. A set of "Action Standards" has also been clarified in these rules. In addition, a "Corporate Ethics Committee" has been established for the promotion of overall corporate ethics. We have also established a "Corporate Ethics Promotion Headquarter" as its subordinate organization for the promotion of the corporate ethics in each division. The "Suzuki Corporate Ethics Rules" are now accessible on the corporate intranet for directors and employees so they are able to refer to them any time. Lecture sessions are held to ensure that the employees realize the importance and necessity of the corporate ethics.

(2) Corporate auditing and management supervision

A corporate auditor system has been adopted. Corporate auditors are responsible for the auditing of the proper implementation of management of the Company.

One outside director sits on the Board of directors and three outside corporate auditors are among the Board of corporate auditors. In addition to the regular board of directors meetings held every month, extraordinary board of directors meetings are held whenever necessary and corporate auditors always participate in board of directors meetings. We believe discussions in the board of directors are thoroughly conducted and corporate auditors' function of management supervision is working effectively.

(3) Structure and administration of internal control system

The Company has audit functions for our subsidiaries and affiliates both domestic and overseas in addition to our internal audit group. Thus, along with audit by corporate auditors and audit by certified public accountants, three types of audit are executed from the standpoint of compliance with the law, internal control and management efficiency.

The Company has an internal audit system in which the integrity and efficiency of our internal control system are checked periodically and the results of the checks are reported to management together with suggestions regarding improvement and correction of problems. In addition, any important information pertaining to the management of the company is properly reported to the board of directors.

(4) Structure and administration of risk control system

In consideration of the importance of risk control, the Company has laid out a "Risk Control Procedure" as part of the "Suzuki Corporate Ethics Rules". In this procedure, an "Action Standard" is provided to stop preventable risks such as malpractices or illegal acts by employees. The "Risk Control Procedure" also determines responses to emergencies, such as natural disasters and terrorism, which the company is powerless to prevent.

Whenever the "Corporate Ethics Committee" recognizes risks that could cause urgent and serious damages to the Company's management and business operations, the committee immediately sets up a "Risk Control Headquarter". Chairman & CEO of the Company will lead this committee and with President & COO serving as deputy leader, to form an organization that will decide on the measures to be taken against the occurred risk, in accordance with the "Risk Control Procedure". The "Risk Control Headquarter" organizes discussions to decide policies and measures to be taken and can give instructions to the appropriate divisions and departments. These divisions and departments are then able to communicate with each other to resolve any issues at hand.

(5) Remuneration to directors

Remuneration paid to directors and corporate auditors is as follows:

(Number of payee:persons, Amount:million yen)

| | Directors | | Corporate Auditors | | Total | |
|---|-----------------|--------|--------------------|--------|-----------------|--------|
| | Number of payee | Amount | Number of payee | Amount | Number of payee | Amount |
| Remuneration based on resolution of shareholders' meeting | 36 | 491 | 5 | 28 | 41 | 520 |
| Bonus based on appropriation of retained earnings | 27 | 182 | 5 | 18 | 32 | 200 |
| Retirement bonus based on resolution of shareholders' meeting | 11 | 410 | - | - | 11 | 410 |
| Total | | 1,083 | | 46 | | 1,130 |

(6) Remuneration to independent accountants

The remuneration amount regarding audit certificates, based on audit agreement, is 37 million yen.

Financial review

1. Operating results

Consolidated net sales for the Suzuki group during the current fiscal year amounted to 2,198,986 million yen (109.1% as against PFY). Operating income amounted to 95,140 million yen (128.2% as against PFY). Net income amounted to 43,835 million yen (141.3% as against PFY). These results were due to increases in overhead costs and R&D expenses being absorbed by cost reduction and foreign exchange gains.

Note: PFY=Previous Fiscal Year

(1) Sales

Consolidated net sales during the current fiscal year were 2,198,986 million yen. Sales in all of the business segments, such as motorcycle, automobile and other businesses, exceeded those of the previous year.

In motorcycle operations, in the domestic market, net sales were below those of the previous fiscal year due to a decrease in demand for large models. In overseas markets, stable sales of large sports models together with an increase of local production in Asia helped net sales surpass those of the previous year. As a result, net sales of motorcycle operations reached 416,855 million yen (119.9% as against PFY).

In automobile operations, in the domestic market, in a tough market, although net sales of small and subcompact vehicles surpassed those of the previous year, net sales of mini vehicles fell, and as a result, domestic net sales dropped below those of the previous fiscal year. In overseas markets, we reinforced overseas production bases by increasing production at "Maruti Udyog Limited" in India and introducing a new model "Ignis" at "Magyar Suzuki Corporation" in Hungary. As a result, net sales of automobile operations surpassed the previous year, amounting to 1,724,834 million yen (106.6% as against PFY).

Net sales of other businesses amounted to 57,296 million yen (116.3% as against PFY).

(2) Selling, general and administrative expenses

The Suzuki group has made positive efforts to widen our scope of technical development moving beyond the areas of current expertise. By offering competitive and original products which are in line with developments in technical innovation, we are striving to meet the more diversified needs of users under stringent market conditions. As a result, our R&D expenses increased by 20,719 million yen to 74,915 million yen.

(3) Other income and expenses

In the previous fiscal year, the net amount of other income and expenses was a loss of 11,935 million yen due to control premium, retirement benefit and the valuation loss of marketable securities, in spite of the return of the substitute component of pension assets, interest and dividend incomes and equity in earnings of affiliates. For this fiscal year, we adopted "Accounting Standards of Impairment for Fixed Assets" and impairment loss of 17,419 million yen was posted.

The net amount of other income and expenses was a loss of 16,268 million yen due to this impairment of fixed assets and a rise in expenses at our newly consolidated subsidiaries.

As a result, the net loss of other income and expenses increased by 4,332 million yen in comparison with the previous fiscal year.

(4) The operating results of geographical segmentation

(In Japan)

Net sales amounted to 1,529,062 million yen (99.2% as against PFY) and operating income increased to 67,725 million yen (102.2% as against PFY) absorbing the increase of overhead costs etc. and R&D expenses by cost reduction etc.

(In Europe)

Net sales amounted to 375,603 million yen (126.6% as against PFY) and operating income increased to 8,993 million yen (281.8% as against PFY) by the increase of net sales and cost reduction etc.

(In North America)

Net sales amounted to 295,984 million yen (97.6% as against PFY) and operating income increased to 807 million yen (194.9% as against PFY) by the decrease of sales expenses etc.

(In Asia)

For the reason that P.T. Indomobil Suzuki International became one of consolidated subsidiaries and net sales of overseas manufacturing companies increased, net sales amounted to 464,763 million yen (162.7% as against PFY) and operating income to 24,946 million yen (353.6% as against PFY), enjoying the sharp increase of both revenue and income.

(In other areas)

Net sales amounted to 24,339 million yen (108.4% as against PFY) and operating income to 574 million yen (114.6% as against PFY) by cost reduction etc.

(5) Outlook of results in the next fiscal year

As for the forthcoming business environments, it is anticipated that unpredictable and severe situation will last for both domestic and overseas market but the Suzuki group will work all together for innovation in every area, getting engaged in evolution of business activities to achieve 2,200,000 million yen in net sales and 60,000 million yen in net income.

The above is based on the anticipated foreign exchange rate of 1 US dollar = 105 yen and 1 Euro = 125 yen.

* The outlook of business results, estimated based on the current information available and assumption, includes risk and uncertainty. It is requested, therefore, to understand that the actual results may extensively vary by the change of many factors. Those factors, which may influence the actual results, include economic conditions and the trend of demand in major markets and the fluctuation of foreign exchange rate (mainly Yen/US dollar rate, Yen/Euro rate).

2. Liquidity and capital resources

(1) Situation of cash flow

The net cash provided by operating activities decreased to 134,574 million yen, which is 11,501 million yen less than the previous fiscal year, mainly due to increases in income tax paid.

The net cash used in investing activities increased to 140,979 million yen, 42,614 million yen, which is more than the previous fiscal year, due to purchases of marketable securities, etc.

As a result, the balance of cash and cash equivalents at the end of this fiscal year decreased by 50,483 million yen to 188,259 million yen in comparison with the previous fiscal year.

(2) Demand for money

During this fiscal year, we invested a total amount of 84,914 million yen on a number of objectives, such as new model production, production volume increase, rationalization, R&D for new models and technical innovation, distribution, sales channel and IT related investments. The costs of these investments were covered by retained earnings. Planned capital expenditure spending for the next fiscal year is 134,000 million yen, mainly from our own funds, but we shall also select proper financial sources depending on the circumstances.

3. Significant accounting policies

For information regarding significant accounting policies, please refer to the NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

4. Risks in operations

Risks which may possibly affect the operating results, stock price and financial situation of the Suzuki group are as follows:

(1) Macro-economic changes

Although the domestic economy continues its process of slight recovery, personal consumption remains inactive. It is possible that prolonged sluggish economy and the reduced purchasing will of consumers could drastically decrease demand for products, such as motorcycles, automobiles and outboard motors and adversely affect the business performances of the Suzuki group.

The Suzuki group has business operations all over the world and our dependence on overseas manufacturing plants, especially in developing countries in the Asian region, has been increasing year by year. Sudden changes in the economic situation and unexpected events could possibly have an impact on the business performances of the Suzuki group. Furthermore, it is possible that unexpected changes in and adoptions of different tax systems in each country also could affect our operating results.

(2) Price fluctuation

In the past, the prices of our products have drastically fluctuated within a short period of time in certain markets. These fluctuations were brought on by the various factors, such as sudden changes in demand, supply shortages of parts and materials, unstable economic situations, revisions of import restrictions, and intensified price competition. There is no guarantee that these fluctuations will not be prolonged nor that these fluctuations will never occur in markets where they have never occurred before. It is possible that drastic price fluctuations could damage our operating results in any market where the Suzuki group is operating.

(3) Foreign exchange fluctuation

The Company exports motorcycles, automobiles, outboard motors and their parts from Japan to many countries in the world and our overseas manufacturing bases also export products and parts to a number of countries. Foreign exchange fluctuations affect our business operations and our financial situation as well as our competitiveness.

Furthermore, foreign exchange fluctuations affect the pricing of products sold in foreign currencies and the purchasing price of materials. Overseas sales accounted for 62.6% of our consolidated net sales in the fiscal year ending March 31, 2004 and a large proportion of our transactions are denominated in foreign currencies, such as the US dollar and the Euro. To reduce the risk of foreign exchange fluctuations, we utilize hedging instruments, such as forward exchange contracts. However, it is impossible to hedge all risks. The appreciation of the Yen against other currencies could possibly adversely affect our operating results.

(4) Environmental restrictions

The manufacturing of motorcycles, automobiles and outboard motors are subject to various laws and regulations regarding exhaust emissions levels, fuel consumption, noise, safety and the amount of the output of

contaminated materials from plants. We can reasonably expect such regulations to be revised, and in many cases, strengthened. Expenses for complying with such regulations could possibly impact the operating results of the Suzuki group.

(5) Disasters, wars, terrorism and labor strikes

Our main manufacturing bases in Japan are located chiefly in the Tokai region in the mid-eastern part of Japan, and other facilities, such as the Company's head office, are also concentrated in the same region. In the event of disasters, such as earthquakes in the Tokai region or off the southeast coast of Japan, our operating results could possibly be affected.

Various preventive measures are put in place, including earthquake-proofing and fire-proofing our buildings and facilities. Overseas, the Suzuki group operates in many countries and occurrences of unexpected events, such as natural disasters, diseases, wars, terrorism and labor strikes, etc., could possibly cause delays and bring a halt to the purchasing of materials and parts, manufacturing, sales and distribution of products, and provision of services. If these delays or interruptions occur and if they are prolonged, they may adversely affect the operating results of the Suzuki group.

Other various risks not mentioned above also remain - not all the risks for the Suzuki group are listed here.

FIVE-YEAR SUMMARY
SUZUKI MOTOR CORPORATION

CONSOLIDATED

| Years ended March 31 | Millions of yen (except per share amounts) | | | | | Thousands of U.S. dollars (except per share amounts) |
|--------------------------------|---|------------|------------|------------|------------|---|
| | 2004 | 2003 | 2002 | 2001 | 2000 | 2004 |
| Net sales | ¥2,198,986 | ¥2,015,309 | ¥1,668,251 | ¥1,600,253 | ¥1,521,192 | \$20,806,004 |
| Net income | 43,835 | 31,024 | 22,392 | 20,248 | 26,886 | 414,756 |
| Net income per share: | | | | | | |
| Primary | 81.38 | 57.29 | 41.40 | 40.41 | 55.58 | 0.769 |
| Fully diluted | 79.17 | 55.57 | 41.16 | 40.24 | 55.32 | 0.749 |
| Cash dividends per share | 9.00 | 9.00 | 8.50 | 8.50 | 8.50 | 0.085 |
| Shareholders' equity | 692,345 | 648,357 | 620,004 | 593,770 | 497,756 | 6,550,719 |
| Total current assets | 902,263 | 844,577 | 773,040 | 723,844 | 628,782 | 8,536,889 |
| Total assets | 1,577,709 | 1,537,430 | 1,347,718 | 1,299,859 | 1,167,216 | 14,927,709 |
| Depreciation and amortization | 87,858 | 83,896 | 75,083 | 75,344 | 81,784 | 831,282 |

NON-CONSOLIDATED

| Years ended March 31 | Millions of yen (except per share amounts) | | | | | Thousands of U.S. dollars (except per share amounts) |
|--------------------------------|---|------------|------------|------------|------------|---|
| | 2004 | 2003 | 2002 | 2001 | 2000 | 2004 |
| Net sales | ¥1,392,688 | ¥1,411,418 | ¥1,320,218 | ¥1,294,651 | ¥1,273,907 | \$13,177,112 |
| Net income | 25,650 | 19,393 | 13,912 | 12,881 | 12,745 | 242,692 |
| Net income per share: | | | | | | |
| Primary | 47.46 | 35.67 | 25.72 | 25.71 | 26.35 | 0.449 |
| Fully diluted | 46.17 | 34.61 | 25.59 | 25.61 | 26.24 | 0.436 |
| Cash dividends per share | 9.00 | 9.00 | 8.50 | 8.50 | 8.50 | 0.085 |
| Shareholders' equity | 518,198 | 483,670 | 477,053 | 475,614 | 392,619 | 4,903,000 |
| Total current assets | 519,025 | 539,322 | 564,830 | 503,543 | 441,690 | 4,910,830 |
| Total assets | 1,039,261 | 1,070,708 | 1,028,709 | 978,172 | 870,242 | 9,833,110 |
| Depreciation and amortization | 47,836 | 53,578 | 54,194 | 52,814 | 59,701 | 452,610 |

Note: Yen amounts are translated into U.S. dollars, for convenience only, at ¥105.69 = US\$1, the prevailing exchange rate on March 31, 2004.
The treasury stock indicated on the column of non-consolidated current assets up to the year of 2001 is listed on the column of shareholders' equity from the year of 2002 in accordance with the revision of regulations of financial statements.
Calculation of net income per share is made on the adjusted net income basis that bonuses paid to directors & corporate auditors and the payment of dividends to shareholders of preferred stocks are excluded from net income shown in the Income Statements from the year of 2003 in accordance with the revision of regulations of financial statements. And the figures of 2002 and before are not restated.

CONSOLIDATED FINANCIAL STATEMENTS OF 2004

CONSOLIDATED BALANCE SHEETS

As of March 31, 2004 and 2003

| SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES | Millions of yen | | Thousands of U.S. dollars |
|---|-------------------|-------------------|------------------------------|
| | 2004 | 2003 | 2004 |
| ASSETS | | | |
| Current assets: | | | |
| Cash and time deposits(Note 10) | ¥ 169,539 | ¥ 178,289 | \$ 1,604,119 |
| Marketable securities (Note 4) | 97,900 | 60,933 | 926,295 |
| Receivables : | | | |
| Trade notes and accounts | 219,401 | 181,837 | 2,075,897 |
| Less allowance for doubtful receivables | (2,786) | (2,426) | (26,360) |
| Inventories (Note 3 and 5) | 253,835 | 269,710 | 2,401,700 |
| Other current assets | 164,373 | 156,232 | 1,555,238 |
| Total current assets | <u>902,263</u> | <u>844,577</u> | <u>8,536,889</u> |
| Property, plant and equipment (Note 5): | | | |
| Land | 147,737 | 163,908 | 1,397,840 |
| Buildings and structures | 250,921 | 247,115 | 2,374,123 |
| Machinery, equipment and vehicles | 848,117 | 829,122 | 8,024,580 |
| Construction in progress | 11,866 | 9,974 | 112,278 |
| | <u>1,258,643</u> | <u>1,250,122</u> | <u>11,908,822</u> |
| Less accumulated depreciation | (830,257) | (800,257) | (7,855,594) |
| | <u>428,385</u> | <u>449,864</u> | <u>4,053,228</u> |
| Investments and other assets: | | | |
| Investments in securities (Note 4 and 5) | 117,018 | 109,478 | 1,107,189 |
| Investments in affiliates | 17,611 | 18,436 | 166,629 |
| Other assets | 112,430 | 115,073 | 1,063,772 |
| | <u>247,060</u> | <u>242,988</u> | <u>2,337,591</u> |
| | <u>¥1,577,709</u> | <u>¥1,537,430</u> | <u>\$14,927,709</u> |

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

| | Millions of yen | | Thousands of U.S. dollars |
|--|-------------------|-------------------|------------------------------|
| | 2004 | 2003 | 2004 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Trade notes and accounts payable | ¥ 329,233 | ¥ 326,179 | \$ 3,115,087 |
| Short-term bank loans (Note 5) | 95,687 | 103,576 | 905,364 |
| Current portion of long-term debt (Note 5) | 17,750 | 6,280 | 167,945 |
| Accrued income taxes | 16,483 | 34,887 | 155,965 |
| Accrued expenses | 117,417 | 113,025 | 1,110,962 |
| Other current liabilities | 109,851 | 90,904 | 1,039,376 |
| Total current liabilities | <u>686,425</u> | <u>674,853</u> | <u>6,494,701</u> |
| Long-term liabilities: | | | |
| Long-term debt (Note 5) | 38,761 | 56,668 | 366,743 |
| Accrued retirement & severance benefits (Note 7) ... | 56,683 | 55,879 | 536,322 |
| Other liabilities | 42,252 | 47,872 | 399,780 |
| | <u>137,697</u> | <u>160,419</u> | <u>1,302,846</u> |
| Minority interests | <u>61,241</u> | <u>53,799</u> | <u>579,442</u> |
| Shareholders' equity (Note 12): | | | |
| Common stock: | | | |
| Authorized-1,500,000,000 shares | | | |
| Issued, | | | |
| as of March 31, 2004—542,647,091 | 120,210 | — | 1,137,385 |
| as of March 31, 2003—542,647,091 | — | 120,210 | — |
| Additional paid-in capital | 126,578 | 126,577 | 1,197,640 |
| Consolidated retained earnings | 458,109 | 419,209 | 4,334,463 |
| Net unrealized gains on securities | 22,268 | 7,588 | 210,691 |
| Foreign currency translation adjustments | (26,281) | (17,224) | (248,667) |
| Less treasury stock, at cost | (8,539) | (8,005) | (80,794) |
| | <u>692,345</u> | <u>648,357</u> | <u>6,550,719</u> |
| Contingent liabilities (Note 13) | <u>¥1,577,709</u> | <u>¥1,537,430</u> | <u>\$14,927,709</u> |

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2004 and 2003

| SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES | Millions of yen | | Thousands of U.S. dollars |
|--|-------------------|------------|------------------------------|
| | 2004 | 2003 | 2004 |
| Net sales | ¥2,198,986 | ¥2,015,309 | \$20,806,004 |
| Cost of sales | 1,610,013 | 1,489,406 | 15,233,358 |
| Gross profit | 588,972 | 525,903 | 5,572,645 |
| Selling, general and administrative expenses | 493,832 | 451,699 | 4,672,464 |
| Operating income | 95,140 | 74,204 | 900,181 |
| Other income and expenses: | | | |
| Interest and dividend income | 8,258 | 7,405 | 78,142 |
| Interest expense | (4,286) | (3,615) | (40,559) |
| Equity in earnings of affiliates | 4,024 | 5,118 | 38,075 |
| Other, net | (24,264) | (20,843) | (229,580) |
| Income before income taxes | 78,872 | 62,269 | 746,258 |
| Income taxes: | | | |
| Current | 43,673 | 51,862 | 413,220 |
| Deferred | (17,566) | (23,042) | (166,208) |
| | 26,106 | 28,819 | 247,012 |
| Minority interests in earnings of consolidated subsidiaries | 8,929 | 2,425 | 84,489 |
| Net income | ¥ 43,835 | ¥ 31,024 | \$ 414,756 |

| | Yen | | U.S. dollars |
|---------------------------------------|----------------|---------|-----------------|
| Net income per share: | | | |
| Primary | ¥ 81.38 | ¥ 57.29 | \$ 0.769 |
| Fully diluted | 79.17 | 55.57 | 0.749 |
| Cash dividends per share | 9.00 | 9.00 | 0.085 |

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended March 31, 2004 and 2003

| SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES | Thousands of shares of common stock | Millions of yen | | | |
|--|--|-----------------|----------------------------------|--------------------------------------|------------------------------|
| | | Common stock | Additional paid-in capital | Consolidated retained earnings | Treasury stock at cost |
| Balance as of March 31, 2002 | <u>541,082</u> | <u>¥119,736</u> | <u>¥126,105</u> | <u>¥394,022</u> | <u>¥ (54)</u> |
| Net income | — | — | — | 31,024 | — |
| Cash dividends | — | — | — | (4,580) | — |
| Directors' and corporate auditors' bonuses | — | — | — | (200) | — |
| Issue of common stock | — | — | — | — | — |
| Conversion of convertible bonds | 1,565 | 474 | 472 | — | — |
| Treasury stock acquired | — | — | — | — | (7,950) |
| Decrease resulting from consolidation of additional subsidiaries and affiliates | — | — | — | (1,056) | — |
| Balance as of March 31, 2003 | <u>542,647</u> | <u>¥120,210</u> | <u>¥126,577</u> | <u>¥419,209</u> | <u>¥ (8,005)</u> |
| Net income | — | — | — | 43,835 | — |
| Cash dividends | — | — | — | (4,827) | — |
| Directors' and corporate auditors' bonuses | — | — | — | (200) | — |
| Issue of common stock | — | — | — | — | — |
| Profit by disposition of treasury stock | — | — | 0 | — | — |
| Conversion of convertible bonds | — | — | — | — | — |
| Treasury stock acquired | — | — | — | — | (533) |
| Increase resulting from change of consolidation period of subsidiaries and affiliates | — | — | — | 92 | — |
| Balance as of March 31, 2004 | <u>542,647</u> | <u>¥120,210</u> | <u>¥126,578</u> | <u>¥458,109</u> | <u>¥(8,539)</u> |

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| | Thousands of shares of common stock | Thousands of U.S. dollars | | | Treasury stock at cost |
|--|--|---------------------------|----------------------------------|--------------------------------------|------------------------------|
| | | Common stock | Additional paid-in capital | Consolidated retained earnings | |
| Balance as of March 31, 2003 | <u>542,647</u> | <u>\$1,137,385</u> | <u>\$1,197,634</u> | <u>\$3,966,406</u> | <u>\$ (75,742)</u> |
| Net income | — | — | — | 414,756 | — |
| Cash dividends | — | — | — | (45,677) | — |
| Directors' and corporate auditors' bonuses | — | — | — | (1,892) | — |
| Issue of common stock | — | — | — | — | — |
| Profit by disposition of treasury stock | — | — | 6 | — | — |
| Conversion of convertible bonds | — | — | — | — | — |
| Treasury stock acquired | — | — | — | — | (5,052) |
| Increase resulting from change of consolidation period of subsidiaries and affiliates | — | — | — | 870 | — |
| Balance as of March 31, 2004 | <u>542,647</u> | <u>\$1,137,385</u> | <u>\$1,197,640</u> | <u>\$4,334,463</u> | <u>\$(80,794)</u> |

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2004 and 2003

| SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|------------------------------|
| | 2004 | 2003 | 2004 |
| Cash Flows from operating activities | | | |
| Income before income taxes | ¥ 78,872 | ¥ 62,269 | \$ 746,258 |
| Depreciation and amortization expenses | 87,858 | — | 831,282 |
| Loss of impairment | 17,419 | 83,896 | 164,817 |
| Equity in earnings of affiliates | (4,024) | (5,118) | (38,075) |
| Increase (decrease) in accrued retirement & severance benefits | 985 | (5,425) | 9,325 |
| Interest and dividend income | (8,258) | (7,405) | (78,142) |
| Interest expense | 4,286 | 3,615 | 40,559 |
| (Increase) decrease in accounts receivable | (14,114) | 12,093 | (133,548) |
| (Increase) decrease in inventories | 14,364 | (10,218) | 135,907 |
| Increase in accounts payable | 2,136 | 24,792 | 20,211 |
| Others | 13,125 | 23,831 | 124,193 |
| Sub Total | 192,650 | 182,329 | 1,822,789 |
| Interest and dividends received | 8,466 | 6,702 | 80,105 |
| Interest paid | (4,448) | (3,684) | (42,088) |
| Income taxes paid | (62,094) | (39,271) | (587,510) |
| Net cash provided by operating activities | 134,574 | 146,075 | 1,273,295 |
| Cash Flows from investing activities | | | |
| Deposit in time deposit | (25,652) | — | (242,714) |
| Purchases of marketable securities | (95,376) | (68,943) | (902,422) |
| Proceeds from sales of marketable securities | 52,183 | 116,024 | 493,738 |
| Purchases of property, plants and equipment | (76,061) | (78,592) | (719,665) |
| Proceeds from sales of property, plants and equipment | 2,695 | 2,906 | 25,504 |
| Purchases of investment securities | (3,375) | (55,885) | (31,939) |
| Proceeds from sales of investment securities | 6,216 | 9,564 | 58,816 |
| Increase in loans receivable | (947) | (5,596) | (8,966) |
| Purchases of subsidiaries' stock | | | |
| resulting in the change of scope of consolidation... | (499) | (17,260) | (4,725) |
| Others | (161) | (582) | (1,523) |
| Net cash used in investing activities | (140,979) | (98,365) | (1,333,897) |
| Cash Flows from financing activities | | | |
| Net decrease in short term bank loans | (28,407) | (21,702) | (268,779) |
| Proceeds from long term debt and issuance of bonds | 818 | 508 | 7,742 |
| Repayment from long term debt and redemption of bonds | (5,694) | (893) | (53,875) |
| Cash dividends paid | (5,513) | (5,126) | (52,164) |
| Purchases of treasury stock | (536) | (7,923) | (5,073) |
| Others | 445 | 329 | 4,216 |
| Net cash used in financing activities | (38,886) | (34,808) | (367,934) |
| Effect of exchange rate change on cash and cash equivalents | (2,402) | 130 | (22,729) |
| Cash and cash equivalents increased (decreased) | (47,694) | 13,032 | (451,266) |
| Cash and cash equivalents at the beginning of year | 238,473 | 223,017 | 2,258,907 |
| Decrease by change of consolidation period of subsidiaries | (2,789) | — | (26,393) |
| Increase by inclusion of newly consolidated subsidiaries | — | 2,693 | — |
| Cash and cash equivalents at the end of year | ¥ 188,259 | ¥238,743 | \$1,781,246 |

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 the consolidated financial statements were filed with the Ministry of Finance as required by the Securities and Exchange Law 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 & liabilities and revenue & expenses and the corresponding methods of disclosure.

As such, the management's estimates are made reasonably based on historical results etc. But due to inherent uncertainty involving in making estimates, actual results could differ from these estimates.

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.

As permitted, amount of less than one million yen have been omitted. For the convenience of readers, the consolidated financial statements including the opening balance of shareholders' equity have been presented in U.S. dollars by translating all Japanese yen amounts on the basis of 105.69 to U.S.\$1, the rate of exchange prevailing as of March 31, 2004. 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

The consolidated financial statements for the years ended March 31, 2004 and 2003, include the accounts of the Company and its significant subsidiaries and the number of consolidated subsidiaries are 152 and 144 respectively. All significant inter-company accounts and transactions are eliminated in consolidation. Investments in affiliated companies are accounted for by the equity method.

As for the evaluation of assets and liabilities of consolidated subsidiaries, the complete market value accounting method is adopted. The difference at the time of acquisition between the cost and underlying net equity of investments in consolidated subsidiaries and in affiliated companies accounted for under the equity method is, as a rule, amortized over a period of five years after appropriate adjustments.

As for 50 companies of consolidated subsidiaries, their fiscal year end is December 31. American Suzuki Motor Corp. and other 10 companies within above-mentioned 50 companies, their accounts were consolidated based on their financial statements by the preliminary settlement as of March 31, 2004.

The rest of 39 companies were consolidated based on their financial statements as of December 31, 2003. As a result of this change, the net sales increased by 15,952 million yen, the operating income and net income increased by 832 million yen, 859 million yen, respectively.

(b) Allowance for doubtful receivables

The allowance for doubtful receivables is appropriated into the account for an estimated uncollectible sum. If the financial condition of our customers deteriorates and their level of solvency decreases, additional allowances or bad debt losses may be incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(c) Reserve for warranty costs

The reserve for warranty costs is appropriated into the account to allow for an estimated costs related to maintenance services of the products sold. This estimate, which is affected by the actual defect ratio of products and repairing costs, is in principle based on warranty agreements and historical results. Therefore if the estimates differ from the actual defect ratio of products and repairing costs, this reserve may need to be revised.

(d) Allowance for product liabilities

With regard to the products exported to North American market, to prepare for any payment of compensation not covered by "Product Liability Insurance", the anticipated amount to be borne by the Company and its subsidiaries is calculated and provided on the basis of historical results. Therefore if lawsuits increase, this reserve may need to be revised.

(e) Marketable securities, investment in securities

The Company and its subsidiaries hold securities of financial institutions and of our suppliers. These are subject to the risk of price fluctuations and under certain market conditions, we may have to conduct a review of their valuations and downgrade our assessments accordingly, based on the reasonable accounting standards. If the stock market falls, we may incur significant valuation losses of marketable 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 unconsolidated subsidiaries and affiliates and Other securities.

According to this classification, securities held by the Company and its subsidiaries are Other securities. Other securities for which market quotations are available are stated at fair value by closing date's market value method. Unrealized gains or losses are included in a component of shareholders' equity at a net-of-tax amount, and gains or losses from sales of securities are recognized on cost determined by the moving average method.

Other securities for which market quotations are unavailable are stated at cost by a moving average method.

(f) Hedge accounting

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company and its subsidiaries are principally interest swaps and forward exchange contracts. The related hedged items are trade accounts receivable and investments in securities.

The Company and its subsidiaries have a policy to utilize the above hedging instruments in order to reduce our exposure to the risk of interest rate and foreign exchange fluctuation. 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 its 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.

(g) 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 profit or loss for the period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 shareholders' equity at the beginning of the year is translated into Japanese yen at the historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average exchange rate during the year or, alternatively, using the exchange rates prevailing at the balance sheet date. Differences in yen amounts arising from the use of different rates are presented as "foreign currency translation adjustments" in the shareholders' equity.

(h) Inventories

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

(i) 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

(mainly 3-75 years).

Provision for additional depreciation to certain assets 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.

(Accounting change)

Effective from the fiscal year ending March 31, 2004, the Company and its subsidiaries adopted "Accounting Standards for Impairment of Fixed Assets"(Opinion on Establishing Accounting Standards for Impairment of Fixed Assets, issued by Accounting Standards Board of Japan on August 9, 2002) and "Guidance on Application of Accounting Standards for Impairment of Fixed Assets"(Business Accounting Standard Application Guideline No.6, issued on October 31, 2003).

The assets are divided into two groups, i.e. the assets for business and the assets for rent respectively in business places. Since land prices have dropped due to burst of the bubble economy, mainly book value of the assets group lent as marketing base was decreased to the recoverable amount. As a result of this change, "Income before income taxes" decreased by 17,419 million yen. The amount is included in "Other income and expenses" of Consolidated Statements of Income.

In the measurement of impairments, future cash flow and the discount rate are reasonably estimated. If the future cash flow and the discount rate need to be revised due to drastic changes in the economic environment in the area of operations where an assets group is situated, a large amount of loss of impairment may be posted.

(j) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(k)Income taxes

The provision for income taxes is computed based on the pretax income included in consolidated statements of income. The assets and liability approach is adopted to recognize 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 our future taxable income reasonably. If the estimated amount of future taxable income decrease, deferred tax assets may decrease and income taxes expenses may be posted.

(l)Accrued retirement & severance benefits

In order to allow for payment of employees' retirement benefits, based on estimated amount of retirement benefits liabilities and pension assets at the end of this fiscal year, the allowable amount which occurs at the end of this fiscal year is appropriated.

With regard to prior service costs, the amount, prorated on a straight line basis over the period of average length of employees' remaining service years at the time when it occurs, is treated as expense. As for the actuarial differences, the amounts prorated on a straight line basis over 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.

As for Directors, the amount payable to be paid at the end of year is posted pursuant to the Company's regulations on the retirement allowance of directors.

Retirement benefit cost and retirement benefit obligation are calculated 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 on the basis of yield on low-risk, 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 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 offset any adverse effects caused by a decrease in the 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.

But 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.

(m)Revenue recognition

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

(n)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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(o)Cash and cash equivalents

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

(p)Reclassification

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

3. Inventories

Inventories as of March 31, 2004 and 2003 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------|-----------------|----------|------------------------------|
| | 2004 | 2003 | 2004 |
| Finished products | ¥211,619 | ¥215,489 | \$2,002,266 |
| Work in process | 12,902 | 22,349 | 122,081 |
| Raw materials and others | 29,313 | 31,871 | 277,351 |
| | ¥253,835 | ¥269,710 | \$2,401,700 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Marketable securities and investments in securities

(a) Marketable securities and investments in securities quoted at an exchange as of March 31, 2004 and 2003

| | Millions of yen | | |
|--|------------------|------------------------|-----------|
| | Acquisition Cost | 2004 Amounts for BS | Valuation |
| Those whose amount for BS exceeds acquisition cost | | | |
| (1) Stocks | ¥ 27,893 | ¥ 64,300 | ¥36,406 |
| (2) Bonds | 35,000 | 35,498 | 498 |
| (3) Others | 38,825 | 38,874 | 48 |
| Sub Total | ¥101,719 | ¥138,673 | ¥36,953 |
| Those whose amount for BS does not exceed acquisition cost | | | |
| (1) Stocks | — | — | — |
| (2) Bonds | ¥ 9,431 | ¥ 9,413 | ¥ (17) |
| (3) Others | — | — | — |
| Sub Total | ¥ 9,431 | ¥ 9,413 | ¥ (17) |
| Total | ¥111,151 | ¥148,087 | ¥36,935 |

| | Millions of yen | | |
|--|------------------|------------------------|-----------|
| | Acquisition Cost | 2003 Amounts for BS | Valuation |
| Those whose amount for BS exceeds acquisition cost | | | |
| (1) Stocks | ¥26,092 | ¥39,110 | ¥13,017 |
| (2) Bonds | 13,199 | 13,222 | 22 |
| (3) Others | — | — | — |
| Sub Total | ¥39,292 | ¥52,332 | ¥13,039 |
| Those whose amount for BS does not exceed acquisition cost | | | |
| (1) Stocks | ¥ 1,964 | ¥ 1,848 | ¥ (116) |
| (2) Bonds | 25,000 | 24,724 | (275) |
| (3) Others | 8 | 6 | (1) |
| Sub Total | ¥26,972 | ¥26,579 | ¥ (393) |
| Total | ¥66,265 | ¥78,912 | ¥12,646 |

| | Thousands of U.S. dollars | | |
|--|---------------------------|------------------------|-----------|
| | Acquisition Cost | 2004 Amounts for BS | Valuation |
| Those whose amount for BS exceeds acquisition cost | | | |
| (1) Stocks | \$ 263,917 | \$ 608,386 | \$344,468 |
| (2) Bonds | 331,157 | 335,874 | 4,717 |
| (3) Others | 367,356 | 367,814 | 457 |
| Sub Total | \$ 962,431 | \$1,312,074 | \$349,643 |
| Those whose amount for BS does not exceed acquisition cost | | | |
| (1) Stocks | — | — | — |
| (2) Bonds | \$ 89,240 | \$ 89,071 | \$ (168) |
| (3) Others | — | — | — |
| Sub Total | \$ 89,240 | \$ 89,071 | \$ (168) |
| Total | \$1,051,671 | \$1,401,145 | \$349,474 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Other securities sold during 2004 and 2003

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2004 | 2003 | 2004 |
| Amounts sold | ¥ 56,242 | ¥125,542 | \$ 532,148 |
| Gains from sales of other securities | 501 | 4,679 | 4,745 |
| Losses from sales of other securities | — | (175) | — |

(c) Major securities not revalued by the market

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2004 | 2003 | 2004 |
| Other securities | | | |
| Commercial paper | ¥39,986 | ¥54,953 | \$378,338 |
| Unlisted stock | 24,100 | 30,094 | 228,033 |
| (Stocks traded over the counter are excluded.) | | | |
| Bonds | 1,584 | 4,775 | 14,989 |

(d) The amounts to be redeemed after the closing date of securities with maturities among other securities

| | Millions of yen | | | |
|---|-----------------|---------------------------------------|--|---------------------|
| | 2004 | | | |
| | Within one year | More than one year, within five years | More than five years, within ten years | More than ten years |
| (1) Bonds | | | | |
| Government, local gov. bonds, etc. | ¥ 1,350 | — | — | — |
| Corporate bonds | 16,721 | ¥20,435 | — | — |
| (2) Others | 79,828 | — | — | — |
| Total | <u>¥97,900</u> | <u>¥20,435</u> | <u>—</u> | <u>—</u> |

| | Millions of yen | | | |
|---|-----------------|---------------------------------------|--|---------------------|
| | 2003 | | | |
| | Within one year | More than one year, within five years | More than five years, within ten years | More than ten years |
| (1) Bonds | | | | |
| Government, local gov. bonds, etc. | ¥ 4,278 | — | — | — |
| Corporate bonds | 684 | ¥34,794 | — | — |
| (2) Others | 55,970 | — | — | — |
| Total | <u>¥60,933</u> | <u>¥34,794</u> | <u>—</u> | <u>—</u> |

| | Thousands of U.S. dollars | | | |
|---|---------------------------|---------------------------------------|--|---------------------|
| | 2004 | | | |
| | Within one year | More than one year, within five years | More than five years, within ten years | More than ten years |
| (1) Bonds | | | | |
| Government, local gov. bonds, etc. | \$ 12,776 | — | — | — |
| Corporate bonds | 158,215 | \$193,356 | — | — |
| (2) Others | 755,303 | — | — | — |
| Total | <u>\$926,295</u> | <u>\$193,356</u> | <u>—</u> | <u>—</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Short-term bank loans as of March 31, 2004 and 2003 consisted of the following. The annual interest rates of short-term bank loans as of March 31, 2004 were 0.24 percent to 9.81 percent.

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------|-----------------|-----------------|------------------------------|
| | 2004 | 2003 | 2004 |
| Short-term bank loans | | | |
| Secured | ¥ 1,284 | ¥ 5,077 | \$ 12,155 |
| Unsecured | 94,403 | 98,499 | 893,208 |
| | <u>¥ 95,687</u> | <u>¥103,576</u> | <u>\$905,364</u> |

Long-term debt as of March 31, 2004 and 2003 consisted of:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|------------------------------|
| | 2004 | 2003 | 2004 |
| Loans maturing through 2010 | | | |
| Secured | ¥ 264 | ¥ 20 | \$ 2,501 |
| Unsecured | 3,896 | 5,218 | 36,870 |
| Unsecured 0.89 percent yen bonds due 2003 | — | 5,000 | — |
| Unsecured 1.13 percent yen bonds due 2004 | 10,000 | 10,000 | 94,616 |
| Unsecured 0.33 percent yen bonds due 2004 | 5,000 | 5,000 | 47,308 |
| Unsecured zero coupon convertible bonds in yen due 2010 | 30,000 | 30,000 | 283,848 |
| Secured 11.20 percent Indian Rs. bonds due 2007 | 4,900 | 5,150 | 46,362 |
| Secured 9.00 percent Indian Rs. bonds due 2007 | 2,450 | 2,570 | 23,181 |
| | <u>¥56,511</u> | <u>¥62,948</u> | <u>\$534,688</u> |
| Less portion due within one year | <u>(17,750)</u> | <u>(6,280)</u> | <u>(167,945)</u> |
| | <u>¥38,761</u> | <u>¥56,668</u> | <u>\$366,743</u> |

The zero coupon convertible bonds are convertible into common stock at the options of holders at the conversion price of ¥2,000 per share.

If the outstanding convertible bonds were fully converted as of March 31, 2004, 15,000,000 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The aggregate annual maturities of long-term debt outstanding as of March 31, 2004 were as follows:

| <u>Year ending March 31</u> | <u>Millions of yen</u> | <u>Thousands of U.S. dollars</u> |
|-----------------------------|----------------------------|--------------------------------------|
| 2005 | ¥17,750 | \$167,945 |
| 2006 | 675 | 6,386 |
| 2007 | 583 | 5,523 |
| 2008 | 7,455 | 70,544 |
| Thereafter | 30,046 | 284,288 |
| | <u>¥56,511</u> | <u>\$534,688</u> |

Assets pledged as collateral as of March 31, 2004:

| | <u>Millions of yen</u> | <u>Thousands of U.S. dollars</u> |
|-------------------------------------|----------------------------|--------------------------------------|
| Inventories | ¥ 531 | \$ 5,032 |
| Property, plant and equipment | 11,924 | 112,823 |
| Investment in securities | 63 | 600 |
| | <u>¥12,519</u> | <u>\$118,456</u> |

6. Loan commitment

The Company has the commitment contract with 6 banks for effective financing.

The outstanding balance of this contract as of March 31, 2004 and 2003 was as follows:

| | <u>Millions of yen</u> | | <u>Thousands of U.S. dollars</u> |
|---------------------------------|----------------------------|------|--------------------------------------|
| | 2004 | 2003 | 2004 |
| Commitment contract total | ¥100,000 | — | \$946,163 |
| Actual loan balance | — | — | — |
| Variance | <u>¥100,000</u> | — | <u>\$946,163</u> |

7. Accrued retirement & severance benefits

(a) Outline of an adopted retirement benefit system

In the case of the Company, as a defined benefit plan, Employee Pension Fund, Approved Retirement Annuity System and Termination Allowance Plan are established.

(b) Items related to a retirement benefit obligation

| | Millions of yen | | Thousands of U.S. dollars |
|---|-------------------|------------|---------------------------|
| | 2004 | 2003 | 2004 |
| a. Retirement benefit obligation | ¥(114,489) | ¥(136,959) | \$ (1,083,262) |
| b. Pension assets | 52,834 | 58,810 | 499,903 |
| c. Unrecognized retirement benefit obligation (a + b) | ¥ (61,655) | ¥ (78,149) | \$ (583,359) |
| d. Unrecognized transition liability | — | — | — |
| e. Unrecognized difference by an actuarial calculation | 16,739 | 23,846 | 158,380 |
| f. Unrecognized prior service cost(decrease of liabilities) | (10,458) | (63) | (98,954) |
| g. Accrued retirement & severance benefits (c+d+e+f) | ¥ (55,374) | ¥ (54,365) | \$ (523,932) |

Remarks: 1). The premium retirement allowance paid on a temporary basis is not included.

2). Some of subsidiaries adopt simplified methods for the calculation of retirement benefits.

3). Associated with the substitute component, adopted the transitional treatment provided in Articles 47-2 of the "Practical Guidelines on Accounting for Postretirement Benefits (Interim Report)" (The 13th report prepared by the Accounting System Committee of the Japan Institute of Certified Public Accountants), and regarded the liabilities (projected benefit obligation or PBO) and the pension assets corresponding to the expected returning amount of the substitute component as disappearing from the Company's balance sheet. The expected returning amount appropriated as of March 31, 2004 was 57,410 million yen.

(c) Items related to retirement benefit cost

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2004 | 2003 | 2004 |
| a. Service cost | ¥ 6,077 | ¥ 7,184 | \$ 57,505 |
| b. Interest cost | 2,033 | 2,123 | 19,236 |
| c. Assumed return on investment | (722) | (1,644) | (6,832) |
| d. Amortized amount of transition liability | — | 12,908 | — |
| e. Amortized amount of actuarial difference | 1,858 | 7,945 | 17,584 |
| f. Amortized amount of prior service cost | (313) | (4) | (2,963) |
| g. Retirement benefit cost (a+b+c+d+e+f) | ¥ 8,934 | ¥28,513 | \$ 84,531 |
| h. Profit from the return of the substitute components of Employees Pension Fund assets | — | (24,101) | — |
| i. Loss from the withdrawal from Employees Pension Funds of some subsidiaries | 1,684 | — | 15,939 |
| j. Total(g+h+i) | ¥10,618 | ¥ 4,412 | \$ 100,470 |

Remarks:1) The amount of employees' contribution to Employees' Pension Fund is deducted.

2) The retirement benefit cost of subsidiaries where simplified methods are adopted is accounted for "a. Service cost".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (d) Items related to the calculation standard for the retirement benefit obligation
- a. Term allocation of the estimated amount of retirement benefits : Period fixed amount basis
 - b. Discount rate : 2004 2.00%
2003 2.50%
 - c. Assumed return of investment ratio : 2004 0.23% - 4.39%
2003 3.00% - 4.39%
 - d. Number of years for amortization of prior service cost : Mainly 15 years
To be amortized by straight line method with the employees' average remaining service years at the time when the difference was caused.
 - e. Number of years for amortization of the difference caused by an actuarial calculation : Mainly 15 years
To be amortized from the next fiscal year by straight line method with the employees' average remaining service years at the time when the difference was caused.

8. Income taxes

Breakdown of deferred tax assets and deferred tax liabilities by their main occurrence causes was as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-------------------|-------------------|---------------------------|
| | 2004 | 2003 | 2004 |
| Deferred tax assets | | | |
| Various reserves | ¥ 35,180 | ¥ 34,201 | \$ 332,868 |
| Excess-depreciation | 27,045 | 23,162 | 255,890 |
| Unrealized gross profits elimination | 19,736 | 17,385 | 186,735 |
| Others | 75,564 | 64,878 | 714,964 |
| Deferred tax assets total | <u>¥157,526</u> | <u>¥139,626</u> | <u>\$1,490,458</u> |
| Deferred tax liabilities | | | |
| Net unrealized gains on security | ¥ (14,646) | ¥ (5,020) | \$ (138,575) |
| Variance from the complete market value method of newly consolidated subsidiaries | (8,121) | (8,813) | (76,842) |
| Reserve for fixed assets advanced depreciation | (1,743) | (2,326) | (16,492) |
| Others | (396) | (285) | (3,748) |
| Deferred tax liabilities total | <u>¥ (24,906)</u> | <u>¥ (16,445)</u> | <u>\$ (235,659)</u> |
| Net amounts of deferred tax assets | <u>¥132,619</u> | <u>¥123,181</u> | <u>\$1,254,799</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The differences between statutory tax rate and the effective tax rate were summarized as follows:

| | <u>2004</u> | <u>2003</u> |
|--|----------------|-------------|
| Statutory tax rate | 41.12% | 41.12% |
| Tax rate change | 2.61% | 2.71% |
| Tax credit | (6.32%) | — |
| Non-deductible expenses | — | 2.58% |
| Equity in earnings of affiliates | (2.10%) | (3.38%) |
| Others | (2.21%) | 3.25% |
| Effective tax rate | 33.10% | 46.28% |

9. Research and development Costs

Research and development costs included in Manufacturing cost and Selling, general and administrative expenses for the years ended March 31, 2004 and 2003 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------------|-----------------|-------------|------------------------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> |
| Research and development costs | ¥75,786 | ¥60,443 | \$717,063 |

10. Cash and cash equivalents

Cash and cash equivalents as of March 31, 2004 and 2003 consisted of:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-------------|------------------------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> |
| Cash and time deposits | ¥169,539 | ¥178,289 | \$1,604,119 |
| Marketable securities | 97,900 | 60,933 | 926,295 |
| Time deposits with maturities of over three months .. | (25,654) | (254) | (242,733) |
| Marketable securities with maturities of over three months | (53,525) | (225) | (506,434) |
| | ¥188,259 | ¥238,743 | \$1,781,246 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Lease transactions

Finance lease transactions, except for those which meet the conditions that the ownership of the leased assets was substantially transferred to the lessee, as of March 31, 2004 and 2003 were as follows:

As a lessee

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|--------|---------------------------|
| | 2004 | 2003 | 2004 |
| (1) Amounts equivalent to acquisition costs, accumulated depreciation and net balance as of March 31, 2004 | | | |
| Acquisition costs | ¥ 925 | ¥1,225 | \$ 8,752 |
| Accumulated depreciation | (660) | (884) | (6,252) |
| Net balance | 264 | 340 | 2,499 |
| (2) Future lease payments | | | |
| Due within one year | 149 | 177 | 1,416 |
| Thereafter | 257 | 324 | 2,435 |
| | 407 | 501 | 3,851 |
| (3) Lease expenses | 165 | 197 | 1,564 |
| Depreciation | ¥ 176 | ¥ 205 | \$ 1,668 |

As a lessor

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|--------|---------------------------|
| | 2004 | 2003 | 2004 |
| (1) Amounts of acquisition costs, accumulated depreciation and net balance as of March 31, 2004 | | | |
| Acquisition costs | ¥ 750 | ¥1,041 | \$ 7,100 |
| Accumulated depreciation | (592) | (794) | (5,608) |
| Net balance | 157 | 247 | 1,491 |
| (2) Future lease revenues | | | |
| Due within one year | 94 | 118 | 892 |
| Thereafter | 121 | 192 | 1,150 |
| | 215 | 310 | 2,043 |
| (3) Lease revenues | 123 | 185 | 1,172 |
| Depreciation | ¥ 90 | ¥ 125 | \$ 851 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Operating lease transactions as of March 31, 2004 and 2003 were as follows:

| As a lessee | Millions of yen | | Thousands of U.S. dollars |
|---------------------------|-----------------|-------------|---------------------------|
| | 2004 | 2003 | 2004 |
| Future lease payments | | | |
| Due within one year | ¥ 196 | ¥190 | \$1,854 |
| Thereafter | 344 | 517 | 3,259 |
| | <u>¥ 540</u> | <u>¥708</u> | <u>\$5,114</u> |
| As a lessor | | | |
| | Millions of yen | | Thousands of U.S. dollars |
| | 2004 | 2003 | 2004 |
| Future lease revenues | | | |
| Due within one year | ¥ 51 | ¥ 65 | \$ 491 |
| Thereafter | 98 | 160 | 930 |
| | <u>¥ 150</u> | <u>¥226</u> | <u>\$1,421</u> |

12. Shareholders' equity

The Commercial Code requires that at least 50% of the issue price of new shares be included in a company's stated capital. The portion to be recorded as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the stated capital should be credited to "Additional paid-in capital".

The Commercial Code provides that an amount equivalent to a minimum of 10% of cash dividends and bonuses paid to directors and corporate auditors should be appropriated as a legal reserve until the reserve reaches a certain limit, defined as 25% of the stated capital less certain capital reserves.

The Commercial Code allows both the capital reserve, including "Additional paid-in capital", and the legal reserve to be transferred to the stated capital, by resolution of the Board of Directors, or to be used to reduce a deficit following the approval at a shareholders' meeting. In addition, under the Commercial Code, the capital reserve and the legal reserve may be available for dividends to the extent that the total of the capital and legal reserve taken together do not fall below 25% of the stated capital. The legal reserves of the Company and its subsidiaries are included in "Retained Earnings" on the consolidated balance sheet and are not shown separately.

13. Contingent liabilities

As of March 31, 2004, the Company and certain consolidated subsidiaries had the following contingent liabilities:

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Guarantee of indebtedness of affiliates and others . | ¥ 9,609 | \$ 90,925 |
| Trade notes discounted | 2,808 | 26,569 |
| | <u>¥12,418</u> | <u>\$117,495</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Segment Information

(a) Business segment

| | Millions of yen | | | | |
|----------------------------|---------------------------|--------------|-----------|----------------------------------|--------------|
| | Motorcycle | Automobile | Other | Elimination and corporate assets | Consolidated |
| | 2004 | | | | |
| Net sales: | | | | | |
| Outside customers | ¥416,855 | ¥1,724,834 | ¥57,296 | ¥ — | ¥2,198,986 |
| Inter-area | — | — | — | — | — |
| | 416,855 | 1,724,834 | 57,296 | — | 2,198,986 |
| Operating expenses | 383,216 | 1,672,381 | 48,248 | — | 2,103,846 |
| Operating income | 33,639 | 52,452 | 9,048 | — | 95,140 |
| Assets | 235,128 | 994,211 | 45,393 | 302,975 | 1,577,709 |
| Depreciation | 14,356 | 72,187 | 1,313 | — | 87,858 |
| Capital expenditures | ¥ 18,313 | ¥ 64,699 | ¥ 1,901 | ¥ — | ¥ 84,914 |
| | Millions of yen | | | | |
| | 2003 | | | | |
| Net sales: | | | | | |
| Outside customers | ¥347,797 | ¥1,618,237 | ¥49,275 | ¥ — | ¥2,015,309 |
| Inter-area | — | — | — | — | — |
| | 347,797 | 1,618,237 | 49,275 | — | 2,015,309 |
| Operating expenses | 319,367 | 1,579,556 | 42,181 | — | 1,941,105 |
| Operating income | 28,429 | 38,680 | 7,093 | — | 74,204 |
| Assets | 217,523 | 977,655 | 47,185 | 295,066 | 1,537,430 |
| Depreciation | 11,628 | 70,808 | 1,459 | — | 83,896 |
| Capital expenditures | ¥ 15,823 | ¥ 61,078 | ¥ 1,600 | ¥ — | ¥ 78,501 |
| | Thousands of U.S. dollars | | | | |
| | 2004 | | | | |
| Net sales: | | | | | |
| Outside customers | \$3,944,134 | \$16,319,747 | \$542,123 | \$ — | \$20,806,004 |
| Inter-area | — | — | — | — | — |
| | 3,944,134 | 16,319,747 | 542,123 | — | 20,806,004 |
| Operating expenses | 3,625,851 | 15,823,460 | 456,512 | — | 19,905,823 |
| Operating income | 318,283 | 496,287 | 85,611 | — | 900,181 |
| Assets | 2,224,702 | 9,406,864 | 429,498 | 2,866,646 | 14,927,710 |
| Depreciation | 135,838 | 683,016 | 12,429 | — | 831,282 |
| Capital expenditures | \$ 173,276 | \$ 612,162 | \$ 17,995 | \$ — | \$ 803,433 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Geographical segment

| Millions of yen | | | | | | | |
|--------------------------|------------------|------------------|-----------------|------------------|----------------|----------------------------------|-------------------|
| 2004 | | | | | | | |
| | Japan | Europe | North America | Asia | Other areas*1 | Elimination and corporate assets | Consolidated |
| Net sales: | | | | | | | |
| Outside customers | ¥1,055,969 | ¥ 373,212 | ¥294,489 | ¥ 450,976 | ¥24,338 | ¥ — | ¥2,198,986 |
| Inter-area | 473,093 | 2,390 | 1,495 | 13,787 | 0 | (490,766) | — |
| | <u>1,529,062</u> | <u>375,603</u> | <u>295,984</u> | <u>464,763</u> | <u>24,339</u> | <u>(490,766)</u> | <u>2,198,986</u> |
| Operating expenses | 1,461,336 | 366,610 | 295,177 | 439,816 | 23,765 | (482,859) | 2,103,846 |
| Operating income | <u>¥ 67,725</u> | <u>¥ 8,993</u> | <u>¥ 807</u> | <u>¥ 24,946</u> | <u>¥ 574</u> | <u>¥ (7,906)</u> | <u>¥ 95,140</u> |
| Assets | <u>¥ 823,745</u> | <u>¥ 195,897</u> | <u>¥ 84,881</u> | <u>¥ 241,398</u> | <u>¥ 9,563</u> | <u>¥222,222</u> | <u>¥1,577,709</u> |

| Millions of yen | | | | | | | |
|--------------------------|------------------|-----------------|-----------------|-----------------|----------------|----------------------------------|-------------------|
| 2003 | | | | | | | |
| | Japan | Europe | North America | Asia | Other areas*1 | Elimination and corporate assets | Consolidated |
| Net sales: | | | | | | | |
| Outside customers | ¥1,125,144 | ¥294,694 | ¥302,594 | ¥270,449 | ¥22,426 | ¥ — | ¥2,015,309 |
| Inter-area | 415,479 | 2,098 | 596 | 15,218 | 23 | (433,415) | — |
| | <u>1,540,623</u> | <u>296,792</u> | <u>303,191</u> | <u>285,667</u> | <u>22,450</u> | <u>(433,415)</u> | <u>2,015,309</u> |
| Operating expenses | 1,474,383 | 293,601 | 302,777 | 278,611 | 21,948 | (430,217) | 1,941,105 |
| Operating income | <u>¥ 66,240</u> | <u>¥ 3,191</u> | <u>¥ 414</u> | <u>¥ 7,055</u> | <u>¥ 501</u> | <u>¥ (3,198)</u> | <u>¥ 74,204</u> |
| Assets | <u>¥ 857,439</u> | <u>¥145,780</u> | <u>¥ 67,731</u> | <u>¥232,231</u> | <u>¥ 9,942</u> | <u>¥224,305</u> | <u>¥1,537,430</u> |

| Thousands of U.S. dollars | | | | | | | |
|---------------------------|--------------------|--------------------|-------------------|--------------------|------------------|----------------------------------|---------------------|
| 2004 | | | | | | | |
| | Japan | Europe | North America | Asia | Other areas*1 | Elimination and corporate assets | Consolidated |
| Net sales: | | | | | | | |
| Outside customers | \$9,991,194 | \$3,531,204 | \$2,786,346 | \$4,266,972 | \$230,286 | \$ — | \$20,806,004 |
| Inter-area | 4,476,233 | 22,614 | 14,154 | 130,447 | 1 | (4,643,451) | — |
| | <u>14,467,427</u> | <u>3,553,818</u> | <u>2,800,501</u> | <u>4,397,420</u> | <u>230,287</u> | <u>(4,643,451)</u> | <u>20,806,004</u> |
| Operating expenses | 13,826,633 | 3,468,729 | 2,792,864 | 4,161,383 | 224,856 | (4,568,643) | 19,905,822 |
| Operating income | <u>\$ 640,794</u> | <u>\$ 85,089</u> | <u>\$ 7,637</u> | <u>\$ 236,037</u> | <u>\$ 5,431</u> | <u>\$ (74,807)</u> | <u>\$ 900,181</u> |
| Assets | <u>\$7,793,980</u> | <u>\$1,853,513</u> | <u>\$ 803,116</u> | <u>\$2,284,022</u> | <u>\$ 90,488</u> | <u>\$2,102,588</u> | <u>\$14,927,709</u> |

*1 "Other areas" consists principally of Oceania, South America.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(c)Overseas sales

| Millions of yen | | | | | |
|---|-----------|---------------|----------|----------------|--------------|
| 2004 | | | | | |
| | Europe | North America | Asia | Other areas *2 | Consolidated |
| Overseas sales | ¥442,342 | ¥342,712 | ¥492,704 | ¥99,225 | ¥1,376,985 |
| Consolidated net sales | 2,198,986 | | | | |
| Ratio of overseas sales to consolidated net sales | 20.1% | 15.6% | 22.4% | 4.5% | 62.6% |

| Millions of yen | | | | | |
|--|-----------|---------------|----------|----------------|--------------|
| 2003 | | | | | |
| | Europe | North America | Asia | Other areas *2 | Consolidated |
| Overseas sales | ¥357,532 | ¥354,234 | ¥349,532 | ¥99,741 | ¥1,161,040 |
| Consolidated net sales | 2,015,309 | | | | |
| Ratio of overseas sales to consolidated net sales ... | 17.7% | 17.6% | 17.3% | 4.9% | 57.6% |

| Thousands of U. S. dollars | | | | | |
|--|-------------|---------------|-------------|----------------|--------------|
| 2004 | | | | | |
| | Europe | North America | Asia | Other areas *2 | Consolidated |
| Overseas sales | \$4,185,286 | \$3,242,621 | \$4,661,789 | \$938,834 | \$13,028,530 |
| Consolidated net sales | 20,806,004 | | | | |
| Ratio of overseas sales to consolidated net sales ... | 20.1% | 15.6% | 22.4% | 4.5% | 62.6% |

*2 "Other areas" consists principally of Oceania and South America.

15. Supplementary cash flow information

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------------|-----------------|------|------------------------------|
| | 2004 | 2003 | 2004 |
| Conversion of convertible bonds | — | ¥946 | — |

16. Subsequent events

(a) The following plan for the appropriation of retained earnings for the year ended March 31, 2004 was approved by the ordinary general meeting of shareholders of the Company held on June 29, 2004:

| | Millions of yen | Thousands of U.S. dollars |
|--|--------------------|------------------------------|
| Year-end cash dividends | ¥2,680 | \$25,360 |
| Bonuses for directors and corporate auditors | 200 | 1,892 |
| | <u>¥2,880</u> | <u>\$27,252</u> |

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of
Suzuki Motor Corporation

We have audited the accompanying consolidated balance sheets of Suzuki Motor Corporation and its subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our 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 subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

As described in Note 2, effective from the year ended March 31, 2004, Suzuki Motor Corporation and its subsidiaries adopted the accounting standards for impairment of fixed assets.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

Seimei Audit Corporation
Tokyo, Japan
June 29, 2004

Seimei Audit Corporation

NON-CONSOLIDATED FINANCIAL STATEMENTS OF 2004

NON-CONSOLIDATED BALANCE SHEETS

As of March 31, 2004 and 2003

| SUZUKI MOTOR CORPORATION | Millions of yen | | Thousands of U.S. dollars |
|---|-------------------|-------------------|------------------------------|
| | 2004 | 2003 | 2004 |
| ASSETS | | | |
| Current assets: | | | |
| Cash and time deposits | ¥ 101,142 | ¥ 102,390 | \$ 956,969 |
| Marketable securities | 56,524 | 55,178 | 534,815 |
| Receivables: | | | |
| Trade notes and accounts | 38,148 | 37,292 | 360,947 |
| Subsidiaries and affiliates | 126,843 | 113,656 | 1,200,150 |
| Less allowance for doubtful receivables | (132) | (132) | (1,248) |
| Inventories | 61,825 | 90,215 | 584,970 |
| Other current assets | 134,672 | 140,721 | 1,274,225 |
| Total current assets | <u>519,025</u> | <u>539,322</u> | <u>4,910,830</u> |
| Property, plant and equipment: | | | |
| Land | 78,017 | 94,926 | 738,171 |
| Buildings and structures | 166,345 | 164,547 | 1,573,901 |
| Machinery and equipment | 508,961 | 509,052 | 4,815,609 |
| Construction in progress | 2,088 | 929 | 19,756 |
| | <u>755,412</u> | <u>769,456</u> | <u>7,147,438</u> |
| Less accumulated depreciation | (577,909) | (570,215) | (5,467,969) |
| | <u>177,503</u> | <u>199,241</u> | <u>1,679,469</u> |
| Investments and other assets: | | | |
| Investments in securities | 115,309 | 107,497 | 1,091,012 |
| Investments in subsidiaries and affiliates | 134,846 | 131,750 | 1,275,865 |
| Other assets | 92,577 | 92,896 | 875,932 |
| | <u>342,732</u> | <u>332,144</u> | <u>3,242,810</u> |
| | <u>¥1,039,261</u> | <u>¥1,070,708</u> | <u>\$9,833,110</u> |

| | Millions of yen | | Thousands of U.S. dollars |
|---|-------------------|-------------------|------------------------------|
| | 2004 | 2003 | 2004 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Short-term bank loans | ¥ 0 | ¥ 32,600 | \$ 0 |
| Current portion of long-term debt | 15,000 | 5,000 | 141,924 |
| Payables: | | | |
| Trade notes and accounts | 268,211 | 274,201 | 2,537,717 |
| Subsidiaries and affiliates | 20,800 | 23,821 | 196,802 |
| Accrued expenses | 82,079 | 91,404 | 776,604 |
| Accrued income taxes | 6,316 | 24,153 | 59,767 |
| Other current liabilities | 51,651 | 42,227 | 488,707 |
| Total current liabilities | <u>444,059</u> | <u>493,408</u> | <u>4,201,524</u> |
| Long-term liabilities: | | | |
| Long-term debt | 30,000 | 45,000 | 283,848 |
| Accrued retirement & severance benefits | 30,131 | 31,219 | 285,093 |
| Other liabilities | 16,872 | 17,410 | 159,643 |
| | <u>77,004</u> | <u>93,629</u> | <u>728,585</u> |
| Shareholders' equity | | | |
| Common stock: | | | |
| Authorized - 1,500,000,000 shares | | | |
| Issued, par value ¥50 per share | | | |
| as of March 31st, 2004 - 542,647,091 | 120,210 | — | 1,137,385 |
| as of March 31st, 2003 - 542,647,091 | — | 120,210 | — |
| Additional paid-in capital | 126,578 | 126,577 | 1,197,640 |
| Retained earnings | 257,942 | 237,319 | 2,440,556 |
| Net unrealized gains on security | 21,978 | 7,540 | 207,955 |
| Treasury stock | (8,512) | (7,978) | (80,538) |
| | <u>518,198</u> | <u>483,670</u> | <u>4,903,000</u> |
| | <u>¥1,039,261</u> | <u>¥1,070,708</u> | <u>\$9,833,110</u> |

ON THE COVER

The GRAND VITARA XL-7

The GRAND VITARA XL-7 is Suzuki's flagship sport utility vehicle. With a 2.7 litre, fuel-injected V6 engine and the Drive Select 4X4 system, it has a real 4X4 capability.

Yet it's also ultimate in family transport thanks to seven seats, an abundance of flexible space and outstanding standard equipment.

GSX-R750

The GSX-R750, packed with genuine Suzuki technology and wrapped in exciting, distinctive and aerodynamic bodywork, redefined the overall balance of the "state-of-the-art" handling and engine performance to an entirely new level. A compact and efficient design consists of weight, size and handling performance one would expect from a winning 600 cc sportbike. It's a machine born out of the commitment to keep the GSX-R's race-winning heritage alive and well, and once again make the phrase "Own the Racetrack" a self-fulfilling slogan.

DF250

The DF250, the flagship of Suzuki's 4-stroke outboard motor lineup, delivers 250 ps (184 kW) with its 3614cc, 4-stroke, V6-cylinder, DOHC 24-valve engine. It provides high performance for a variety of boats with its lightweight, compact design and high-power engine, as well as low emissions for low environmental impact, and low fuel consumption.

*This pamphlet is printed on recycled paper using environmentally friendly soybean-based ink.



SUZUKI MOTOR CORPORATION
300 TAKATSUKA, HAMAMATSU, JAPAN