

## FINANCIAL SECTION

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## **Management policy**

### **1. Business operations basic policy**

Ever since establishment, the Suzuki group has maintained a basic corporate 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 value by focusing on the customer." Of course, the value of a product varies with the times as well as in different countries and lifestyles. By keeping on top of the dynamic changes that occur over time, Suzuki strives to create products of real value, products that can always win our customers' approval.

Suzuki is committed to making positive efforts in the production of small and subcompact vehicles that can fulfill our customers' demands. Under our "Small Cars for a Big Future" program, Suzuki is working to ensure our operations run in an efficient, well-coordinated and well-balanced manner.

### **2. Profit sharing basic policy**

Suzuki's basic profit sharing policy is primarily focused on maintaining a continuous and stable payout of dividends. At the same time, however, we are also looking at how our dividend payout ratio can be further stable and how internal reserves can be improved as a basis for enhancing our corporate structure to allow us to expand our business in the future.

Dividends for the current fiscal year are scheduled to be 8.00 yen per share as annual dividends (including an interim dividend of 4.00 yen per share), in addition to which a special dividend of 1.00 yen per share is to be paid to reflect our steady operating performance, and to express appreciation for our shareholders' support. Therefore, total dividends will be 9.00 yen per share.

As a result, the dividend payout ratio for the current fiscal year will be 25.2%, and the dividend rate of stockholders' equity 1.0%.

### **3. Perspectives and policy for lowering investment unit of shares**

Suzuki recognizes improvement in share liquidity and increase of individual shareholders as significant issues. A decision on whether to lower the investment unit of our shares will be made after a thorough investigation of a number of factors including cost and effect, in consideration of the current stock price and market demand.

### **4. Medium-term management strategy**

A new business target was put in place in May last year in order for the Suzuki group to survive in a drastically changing and tough business environment. Under the "Suzuki medium-term 3-year plan (April 2002 - March 2005)" every member of the company has been working together to boost innovation in every area of our business, including development of competitive products, establishment of a strong sales and distribution system together with a 30% reduction in costs.

### **5. Outstanding issues**

The effects of deflation in the domestic market have led to a continuation of a slump in demand in all business environments and as a result, competition for sales has been further intensifying both in the motorcycle and the automobile industries.

In overseas markets, the Iraqi problem and the damage of the SARS virus in addition to the prolonged worldwide recession has led to bleak business prospects, particularly in developed countries.

In order to get through such difficult circumstances, the company has come up with a strategy for the fiscal year 2003 and selected the following motto to represent our basic policy: "In order to survive, let us stop acting in a self-styled manner and get back to basics."

By which we mean we intend to make positive efforts to strengthen our management structure and business practices by closely reviewing the work we have been carrying out over the years in each field and seek improvements by incorporating this spirit of getting back to the basics.

In our motorcycle operations, Suzuki will push ahead with bolstering and expanding sales of large models in the European, North American and Japanese markets, the introduction of a standardized model for local production in various regions in Asia, the promotion of cost reduction activities as well as strengthening the product development of our All Terrain Vehicle (ATV) models, etc.

Furthermore, we will seek to further utilize complimentary managerial resources together with our business partner Kawasaki Heavy Industries, Ltd. to improve efficiency and cooperate closely to create a highly profitable operation.

For our automobile operations, efforts will be made in the domestic market to increase sales of small/subcompact automobiles by enhancing and improving our sales network, in particular upgrading the quality of the "Suzuki Arena," our sales channel for small and subcompact automobiles, along with work on expanding

sales of our key models.

In overseas markets, first of all, in our marketing and product development, we will make efforts to conduct them in close adherence to the conditions of each market. At the same time we will make efforts to upgrade our overseas plants, through promoting the local procurement of parts as well as through reducing costs and upgrading the quality of the parts that already are made locally or in-house.

Furthermore, we hope to maximize the business potential of the synergy gained by our strategic alliances with Fuji Heavy Industry Ltd., and each company in the General Motors Corporation group to reinforce the corporate foundation.

Efforts will be taken to develop, in a speedy and effective manner, products that closely suit each of the four central markets in the world, and to introduce them in a timely fashion.

We are also continuing to advance with our environmentally friendly technology. Studies aimed at improving a wide number of global issues are being conducted in the areas of gas emissions, improvement of fuel consumption, reducing the amount of resources consumed, recycling, etc. Development programs on advanced next-generation vehicles such as hybrid and fuel-cell vehicles are also being carried out.

## **6. Basic concepts and implementation of measures regarding Corporate Governance**

### **(Basic concepts regarding Corporate Governance)**

Suzuki has continued to make positive steps towards the implementation of various measures aimed at ensuring that our corporate activities are carried out in a fair and efficient manner. We are confident our business organization has the desire to always retain the faith of our shareholders, customers, business partners and all members of the regional community.

Our basic concept regarding Corporate Governance -that our corporate activities need to be carried out in a fair and efficient manner - is promoted in all aspects of our corporate activities. Our directors ensure their management responsibilities are clearly clarified, and their term of office is for a period of one year. This practice allows us greater flexibility to respond to changes in the business environment. A board of five corporate auditors includes three auditors from outside the company and we also have established an organization that reports to the corporate auditors to enable the auditing process to be successfully implemented.

### **(Implementation of measures regarding Corporate Governance)**

#### **• Management organization for decision-making, its implementation and supervision, and other matters concerning Corporate Governance**

- A corporate auditor system has been adopted.
- The board of 27 directors includes one person from outside the company, and three of the five corporate auditors are outside corporate auditors.
- A Corporate Ethics Committee has been established for the promotion of overall corporate ethics in the company as well as its subordinate organizations. A managerial body has been set up to promote corporate ethics in each of our divisions. We have also brought in a system under which a risk management headquarters would be set up by the Committee to deal with any crisis, so that we may be able to take immediate and effective measures.

#### **• Efforts made over the past year to establish our Corporate Governance policy**

In April 2002, the company established a set of guidelines for directors and employees of the company. The "Suzuki Corporate Ethics Rules" lays out a set of basic points for each staff member to act in a fair and faithful manner in conformity with the law and norms of the society and company rules. Furthermore, lecture sessions were held to ensure that employees realize the importance and the necessity of corporate ethics.

We have also made efforts to facilitate this education process for our employees by uploading information on legal affairs onto the company homepage and by holding internal seminars.

## **Operating results and financial position**

### **1. Operating results**

#### **(1) Outline of current fiscal year**

During the current fiscal year, there have been indications of an upturn in domestic corporate earnings but capital investment and personal consumption both remained sluggish and the economy, which is still in a prolonged slump, has not yet shown any signs of recovery. Meanwhile, the global economy shifted downwards and slipped into recession, as shown by factors such as the deceleration of the US economy and the continued drop in worldwide stock prices. Overall, we believe a difficult managerial environment remains.

Under such circumstances, Suzuki's net sales in the current fiscal year amounted to 2,015,309 million yen (120.8% as against PFY), surpassing 2 trillion yen in net sales for the first time in a

fiscal year. This was largely the result of strengthening production and sales bases both in the domestic and overseas markets, efforts to upgrade productivity and reduce costs, and other measures to enhance the competitiveness of our products and expand sales.

In terms of profits, operating income amounted to 74,204 million yen (126.9% as against PFY) and ordinary income was 79,188 million yen (151.4% as against PFY). This was the result of cost reduction measures and foreign exchange gain, through which we were able to absorb increases in overhead costs and development expenses. Net income for the current fiscal year amounted to 31,024 million yen (138.5% as against PFY).

Note: PFY = Previous Fiscal Year

### **<Operating results of geographical segmentation>**

#### **(Japan)**

Net sales amounted to 1,540,623 million yen (107.2% as against PFY) and operating income increased to 66,240 million yen (118.0% as against PFY). These increases can be put down to the fact that we were able to absorb both costs in making changes to our product lineup, etc, as well as increases in overhead costs and R&D expenses, by implementing cost reduction measures and through foreign exchange gain.

#### **(Europe)**

Net sales amounted to 296,792 million yen (107.4% as against PFY) and operating income increased to 3,191 million yen (127.1% as against PFY) through measures such as making changes to our product lineup, and through foreign exchange gain.

#### **(North America)**

Net sales amounted to 303,191 million yen (113.4% as against PFY), but operating income decreased to 414 million yen (47.6% as against PFY) due to an increase of overhead costs together with foreign exchange losses.

#### **(Asia outside of Japan)**

Net sales amounted to 285,667 million yen (750.9% as against PFY), and our operating income was 7,055 million yen (495.1% as against PFY) - there were big increases in both revenue and income. There were several contributing factors, but the primary reason was due to the fact that Maruti Udyog Limited in India became one of our consolidated subsidiaries.

#### **(Other areas)**

Net sales amounted to 22,450 million yen (100.1% as against PFY) and operating income was 501 million yen.

## **(2) Outlook for the next fiscal year**

It is anticipated that the unpredictable and severe business environment will not ease in the next few years and difficult conditions for the global economy should continue. Under such circumstances, Suzuki, together with its group companies, will work together for innovation in every area, and will be making efforts to further evolve our business activities to achieve our goal of 2,120,000 million yen in net sales, 85,000 million yen in ordinary income and 35,000 million yen in net income.

The figures above are based on a foreign exchange rate of 1 US dollar = 117 yen and 1 Euro = 125 yen.

\* The outlook of business results, estimated based on the current information available and assumptions, include risks and uncertainties. We ask for your understanding that actual results may vary extensively due to a number of changing factors. Those factors, which may influence actual results, include economic conditions and the demand trend in major markets and fluctuations in foreign exchange rates (mainly the yen/US dollar and the yen/euro rates).

## **2. Financial position**

At the end of the current fiscal year, our total assets amounted to 1,537,430 million yen (increased by 189,711 million yen from the end of PFY), our total liabilities were 835,273 million yen (increased by 117,894 million yen from the end of PFY), our minority interests were 53,799 million yen (increased by 43,464 million yen from the end of PFY), and total shareholders equity was 648,357 million yen (increased by 28,353 million yen from the end of PFY).

A cash flow fund of 146,075 million yen was gained through operating activities during the current fiscal year, and through investing activities, a fund of 98,365 million yen was used for acquisition of tangible fixed assets, marketable securities, etc. As for our financing activities, a fund of 34,808 million yen was used for repaying short-term loans and for acquisition of treasury stock. As a result, the remaining balance of cash and cash equivalents at the end of the current fiscal year amounted to 238,743 million yen (increased by 15,726 million yen from the end of PFY).

# FIVE-YEAR SUMMARY

SUZUKI MOTOR CORPORATION

## CONSOLIDATED

Years ended March 31	Millions of yen (except per share amounts)					Thousands of U.S. dollars (except per share amounts)
	2003	2002	2001	2000	1999	2003
Net sales .....	<b>¥2,015,309</b>	¥1,668,251	¥1,600,253	¥1,521,192	¥1,455,832	<b>\$16,766,305</b>
Net income .....	<b>31,024</b>	22,392	20,248	26,886	24,359	<b>258,106</b>
Net income per share:						
Primary .....	<b>57.29</b>	41.40	40.41	55.58	52.72	<b>0.476</b>
Fully diluted .....	<b>55.57</b>	41.16	40.24	55.32	52.40	<b>0.462</b>
Cash dividends per share .....	<b>9.00</b>	8.50	8.50	8.50	7.50	<b>0.075</b>
Shareholders' equity .....	<b>648,357</b>	620,004	593,770	497,756	438,047	<b>5,393,987</b>
Total current assets .....	<b>844,577</b>	773,040	723,844	628,782	627,232	<b>7,026,435</b>
Total assets .....	<b>1,537,430</b>	1,347,718	1,299,859	1,167,216	1,131,849	<b>12,790,603</b>
Depreciation and amortization	<b>83,896</b>	75,083	75,344	81,784	82,546	<b>697,970</b>

## NON-CONSOLIDATED

Years ended March 31	Millions of yen (except per share amounts)					Thousands of U.S. dollars (except per share amounts)
	2003	2002	2001	2000	1999	2003
Net sales .....	<b>¥1,411,418</b>	¥1,320,218	¥1,294,651	¥1,273,907	¥1,189,622	<b>\$11,742,252</b>
Net income .....	<b>19,393</b>	13,912	12,881	12,745	8,855	<b>161,346</b>
Net income per share:						
Primary .....	<b>35.67</b>	25.72	25.71	26.35	19.17	<b>0.296</b>
Fully diluted .....	<b>34.61</b>	25.59	25.61	26.24	19.07	<b>0.287</b>
Cash dividends per share .....	<b>9.00</b>	8.50	8.50	8.50	7.50	<b>0.074</b>
Shareholders' equity .....	<b>483,670</b>	477,053	475,614	392,619	295,422	<b>4,023,883</b>
Total current assets .....	<b>539,322</b>	564,830	503,543	441,690	442,938	<b>4,486,877</b>
Total assets .....	<b>1,070,708</b>	1,028,709	978,172	870,242	806,140	<b>8,907,727</b>
Depreciation and amortization	<b>53,578</b>	54,194	52,814	59,701	61,787	<b>445,740</b>

Note: Yen amounts have been translated into U.S. dollars, for convenience only, at ¥120.20 = US\$1, the prevailing exchange rate on March 31, 2003. The treasury stock indicated on the column of non-consolidated current assets up to the year of 2001 is listed on the column of shareholders' equity from the year of 2002 in accordance with the revision of regulations of financial statements.

# CONSOLIDATED FINANCIAL STATEMENTS OF 2003

## CONSOLIDATED BALANCE SHEETS

As of March 31, 2003 and 2002

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits(Note 8) .....	¥ 178,289	¥ 220,705	\$ 1,483,276
Marketable securities (Note 4 and 8) .....	60,933	49,647	506,937
Receivables (Note 5) :			
Trade notes and accounts .....	181,837	158,058	1,512,787
Less allowance for doubtful receivables .....	(2,426)	(2,016)	(20,186)
Inventories (Note 3 and 5) .....	269,710	230,713	2,243,847
Other current assets .....	156,232	115,932	1,299,772
Total current assets .....	<u>844,577</u>	<u>773,040</u>	<u>7,026,435</u>
 <b>Property, plant and equipment (Note 5):</b>			
Land .....	163,908	137,730	1,363,633
Buildings and structures .....	247,115	230,973	2,055,871
Machinery, equipment and vehicles .....	829,122	683,755	6,897,859
Construction in progress .....	9,974	6,123	82,985
	<u>1,250,122</u>	<u>1,058,583</u>	<u>10,400,350</u>
Less accumulated depreciation .....	(800,257)	(697,394)	(6,657,716)
	<u>449,864</u>	<u>361,189</u>	<u>3,742,634</u>
 <b>Investments and other assets:</b>			
Investments in securities (Note 4) .....	109,478	72,060	910,805
Investments in affiliates .....	18,436	57,056	153,380
Other assets .....	115,073	84,372	957,346
	<u>242,988</u>	<u>213,488</u>	<u>2,021,532</u>
	<u>¥1,537,430</u>	<u>¥1,347,718</u>	<u>\$12,790,603</u>

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

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Trade notes and accounts payable .....	¥ 326,179	¥ 282,434	\$ 2,713,636
Short-term bank loans (Note 5) .....	103,576	110,312	861,703
Current portion of long-term debt (Note 5) .....	6,280	2,853	52,249
Accrued income taxes .....	34,887	18,976	290,244
Accrued expenses .....	113,025	89,515	940,314
Other current liabilities .....	90,904	74,262	756,276
Total current liabilities .....	<u>674,853</u>	<u>578,355</u>	<u>5,614,425</u>
<b>Long-term liabilities:</b>			
Long-term debt (Note 5) .....	56,668	51,364	471,447
Accrued retirement & severance benefits (Note 6) ...	55,879	61,024	464,883
Other liabilities .....	47,872	26,634	398,272
	<u>160,419</u>	<u>139,023</u>	<u>1,334,603</u>
<b>Minority interests</b> .....	<u>53,799</u>	<u>10,335</u>	<u>447,586</u>
<b>Shareholders' equity</b> (Note 10):			
Common stock:			
Authorized-1,500,000,000 shares			
Issued,			
as of March 31, 2003—542,647,091 .....	120,210	—	1,000,085
as of March 31, 2002—541,082,074 .....	—	119,736	—
Additional paid-in capital .....	126,577	126,105	1,053,061
Consolidated retained earnings .....	419,209	394,022	3,487,599
Net unrealized gains on securities .....	7,588	8,581	63,136
Foreign currency translation adjustments .....	(17,224)	(28,386)	(143,296)
Less treasury stock, at cost .....	(8,005)	(54)	(66,598)
	<u>648,357</u>	<u>620,004</u>	<u>5,393,987</u>
<b>Contingent liabilities</b> (Note 11)			
	<u>¥1,537,430</u>	<u>¥1,347,718</u>	<u>\$12,790,603</u>

# CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2003 and 2002

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
<b>Net sales</b> .....	<b>¥2,015,309</b>	¥1,668,251	<b>\$16,766,305</b>
<b>Cost of sales</b> .....	<b>1,489,406</b>	1,220,336	<b>12,391,065</b>
Gross profit .....	<b>525,903</b>	447,914	<b>4,375,240</b>
<b>Selling, general and administrative expenses</b> .....	<b>451,699</b>	389,454	<b>3,757,898</b>
Operating income .....	<b>74,204</b>	58,460	<b>617,341</b>
<b>Other income(expenses):</b>			
Interest and dividend income .....	<b>7,405</b>	3,977	<b>61,613</b>
Interest expense .....	<b>(3,615)</b>	(4,819)	<b>(30,083)</b>
Equity in earnings of affiliates .....	<b>5,118</b>	2,361	<b>42,581</b>
Other, net .....	<b>(20,843)</b>	(20,650)	<b>(173,406)</b>
Income before income taxes .....	<b>62,269</b>	39,328	<b>518,047</b>
<b>Income taxes:</b>			
Current .....	<b>51,862</b>	32,307	<b>431,468</b>
Deferred .....	<b>(23,042)</b>	(15,229)	<b>(191,702)</b>
	<b>28,819</b>	17,077	<b>239,765</b>
Minority interests in earnings of consolidated subsidiaries .....	<b>2,425</b>	(142)	<b>(20,175)</b>
Net income .....	<b>¥ 31,024</b>	¥ 22,392	<b>\$ 258,106</b>

	Yen		U.S. dollars
<b>Net income per share (Note 2):</b>			
Primary .....	<b>¥ 57.29</b>	¥ 41.40	<b>\$ 0.476</b>
Fully diluted .....	<b>55.57</b>	41.16	<b>0.462</b>
<b>Cash dividends per share</b> .....	<b>9.00</b>	8.50	<b>0.074</b>

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



# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended March 31, 2003 and 2002

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
<b>Balance as of March 31, 2001</b>	<u>540,731</u>	<u>¥119,629</u>	<u>¥125,999</u>	<u>¥376,949</u>	<u>¥ (2)</u>
Net income .....	—	—	—	22,392	—
Cash dividends .....	—	—	—	(4,712)	—
Directors' and corporate auditors' bonuses .....	—	—	—	(200)	—
Issue of common stock .....	—	—	—	—	—
Conversion of convertible bonds	350	106	105	—	—
Treasury stock acquired .....	—	—	—	—	(51)
Decrease resulting from consolidation of additional subsidiaries and affiliates .....	—	—	—	(407)	—
<b>Balance as of March 31, 2002</b>	<u>541,082</u>	<u>¥119,736</u>	<u>¥126,105</u>	<u>¥394,022</u>	<u>¥ (54)</u>
Net income .....	—	—	—	31,024	—
Cash dividends .....	—	—	—	(4,580)	—
Directors' and corporate auditors' bonuses .....	—	—	—	(200)	—
Issue of common stock .....	—	—	—	—	—
Conversion of convertible bonds	1,565	474	472	—	—
Treasury stock acquired .....	—	—	—	—	(7,950)
Decrease resulting from consolidation of additional subsidiaries and affiliates .....	—	—	—	(1,056)	—
<b>Balance as of March 31, 2003</b>	<u>542,647</u>	<u>¥120,210</u>	<u>¥126,577</u>	<u>¥419,209</u>	<u>¥(8,005)</u>

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Thousands of shares of common stock	Thousands of U.S. dollars			
		Common stock	Additional paid-in capital	Consolidated retained earnings	Treasury stock at cost
<b>Balance as of March 31, 2002</b>	<u>541,082</u>	<u>\$ 996,140</u>	<u>\$1,049,127</u>	<u>\$3,278,053</u>	<u>\$ (451)</u>
Net income .....	—	—	—	258,106	—
Cash dividends .....	—	—	—	(38,104)	—
Directors' and corporate auditors' bonuses .....	—	—	—	(1,663)	—
Issue of common stock .....	—	—	—	—	—
Conversion of convertible bonds	1,565	3,945	3,933	—	—
Treasury stock acquired .....	—	—	—	—	(66,147)
Decrease resulting from consolidation of additional subsidiaries and affiliates .....	—	—	—	(8,791)	—
<b>Balance as of March 31, 2003 ....</b>	<u><b>542,647</b></u>	<u><b>\$1,000,085</b></u>	<u><b>\$1,053,061</b></u>	<u><b>\$3,487,599</b></u>	<u><b>\$(66,598)</b></u>

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2003 and 2002

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
<b>Cash Flows from operating activities</b>			
Income before income taxes etc. ....	¥ 62,269	¥ 39,328	\$ 518,047
Depreciation and amortization expenses .....	83,896	75,083	697,970
Equity in earnings of affiliates .....	(5,118)	(2,361)	(42,581)
Increase (decrease) in accrued retirement & severance benefits	(5,425)	22,458	(45,138)
Interest and dividend income .....	(7,405)	(3,977)	(61,613)
Interest expense .....	3,615	4,819	30,083
Decrease in accounts receivable .....	12,093	2,827	100,607
Decrease (increase) in inventories .....	(10,218)	4,705	(85,009)
Increase (decrease) in accounts payable .....	24,792	(16,628)	206,256
Others .....	23,831	7,412	198,265
Sub Total	182,329	133,669	1,516,886
Interest and dividends received .....	6,702	3,733	55,760
Interest paid .....	(3,684)	(4,719)	(30,656)
Income taxes paid .....	(39,271)	(25,897)	(326,715)
Net cash provided by operating activities	146,075	106,785	1,215,274
<b>Cash Flows from investing activities</b>			
Purchases of marketable securities .....	(68,943)	(40,873)	(573,576)
Proceeds from sales of marketable securities .....	116,024	1,014	965,259
Purchases of property, plants and equipment .....	(78,592)	(79,518)	(653,851)
Proceeds from sales of property, plants and equipment	2,906	2,688	24,181
Purchases of investment securities .....	(55,885)	(10,777)	(464,937)
Proceeds from sales of investment securities .....	9,564	9,173	79,574
Increase in loans receivable .....	(5,596)	(30,401)	(46,557)
Purchases of subsidiaries' stock			
Resulting in the change of scope of consolidation .	(17,260)	—	(143,594)
Others .....	(582)	1,114	(4,845)
Net cash used in investing activities	(98,365)	(147,580)	(818,347)
<b>Cash Flows from financing activities</b>			
Net decrease in short term bank loans .....	(21,702)	(39,513)	(180,554)
Proceeds from long term debt and issuance of bonds	508	36,193	4,234
Repayment from long term debt and redemption of bonds	(893)	(2,762)	(7,431)
Cash dividends paid .....	(5,126)	(4,744)	(42,647)
Purchases of treasury stock .....	(7,923)	—	(65,922)
Others .....	329	(52)	2,737
Net Cash used in financing activities	(34,808)	(10,879)	(289,585)
<b>Effect of exchange rate change on cash and cash equivalents</b>	130	2,773	1,081
<b>Cash and cash equivalents increased (decreased)</b>	13,032	(48,901)	108,422
<b>Cash and cash equivalents at the beginning of year</b>	223,017	271,918	1,855,388
<b>Increase of Cash and cash equivalents</b>			
<b>by newly consolidated subsidiaries</b>	2,693	—	22,410
<b>Cash and cash equivalents at the end of year</b>	¥ 238,743	¥223,017	\$1,986,222

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of presenting consolidated financial statements

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

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

As permitted, amount of less than one million yen have been omitted. For the convenience of readers, the consolidated financial statements including the opening balance of shareholders' equity have been presented in U.S. dollars by translating all Japanese yen amounts on the basis of ¥120.20 to U.S.\$1, the rate of exchange prevailing as of March 31, 2003. Consequently, the totals shown in the consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

## 2. Summary of significant accounting policies

### (a) Principles of consolidation

The consolidated financial statements for the years ended March 31, 2003 and 2002, include the accounts of the Company and its significant subsidiaries and the number of consolidated subsidiaries are 144 and 128 respectively. All significant inter-company accounts and transactions are eliminated in consolidation. Investments in affiliated companies are accounted for by the equity method.

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

### (b) Marketable securities, investment in securities

Securities have to be classified into four categories; Trading securities, Held-to-maturity debt securities, Investments of the Company in equity securities issued by unconsolidated subsidiaries and affiliates and Other securities.

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

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

### (c) 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 are principally interest swaps and forward exchange contracts. The related hedged items are trade accounts receivable and investments in securities.

The Company has a policy to utilize the above hedging instruments in order to reduce The

Company's exposure to the risk of interest rate and foreign exchange fluctuation. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items. The Company evaluates 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.

(d) 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.

(e) Inventories

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

(f) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is principally computed by the declining-balance method based on estimated useful lives of the assets (mainly 3-75 years).

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

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

(g) 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.

(h) Income taxes

The provision for income taxes is computed based on the pretax income included in consolidated statements of income. The assets and liability approach is adopted to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

(i)Accrued retirement & severance benefits

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

Prior service cost is being amortized by the straight-line method over periods of mainly 15 years, which are the estimated average remaining service years of the employees. Actuarial gain and loss are amortized by the straight-line method over periods of mainly 15 years from the next year of the arising, which are the estimated average remaining service years of the employees.

In order to allow for payment of directors' retirement bonus, the amount payable accrued at the balance sheet date is appropriated based on the retirement bonus rule for directors.

(Accounting change)

Suzuki Employee Pension Fund Plan has had operation substituting for the portion of Japanese Welfare Pension Insurance Law. However, the deterioration of recent financial market conditions has resulted in a greater gap between the expected yield and the actual investment yield, which ultimately must be covered by the Company. Accordingly, in the application of enactment of a new law concerning the defined benefit plan in June 2001, aiming at easing the financial burden, the Company and some of domestic subsidiaries made a decision to return the substitute component of their pension funds to the Government, and were given approval of exemption from payment obligation of benefit for future service associated with the substitute component by Minister of Health, Labor and Welfare (the Company: on April 18, 2002, domestic subsidiaries: on April 23, 2002). Upon this approval, the Company and some of domestic subsidiaries adopted the transitional treatment provided in Article 47-2 of the "Practical Guideline on Accounting for Postretirement Benefits (Interim Report)" (The 13th report prepared by the Accounting System Committee of the Japan Institute of Certified Public Accountants), and regarded the liabilities (projected benefit obligation or PBO) and the pension assets corresponding to the expected returning amount of the substitute component as disappearing from the Company's balance sheet. The expected returning amount appropriated as of the end of current fiscal year is 57,410 million yen.

Under this situation, in order to establish a solid financial position, the Company has changed the accounting policy for the unrecognized transition liabilities from amortizing the straight-line method over five-year period to treating in full as expenses. And the all remaining balance of the liabilities other than substitute component of pension funds has been charged to expense in the current fiscal year. As a result of this change, in comparison with the case where the Company might adopt the previous method, the "Income before income taxes" is decreased by 8,605 million yen.

(j)Revenue recognition

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

(k)Accounting measure in respect of treasury stock and the reversal of legal reserve

Effective from the year ended March 31, 2003, the Company adopted the Statement of Financial Accounting Standard No.1 "Accounting for Treasury Stock and Reversal of Capital and Legal Reserves" issued by the Accounting Standard Board of Japan. However, the effect on net income for the period of adopting this new statement was immaterial.

(l) 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.

Effective from the year ended March 31, 2003, in calculation of the current net income per share and net assets per share, "The Accounting Standard relative to the current net income per share" (Business Accounting Standard No. 2) and "The Application Guide Line of Accounting Standard relative to the current net income per share" (Business Accounting Standard application guide line No. 4) have been applied. Prior to adopting the new statement, net income per share was calculated based on the net income shown on the Income Statement. The net income per share calculation excluded bonuses to directors and corporate auditors, since under the Japanese Commercial Code, these are recognized as an appropriation of retained earnings, in the Statement of Shareholders' Equity, rather than as expenses in the Income Statements. However, the new statement requires that net income should be adjusted by deducting bonuses paid to directors and corporate auditors as well as the payment of dividends to shareholders of preferred stocks to be recognized as an appropriation of retained earnings, from net income shown in the Income Statements, and the calculation of the net income per share be made on that adjusted net income basis. In the case calculation is made in the same method as before for the year ended March, 2003, the current net income per share is 57.66 yen and net assets per share (diluted) is 1,208.80 yen.

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

(m) Cash and cash equivalents

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

(n) Reclassification

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

### 3. Inventories

Inventories as of March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Finished products .....	<b>¥215,489</b>	¥203,707	<b>\$1,792,757</b>
Work in process .....	<b>22,349</b>	14,411	<b>185,936</b>
Raw materials and others .....	<b>31,871</b>	12,594	<b>265,154</b>
	<b>¥269,710</b>	¥230,713	<b>\$2,243,847</b>

#### 4. Marketable securities and investments in securities

(a) Marketable securities and investments in securities quoted at an exchange as of March 31, 2003 and 2002

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

Millions of yen			
	Acquisition Cost	2002 Amounts for BS	Valuation
Those whose amount for BS exceeds acquisition cost			
(1) Stocks .....	¥24,625	¥40,817	¥16,191
(2) Bonds .....	2,188	2,217	29
(3) Others .....	—	—	—
Sub Total	¥26,813	¥43,034	¥16,221
Those whose amount for BS does not exceed acquisition cost			
(1) Stocks .....	¥10,667	¥ 9,176	¥(1,490)
(2) Bonds .....	15,997	15,840	(156)
(3) Others .....	5	4	(0)
Sub Total	¥26,669	¥25,021	¥(1,647)
Total	¥53,482	¥68,056	¥14,573

Thousands of U.S. dollars			
	Acquisition Cost	2003 Amounts for BS	Valuation
Those whose amount for BS exceeds acquisition cost			
(1) Stocks .....	\$217,079	\$325,375	\$108,295
(2) Bonds .....	109,814	110,003	188
(3) Others .....	—	—	—
Sub Total	\$326,894	\$435,378	\$108,484
Those whose amount for BS does not exceed acquisition cost			
(1) Stocks .....	\$ 16,343	\$ 15,377	\$ (966)
(2) Bonds .....	207,986	205,697	(2,289)
(3) Others .....	69	55	(14)
Sub Total	\$224,400	\$221,130	\$ (3,269)
Total	\$551,294	\$656,508	\$105,214



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## (b) Other securities sold during 2003 and 2002

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Amounts sold .....	<b>¥125,542</b>	¥9,961	<b>\$1,044,444</b>
Gains from sales of the other securities .....	<b>4,679</b>	325	<b>38,934</b>
Losses from sales of the other securities .....	<b>(175)</b>	—	<b>(1,463)</b>

## (c) Major securities not revalued by the market

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Other securities			
Commercial paper .....	<b>¥54,953</b>	¥40,068	<b>\$457,181</b>
Unlisted stock .....	<b>30,094</b>	11,842	<b>250,367</b>
(Stocks traded over the counter are excluded.)			
Bonds .....	<b>4,775</b>	2,219	<b>39,729</b>

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

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

	Millions of yen			
	2002			
	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 .....	¥ 28	—	—	—
Corporate bonds .....	9,157	¥5,154	¥2,997	—
(2) Others .....	40,461	—	—	—
Total .....	<u>¥49,647</u>	<u>¥5,154</u>	<u>¥2,997</u>	<u>—</u>

	Thousands of U.S. dollars			
	2003			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
(1) Bonds				
Government, local gov. bonds, etc .....	\$ 35,592	—	—	—
Corporate bonds .....	5,698	\$289,474	—	—
(2) Others .....	465,646	—	—	—
Total .....	<u>\$506,937</u>	<u>\$289,474</u>	<u>—</u>	<u>—</u>

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

Short-term bank loans as of March 31, 2003 and 2002 consisted of the following. The annual interest rates of short-term bank loans as of March 31, 2003 were 0.22 percent to 10.78 percent.

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Short-term bank loans			
Secured .....	¥ 5,077	¥ 2,658	\$ 42,241
Unsecured .....	98,499	107,653	819,461
	<u>¥103,576</u>	<u>¥110,312</u>	<u>\$861,703</u>

Long-term debt as of March 31, 2003 and 2002 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Loans maturing through 2010			
Secured .....	¥ 20	¥ 67	\$ 166
Unsecured .....	5,218	2,800	43,414
Unsecured 2.10 percent convertible bonds			
in yen due 2003 .....	—	1,350	—
Unsecured 0.89 percent yen bonds due 2003 .....	5,000	5,000	41,597
Unsecured 1.13 percent yen bonds due 2004 .....	10,000	10,000	83,194
Unsecured 0.33 percent yen bonds due 2004 .....	5,000	5,000	41,597
Unsecured zero coupon convertible bonds			
in yen due 2010 .....	30,000	30,000	249,584
Secured 11.20 percent Indian Rs. bonds due 2007	5,140	—	42,762
Secured 12.00 percent Indian Rs. bonds due 2012	2,570	—	21,381
	<u>¥62,948</u>	<u>¥54,218</u>	<u>\$523,697</u>
Less portion due within one year .....	(6,280)	(2,853)	(52,249)
	<u>¥56,668</u>	<u>¥51,364</u>	<u>\$471,447</u>

The 2.1 percent convertible bonds outstanding as of March 31, 2002 might be redeemed at the option of the Company, in whole or in part, at price of 100 percent of the principal amount under certain conditions as provided in the applicable agreement.

The 2.1 percent convertible bonds were convertible into common stock at the options of holders at the conversion price of ¥605.1 per share, after giving effect to the new shares issued to General Motors of Canada Limited on January 18, 2001.

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, 2003, 15,000,000 additional shares of common stock would be issued.

As is customary in Japan, both short-term and long-term bank loans are subject to general agreements which provide that the banks may, under certain circumstances, request additional

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2004 .....	¥ 6,280	\$ 52,249
2005 .....	18,079	150,414
2006 .....	617	5,136
2007 .....	133	1,106
Thereafter .....	37,837	314,790
	<u>¥62,948</u>	<u>\$523,697</u>

Assets pledged as collateral as of March 31, 2003:

	Millions of yen	Thousands of U.S. dollars
Notes and accounts receivable .....	¥ 1,215	\$ 10,115
Inventories .....	1,837	15,285
Property, plant and equipment .....	12,122	100,851
	<u>¥15,175</u>	<u>\$126,252</u>

## 6. Accrued retirement & severance benefits

### (a) Outline of an adopted retirement benefit system

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

The Company and some of domestic subsidiaries were given approval of exemption from payment obligation of benefit for future service associated with the substitute component (the Company; on April 18, 2002, domestic subsidiaries; on April 23, 2002) by Minister of Health, Labor and Welfare.

### (b) Items related to a retirement benefit obligation

Items related to a retirement benefit obligation		Millions of yen	Thousands of U.S. dollars
	2003	2002	2003
a. Retirement benefit obligation	¥(136,959)	¥(251,620)	\$ (1,139,434)
b. Pension assets	58,810	126,858	489,273
c. Unrecognized retirement benefit obligation (a + b)	¥ (78,149)	¥(124,762)	\$ (650,160)
d. Unrecognized transition liability	—	32,337	—
e. Unrecognized difference by an actuarial calculation	23,846	32,822	198,393
f. Unrecognized prior service cost(decrease of liabilities)	(63)	(68)	(525)
g. Accrued retirement & severance benefits (c+d+e+f)	¥ (54,365)	¥ (59,670)	\$ (452,293)

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

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

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

### (c) Items related to retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
Items related to retirement benefit cost			
	2003	2002	2003
a. Service cost	¥ 7,184	¥ 8,392	\$ 59,774
b. Interest cost	2,123	5,047	17,669
c. Assumed return on investment	(1,644)	(4,483)	(13,683)
d. Amortized amount of transition liability	12,908	10,779	107,393
e. Amortized amount of actuarial difference	7,945	11,743	66,100
f. Amortized amount of prior service cost	(4)	(4)	(40)
g. Retirement benefit cost (a+b+c+d+e+f)	¥28,513	¥31,474	\$237,215
h. Profit from the return of the substitute components of Employees Pension Fund assets	(24,101)	—	(200,507)
i. Total(g+h)	¥ 4,412	¥31,474	\$ 36,707

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

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(d) Items related to the calculation standard for the retirement benefit obligation

- |  |  |
|--|--|
| a. Term allocation of the estimated amount of retirement benefits                        | : Period fixed amount basis  |
| b. Discount rate   | : 2003 2.50%<br>2002 2.50%   |
| c. Assumed return of investment ratio  | : 2003 3.00% - 4.39%<br>2002 4.00% - 4.80%   |
| d. Number of years for amortization of prior service cost                                | : Mainly 15 years<br>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<br>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. |

### 7. Income taxes

Breakdown of deferred tax assets and deferred tax liabilities by their main occurrence causes is as follows.

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
<b>Deferred tax assets</b>			
Various reserves .....	¥ 34,201	¥ 34,959	\$ 284,537
Excess-depreciation .....	23,162	29,900	192,696
Unrealized gross profits elimination .....	17,385	15,312	144,637
Others .....	64,878	41,059	539,750
Deferred tax assets total .....	<u>¥139,626</u>	<u>¥121,232</u>	<u>\$1,161,622</u>
<b>Deferred tax liabilities</b>			
Net unrealized gains on security .....	¥ (5,020)	¥ (5,978)	\$ (41,766)
Variance from the complete market value method of newly consolidated subsidiaries .....	(8,813)	—	(73,326)
Reserve for fixed assets advanced depreciation .....	(2,326)	(2,359)	(19,356)
Others .....	(285)	(563)	(2,371)
Deferred tax liabilities total .....	<u>¥ (16,445)</u>	<u>¥ (8,900)</u>	<u>\$ (136,820)</u>
Net amounts of deferred tax assets .....	<u>¥123,181</u>	<u>¥112,331</u>	<u>\$1,024,801</u>

The difference between statutory tax rate and the effective tax rate is summarized as follows.

	<b>2003</b>	2002
Statutory tax rate .....	<b>41.12%</b>	41.12%
Tax rate change .....	<b>2.71%</b>	—
Non-deductible expenses .....	<b>2.58%</b>	3.08%
Equity in earnings of affiliates .....	<b>(3.38%)</b>	(2.47%)
Others .....	<b>3.25%</b>	1.69%
Effective tax rate .....	<b>46.28%</b>	43.42%

As a result of the change of the enterprise tax rate based on the amendment of the Local Tax Law, the deferred income tax assets (net amount after deduction of deferred income tax liabilities ) have decreased by 1,543 million yen, income taxes, deferred has increased by 1,690 million yen, and net unrealized gains on security has increased by 147 million yen.

## 8. Research and development Costs

Research and development costs included in Manufacturing cost and Selling, general and administrative expenses for the years ended March 31, 2003 and 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
	<b>2003</b>	<b>2003</b>
Research and development costs .....	<b>¥60,443</b>	<b>\$502,855</b>

## 9. Cash and cash equivalents

Cash and cash equivalents as of March 31, 2003 and 2002 consisted of:

	Millions of yen	Thousands of U.S. dollars
	<b>2003</b>	<b>2003</b>
Cash and time deposits .....	<b>¥178,289</b>	<b>\$1,483,276</b>
Marketable securities .....	<b>60,933</b>	<b>506,937</b>
Time deposits with maturities of over three months..	<b>(254)</b>	<b>(2,117)</b>
Marketable securities with maturities of over three months	<b>(225)</b>	<b>(1,875)</b>
	<b>¥238,743</b>	<b>\$1,986,222</b>

## 10. Lease transactions

Finance lease transactions, except for those which meet the conditions that the ownership of the leased assets is substantially transferred to the lessee, as of March 31, 2003 and 2002 were as follows:

As a lessee

(1) Amounts equivalent to acquisition costs, accumulated depreciation and net balance as of March 31, 2003

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Acquisition costs .....	<b>¥1,225</b>	¥1,314	<b>\$10,192</b>
Accumulated depreciation .....	<b>(884)</b>	(939)	<b>(7,358)</b>
Net balance .....	<b>340</b>	374	<b>2,833</b>
(2) Future lease payments			
Due within one year .....	<b>177</b>	182	<b>1,473</b>
Thereafter .....	<b>324</b>	340	<b>2,697</b>
	<b>501</b>	523	<b>4,171</b>
(3) Lease expenses .....	<b>197</b>	206	<b>1,645</b>
Depreciation .....	<b>¥ 205</b>	¥ 195	<b>\$ 1,706</b>

As a lessor

(1) Amounts of acquisition costs, accumulated depreciation and net balance as of March 31, 2003

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Acquisition costs .....	<b>¥1,041</b>	¥ 915	<b>\$ 8,666</b>
Accumulated depreciation .....	<b>(794)</b>	(680)	<b>(6,608)</b>
Net balance .....	<b>247</b>	235	<b>2,057</b>
(2) Future lease revenues			
Due within one year .....	<b>118</b>	164	<b>984</b>
Thereafter .....	<b>192</b>	181	<b>1,598</b>
	<b>310</b>	345	<b>2,583</b>
(3) Lease revenues .....	<b>185</b>	193	<b>1,546</b>
Depreciation .....	<b>¥ 125</b>	¥ 143	<b>\$ 1,040</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

As a lessee	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Future lease payments			
Due within one year .....	<b>¥ 190</b>	¥185	<b>\$1,585</b>
Thereafter .....	<b>517</b>	617	<b>4,308</b>
	<b>¥ 708</b>	¥803	<b>\$5,894</b>
As a lessor			
	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Future lease revenues			
Due within one year .....	<b>¥ 65</b>	¥ 32	<b>\$ 544</b>
Thereafter .....	<b>160</b>	26	<b>1,336</b>
	<b>¥ 226</b>	¥ 59	<b>\$1,881</b>

### 11. 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.

### 12. Contingent liabilities

As of March 31, 2003, 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 .	¥12,684	\$105,531
Trade notes discounted .....	1,715	14,270
	<b>¥14,400</b>	<b>\$119,801</b>



### 13. Segment Information

#### (a) Business segment

Millions of yen					
<b>2003</b>					
	Motorcycle	Automobile	Other	Elimination and corporate assets	Consolidated
Net sales:					
Outside customers .....	¥347,797	¥1,618,237	¥49,275	¥ —	¥2,015,309
Inter-area .....	—	—	—	—	—
	347,797	1,618,237	49,275	—	2,015,309
Operating expenses .....	319,367	1,579,556	42,181	—	1,941,105
Operating income .....	28,429	38,680	7,093	—	74,204
Assets .....	217,523	977,655	47,185	295,066	1,537,430
Depreciation .....	11,628	70,808	1,459	—	83,896
Capital expenditures .....	¥ 15,823	¥ 61,078	¥ 1,600	¥ —	¥ 78,501
Millions of yen					
<b>2002</b>					
	Motorcycle	Automobile	Other	Elimination and corporate assets	Consolidated
Net sales:					
Outside customers .....	¥312,466	¥1,311,296	¥44,487	¥ —	¥1,668,251
Inter-area .....	—	—	—	—	—
	312,466	1,311,296	44,487	—	1,668,251
Operating expenses .....	286,654	1,283,195	39,940	—	1,609,791
Operating income .....	25,811	28,101	4,546	—	58,460
Assets .....	186,336	798,765	45,784	316,831	1,347,718
Depreciation .....	11,273	62,039	1,770	—	75,083
Capital expenditures .....	¥ 11,665	¥ 66,825	¥ 1,033	¥ —	¥ 79,523
Thousands of U.S. dollars					
<b>2003</b>					
	Motorcycle	Automobile	Other	Elimination and corporate assets	Consolidated
Net sales:					
Outside customers .....	\$2,893,488	\$13,462,876	\$409,942	\$ —	\$16,766,306
Inter-area .....	—	—	—	—	—
	2,893,488	13,462,876	409,942	—	16,766,306
Operating expenses .....	2,656,967	13,141,071	350,926	—	16,148,964
Operating income .....	236,521	321,805	59,016	—	617,342
Assets .....	1,809,675	8,133,573	392,554	2,454,799	12,790,603
Depreciation .....	96,739	589,091	12,138	—	697,970
Capital expenditures .....	\$ 131,641	\$ 508,139	\$ 13,313	\$ —	\$ 653,093

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## (b)Geographical segment

Millions of yen							
<b>2003</b>							
	Japan	Europe	North America	Asia	Other areas*1	Elimination and corporate assets	Consolidated
Net sales:							
Outside customers .....	¥1,125,144	¥ 294,694	¥ 302,594	¥ 270,449	¥22,426	¥ —	¥2,015,309
Inter-area .....	415,479	2,098	596	15,218	23	(433,415)	—
	1,540,623	296,792	303,191	285,667	22,450	(433,415)	2,015,309
Operating expenses .....	1,473,383	293,601	302,777	278,611	21,948	(430,217)	1,941,105
Operating income .....	¥ 66,240	¥ 3,191	¥ 414	¥ 7,055	¥ 501	¥ (3,198)	¥ 74,204
Assets .....	¥ 857,439	¥ 145,780	¥ 67,731	¥ 232,231	¥ 9,942	¥ 224,305	¥1,537,430

Millions of yen							
<b>2002</b>							
	Japan	Europe	North America	Asia	Other areas*1	Elimination and corporate assets	Consolidated
Net sales:							
Outside customers .....	¥1,066,639	¥ 275,116	¥267,182	¥ 36,884	¥22,428	¥ —	¥1,688,251
Inter-area .....	370,363	1,305	149	1,159	—	(372,977)	—
	1,437,002	276,421	267,332	38,043	22,428	(372,977)	1,668,251
Operating expenses .....	1,380,871	273,911	266,462	36,618	22,665	(370,737)	1,609,791
Operating income .....	¥ 56,131	¥ 2,510	¥ 869	¥ 1,425	¥ (236)	¥ (2,239)	¥ 58,460
Assets .....	¥ 851,483	¥ 151,342	¥ 54,376	¥ 24,411	¥11,745	¥ 254,360	¥1,347,718

Thousands of U.S. dollars							
<b>2003</b>							
	Japan	Europe	North America	Asia	Other areas*1	Elimination and corporate assets	Consolidated
Net sales:							
Outside customers .....	\$9,360,605	\$2,451,701	\$2,517,424	\$2,249,995	\$186,579	\$ —	\$16,766,305
Inter-area .....	3,456,564	17,455	4,965	126,606	192	(3,605,785)	—
	12,817,170	2,469,156	2,522,390	2,376,601	186,772	(3,605,785)	16,766,305
Operating expenses .....	12,266,086	2,442,607	2,518,944	2,317,900	182,603	(3,579,177)	16,148,964
Operating income .....	\$ 551,083	\$ 26,549	\$ 3,445	\$ 58,701	\$ 4,169	\$ (26,608)	\$ 617,341
Assets .....	\$7,133,436	\$1,212,816	\$ 563,489	\$1,932,038	\$ 82,716	\$1,866,105	\$12,790,603

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

(c)Overseas sales

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

Millions of yen					
<b>2002</b>					
	Europe	North America	Asia	Other areas *2	Consolidated
Overseas sales.....	¥331,473	¥315,461	¥136,801	¥97,602	¥881,339
Consolidated net sales .....					1,668,251
Ratio of overseas sales					
to consolidated net sales ...	19.9%	18.9%	8.2%	5.9%	52.8%

Thousands of U. S. dollars					
<b>2003</b>					
	Europe	North America	Asia	Other areas *2	Consolidated
Overseas sales.....	\$2,974,479	\$2,947,039	\$2,907,920	\$829,798	\$9,659,236
Consolidated net sales .....					16,766,306
Ratio of overseas sales					
to consolidated net sales ...	17.7%	17.6%	17.3%	4.9%	57.6%

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

#### 14. Supplementary cash flow information

	Millions of yen		Thousands of U.S. dollars
	<b>2003</b>	2002	<b>2003</b>
Conversion of convertible bonds .....	<b>¥946</b>	¥212	<b>\$7,878</b>

#### 15. Subsequent events

- (a) The following plan for the appropriation of retained earnings for the year ended March 31, 2003 was approved by the ordinary general meeting of shareholders of the Company held on June 27, 2003:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends .....	¥2,682	\$22,313
Bonuses for directors and corporate auditors .....	200	1,663
	<u>¥2,882</u>	<u>\$23,977</u>

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of  
Suzuki Motor Corporation

We have audited the accompanying consolidated balance sheets of Suzuki Motor Corporation and its subsidiaries as of March 31, 2003 and 2002, 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, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

As described in Note 2, effective from the year ended March 31, 2003, Suzuki Motor Corporation and its subsidiaries changed their accounting policy for accrued retirement & severance benefits.

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

Seimei Audit Corporation  
Tokyo, Japan  
June 27, 2003

*Seimei Audit Corporation*

# NON-CONSOLIDATED FINANCIAL STATEMENTS OF 2003

## NON-CONSOLIDATED BALANCE SHEETS

As of March 31st, 2003 and 2002

SUZUKI MOTOR CORPORATION	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits .....	¥ 102,390	¥ 168,792	\$ 851,834
Marketable securities .....	55,178	47,080	459,056
Receivables:			
Trade notes and accounts .....	37,292	40,471	310,253
Subsidiaries and affiliates .....	113,656	113,191	945,557
Less allowance for doubtful receivables .....	(132)	(343)	(1,098)
Inventories .....	90,215	71,896	750,546
Other current assets .....	140,721	123,740	1,170,727
Total current assets	<u>539,322</u>	<u>564,830</u>	<u>4,486,877</u>
<b>Property, plant and equipment:</b>			
Land .....	94,926	95,031	789,737
Buildings and structures .....	164,547	160,309	1,368,951
Machinery and equipment .....	509,052	497,519	4,235,046
Construction in progress .....	929	1,458	7,735
	<u>769,456</u>	<u>754,319</u>	<u>6,401,471</u>
Less accumulated depreciation .....	(570,215)	(544,675)	(4,743,889)
	<u>199,241</u>	<u>209,643</u>	<u>1,657,581</u>
<b>Investments and other assets:</b>			
Investments in securities .....	107,497	70,958	894,324
Investments in subsidiaries			
and affiliates .....	131,750	105,946	1,096,095
Other assets .....	92,896	77,331	772,849
	<u>332,144</u>	<u>254,235</u>	<u>2,763,268</u>
	<u>¥1,070,708</u>	<u>¥1,028,709</u>	<u>\$8,907,727</u>

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term bank loans .....	¥ 32,600	¥ 32,580	\$ 271,214
Current portion of long-term debt .....	5,000	1,590	41,597
Payables:			
Trade notes and accounts .....	274,201	246,754	2,281,206
Subsidiaries and affiliates .....	23,821	25,287	198,183
Accrued expenses .....	91,404	80,733	760,439
Accrued income taxes .....	24,153	14,702	200,942
Other current liabilities .....	42,227	41,260	351,311
Total current liabilities	<u>493,408</u>	<u>442,909</u>	<u>4,104,895</u>
<b>Long-term liabilities:</b>			
Long-term debt .....	45,000	50,067	374,376
Accrued retirement & severance benefits .....	31,219	40,496	259,725
Other liabilities .....	17,410	18,182	144,848
	<u>93,629</u>	<u>108,746</u>	<u>778,949</u>
<b>Shareholders' equity</b>			
Common stock:			
Authorized - 1,500,000,000 shares			
Issued,			
as of March 31st, 2003 - 542,647,091 .....	120,210	—	1,000,085
as of March 31st, 2002 - 541,082,074 .....	—	119,736	—
Additional paid-in capital .....	126,577	126,105	1,053,061
Earned surplus .....	—	8,269	—
Retained earnings .....	237,319	214,436	1,974,375
Net unrealized gains on security .....	7,540	8,560	62,734
Treasury stock .....	(7,978)	(54)	(66,374)
	<u>483,670</u>	<u>477,053</u>	<u>4,023,883</u>
	<u>¥1,070,708</u>	<u>¥1,028,709</u>	<u>\$8,907,727</u>

# NON-CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31st, 2003 and 2002

SUZUKI MOTOR CORPORATION	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Net sales .....	<b>¥1,411,418</b>	¥1,320,218	<b>\$11,742,252</b>
Cost of sales .....	<b>1,085,451</b>	1,026,515	<b>9,030,378</b>
Gross profit .....	<b>325,967</b>	293,703	<b>2,711,873</b>
Selling, general and administrative expenses .....	<b>272,135</b>	251,139	<b>2,264,026</b>
Operating income .....	<b>53,831</b>	42,563	<b>447,847</b>
<b>Other income(expenses):</b>			
Interest and dividend income .....	<b>6,958</b>	4,055	<b>57,891</b>
Interest expense .....	<b>(527)</b>	(504)	<b>(4,391)</b>
Other, net .....	<b>(22,520)</b>	(22,655)	<b>(187,360)</b>
	<b>(16,089)</b>	(19,103)	<b>(133,859)</b>
Income before income taxes .....	<b>37,741</b>	23,459	<b>313,987</b>
<b>Income taxes</b> .....	<b>18,347</b>	9,547	<b>152,641</b>
<b>Net income</b> .....	<b>¥ 19,393</b>	¥ 13,912	<b>\$ 161,346</b>
		Yen	U.S. dollars
<b>Net income per share:</b>			
Primary .....	<b>¥35.67</b>	¥25.72	<b>\$ 0.296</b>
Fully diluted .....	<b>34.61</b>	25.59	<b>0.287</b>
<b>Cash dividends per share</b> .....	<b>9.00</b>	8.50	<b>0.074</b>

## ON THE COVER

### **The GRAND VITARA XL-7**

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

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

### **GSX-R1000**

The Suzuki GSX-R1000 was launched with the goal of owning the racetrack. For 2003, there's even more power; weight has been pared back even further; and

a new frame has been added to give truly breathtaking handling. Compact 988cc 4-stroke, 4-cylinder, liquid-cooled engine with gear-driven counterbalancer features new ventilation system to equalize lower-cylinder pressure and reduce mechanical loss. Plus, the GSX-R1000 has a new, aggressive, more aerodynamic style to show that the assault on the world's circuits only just begun.

### **DF140**

The DF140, a current flagship of Suzuki 4 stroke outboard motors, delivers 140 ps (103 kW) with a 2044cc, 4-stroke, 4-cylinder DOHC 16-valve engine. It delivers high performance for various boats with its lightweight, compact design and high-power engine, and features multi point sequential electronic fuel injection which makes starting smooth and which presents superb throttle response, as well as environmentally aware performance - low emissions - and low fuel consumption.





**SUZUKI MOTOR CORPORATION**  
300 TAKATSUKA, HAMAMATSU, JAPAN