ANNUAL REPORT 2006

SUZUKI MOTOR CORPORATION

A MESSAGE FROM THE MANAGEMENT

In delivering our Annual Report 2006, we wish to extend our greetings to you.

In terms of the business environment in which our group was involved, there was concern about the impact of inflating oil prices, etc. but domestically, there were increases in capital investments due to improvements in business earnings, increased demand, etc. Also individual consumption remained steady resulting in a modest recovery in the business climate. Overseas, change in global economies, including the American economy, was generally favorable, and recovery was steady.

Amid such circumstances, the launch of the “Suzuki Mid-Term 5-Year Plan” was scheduled to bring the prospect of decreased profits due to the burden of increased prior investments in research and development, facilities, etc., however, consolidated net sales by our group for this term came to 2,746,453 million yen (116.1% compared to the previous year). Regarding consolidated income, increases in depreciation expenses, research and development expenses, overhead costs, etc., were absorbed by reductions in price costs, increases in sales, and currency gains. Operating income was 113,865 million yen (105.9% compared to the previous year), ordinary income was 119,321 million yen (108.9% compared to the previous year), and net earnings for this term were 65,945 million yen (109% compared to the previous year).

While non-consolidated net sales of our company were 1,690,169 million yen (114.1% compared to the previous year), increases in depreciation expenses, research and development expenses, overhead costs, etc. decreased operating income to 47,482 million yen (89.9% compared to the previous year) and ordinary income to 52,179 million yen (98.6% compared to the previous year). Net earnings for this term increased to 37,271 million yen (104.3% compared to the previous year) due to reduction of extraordinary loss, etc.

Dividends at the end of the current fiscal year were an ordinary dividend of 5 yen plus a special dividend of 1 yen, for a total of 6 yen per share for the year (11 yen including interim dividends).

Looking at the business environment surrounding our group, currency fluctuations and other factors remain extremely uncertain, and competition between rival companies has increased even further, leading to an extremely severe situation.

In order to deal with this serious situation, our group will implement revisions in all fields and make efforts to strengthen management culture under our basic corporate policy summed up by the slogan “In order to survive, let us stop acting in a self-styled manner and get back to basics.”

In addition to this, the number of directors was reduced to nearly half of the former number, and a new director’s system (executive and managing directors) was implemented to make management in each section more flexible and efficient, speed up operations, and clarify management responsibility. Board members are now responsible for multiple departments so as to eliminate the harmful effects of sectionalism and allow us to look at operations from a managerial cross-cutting perspective.

In terms of motorcycles, in Japan efforts aimed at expanding the sales of small motor vehicles and larger motorcycles will continue. In European and North American markets, we will promote the introduction of products that enhance a “Sporty, Youthful, and Unique” brand image derived from our racing activities in order to build up a highly profitable motorcycle operation. And as the growth of economies rapidly increases demand for motorcycles in Asia, we will introduce products that meet with market needs and promote the development and improvement of production systems.

In terms of automobiles both domestically and overseas, efforts will be made to develop products and business activities closely tied to the market. To increase sales in Japan, we are transforming our Suzuki Arena dealers with additional staff and education programs aimed at strengthening the sales force. Overseas, onsite procurement of components, cost reductions and further heightening of quality and productivity will be pursued in order to strengthen our business base.

Furthermore, efforts will be taken to develop, in an effective and efficient manner, products that closely suit each of the world’s four central markets, and introduce them in a timely fashion. And in protecting the global environment, we will promote the development of products designed for low environmental impact by reducing exhaust emissions, improving fuel efficiency, reducing the amount of natural resources required for their production, and facilitate recycling. In addition, we will work toward maximizing the effectiveness of our strategic alliances with Fiat in diesel engines, and with the General Motors Corporation in hybrid and fuel cell vehicles, etc.

Although the General Motors group reduced their holdings of our corporate stock to 3%, the General Motors Corporation and Suzuki have had ties since August 1981 and our constructive alliance has continued for over 25 years. We will continue to promote concrete projects such as the cooperative development of advanced technologies, our joint venture in the CAMI project in Canada and new mid-sized SUV production at CAMI, cooperative development of power train systems, complementary supplying of OEM products, global joint procurement, etc.

We supply OEM mini vehicles to the Nissan Motor Co., Ltd. based on an April 2001 agreement, and as a prerequisite for complementary supply, we will promote the expansion of OEM supply in the future.

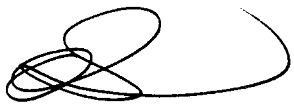
Under the motto ”Small Cars, —for a Big Future.” Suzuki has set out our determination to continue active efforts to develop small cars that our customers demand and to make efforts to ensure that our products have a minimal impact on the global environment. At the same time, we will focus on the key words “Smaller, Fewer, Lighter, Shorter and Neater” in all aspects of production, organization, facilities, parts, environment, etc., in order to promote a highly efficient and healthy business operation.

In terms of our directors and employees, all statutes, social norms, and in-house bylaws, will be strictly observed and we will act frankly and with sincerity.

We look forward to the continued support and encouragement of all of our stockholders.

June 2006

Osamu Suzuki
Chairman & CEO



Hiroshi Tsuda
President & COO

PROFILE

Suzuki Motor Corporation designs and manufactures passenger cars, commercial vehicles, motorcycles, All Terrain Vehicles (ATVs), outboard motors, and other products. The company continuously and vigorously promotes technical cooperation through numerous joint ventures overseas, and its main production facilities are currently located in 23 countries and areas around the world. The established network enables Suzuki to operate as a global organization serving 192 countries and areas.

Suzuki Motor Corporation was first established as Suzuki Loom Manufacturing Co. in March 1920.

Suzuki then entered the motorcycle business with the introduction of "Power Free" motorized bicycle in 1952, and entered the automobile business in 1955 with the introduction of "Suzulight" lightweight car.

Suzuki is committed to use its amassed technological expertise and all other available resources to help raise the quality of human life in society by promoting corporate growth through manufacture and supply of socially demanded products.

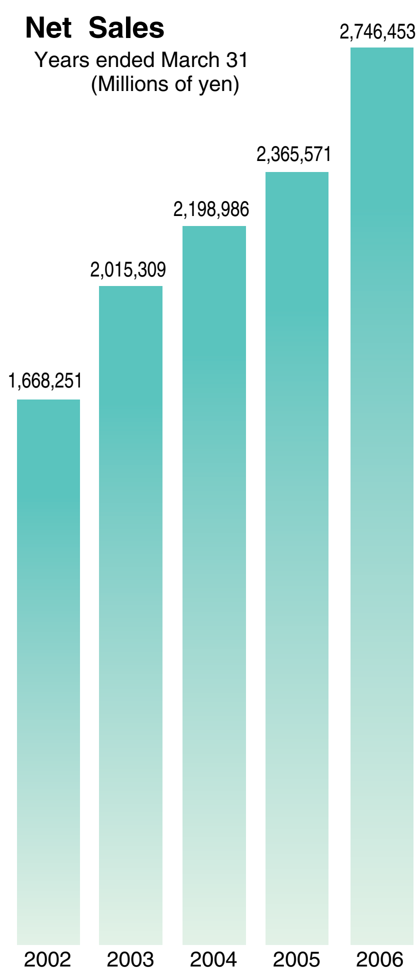
CONTENTS

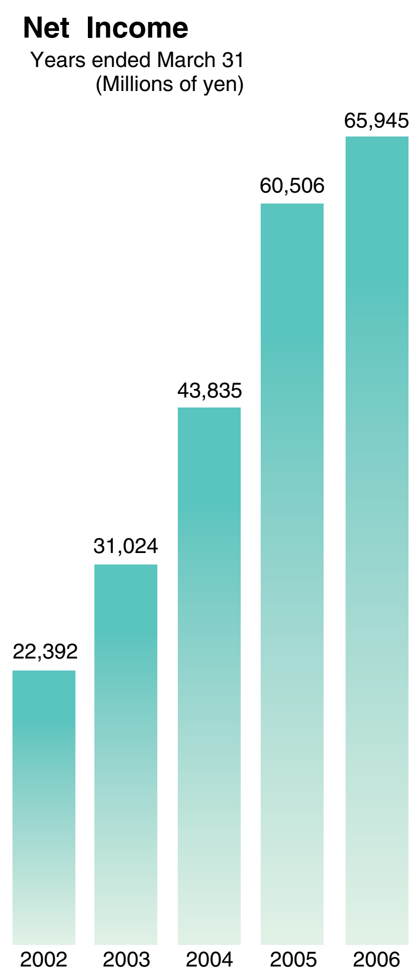
Head Office & Takatsuka Plant
Headquarters, Engineering center and Motorcycle engines assembling plant

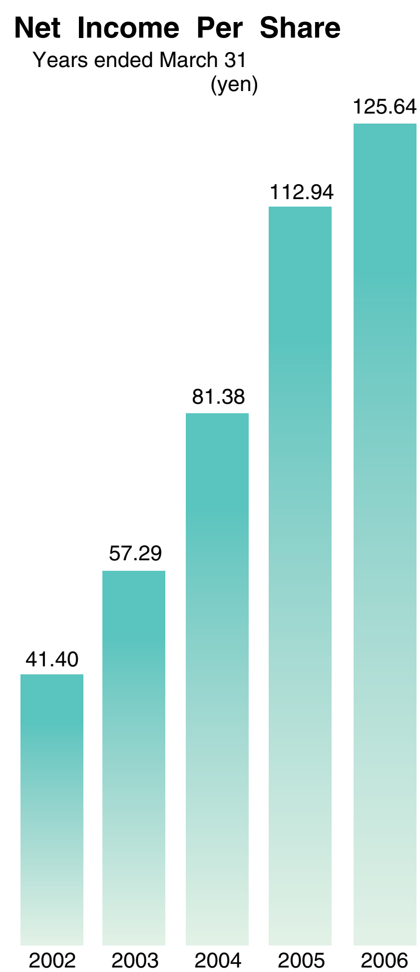
FINANCIAL HIGHLIGHTS

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen (except per share amounts)		Thousands of U.S. dollars (except per share amounts)
Years ended March 31, 2006 and 2005	**2006**	2005	**2006**
Net sales	**¥2,746,453**	¥2,365,571	$23,380,045
Net income	**65,945**	60,506	561,379
Net income per share:			
Primary	**125.64**	112.94	1.069
Fully diluted	**122.14**	109.86	1.039
Cash dividends per share	**11.00**	10.00	0.093
Shareholders' equity	**616,770**	745,016	5,250,451
Total current assets	**1,067,709**	999,887	9,089,213
Total assets	**1,849,714**	1,693,353	15,746,271
Depreciation and amortization	**126,520**	97,731	1,077,047

Note: Yen amounts are translated into U.S. dollars, for convenience only, at ¥117.47 = US$1, the prevailing exchange rate on March 31, 2006.



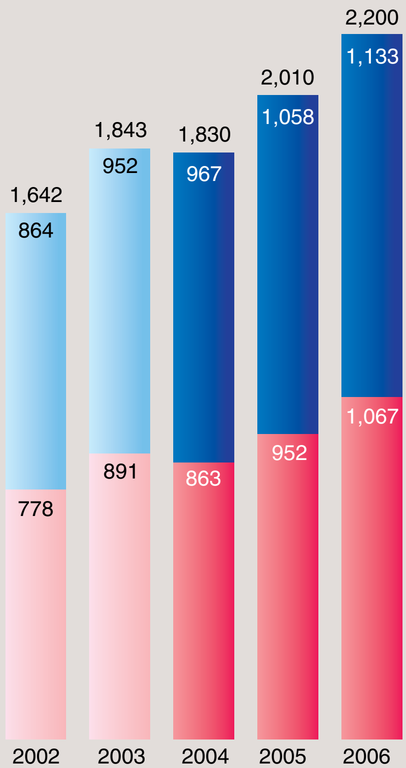




YEAR IN REVIEW

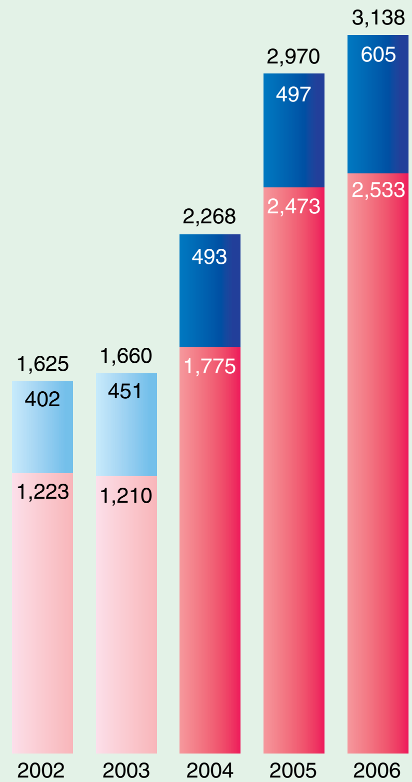
Automobile Production

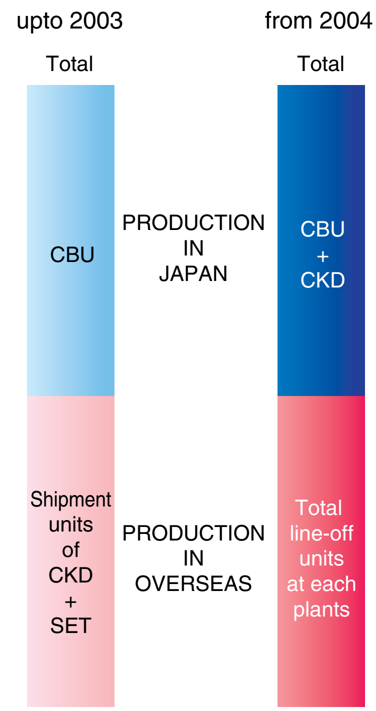
Years ended March 31 (Thousand units)



Motorcycle Production

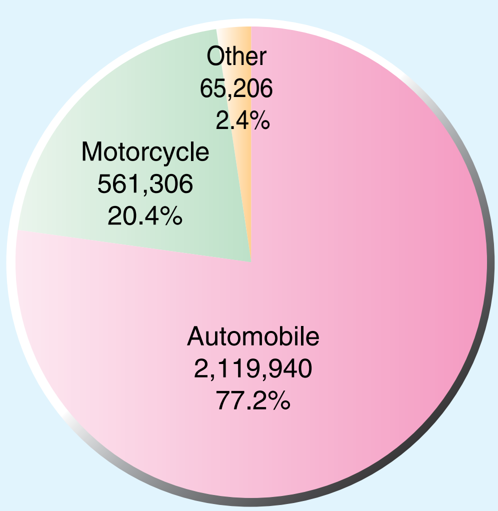
Years ended March 31 (Thousand units)
(ATV included)





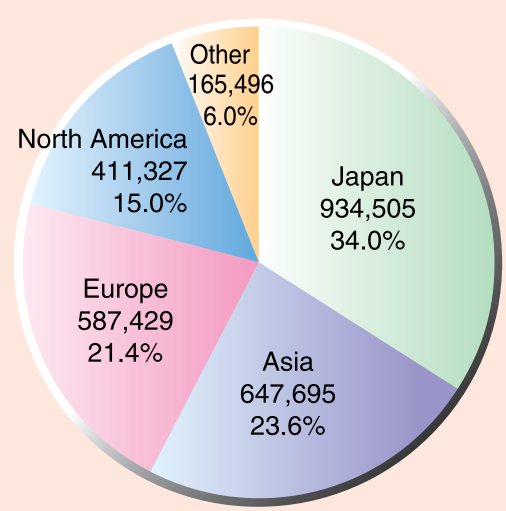
2006 Net Sales By Business

(Year ended March 31, 2006, Millions of yen)



2006 Net Sales By Market

(Year ended March 31, 2006, Millions of yen)



AUTOMOBILES

Suzuki's worldwide manufacturing and sales

Total overseas automobile production for fiscal 2005 increased significantly to 1,067,000 units, 112% compared to the previous year. Worldwide production, including Japan, reached 2,200,000 units, 109% compared to the previous year.

Sales of automobiles in overseas markets grew to 1,360,000 units, 112% compared to the previous year, while total global sales, including Japan, reached 2,067,000 units for growth to 109% compared to the previous year.

The Japanese Market

1. Domestic market overview and Suzuki status

Total domestic sales of all brands for the period from April 2005 to March 2006 were 5,861,544 units (101% compared to the previous year), which exceeded the previous year's performance for the first time in three years.

Of this volume, the total sales volume, excluding mini-vehicles totaled 3,913,182 units (99% compared to the previous year). This is a third consecutive year-on-year decline of sales, and the sales could not reach 4 million units for two consecutive years. While passenger car sales were below the previous year's results, sales of commercial vehicles exceeded the previous year's result due to increased demand for trucks.

Meanwhile, total sales of mini vehicles were 1,948,362 units (104% compared to the previous year), the third consecutive year-on-year increase and the sales exceeded the previous year's record for three consecutive fiscal years and also exceeded 1.9 million units first time in seven years. This total figure is also a new record high. Total sales of mini passenger vehicles received a boost due to an active increase in the introduction of new models by a variety of companies that produced steady gains in passenger vehicles sales.

Suzuki's total domestic automobile sales for fiscal 2005 amounted to 705,190 units (*1) (105% compared to the previous year). This is the second consecutive year-on-year increase, and the first time that sales have exceeded 700,000 units, a record high. Suzuki's share in the domestic market was 12%, a 0.5points increase over last year's results, and Suzuki's share was the 4th largest out of the 12 domestic automotive makers.

(*1) Registered automobiles include "Chevrolet Cruze" and "Chevrolet MW".

2. Suzuki sales status

In fiscal 2005, Suzuki implemented full model changes of the "Every" and "MR Wagon" and aggressively introduced special version cars and facelifts to a variety of passenger vehicles to strengthen the competitiveness of each product, thus increasing sales. Suzuki's total sales figure for mini vehicles was 625,542 units (104% compared to the previous year), the second consecutive year-on-year increase, and the highest sales on record. As a result, this allowed us to maintain our top position in annual mini vehicle sales for the 33rd consecutive year.

In the domestic standard and small car/vehicle segment market, we implemented full model changes to the "Escudo" (export name: "Grand Vitara") and added sport and special version of the "Swift" lineup, etc., to further strengthen competitiveness. As a result, total sales of registered vehicles were 79,648 units (*2) (113% compared to the previous year), the sixth consecutive year-on-year increase and a new sales record.

Sales of Chevrolet brand vehicles imported by Suzuki, which began in January 2004, totalled 1,977 units (100% compared to the previous year). Combined with Suzuki's sales of registered vehicles, sales reached 81,625 units, exceeding the 80,000-unit level for the first time.

(*2) Includes "Chevrolet Cruze" and "Chevrolet MW".

WAGON R

MR WAGON

3. Suzuki automobile topics

- The “Escudo” underwent a full model change in May 2005, and sales have drastically increased, reaching 387% compared to the previous year after the model change.
- There were full model changes of the “Every Wagon” mini vehicle, and “Every” commercial fleet vehicle in August 2005. Sales of the “Every” has steadily increased after the model change, reaching 129% compared to the previous year.
- The “New Swift”, introduced in November 2004, won the “2006 RJC Car of the Year” award and the 2005/2006 Japan Car of the Year “Most Fun” special award. Sales have increased steadily, reaching 125% compared to the previous year, driving sales of Suzuki registered vehicles.
- The “MR Wagon” underwent a full model change in January 2006. Sales have drastically increased after the model change reaching 206% compared to the previous year.
- In domestic sales, the 2,500,000th sale of the “Wagon R”, which took place in March 2006, was accomplished in the relatively short time of 12 years 7 months to achieve this goal. It also registered top place in mini vehicles sales for the third consecutive year.
- The “Carry” also achieved top place in sales in the truck segment for the 35th consecutive year.

Kosai Plant
Passenger car assembling plant

Iwata Plant
Sport utility vehicle and commercial vehicle assembling plant

Overseas Markets

1. Suzuki’s overseas status

Riding on an increase in sales of the “Grand Vitara” (291% compared to the previous year) and the GM-Daewoo made “Forenza Sedan” (140% compared to the previous year), the retail sales volume in the United States reached a record 89,000 units (excluding Hawaii, 119% compared to the previous year). In Europe, excellent sales of the “Swift” led to a total of 280,000 units sold (119% compared to the previous year), which was a record high. Annual production volume at Magyar Suzuki in Hungary exceeded 150,000 units, 157% compared to the previous year, thanks in part to the sales expansion of the Swift and startup of production of the “SX4”.

SX4 (European spec.)

JIMNY

APV (manufactured at P.T.Indomobil Suzuki International in Indonesia)

In Asia, since the Indonesian market experienced a sudden decline since the latter half of 2005 due to a weakening of consumer confidence brought on by the rapid rise in fuel prices and interest rates. This was felt at P.T. Indomobil Suzuki International where the production was decreased to 87,000 units (97% compared to the previous year), and lowered sales volume including exports to 85,000 units (95% compared to the previous year). Production startup of the "Swift" at Maruti Udyog Ltd in India led to production volume increasing to 572,000 units (106% compared to the previous year) and sales increasing to 561,000 units (105% compared to the previous year). In particular, the "Swift" was sold 61,200 units (May 2005 through April 2006) in India within one year, which was a record high as the first year sales in India.

Also, Pak Suzuki Motor Co., Ltd. in Pakistan achieved a tremendous expansion of production, producing 92,000 units (133% compared to the previous year) and the sales of 92,000 units (135% compared to the previous year).

- The introduction of world strategic model

  The "Swift", introduced in 2005, is our first world strategic model to be produced and marketed globally. It has attained an extremely high reputation worldwide and won "Car of the Year" awards in several countries.

  Following the Swift, Suzuki introduced two more models in its global strategy. The new "Grand Vitara", the third generation in the Vitara series was introduced in the spring of 2005. In response to an enthusiastic reception in all of its markets, its annual sales plans were revised and increased by 44% within a half year of the start of production. Also in February 2006, Suzuki introduced the "SX4", a crossover vehicle in which the DNA of Suzuki's compact cars is complemented with a blend of innovations in sporty compacts realized in the development of "Swift" and its tradition in light SUV's. The "SX4" is based on a rigid chassis, offers enhanced driving stability and handling performance, and is highly acclaimed by European journalists. It will be introduced worldwide after completing specification adjustment considering the needs of individual markets.

- Motor Sports

  Suzuki's world strategic models are also taking an active role in motor sports. The "Swift" (Super 1600) made its Junior World Rally Championship debut in August 2005, and has started the 2006 season in 1st place.

  It was also announced at its world premier, that the "SX4" would participate in World Rally Championship. The WRC version will now be the focus of further detailed development to increase its competitive potential to the maximum so that it may prove to be a worthy WRC challenger from 2008 onwards.

Suzuki's automobile overseas brand message and corporate philosophy "Way of Life" is used to promote the creation of active lifestyles. We will continue to put our best efforts into supplying products that are based on our brand philosophy.

SWIFT

GRAND VITARA

IGNIS (manufactured at Magyar Suzuki Corp. for Europe only)

MOTORCYCLES

Suzuki's worldwide manufacturing and sales

Total overseas motorcycle production (including ATVs) in fiscal 2005 was 2,533,000 units, exceeding 102% compared to the previous year. Worldwide production, including production in Japan, increased to 3,138,000 units, 106% compared to the previous year. Gains were also made in overseas motorcycle sales (including ATVs) with 2,907,000 units sold, 104% compared to the previous year, while total global sales, including Japan, reached 3,061,000 units growing to 105% compared to the previous year.

The Japanese Market

1. Domestic market overview

The number of motorcycles put out by the four Japanese manufacturers in the domestic market in the period from April 2005 to March 2006 stood at a total of 710,000 units (103% compared to the previous year).

Breaking this figure into displacement categories shows volume for the 125cm^3 and under class increasing 563,000 units (101% compared to the previous year), and the 126 cm^3 and over class also increasing 147,000 units (108% compared to the previous year).

Further breakdown of the figures for the 50 cm^3 and under class showed a drop in sales to 478,000 units (98% compared to the previous year) due to a drop in scooter sales, which accounts for 80% in this class, to 381,000 units (99% compared to the previous year).

Sales in the 51 to 125 cm^3 class increased to 85,000 units (126% compared to the previous year), driven by sales of newly introduced scooter models.

Looking at the figures for larger models, sales of scooters and touring models remained strong with sales in the 126 to 250 cm^3 class increasing to 101,000 units (109% compared to the previous year).

In the 251 to 400 cm^3 class, overall sales grew to 26,000 units (109% compared to the previous year) due to a big increase in scooter sales. Sales in the 401 cm^3 and over class grew to 20,000 units (103% compared to the previous year) with an increase in sales of scooters while sales of touring models declined.

2. Suzuki status

With increased volume in the 125 cm^3 and under class, with sales of 126,000 units (119% compared to the previous year), and in the 126 cm^3 and over class, with sales of 25,000 units (103% compared to the previous year), total volume for Suzuki in fiscal 2005 increased to 151,000 units (116% compared to the previous year).

Looking at sales in the 50 cm^3 class, shipments increased of models such as the "Let's 4" 50 cm^3 4-cycle scooter, which was introduced in October 2004. In particular, the introduction of the "Address V125" in February 2005 contributed to substantial expansion of sales in the 51 to 125 cm^3 class where 34,000 units shipped (221% compared to the previous year), and also contributed to the growth of whole market in this class.

Regarding sales of large displacement motorcycles, sales in the 126 to 250 cm^3 class increased to 18,000 units (113% compared to the previous year) as models like the "SKYWAVE 250SS" were in good demand. Sales in the 251 to 400 cm^3 class fell to 5,000 units (76% compared to the previous year) with a decline in sales of touring motorcycles, a category in which the "DR-Z400SM" did well last year. Sales in the 401 cm^3 and over class however, increased to 3,000 units (102% compared to the previous year) with the touring category showing an increase in sales.

Let's 4 (UZ50)

Address V125 (UZ125G)

SKYWAVE250SS (AN250SS)

DR-Z400SM

Overseas Markets

1. Overseas manufacturing status

Suzuki's exports of motorcycles shipped as components for overseas production (SET) was 2,286,000 units, 95% compared to the previous year. In this term, sales volume for all companies in the major ASEAN nations (Indonesia, Thailand, Vietnam, Philippines, Malaysia) increased to 8,908,000 units (111% compared to the previous year). Total Suzuki sales in these five countries amounted to 1,245,000 units, 95% compared to the previous year however, strengthening our product lineup and the introduction of new products into a growing scooter market is expected to increase sales. Wholesale sales in China for all companies were 13,800,000 units, 108% compared to the previous year with Suzuki's wholesale sales totaling 852,000 units, almost equal to the previous year. Future plans include increasing sales in China and exporting a cost effective Chinese made model to markets in regions such as Asia, Latin America, and Africa. As of the end of this term we have re-entered India's 7,574,000 unit market, introducing a new model in the underbone category, which accounts for about 80% of the overall market, that started shipping to dealers from March 2006. We will expand on the number of dealers and models while evaluating market conditions.

Toyokawa Plant
Motorcycles and outboard motors assembling plant

GSR600

GSX-R750

BANDIT1200S (GSF1200S)

2. Product improvement

In Suzuki's Super Sport "GSX-R" series, the "GSX-R750", which boasts excellent balance, and the "GSX-R600", which is popular in North American and European markets, both underwent complete model changes to improve performance and styling. Obtaining high appraisal in the Supersport market they have contributed to improvement of our brand image while strengthening sales greatly. Also, the new "GSR600" naked model with its unique and emotional styling and excellent riding performance is highly appraised in Europe, especially in Italy. In the large displacement class, we are continuing to improve and expand our lineup in respect to market needs with models like the "Bandit 1200/S", a touring motorcycle respected around the world for its excellent balance, the dynamic and stylish cruiser "Suzuki Boulevard M109R (Intruder M1800R)", and the "Burgman 400 (SKYWAVE 400)" premium scooter that lets you enjoy riding tandem.

In ATV (All Terrain Vehicle) production, we started manufacturing of the "LT-R450", a new sport model ATV. Highly rated for its power and performance, its sales are on the rise. Also, at Suzuki Manufacturing of America Corporation (SMAC) production of the popular "KingQuad 700" has begun and the overall number of units being produced is continuing to increase yearly.

3. Racing Activities

In Suzuki's racing activities, the "GSX-R", "RM/RM-Z" series continue to play an active role worldwide under the slogan "Own the Racetrack". At the Superbike World Championship, the "GSX-R1000" driven by Troy Corser won the both rider and manufacturer titles. Team Suzuki Endurance also drove a "GSX-R1000" to a title finish at the World Endurance Championship motorcycle race. In the United States, which has the biggest of the large displacement motorcycle markets in the world, Mat Mladin won his 6th AMA Superbike Championship on a "GSX-R1000". In off-road racing, Ricky Carmichael won the AMA Supercross championship on a "RM250", and the AMA National Motocross with the "RM-Z450". Showing great potential, the "GSX-R" and "RM/RM-Z" have already acquired several championships increasing both the global visibility of the Suzuki brand and the superiority of Suzuki products.

SUZUKI BOULEVARD M109R/ INTRUDER M1800R (VZR1800)

Step (UY125)

QuadRacer R450 (LT-R450)

RM-Z450 (racing machine)

GSX-R1000 (racing machine)

MARINE PRODUCTS

The Japanese Market

Domestic sales figures for outboard motors in fiscal 2005 increased dramatically standing at 109% compared to the previous year. Looking at a breakdown according to models, sales of large 4-stroke outboards made a big raise, contributing to net sales expansion.

Subsequently, emphasis will be placed on expanding the lineup, developing 4-stroke outboard motors with concern for conservation of the natural environment.

Overseas Markets

In terms of outboard motor exports in fiscal 2005, combining CBU and CKD for Thai Suzuki, units were 117% compared to the previous year and net sales were 108% compared to the previous year. The increase in the number of units and sales amount were due to an increase in shipments of outboard motors, primarily to North America and Europe.

Currently, the Suzuki 4-stroke outboard motor lineup ranges from the “DF2.5” (1.8kW/2.5 horsepower), the smallest horsepower model that was added to the lineup at the end of 2005, to the “DF250” (184.0kW/250 horsepower), the largest horsepower model.

Suzuki debuted the “DF300” (220.7kW/300 horsepower), a new 2007 model that holds the world’s largest output in the 4-stroke class, at the Miami International Boat Show held in February 2006.

DF2.5

DF150

DF2.5

Suzuki outboard motors provide power for a wide range of boats

DF175

DF250

Wind turbine generator in Kosai Plant

Fuel cell vehicle "MR Wagon-FCV"

OTHER TOPICS

Environment

As a general manufacturer of automobiles, motorcycles, outboard motors, etc., Suzuki is addressing environmental conservation at all stages—from development to disposal.

In our design and development, in addition to conventional demands for enhanced safety, greater reliability and more comfort, etc., Suzuki has been developing multi-faced and highly advanced technologies to respond to environmental demands for enhancing fuel efficiency, reducing exhaust gas emissions, noise reduction, saving of consumed resources, and recycling enhancement.

In our manufacturing and purchasing, corporate measures include reducing energy consumption (reduced CO_2 emissions), reducing landfill wastes (enhancement of yield, recycling), careful managing of chemical substances, and promoting green procurement.

In our marketing, in addition to promoting proper treatment of used products and components, we are providing our sales network with dismantling manuals, and other information, which can be useful in such operations.

In our distribution and office work, we are also focusing on reducing energy consumption, cutting down on consumed resources, recycling, and promoting green purchasing.

In our social contribution work, we are promoting environmental conservation through a variety of projects which include participating in environment-cleanup activities, cooperating with lake water purification, making presentations at environment-related exhibitions, gaining certification for forest management, etc.

• 2005 Topics

We published the "Suzuki 2005 Environmental and Social Report". Suzuki has annually published an environmental report since fiscal 1999 to provide information on all activities related to the environment. The 2005 edition, which is the 7th edition issued, is the first to utilize CD-ROM for the data section in order to reduce paper consumption. In contributing to local environments, we carry out regular cleanup activities around our facilities.

In cooperating with forest conservation, a plot of land on loan from the national government was given the name "Forest of Suzuki", and planted with trees.

Suzuki 2005 Environmental and Social Report

Cleanup activities around our facilities

Forestation activities

Strategic Alliance with General Motors Corporation

Suzuki and General Motors Corporation (GM) began a business partnership in August 1981 and the strategic alliance partnership between Suzuki and GM has yielded solid results in various business sectors ever since. Although GM's shareholding in Suzuki was changed from 20% to 3% in March 2006, both companies agreed to maintain and push forward the business partnership as ever. Expressing its individual strengths, both companies utilize and complement their resources. And both companies will proceed their business collaborations in order to develop better products with lower investment and to introduce appropriate products into the global market more quickly.

- XL7, the first ever Suzuki mid-sized SUV revealed at 2006 New York International Auto Show, will go into mass-production for North American market from 2006 at CAMI Automotive Inc. (Ontario, Canada), a joint venture with GM. XL7 will use the GM-designed new V6 engine (3.6L) to be produced at Suzuki's Sagara plant in Shizuoka, Japan from June 2006. This all-aluminum V6 engine features dual overhead cam with 4 valves per cylinder, incorporating the latest technologies such as continuously variable valve timing.

- Suzuki began selling the joint-developed Chevrolet Cruze, produced at Suzuki's Kosai plant, from November 2001. Since then, Suzuki imported Chevrolet vehicles into Japan and distributed them through Suzuki sales network. The US-made Chevrolet TrailBlazer and Chevrolet Astro were launched in 2004 and two models from GMDAT joined the Chevrolet line-up in 2005; Chevrolet Optra Sedan in January and its Station Wagon in February. Furthermore, from January 2006, Chevrolet MW, produced at Suzuki's Kosai plant was also added to strengthen Chevrolet brand presence in Japan.

The first ever Suzuki mid-sized SUV "XL7" _ will go into production at CAMI from 2006

The new GM-designed global V6 engine will go onto XL7

Chevrolet MW, launched in January 2006 in Japan

CORPORATE DATA, BOARD MEMBERS, AND OVERSEAS SUBSIDIARIES

CORPORATE DATA

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

MEMBERS OF THE BOARD AND AUDITORS

Chairman & CEO
Osamu Suzuki

President & COO
Hiroshi Tsuda

Senior Managing Directors
Takashi Nakayama
Shinzo Nakanishi
Akihiro Sakamoto
Takao Hirosawa
Kazuo Suzuki
Takeo Shigemoto
Hirotaka Ono
Minoru Tamura
Eiji Mochizuki
Toshihiro Suzuki
Takumi Kunikiyo
Toyokazu Sugimoto

Corporate Auditors
Tamotsu Kamimura
Nobuyasu Horiuchi
Katsuhiko Kume

Corporate Auditors (non full-time)
Shin Ishizuka
Kazuhiro Kosugi

As of July 1, 2006

MAJOR OVERSEAS SUBSIDIARIES

Suzuki International Europe GmbH
Bensheim, Germany

Suzuki Motor España, S.A.
Gijón, Spain

Suzuki Motor Iberica, S.A.
Leganes, Spain

Suzuki Italia S.p.A.
Torino, Italy

Suzuki Austria Automobil Handeles G.m.b.H
Salzburg, Austria

Suzuki France S.A.
Trappes, France

Magyar Suzuki Corporation
Esztergom, Hungary

Suzuki GB PLC
West Sussex, United Kingdom

Suzuki Motor Poland SP.Z.O.O.
Warszawa, Poland

American Suzuki Motor Corporation
California, U.S.A.

Suzuki Manufacturing of America Corporation
Georgia, U.S.A.

Suzuki Canada Inc.
Ontario, Canada

Maruti Udyog Ltd.
New Delhi, India

Suzuki Motorcycles Pakistan Ltd.
Karachi, Pakistan

Pak Suzuki Motor Co., Ltd.
Karachi, Pakistan

P.T. Indomobil Suzuki International
Jakarta, Indonesia

Suzuki Philippines Inc.
Manila, Philippines

Thai Suzuki Motor Co., Ltd.
Thanyaburi, Thailand

Myanmar Suzuki Motor Co., Ltd.
Yangon, Myanmar

Cambodia Suzuki Motor Co., Ltd.
Phnom Penh, Cambodia

Suzuki Australia Pty. Ltd.
Melbourne, Australia

Suzuki New Zealand Ltd.
Wanganui, New Zealand

Suzuki Motor de Colombia S.A.
Pereira, Colombia

THE STATUS OF THE CORPORATE GROUP

1. The outline of the corporate group

The corporate group of the Company consists of subsidiaries of 136 companies and affiliates of 25. The main businesses are manufacturing and marketing of motorcycles, automobiles, marine & power products, motorized wheelchairs, electro senior vehicles and houses, further developing the businesses of logistics and other services related to the respective operations.

The position of the group companies in relation to the business segmentation is as follows.

General Motors Corporation, which had owned 20.0% of the shares of the Company and had been deemed as one of the other group companies of the Company, is no more applicable to that status because they sold 17.0% of the shares of the Company in March, 2006, now becoming 3.0% shareholder. However, we will work together with GM as a strategic partner in various projects.

(Motorcycle operation)

Motorcycles are manufactured by the Company. In overseas, they are additionally manufactured by a subsidiary, Thai Suzuki Motor Co., Ltd. and an affiliate, Jinan Qinqi Suzuki Motorcycle Co., Ltd. and others. Some of parts are manufactured by a subsidiary, Suzuki Toyama Auto Parts Mfg. Co., Ltd. and others, and those parts are purchased by the Company.

The marketing of the motorcycles is conducted in the domestic market through a subsidiary, Suzuki Motorcycle Sales (Higashi Nihon) Inc. and other marketing companies, and in overseas markets through a subsidiary, Suzuki International Europe GmbH and other marketing companies.

(Automobile operation)

Automobiles are manufactured by the Company as well as in overseas, by a subsidiary, Magyar Suzuki Corp. and by an affiliate, CAMI Automotive Inc. and others. Some of parts are manufactured by Suzuki Hamamatsu Auto Parts Mfg. Co., Ltd. and others, and they are purchased by the Company.

The marketing of automobiles is carried out in the domestic market by a subsidiary, Suzuki Motor Sales Kinki Inc. and other marketing companies throughout the market, and in overseas markets, by a subsidiary, American Suzuki Motor Corp. and other marketing companies. The business of logistics services is conducted by a subsidiary, Suzuki Transportation and Packing Co., Ltd.

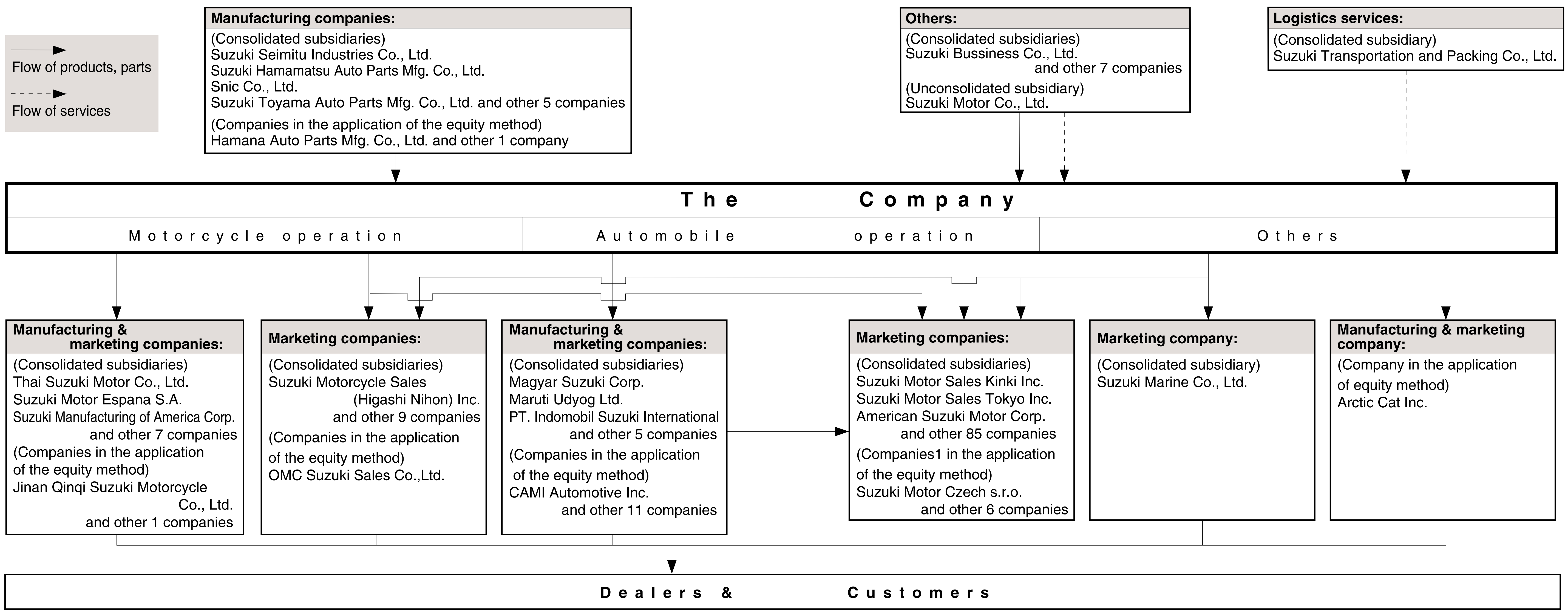
(Other operations)

Outboard motors are manufactured mainly by the Company and marketed by a subsidiary, Suzuki Marine Co., Ltd. and others.

In the domestic market, the marketing of motorized wheelchairs and electro senior vehicles is conducted by subsidiaries such as Suzuki Motor Sales Kinki Inc. and others, and the marketing of houses is conducted by a subsidiary, Suzuki Business Co.,Ltd.

2. Operation flow chart

As of March 31, 2006



FINANCIAL SECTION

CONTENTS

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 statement 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 the differences between countries and in lifestyles. By keeping on top of the dynamic changes occurring in the marketplace, we strive to create products of real value, products that are always designed to win our customers' approval.

We commits itself to make efforts to promote the "production of mini, small and subcompact vehicles" and the "development of environmentally benign products" needed by customers, and to be small, less, light, short and beautiful on every side of organization, facilities, parts, environment and so on as well as production, with the slogan, "Small Cars for a Big Future", and has been working for the efficient, well-knit and healthy management.

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 at 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 Suzuki Group has a structure in which profits are highly dependent on overseas manufacturing plants. These are mainly located in developing countries, and are therefore subject to exchange rate fluctuations. We have plans to actively develop and increase our investment in these overseas manufacturing plants. To achieve stable growth, we need to further enhance our corporate structure and prepare for unforeseen circumstances.

Under those circumstances, we have paid 10.00 yen per share as common dividends (including interim dividends of 5.00 yen) and, in addition, 1.00 yen as special dividends for the current fiscal year, to reimburse the saved amount of dividends by acquisition of treasury stock to our shareholders. Therefore, total dividends are 11.00 yen per share.

As a result, the current fiscal year's dividend payout ratio is 15.5% and the dividend rate of shareholders' equity is 1.5%.

Note: "the Company" = Suzuki Motor Corporation

3. Perspectives and policy for lowering the investment unit of shares

The Company recognizes that improvement in share liquidity and increasing the number of individual shareholders are significant issues for achieving a fair price for our shares. Therefore, we have improved the market environment for investors to purchase shares more easily. From September 2003, the number of shares per unit was reduced from 1,000 shares to 100 shares. Furthermore, we will continue to take into consideration the liquidity improvement of its shares.

4. Medium-term management strategy

In order for the Suzuki Group to continue to grow as a global corporate entity, in May 2005, the "Suzuki Medium-term 5-year Plan" has been established for a period up to March 2010. The basic policy of the plan is to promote R&D and capital investment for further growth, and to establish a revenue base to support those investments, as well as to develop human resources capable of leading the group to continued growth.

The plan lays out domestic and overseas strategies. In Japan, it calls for strengthened mini, small and subcompact vehicle sales ability and proactive introduction of new products. Meanwhile, overseas, the plan provides for an increase in the capacity of plants in India and Hungary that came online ten and twenty years ago and which are now reaching the limits of their production capacity, as well as capital investment to improve quality, and the introduction of products tailor-made to suit individual foreign markets.

In light of this, the Company's business objectives are: to raise consolidated sales to over ¥3 trillion (outlined below), consolidated ordinary income to ¥150 billion, and profitability to over 5% as soon as possible within the period of the 5-year plan. To this end, the Suzuki Group (the Company, its subsidiaries and affiliates) plans ¥1 trillion in capital investment over five years, and is brimming with enthusiasm to develop new products.

Our worldwide production targets are: 4.4 million motorcycles and 2.7 million automobiles.

The aforementioned ¥3 trillion in sales is broken down as: ¥900 billion in domestically produced and sold products; ¥900 billion in domestically produced, overseas sold products; and ¥1.2 trillion in overseas produced and sold products. This marks a significant growth in the latter category.

Each and every one of us in the Suzuki Group will band together to ensure that these target figures are reached as early as possible within the said period.

5. Outstanding issues

The business environment surrounding the Company is extremely unclear due to the fluctuation of exchange rates and the increase in competition among companies. Considering these circumstances, the business environments surrounding the Company has become increasingly tougher.

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

Moreover, the Company introduces a new operating officer system, reducing the number of directors by half, for the purpose of agility of management and establishment of clear lines of responsibility in each department. Directors will be in charge of multiple divisions so that they can look after operations from viewpoint of management in a cross-section manner, eliminating the negative effects of bureaucratic sectionalism.

In motorcycle operations, for domestic market, the Company will promote the sales expansion of motor driven cycles and large type of models. In overseas market, the Company will inject the new model which can develop the brand image of being “sporty, young, unique” which have been cultivated by race activity in Europe and North American markets. Through the above-mentioned activities, we will develop the lucrative motorcycle operations. Also in Asian market, as demand for motorcycle is increasing drastically with development of economy, the Company makes effort for maintenance and expansion of production system as well as injection of the new model which accord with market needs.

In automobile operations, for both domestic and overseas market, the marketing activities and products supply in a close contact with the market will be executed. In domestic market, the Company will make efforts to reinforce the sales force by increasing and training sales persons, also to build and enhance “Suzuki Arena Shops”, for further expansion of market share. In overseas markets, further level up of overseas bases will be pursued through the automation for quality improvement, progress in productivity, cost reduction activities and promotion of local procurement of parts at overseas plants. Furthermore, the reinforcement of the corporate foundation will be strongly promoted. Moreover, efforts will be made for the development in effective and speedy manner of the products which will match world four-pole markets, and for their introduction in a good timing.

Additionally, for the protection of the global environment, the product development will be pushed ahead, with due considerations to environment, in the areas of reduction of gas emissions, improvement of fuel consumption, resource saving, and recycling, etc. The Company will utilize the effect of technical tie-up with other companies to the utmost extent, such as for diesel engine with Fiat Auto S.p.A. and for development of hybrid vehicle/fuel-cell vehicle with General Motors Corporation (GM) and so on.

Although GM group’s equity stake in the Company was lowered to 3.0% by the sale of the shares of the Company it had owned in March, 2006, constructive affiliation has been continued for twenty-five years since August, 1981 between the Company and GM. The Company will positively urge the collaboration with GM in various projects such as joint development of advanced technology, joint venture CAMI operation in Canada and new medium SUV production there, cooperation of power train development, mutual supply of OEM products, joint global procurement of component, etc.

6. Corporate governance issues

(1) Basic concepts regarding corporate governance

The Company has made it a principle to carry out its corporate activities in a fair and efficient manner, and has desired to be a company which achieves a sustainable growth by retaining the faith of all our stakeholders including shareholders, customers, business partners, regional communities and employees, and by making contribution toward international society. For its fulfillment, the Company recognizes that enhancement of corporate governance is one of its most important management issues, and makes positive efforts toward the implementation of various measures.

(2) Organization of the Company

(a) Directors/ board of directors

The Company has fortified its management foundations and achieved stable growth with twenty-nine directors. Under rapid increase of overseas production and sales, the Company established the "Suzuki Medium-term 5-year Plan (April, 2005 – March, 2010)" one year ago for continuing growth of Suzuki group. On the occasion of enforcement of the Corporation Law (Kaisha-hou), in terms of enhancement of the corporate governance, the Company started to undertake substantial organizational reform aiming at agility of management, speedup of operation and clarification of responsibilities. Specifically, while the number of directors has been reduced by half to fourteen, a new operating officer system (senior operating officers and operating officers) has been introduced so that all directors, excluding the chairman and the president, play a central executive role and participate in decision-making at board meetings through providing on-site information, by concurrently holding the office of senior operating officers.

Furthermore, each director takes charge of plural divisions to supervise operations from viewpoint of management in a cross-section manner, eliminating the negative effects of bureaucratic sectionalism. Besides the above, the Company had stipulated the term of office of directors to be for one year in order to clarify their management responsibilities and to address the change in the business environment flexibly.

In addition to the regular meetings of the board of directors held every month, directors hold a special board meeting whenever necessary, and discussions including viewpoints of regulatory compliance and corporate ethics are thoroughly conducted in those meetings for decision-making. Combined with participation of corporate auditors at all times, the function of management supervision in meetings of the board of directors is working effectively. And management councils are held whenever necessary to discuss the strategic decision on execution of important management issues. Furthermore, directors mutually exchange information through weekly meetings, etc.

Formerly resolution at meetings of the board of directors needed participation of more than one-half in number of directors and a majority of votes of those directors. The Company has introduced the resolution system in the form of a written consent for the purpose of participation by all directors in substance as well as effective and timely decision-making.

(b) Auditors/board of corporate auditors and internal auditing

The Company has adopted a corporate auditor system, and their board consists of five members including three persons of external corporate auditors in order to enhance the audit function. And the Company has audit department which audit on our domestic and overseas subsidiaries and affiliates, in addition to the internal audit group. Thus, along with auditing by independent auditor, audits are executed in three different ways, from the standpoint of compliance, internal control and management efficiency respectively.

As to corporate auditors, they execute audits on proper management of the Company, in accordance with the rules of the board of corporate auditors and audit policies of the corresponding fiscal year, by holding meetings of the board of corporate auditors, participating in meetings of the board of directors, perusing approval documents and various minutes, and receiving reports and explanation from directors on execution of business, etc.

As to internal auditing, the audit department checks the integrity and efficiency of the Company's internal control system periodically, and results of the checks are reported to management together with suggestions regarding improvement and correction of problems. As to audit on our subsidiaries and affiliates, the audit department helps to make rules for enhancement of their management structures, conducts guidance, supporting and auditing for regulatory compliance. It also promotes efficiency and standardization of their business.

Corporate auditors adjust audit plans and auditing themes of the audit department, attend its audit and receive reports and explanation on all its audits whenever necessary. Corporate auditors also execute internal auditing and auditing on subsidiaries as corporate auditors' auditing in cooperation with the audit department.

(c) Independent auditor

Seimei Audit Corporation is assigned as an independent auditor for the Company. Corporate auditors receive explanation from independent auditor on audit plans for the corresponding fiscal year, reports on audit on interim and year-end, and also reports on audit on subsidiaries. Corporate auditors, audit department and independent auditor create a closer connection by exchanging information whenever necessary.

Name of Engagement Partners	Auditing company CPA belongs to
Takashi Imamura	Seimei Audit Corporation
Akira Iwama	Seimei Audit Corporation

Note: The number of other assistant members for audit:
Seven certified public accountants and two others.

(d) Relationships with external corporate auditors

Three external corporate auditors have no special interest in the Company.

(3) Development of internal control system and risk management system

In order to enhance corporate governance, the Company is making efforts to keep everyone informed about compliance and to strengthen internal control system. Based on the Corporation Law (Kaisha-hou), resolution of the board of directors regarding the basic policy for construction of internal control system was passed on May 15, 2006. Basic approach and its development are as follows:

(a) Compliance system for directors

Directors respect the “Mission Statement” and the “Suzuki Action Charter” and execute their duties in compliance with the “Rules of the Board of Directors”, the “Approval Procedures” and other rules of the Company, and mutually supervise their execution of duties through meetings of the board of directors, etc. And directors enhance closer connection by being in charge of multiple divisions and eliminate the negative effects of bureaucratic sectionalism. Besides the above, the Company established the “Suzuki Corporate Ethics Rules” (April, 2002) which lays out a set of basic points for directors and employees to act in a fair and faithful manner in compliance with the law, the norms of the society and company rules. It is revised whenever necessary. And corporate auditors audit the execution of duties of directors in accordance with the audit policies and work responsibilities set by the board of corporate auditors.

(b) Compliance system for employees

In order to ensure that employees execute their duties in compliance with the law and the Articles of Incorporation of the Company, the Company is making effort to keep everyone informed about the “Suzuki Employees’ Action Charter” which lays out the norms of action of employees, the “Approval Procedures” and the “Job Description” which set up the proceedings of execution of their duties in details, and other rules of the Company. It is revised whenever necessary. Furthermore, in accordance with the “Suzuki Corporate Ethics Rules”, the Company has developed compliance system for employees including internal report system, and has educated them through various training and in-house seminars regarding compliance. And, in accordance with the “Rule of Internal Auditing”, the audit department audits on the integrity and efficiency of various control systems, organizations and rules, and properness of function of internal control, etc.

(c) Risk management system

The Company has set up the “Risk Management Procedure” as part of the “Suzuki Corporate Ethics Rules” to cope with risks such as malpractices or illegal acts which could occur inside and outside the Company or such as natural disasters and terrorism which the Company can not 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 “Risk Management Headquarters”, in accordance with the “Risk Management Procedure”, as an organization that will decide on the measures to be taken against the occurred risk. “Risk Management Headquarters” immediately discuss and 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.

(d) System to ensure proper business operation of the corporate group

To ensure a proper business operation of the corporate group which consists of the Company and its subsidiaries, the Company has established the "Rules of Business Control Supervision". They are revised whenever necessary. The subsidiaries and affiliates report to the Company on their business operation and consult with the Company on important matters in accordance with those rules, and departments in charge give guidance and advice to them to enhance their management structure. And our audit department helps to make rules for the subsidiaries and affiliates, conducts guidance, supporting and auditing for their regulatory compliance. It also promotes efficiency and standardization of their business.

(4) Remuneration for directors

Remuneration paid to directors and corporate auditors is as follows:

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

	Directors		Corporate Auditors		Total	
	Number of payees	Amount	Number of payees	Amount	Number of payees	Amount
Remuneration based on resolution of shareholders' meeting	30	505	5	52	35	558
Bonus based on appropriation of retained earnings	29	175	5	25	34	200
Total		680		77		758

(5) Remuneration for independent auditing

(a) The remuneration amount to be paid by the Company to independent auditors is 39 million yen.

(b) Of the amount shown in (a), the remuneration amount to be paid for audit certification is 39 million yen.

Note: Since the audit agreement between the Company and independent auditors does not distinguish the remuneration for auditing based on the "Law for Special Exceptions to the Commercial Code Concerning Audits, etc., of Kabushiki Kaisha" from that for auditing based on the "Securities and Exchange Law", the Company can not specify respective amounts substantially and has described the total amount for those audits.

FINANCIAL REVIEW

1. Operating results

Consolidated net sales for the Suzuki Group during the current fiscal year amounted to 2,746,453 million yen (116.1% as against PFY). Operating income amounted to 113,865 million yen (105.9% as against PFY). Net income amounted to 65,945 million yen (109.0% as against PFY). These results were due to increases in R&D expenses and depreciations being absorbed by cost reduction, sales increase and exchange gain.

Factors which significantly influenced the consolidated statement of income are described as follows:

Note: PFY=Previous fiscal year

(1) The operating results by business segmentation

(a) Motorcycle operations

The net sales in domestic market increased over the previous fiscal year with the total domestic demand being slightly increased, thanks to good selling of scooter model “Let’s 4” and “Address V125”, etc.

In overseas market, sales increased greatly over the previous fiscal year with good sales of large size model “GSX-R1000” and “Boulevard”, etc., introduction of new sports ATV “LT-R 450”, increase of local product in Asian region and so on.

As a result, the net sales of motorcycle operation reached 561,306 million yen (121.9% as against PFY) and operating income increased to 45,931 million yen (120.4% as against PFY) through the absorption of increased R&D expenses and other expenses, etc. by cost reduction and sales increase.

(b) Automobile operations

In the domestic market, in addition to good sales of the subcompact passenger vehicle “Swift” and the mini vehicle “Wagon R”, the Company introduced a new SUV “Escudo” and also “Every” and “MR Wagon” in mini section. As a result, the domestic net sales increased over the previous fiscal year.

Overseas sales increased over the previous fiscal year as well by good selling of “Swift” whose production and sales as world strategic vehicle started in Hungary, India and China and “Grand Vitara” (export model of “Escudo”) whose export started from Japan. As a result, net sales of automobile operations amounted to 2,119,940 million yen (114.9% as against PFY). Operating income decreased to 57,928 million yen (96.3% as against PFY) by increased depreciation, R&D expenses and other expenses, etc. inspite of cost reduction and sales increase.

(c) Other businesses

The net sales of other businesses amounted to 65,206 million yen (110.1% as against PFY) and operating income increased to 10,005 million yen (108.2% as against PFY) due to sales increase etc.

(2) The operating results of geographical segmentation

(a) Japan

Net sales amounted to 1,818,378 million yen (112.3% as against PFY) and operating income decreased to 60,776 million yen (92.6% as against PFY) as the increase of depreciation, R&D expenses and other expenses, etc. could not be absorbed by cost reduction and sales increase.

(b) Europe

Net sales amounted to 492,049 million yen (118.8% as against PFY) by introduction of new subcompact passenger vehicle “Swift”, etc. and operating income increased to 7,768 million yen (116.1% as against PFY) through absorption of increase of depreciation with increase of production of “Swift” at “Magyar Suzuki Ltd.”, and start of production of new sports crossover vehicle “SX 4”, and other expenses.

(c) North America

Net sales amounted to 392,885 million yen (129.4% as against PFY) by introduction of new SUV “Grand Vitara”and good selling of large size motorcycle model. Also operating income increased to 7,222 million yen (155.7% as against PFY) by increase of sales.

(d) Asia

Net sales amounted to 606,735 million yen (121.3% as against PFY) by sales start of new subcompact passenger vehicle “Swift” at “Maruti Uddyog Limited” in India and sales increase at “PT Indomobile Suzuki International” in Indonesia and operating income increased to 45,386 million yen (121.7% as against PFY) by sales increase and cost reduction, etc.

(e) Other areas

Net sales amounted to 42,227 million yen (158.2% as against PFY) and operating income to 2,518 million yen (172.0% as against PFY) by increase of sales, etc.

(3) Selling, general and administrative expenses

In this fiscal year, the amount of selling, general and administrative expenses increased by 76,441 million yen to 599,855 million yen. The expense of dispatch, advertising, sales promotion and warranty reserve increased according to increase of sales. Also R&D expenses increased due to development of new product, advanced safety technology, next generation vehicle of fuel cell vehicle etc.

(4) Other income and expenses

In this fiscal year, the net amount of other income and expenses was a profit of 7,978 million yen due to increase of interest income and gain on sales of investment in securities and decrease of impairment loss of fixed assets to zero yen against loss of 3,774 million yen in the previous fiscal year. As a result, the net profit of this fiscal year increase by 8,467 million yen against previous fiscal year.

(5) Outlook for results in the next fiscal year

Next fiscal period is the second year of "Suzuki Medium term 5-year Plan". Although the Company will positively push the precedence investment in R&D and plant and equipments, the Company and its group will work all together for innovation in every area, getting engaged in evolution of business activities to achieve 2,800 billion yen in net sales, 120 billion yen in ordinary income and 66 billion yen in net income. The above is based on the anticipated foreign exchange rate of 1 US dollar = 112 yen and 1 Euro = 134 yen.

* The outlook of business results is an estimate, based on the current information available and assumption, including risk and uncertainty. It is requested, therefore, to understand that the actual results may vary extensively as many factors change. 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 rates (mainly the Yen/US dollar rate; Yen/Euro rate).

2. Liquidity and capital resources

(1) Situation of cash flow

The net cash provided by operating activities increased to 240,043 million yen. This is 27,615 million yen more than the previous fiscal year due to an increase in income before tax, depreciation and amortization expenses.

The net cash used in investing activities decreased to 104,215 million yen by 21,887 million yen. This is less than the previous fiscal year due to decrease of term deposit over three months despite an increase in expenditure for the purchase of property, plants and equipment.

The net cash used in financing activities increased to 160,725 million yen by 116,667 million yen. This is more than the previous fiscal year due to purchases of treasury stock despite borrowing for capital investment in India.

As a result, the balance of cash and cash equivalents at the end of this fiscal year decreased by 14,774 million yen to 216,623 million yen, compared with the previous fiscal year.

(2) Demand for money

During this fiscal year, the Company and the major subsidiaries and affiliates invested a total 245,908 million yen on a number of initiatives, such as new model production, production volume increase, rationalization, R&D for new models and technical innovation, distribution, sales channel and IT related investments. These costs were covered by retained earnings.

Planned capital expenditure spending for the next fiscal year is 260,000 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

The risks which may possibly affect the operating results, stock price and financial situation of the Suzuki Group are as follows:

(1) Macro-economic changes

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 and purchasing cost fluctuation

It is possible that drastic fluctuation of the prices and purchasing cost of our products are brought on by the various factors, such as sudden changes in demand, supply shortages and price-up of parts and materials, unstable economic situations, revisions of import restrictions, and intensified price competition. There is no guarantee that these fluctuations will reduce or that they will never occur in markets where they have never occurred before. It is possible that drastic price fluctuations could damage the operating results in any market where the Suzuki Group operates.

(3) Foreign exchange fluctuation

The Company exports motorcycles, automobiles, outboard motors and their parts, from Japan to many countries in the world. 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 66.0% of our consolidated net sales of this fiscal year 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 primarily in the Tokai region in the mid-eastern part of Japan. 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 preventative measures are put in place, including earthquake-proofing and fire-proofing our buildings and facilities, making plan of operating recovery and acquiring earthquake insurance. Overseas, the Suzuki Group operates in many countries and the occurrences of unexpected events such as natural disasters, diseases, wars, terrorism and labor strikes could possibly cause delays and halt 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

	Millions of yen (except per share amounts)					Thousands of U.S. dollars (except per share amounts)
Years ended March 31	**2006**	2005	2004	2003	2002	**2006**
Net sales	**¥2,746,453**	¥2,365,571	¥2,198,986	¥2,015,309	¥1,668,251	**$23,380,045**
Net income	**65,945**	60,506	43,835	31,024	22,392	**561,379**
Net income per share:						
Primary	**125.64**	112.94	81.38	57.29	41.40	**1.069**
Fully diluted	**122.14**	109.86	79.17	55.57	41.16	**1.039**
Cash dividends per share	**11.00**	10.00	9.00	9.00	8.50	**0.093**
Shareholders' equity	**616,770**	745,016	692,345	648,357	620,004	**5,250,451**
Total current assets	**1,067,709**	999,887	902,263	844,577	773,040	**9,089,213**
Total assets	**1,849,714**	1,693,353	1,577,709	1,537,430	1,347,718	**15,746,271**
Depreciation and amortization	**126,520**	97,731	87,858	83,896	75,083	**1,077,047**

NON-CONSOLIDATED

	Millions of yen (except per share amounts)					Thousands of U.S. dollars (except per share amounts)
Years ended March 31	**2006**	2005	2004	2003	2002	**2006**
Net sales	**¥1,690,169**	¥1,481,632	¥1,392,688	¥1,411,418	¥1,320,218	**$14,388,092**
Net income	**37,271**	35,747	25,650	19,393	13,912	**317,282**
Net income per share:						
Primary	**70.78**	66.56	47.46	35.67	25.72	**0.602**
Fully diluted	**68.82**	64.75	46.17	34.61	25.59	**0.585**
Cash dividends per share	**11.00**	10.00	9.00	9.00	8.50	**0.093**
Shareholders' equity	**364,127**	540,890	518,198	483,670	477,053	**3,099,747**
Total current assets	**518,728**	589,848	519,025	539,322	564,830	**4,415,836**
Total assets	**1,082,344**	1,098,073	1,039,261	1,070,708	1,028,709	**9,213,791**
Depreciation and amortization	**59,362**	47,213	47,836	53,578	54,194	**505,342**

Note: Yen amounts are translated into U.S. dollars for convenience only, at ¥117.47 = US$1, the prevailing exchange rate as of March 31, 2006.
Calculation of net income per share is made on the adjusted net income basis that bonuses paid to directors and 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. The figures for 2002 is not restated.

CONSOLIDATED FINANCIAL STATEMENTS OF 2006

CONSOLIDATED BALANCE SHEETS

As of March 31, 2006 and 2005

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars 2006
ASSETS			
Current assets:			
Cash and time deposits *NOTE 10	¥ 182,895	¥ 248,679	$ 1,556,951
Marketable securities *NOTE 4	82,115	79,794	699,037
Receivables:			
Trade notes and accounts	249,425	221,052	2,123,309
Less allowance for doubtful receivables	(2,998)	(3,044)	(25,527)
Inventories *NOTE 3	354,687	287,777	3,019,388
Other current assets	201,584	165,628	1,716,053
Total current assets	1,067,709	999,887	9,089,213
Property, plant and equipment: *NOTE 5			
Land	155,756	149,112	1,325,929
Buildings and structures	278,919	260,302	2,374,393
Machinery, equipment and vehicles	1,010,772	925,038	8,604,518
Construction in progress	41,555	16,853	353,757
	1,487,005	1,351,307	12,658,598
Less accumulated depreciation	(945,712)	(881,423)	(8,050,672)
	541,293	469,883	4,607,925
Investments and other assets:			
Investments in securities *NOTE 4	102,368	87,803	871,442
Investments in affiliates	25,577	21,426	217,733
Other assets	112,766	114,352	959,956
	240,711	223,582	2,049,132
	¥1,849,714	¥1,693,353	$15,746,271

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

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade notes and accounts payable	**¥ 505,129**	¥ 384,460	**$ 4,300,070**
Short-term bank loans *NOTE 5	**126,115**	85,253	**1,073,595**
Current portion of long-term debt *NOTE 5	**801**	502	**6,818**
Accrued income taxes	**30,165**	23,213	**256,790**
Accrued expenses	**145,215**	132,158	**1,236,193**
Other current liabilities	**166,193**	118,235	**1,414,772**
Total current liabilities	**973,619**	743,823	**8,288,241**
Long-term liabilities:			
Long-term debt *NOTE 5	**71,594**	37,970	**609,472**
Accrued retirement and severance benefits *NOTE 7	**53,457**	54,486	**455,074**
Other liabilities	**40,709**	39,770	**346,554**
	165,762	132,226	**1,411,101**
Minority interests	**93,562**	72,286	**796,477**
Shareholders' equity: *NOTE 12			
Common stock:			
Authorized-1,500,000,000 shares			
Issued,			
as of March 31, 2006—542,647,091	**120,210**	—	**1,023,327**
as of March 31, 2005—542,647,091	—	120,210	—
Additional paid-in capital	**129,192**	126,578	**1,099,792**
Consolidated retained earnings	**573,516**	513,603	**4,882,241**
Net unrealized gains on securities	**38,285**	20,718	**325,917**
Foreign currency translation adjustments	**(1,499)**	(21,066)	**(12,767)**
Less treasury stock, at cost	**(242,934)**	(15,028)	**(2,068,059)**
	616,770	745,016	**5,250,451**
Contingent liabilities *NOTE 13			
	¥1,849,714	¥1,693,353	**$15,746,271**

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2006 and 2005

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Net sales	**¥2,746,453**	¥2,365,571	**$23,380,045**
Cost of sales	**2,032,732**	1,734,615	**17,304,272**
Gross profit	**713,721**	630,956	**6,075,772**
Selling, general and administrative expenses	**599,855**	523,413	**5,106,453**
Operating income	**113,865**	107,542	**969,319**
Other income and expenses:			
Interest and dividend income	**11,771**	8,394	**100,210**
Interest expense	**(3,554)**	(3,237)	**(30,259)**
Equity in earnings of affiliates	**3,933**	3,504	**33,487**
Other, net	**(4,171)**	(9,149)	**(35,514)**
Income before income taxes	**121,844**	107,054	**1,037,242**
Income taxes: *NOTE 8			
Current	**61,119**	51,241	**520,295**
Deferred	**(21,293)**	(15,477)	**(181,263)**
	39,826	35,763	**339,031**
Minority interests in earnings of consolidated subsidiaries	**16,073**	10,783	**136,832**
Net income	**¥ 65,945**	¥ 60,506	**$ 561,379**

	Yen		U.S. dollars
Net income per share:			
Primary	**¥ 125.64**	¥ 112.94	**$ 1.069**
Fully diluted	**122.14**	109.86	**1.039**
Cash dividends per share	**11.00**	10.00	**0.093**

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended March 31, 2006 and 2005

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, 2004	542,647	¥120,210	¥126,578	¥458,109	¥ (8,539)
Net income	—	—	—	60,506	—
Cash dividends	—	—	—	(4,812)	—
Directors' and corporate auditors' bonuses	—	—	—	(200)	—
Gain on disposal of treasury stock	—	—	0	—	—
Treasury stock acquired	—	—	—	—	(6,489)
Balance as of March 31, 2005	542,647	¥120,210	¥126,578	¥513,603	¥ (15,028)
Net income	—	—	—	65,945	—
Cash dividends	—	—	—	(5,832)	—
Directors' and corporate auditors' bonuses	—	—	—	(200)	—
Gain on disposal of treasury stock	—	—	2,613	—	—
Treasury stock acquired	—	—	—	—	(227,906)
Balance as of March 31, 2006	**542,647**	**¥120,210**	**¥129,192**	**¥573,516**	**¥(242,934)**

	Thousands of shares of common stock	Thousands of U.S. dollars			
		Common stock	Additional paid-in capital	Consolidated retained earnings	Treasury stock at cost
Balance as of March 31, 2005	542,647	$1,023,327	$1,077,540	$4,372,212	$ (127,935)
Net income	—	—	—	561,379	—
Cash dividends	—	—	—	(49,648)	—
Directors' and corporate auditors' bonuses	—	—	—	(1,702)	—
Gain on disposal of treasury stock	—	—	22,252	—	—
Treasury stock acquired	—	—	—	—	(1,940,124)
Balance as of March 31, 2006	**542,647**	**$1,023,327**	**$1,099,792**	**$4,882,241**	**$(2,068,059)**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2006 and 2005

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars 2006
Cash flows from operating activities			
Income before income taxes	**¥121,844**	¥ 107,054	**$1,037,242**
Depreciation and amortization expenses	**126,520**	97,731	**1,077,047**
Loss of impairment	**—**	3,774	**—**
Equity in earnings of affiliates	**(3,933)**	(3,504)	**(33,487)**
Decrease in accrued retirement and severance benefits	**(1,210)**	(2,031)	**(10,305)**
Interest and dividend income	**(11,771)**	(8,394)	**(100,210)**
Interest expenses	**3,554**	3,237	**30,259**
Increase in accounts receivable	**(22,942)**	(1,312)	**(195,307)**
Increase in inventories	**(54,935)**	(27,146)	**(467,656)**
Increase in accounts payable	**115,988**	54,948	**987,385**
Others	**14,519**	27,468	**123,612**
Sub Total	**287,634**	251,825	**2,448,580**
Interest and dividends received	**10,795**	7,964	**91,895**
Interest paid	**(3,505)**	(2,893)	**(29,839)**
Income taxes paid	**(54,881)**	(44,468)	**(467,192)**
Net cash provided by operating activities	**240,043**	212,427	**2,043,445**
Cash flows from investing activities			
Deposit in time deposit	**(108,942)**	(55,011)	**(927,402)**
Disbursement from time deposit	**142,311**	25,652	**1,211,471**
Purchases of marketable securities	**(68,314)**	(67,979)	**(581,545)**
Proceeds from sales of marketable securities	**83,582**	99,429	**711,519**
Purchases of property, plants and equipment	**(160,256)**	(128,833)	**(1,364,231)**
Proceeds from sales of property, plants and equipment	**4,005**	1,670	**34,101**
Purchases of investment securities	**(52)**	(1,207)	**(449)**
Proceeds from sales of investment securities	**14,779**	4,836	**125,817**
Increase in other investment	**(7,921)**	—	**(67,436)**
Increase in loans receivable	**(1,747)**	(360)	**(14,878)**
Purchases of subsidiaries' stock resulting in the change of scope of consolidation	**—**	(1,890)	**—**
Others	**(1,659)**	(2,409)	**(14,127)**
Net cash used in investing activities	**(104,215)**	(126,102)	**(887,162)**
Cash flows from financing activities			
Net increase (decrease) in short term bank loans	**38,233**	(16,747)	**325,473**
Proceeds from long term debt and issuance of bonds	**39,472**	—	**336,025**
Repayment from long term debt and redemption of bonds	**(6,480)**	(15,407)	**(55,163)**
Cash dividends paid	**(6,650)**	(5,413)	**(56,614)**
Purchases of treasury stock	**(235,782)**	(6,489)	**(2,007,174)**
Others	**10,481**	0	**89,227**
Net cash used in financing activities	**(160,725)**	(44,058)	**(1,368,225)**
Effect of exchange rate change on cash and cash equivalents	**9,890**	870	**84,194**
Cash and cash equivalents increased (decreased)	**(15,006)**	43,137	**(127,748)**
Cash and cash equivalents at beginning of year	**231,397**	188,259	**1,969,843**
Increase by inclusion of newly consolidated subsidiaries	**232**	—	**1,976**
Cash and cash equivalents at end of year	**¥216,623**	¥231,397	**$1,844,071**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Suzuki Motor Corporation (the Company) 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 and liabilities, revenue and expenses, and the corresponding methods of disclosure.

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

For the convenience of readers outside Japan, certain reclassifications and modifications have been made to the original Consolidated Financial Statements. 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, an amount of less than one million yen has 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 117.47 to U.S.$1, the rate of exchange prevailing as of March 31, 2006. 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.

NOTE 2: Summary of significant accounting policies

(a) Principles of consolidation

The Consolidated Financial Statements for the years ended March 31, 2006 and 2005, include the accounts of the Company and its significant subsidiaries and the number of consolidated subsidiaries are both 135.

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 Corporation" and the other 11 companies within above-mentioned 50 companies, their accounts were consolidated based on their financial statements by the preliminary settlement as of March 31,2006.

(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.

(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 recycling end-of-life products

The reserve is appropriated for an estimated expense related to the recycling end-of-life products of the Company based on actual sales.

(e) Allowance for product liabilities

With regard to the products exported to the 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.

(f) 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 the 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.

(g) 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.

(h) 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.

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.

(i) Inventories

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

(j) 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 the 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.

(k) 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.

(l) Income taxes

The provision for income taxes is computed based on the income before income taxes 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.

(m) Accrued retirement and severance benefits

In order to allow for payment of employees' retirement benefits, based on the 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 expenses. 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.

(n) Revenue recognition

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

(o) 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.

(p) Cash and cash equivalents

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

(q) Reclassification

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

NOTE 3: Inventories

Inventories as of March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Finished products	**¥290,945**	¥229,098	**$2,476,767**
Work in process	**19,483**	17,063	**165,863**
Raw materials and others	**44,257**	41,615	**376,757**
	¥354,687	¥287,777	**$3,019,388**

NOTE 4: Marketable securities and investments in securities

(a) Marketable securities and investments in securities quoted at an exchange as of March 31, 2006 and 2005

	Millions of yen		
	2006		
	Acquisition Cost	Amounts for BS	Valuation
Those whose amount for BS exceeds acquisition cost			
(1) Stocks	**¥19,647**	**¥ 82,522**	**¥62,874**
(2) Bonds	**3,000**	**3,017**	**17**
(3) Others	**51,846**	**52,523**	**676**
Sub Total	**¥74,494**	**¥138,063**	**¥63,569**
Those whose amount for BS does not exceed acquisition cost			
(1) Stocks	**—**	**—**	**—**
(2) Bonds	**¥15,000**	**¥ 14,992**	**¥ (7)**
(3) Others	**—**	**—**	**—**
Sub Total	**¥15,000**	**¥ 14,992**	**¥ (7)**
Total	**¥89,494**	**¥153,056**	**¥63,562**

	Millions of yen		
	2005		
	Acquisition Cost	Amounts for BS	Valuation
Those whose amount for BS exceeds acquisition cost			
(1) Stocks	¥23,302	¥ 57,438	¥34,136
(2) Bonds	28,000	28,058	58
(3) Others	35,929	36,126	197
Sub Total	¥87,231	¥121,623	¥34,391
Those whose amount for BS does not exceed acquisition cost			
(1) Stocks	—	—	—
(2) Bonds	¥ 7,000	¥ 6,997	¥ (2)
(3) Others	—	—	—
Sub Total	¥ 7,000	¥ 6,997	¥ (2)
Total	¥94,232	¥128,621	¥34,389

	Thousands of U.S. dollars		
	2006		
	Acquisition Cost	Amounts for BS	Valuation
Those whose amount for BS exceeds acquisition cost			
(1) Stocks	**$167,254**	**$ 702,494**	**$535,240**
(2) Bonds	**25,538**	**25,691**	**152**
(3) Others	**441,361**	**447,121**	**5,759**
Sub Total	**$634,153**	**$1,175,306**	**$541,152**
Those whose amount for BS does not exceed acquisition cost			
(1) Stocks	**—**	**—**	**—**
(2) Bonds	**$127,692**	**$ 127,631**	**$ (60)**
(3) Others	**—**	**—**	**—**
Sub Total	**$127,692**	**$ 127,631**	**$ (60)**
Total	**$761,846**	**$1,302,938**	**$541,092**

(b) Other securities sold during 2006 and 2005

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Amounts sold	**¥98,361**	¥104,266	**$837,337**
Gains from sales of the other securities	**1,845**	1,210	**15,709**
Losses from sales of the other securities	**36**	7	**313**

(c) Major securities not revalued by the market

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Other securities			
Commercial paper	**¥ 9,997**	¥15,993	**$ 85,103**
Unlisted stock	**16,867**	22,430	**143,588**
(Stocks traded over the counter are excluded.)			
Bonds	**—**	25	**—**

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

	Millions of yen			
	2006			
	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.	**—**	**—**	**—**	**—**
Corporate bonds	**¥14,992**	**—**	**—**	**—**
(2) Others	**67,123**	**—**	**—**	**—**
Total	**¥82,115**	**—**	**—**	**—**

	Millions of yen			
	2005			
	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.	—	—	—	—
Corporate bonds	¥27,069	—	—	—
(2) Others	52,724	—	—	—
Total	¥79,794	—	—	—

	Thousands of U.S. dollars			
	2006			
	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.	**—**	**—**	**—**	**—**
Corporate bonds	**$127,631**	**—**	**—**	**—**
(2) Others	**571,405**	**—**	**—**	**—**
Total	**$699,037**	**—**	**—**	**—**

NOTE 5: Short-term bank loans and long-term debt

Short-term bank loans as of March 31, 2006 and 2005 consisted of the following. The annual interest rates of short-term bank loans as of March 31, 2006 were 0.17 percent to 8.43 percent.

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Short-term bank loans			
Secured	**¥ 200**	¥ 478	**$ 1,702**
Unsecured	**125,915**	84,775	**1,071,892**
	¥126,115	¥85,253	**$1,073,595**

Long-term debt as of March 31, 2006 and 2005 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Loans maturing through 2010			
Secured	**—**	—	**—**
Unsecured	**¥40,535**	¥ 1,002	**$345,072**
Unsecured zero coupon convertible bonds in yen due 2010	**29,991**	30,000	**255,307**
Secured 11.20 percent Indian Rs. bonds due 2007	**—**	4,980	**—**
Secured 9.00 percent Indian Rs. bonds due 2007 etc.	**1,869**	2,490	**15,910**
	¥72,395	¥38,472	**$616,290**
Less portion due within one year	**(801)**	(502)	**(6,818)**
	¥71,594	¥37,970	**$609,472**

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, 2006, 14,995,500 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.

The aggregate annual maturities of long-term debt outstanding as of March 31, 2006 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2007	¥ 801	$ 6,818
2008	1,068	9,091
2009	2,329	19,832
2010	39,542	336,617
Thereafter	28,654	243,930
	¥72,395	$616,290

Assets pledged as collateral as of March 31, 2006:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment	¥4,979	$42,385

NOTE 6: Loan commitment

The Company has the commitment contract with five banks for effective financing.
The outstanding balance of this contract as of March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Commitment contract total	¥150,000	¥100,000	$1,276,921
Actual loan balance	—	—	—
Variance	¥150,000	¥100,000	$1,276,921

NOTE 7: Accrued retirement and 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
	2006	2005	2006
a. Retirement benefit obligation	¥(113,848)	¥(113,460)	$(969,172)
b. Pension assets	57,867	54,799	492,619
c. Unrecognized retirement benefit obligation (a + b)	¥ (55,980)	¥ (58,661)	$(476,552)
d. Unrecognized difference by an actuarial calculation	13,403	15,170	114,101
e. Unrecognized prior service cost (decrease of liabilities)	(9,020)	(9,739)	(76,793)
f. Accrued retirement and severance benefits (c+d+e)	¥ (51,598)	¥ (53,230)	$(439,245)

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.

(c) Items related to retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
a. Service cost	**¥6,444**	¥6,100	**$54,861**
b. Interest cost	**1,472**	1,470	**12,533**
c. Assumed return on investment	**(108)**	(102)	**(920)**
d. Amortized amount of actuarial difference	**961**	1,029	**8,183**
e. Amortized amount of prior service cost	**(718)**	(718)	**(6,118)**
f. Retirement benefit cost (a+b+c+d+e)	**¥8,051**	¥7,778	**$68,538**
g. Loss from the withdrawal from Employees Pension Funds of some subsidiaries	**—**	(88)	**—**
h. Total (f+g)	**¥8,051**	¥7,689	**$68,538**

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

(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 : **2006** 2.00%
2005 2.00%

c. Assumed return of investment ratio : **2006** 0.23% - 1.50%
2005 0.23% - 1.50%

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.

NOTE 8: Income taxes

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

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Deferred tax assets			
Various reserves	**¥ 37,012**	¥ 35,419	**$ 315,082**
Excess-depreciation	**42,663**	33,769	**363,188**
Unrealized gross profits elimination	**23,565**	19,892	**200,606**
Others	**92,905**	86,159	**790,884**
Deferred tax assets total	**¥196,146**	¥175,240	**$1,669,762**
Deferred tax liabilities			
Net unrealized gains on security	**¥ (25,196)**	¥ (13,577)	**$ (214,492)**
Variance from the complete market value method of newly consolidated subsidiaries	**(7,636)**	(8,090)	**(65,005)**
Reserve for fixed assets advanced depreciation	**(2,519)**	(2,363)	**(21,450)**
Others	**(539)**	(329)	**(4,589)**
Deferred tax liabilities total	**¥ (35,891)**	¥ (24,361)	**$ (305,538)**
Net amounts of deferred tax assets	**¥160,255**	¥150,879	**$1,364,224**

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

	2006	2005
Statutory tax rate	**39.8%**	39.8%
Tax credit	**(4.1%)**	(4.5%)
Equity in earnings of affiliates	**(1.3%)**	(1.3%)
Others	**(1.7%)**	(0.5%)
Effective tax rate	**32.7%**	33.4%

NOTE 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, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Research and development costs	**¥89,917**	¥86,856	**$765,446**

NOTE 10: Cash and cash equivalents

Cash and cash equivalents as of March 31, 2006 and 2005 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Cash and time deposits	**¥182,895**	¥248,679	**$1,556,951**
Marketable securities	**82,115**	79,794	**699,037**
Time deposits with maturities of over three months	**(21,644)**	(55,013)	**(184,251)**
Marketable securities with maturities of over three months	**(26,743)**	(42,062)	**(227,666)**
	¥216,623	¥231,397	**$1,844,071**

NOTE 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, 2006 and 2005 were as follows:

As a lessee

(1)Amounts equivalent to acquisition costs, accumulated depreciation and net balance as of March 31, 2006	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Acquisition costs	**¥679**	¥771	**$5,787**
Accumulated depreciation	**(514)**	(585)	**(4,383)**
Net balance	**164**	185	**1,404**
(2)Future lease payments			
Due within one year	**131**	141	**1,115**
Thereafter	**156**	178	**1,334**
	287	320	**2,450**
(3)Lease expenses	**164**	156	**1,404**
Depreciation	**¥149**	¥150	**$1,272**

As a lessor

(1)Amounts of acquisition costs, accumulated depreciation and net balance as of March 31, 2006	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Acquisition costs	**¥836**	¥653	**$7,118**
Accumulated depreciation	**(400)**	(374)	**(3,408)**
Net balance	**435**	279	**3,710**
(2)Future lease revenues			
Due within one year	**165**	123	**1,405**
Thereafter	**408**	239	**3,479**
	573	362	**4,885**
(3)Lease revenues	**164**	120	**1,396**
Depreciation	**¥183**	¥102	**$1,564**

Operating lease transactions as of March 31, 2006 and 2005 were as follows:

As a lessee

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Future lease payments			
Due within one year	**¥224**	¥227	**$1,914**
Thereafter	**183**	340	**1,566**
	¥408	¥567	**$3,480**

As a lessor

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Future lease revenues			
Due within one year	**¥53**	¥ 46	**$457**
Thereafter	**36**	70	**311**
	¥90	¥117	**$769**

NOTE 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.

According to the revision of the Commercial Code, the Articles of the Company allows to repurchase treasury stock and dispose of such treasury stock by resolution of the board of directors.

NOTE 13: Contingent liabilities

As of March 31, 2006, 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	¥5,748	$48,932
Trade notes discounted	1,369	11,662
	¥7,118	$60,594

NOTE 14: Segment Information

(a) Business segment

	Millions of yen				
	2006				
	Motorcycle	Automobile	Other	Elimination and corporate assets	Consolidated
Net sales:					
Outside customers	¥561,306	¥2,119,940	¥65,206	¥ —	¥2,746,453
Inter-area	—	—	—	—	—
	561,306	2,119,940	65,206	—	2,746,453
Operating expenses	515,375	2,062,012	55,200	—	2,632,588
Operating income	45,931	57,928	10,005	—	113,865
Assets	284,816	1,311,647	47,688	205,562	1,849,714
Depreciation	16,287	108,545	1,686	—	126,520
Loss of impairment	0	0	0	—	0
Capital expenditures	¥ 29,495	¥ 155,803	¥ 2,080	¥ —	¥ 162,068

	Millions of yen				
	2005				
	Motorcycle	Automobile	Other	Elimination and corporate assets	Consolidated
Net sales:					
Outside customers	¥460,568	¥1,845,763	¥59,240	¥ —	¥2,365,571
Inter-area	—	—	—	—	—
	460,568	1,845,763	59,240	—	2,365,571
Operating expenses	422,416	1,785,622	49,989	—	2,258,028
Operating income	38,151	60,140	9,251	—	107,542
Assets	244,480	1,083,686	43,107	322,078	1,693,353
Depreciation	15,123	81,028	1,579	—	97,731
Loss of impairment	199	3,525	49	—	3,774
Capital expenditures	¥ 18,419	¥ 115,973	¥ 1,656	¥ —	¥ 136,049

	Thousands of U.S. dollars				
	2006				
	Motorcycle	Automobile	Other	Elimination and corporate assets	Consolidated
Net sales:					
Outside customers	$4,778,298	$18,046,657	$555,091	$ —	$23,380,045
Inter-area	—	—	—	—	—
	4,778,298	18,046,657	555,091	—	23,380,045
Operating expenses	4,387,291	17,553,524	469,912	—	22,410,727
Operating income	391,008	493,133	85,179	—	969,319
Assets	2,424,585	11,165,809	405,962	1,749,914	15,746,271
Depreciation	138,655	924,031	14,361	—	1,077,047
Loss of impairment	0	0	0	—	0
Capital expenditures	$ 251,086	$ 1,326,323	$ 17,713	$ —	$ 1,379,657

(b) Geographical segment

Millions of yen

2006

	Japan	Europe	North America	Asia	Other areas*1	Elimination and corporate assets	Consolidated
Net sales:							
Outside customers	¥1,230,148	¥486,350	¥391,306	¥596,420	¥42,227	¥ —	¥2,746,453
Inter-area	588,229	5,698	1,578	10,314	—	(605,822)	—
	1,818,378	492,049	392,885	606,735	42,227	(605,822)	2,746,453
Operating expenses	1,757,602	484,281	385,663	561,348	39,708	(596,015)	2,632,588
Operating income	¥ 60,776	¥ 7,768	¥ 7,222	¥ 45,386	¥ 2,518	¥ (9,806)	¥ 113,865
Assets	¥ 950,037	¥237,427	¥ 97,232	¥401,592	¥18,818	¥144,606	¥1,849,714

Millions of yen

2005

	Japan	Europe	North America	Asia	Other areas*1	Elimination and corporate assets	Consolidated
Net sales:							
Outside customers	¥1,143,813	¥409,605	¥302,090	¥483,363	¥26,698	¥ —	¥2,365,571
Inter-area	476,073	4,722	1,625	16,699	0	(499,121)	—
	1,619,887	414,328	303,716	500,062	26,698	(499,121)	2,365,571
Operating expenses	1,554,233	407,636	299,076	462,781	25,233	(490,932)	2,258,028
Operating income	¥ 65,653	¥ 6,691	¥ 4,639	¥ 37,281	¥ 1,464	¥ (8,188)	¥ 107,542
Assets	¥ 863,958	¥213,612	¥ 78,632	¥287,376	¥11,259	¥238,514	¥1,693,353

Thousands of U.S. dollars

2006

	Japan	Europe	North America	Asia	Other areas*1	Elimination and corporate assets	Consolidated
Net sales:							
Outside customers	$10,472,026	$4,140,214	$3,331,117	$5,077,216	$359,470	$ —	$23,380,045
Inter-area	5,007,490	48,511	13,440	87,807	—	(5,157,250)	—
	15,479,517	4,188,725	3,344,558	5,165,023	359,470	(5,157,250)	23,380,045
Operating expenses	14,962,137	4,122,594	3,283,076	4,778,656	338,032	(5,073,771)	22,410,727
Operating income	$ 517,379	$ 66,131	$ 61,481	$ 386,367	$ 21,438	$ (83,478)	$ 969,319
Assets	$8,087,492	$2,021,179	$ 827,720	$3,418,681	$160,194	$1,231,008	$15,746,271

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

(c) Overseas sales

	Millions of yen				
	2006				
	Europe	North America	Asia	Other areas*2	Consolidated
Overseas sales	¥587,429	¥411,327	¥647,695	¥165,496	¥1,811,948
Consolidated net sales					2,746,453
Ratio of overseas sales to consolidated net sales	21.4%	15.0%	23.6%	6.0%	66.0%

	Millions of yen				
	2005				
	Europe	North America	Asia	Other areas*2	Consolidated
Overseas sales	¥495,989	¥324,244	¥526,570	¥125,701	¥1,472,505
Consolidated net sales					2,365,571
Ratio of overseas sales to consolidated net sales ...	21.0%	13.7%	22.3%	5.3%	62.2%

	Thousands of U. S. dollars				
	2006				
	Europe	North America	Asia	Other areas*2	Consolidated
Overseas sales	$5,000,679	$3,501,551	$5,513,707	$1,408,840	$15,424,778
Consolidated net sales					23,380,045
Ratio of overseas sales to consolidated net sales ...	21.4%	15.0%	23.6%	6.0%	66.0%

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

NOTE 15: Subsequent events

(a) The following plan for the appropriation of retained earnings for the year ended March 31, 2005 was approved by the ordinary general meeting of shareholders of the Company held on June 29, 2006:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends	¥2,647	$22,541
Bonuses for directors and corporate auditors	260	2,213
	¥2,907	$24,754

(b) Based on the resolution of meeting of the board of directors at June 2, 2006, the Company issued the unsecured zero coupon convertible bonds with 130% call option (with special option of limited pari passu among CB).

The summary is as follows.

1) Total issued amounts
¥ 150,000,000,000

2) Issued amounts
¥ 100 per ¥ 100 nominal amount

3) Issued price
¥ 102.5 per ¥ 100 nominal amount

4) Interest rate
0 %

5) Maturity value
¥ 100 per ¥ 100 nominal amount

6) Maturity Date
March 29, 2013

7) Regarding Booking right on common stock
   a) Kind of stock which is the purpose of the right
   Common stock of Suzuki

   b) Issued number of the right
   30,000 units

   c) Conversion price
   ¥ 3,054 per share

   d) Term of exercise
   From August 1, 2006 to March 28, 2013

8) Due date of payment (issuing date)
June 27, 2006

9) Security
unsecured

10) Purpose of use of cash
The Company will allocate this cash for capital investment and investment to subsidiaries for capital investment of each companies.

11) 130% call option clause
In case that the stock price of Suzuki common stock is over 130% of conversion price for 20 consecutive days, the Company can redeem the balance which is not redeemed yet before maturity anytime for after August 1, 2009.
The maturity value in this case is ¥ 100 per ¥ 100 nominal amount.

REPORT OF INDEPENDENT AUDITOR

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, 2006 and 2005, 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, 2006 and 2005, 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 describe in Note 15(b), Suzuki Motor Corporation issued the unsecured zero coupon convertible bonds with 130% call option, based on the resolution of meeting of the board of directors at June 2, 2006.

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

Seimei Audit Corporation
Tokyo, Japan
June 29, 2006

NON-CONSOLIDATED FINANCIAL STATEMENTS OF 2006

NON-CONSOLIDATED BALANCE SHEETS

As of March 31, 2006 and 2005

SUZUKI MOTOR CORPORATION	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
ASSETS			
Current assets:			
Cash and time deposits	**¥ 46,209**	¥ 162,018	**$ 393,373**
Marketable securities	**27,749**	43,062	**236,223**
Receivables:			
Trade notes and accounts	**61,276**	42,271	**521,639**
Subsidiaries and affiliates	**124,084**	131,029	**1,056,303**
Less allowance for doubtful receivables	**(74)**	(130)	**(629)**
Inventories	**98,655**	71,292	**839,833**
Other current assets	**160,827**	140,303	**1,369,093**
Total current assets	**518,728**	589,848	**4,415,836**
Property, plant and equipment:			
Land	**75,829**	74,415	**645,521**
Buildings and structures	**174,604**	167,294	**1,486,376**
Machinery and equipment	**551,673**	522,625	**4,696,290**
Construction in progress	**14,480**	5,496	**123,270**
	816,587	769,832	**6,951,459**
Less accumulated depreciation	**(602,726)**	(588,444)	**(5,130,894)**
	213,861	181,388	**1,820,564**
Investments and other assets:			
Investments in securities	**101,350**	86,733	**862,775**
Investments in subsidiaries and affiliates	**169,847**	146,217	**1,445,882**
Other assets	**78,555**	93,886	**668,731**
	349,753	326,836	**2,977,389**
	¥1,082,344	¥1,098,073	**$9,213,791**

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans	**¥ 20,000**	¥ —	**$ 170,256**
Payables:			
Trade notes and accounts	**402,923**	307,750	**3,430,015**
Subsidiaries and affiliates	**24,537**	21,891	**208,882**
Accrued expenses	**91,396**	87,250	**778,042**
Accrued income taxes	**14,104**	11,651	**120,069**
Other current liabilities	**89,325**	53,046	**760,410**
Total current liabilities	**642,288**	481,590	**5,467,677**
Long-term liabilities:			
Long-term debt	**29,991**	30,000	**255,307**
Reserve for retirement allowance	**26,762**	28,142	**227,821**
Other liabilities	**19,175**	17,450	**163,237**
	75,928	75,592	**646,366**
Shareholders' equity			
Common stock:			
Authorized - 1,500,000,000 shares			
Issued, par value ¥50 per share			
as of March 31, 2006 - 542,647,091	**120,210**	—	**1,023,327**
as of March 31, 2005 - 542,647,091	**—**	120,210	**—**
Additional paid-in capital	**129,192**	126,578	**1,099,792**
Retained earnings	**319,916**	288,677	**2,723,388**
Net unrealized gains on security	**37,715**	20,425	**321,067**
Treasury stock	**(242,907)**	(15,001)	**(2,067,828)**
	364,127	540,890	**3,099,747**
	¥1,082,344	¥1,098,073	**$9,213,791**

NON-CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2006 and 2005

SUZUKI MOTOR CORPORATION	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Net sales	**¥1,690,169**	¥1,481,632	**$14,388,092**
Cost of sales	**1,307,129**	1,140,043	**11,127,347**
Gross profit	**383,039**	341,588	**3,260,744**
Selling, general and administrative expenses	**335,557**	288,753	**2,856,538**
Operating income	**47,482**	52,835	**404,206**
Other income and expenses:			
Interest and dividend income	**6,081**	5,742	**51,766**
Interest expense	**(229)**	(210)	**(1,953)**
Other, net	**787**	(7,649)	**6,704**
	6,639	(2,117)	**56,518**
Income before income taxes	**54,121**	50,718	**460,724**
Income taxes	**16,850**	14,970	**143,442**
Net income	**¥ 37,271**	¥ 35,747	**$ 317,282**

	Yen		U.S. dollars
Net income per share:			
Primary	**¥70.78**	¥66.56	**$ 0.602**
Fully diluted	**68.82**	64.75	**0.585**
Cash dividends per share	**11.00**	10.00	**0.093**

SUZUKI MOTOR CORPORATION
300 TAKATSUKA, HAMAMATSU, JAPAN

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