ANNUAL REPORT 2013

SUZUKI MOTOR CORPORATION

FINANCIAL SECTION

CONTENTS

Management policy

1. Business operations basic policy

The Group has carried out its operations on the basis of manufacturing of “value-packed products” to satisfy customers since its establishment with the motto “Develop products of superior value by focusing on the customer” in the first paragraph of its mission statement. The Group set “Create a Wow! Beyond customer expectation” as a vision for the Group and make effort to fulfill the motto.
The Group commits itself to make efforts to promote the “production of 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. Basic policies for profit distribution

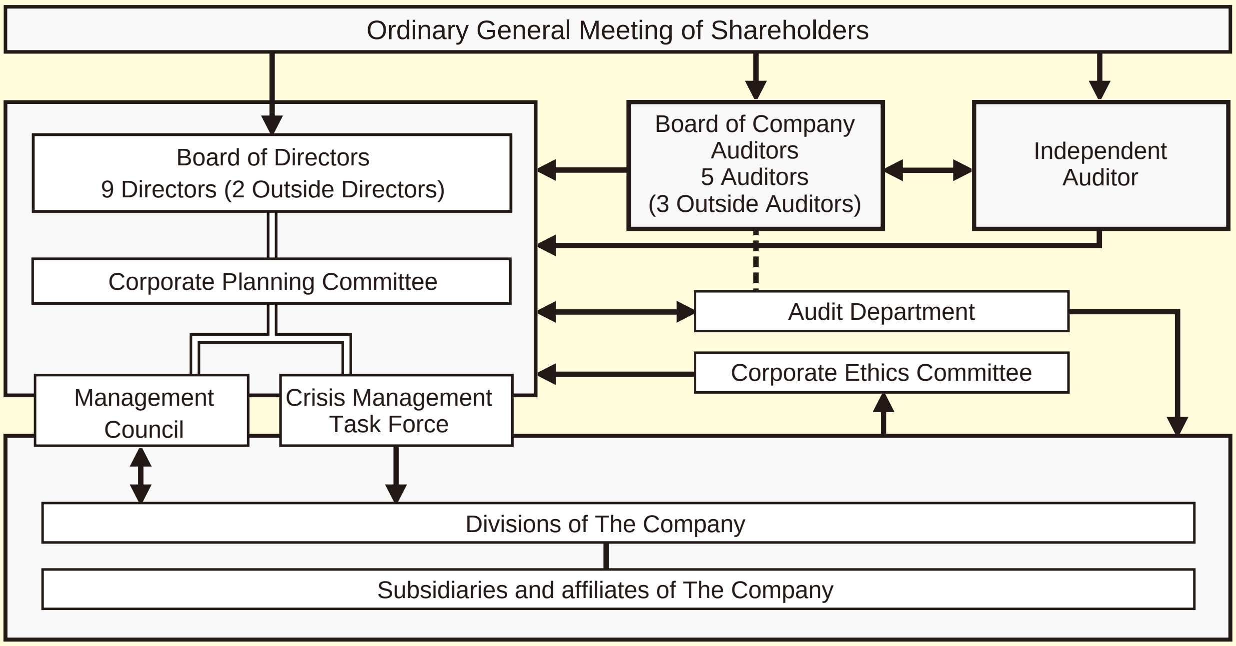
We determine the profit distribution based on the performances, dividend payout ratio, strengthening of the corporate nature and full internal reserve for future business developments from the medium- to long-term viewpoint, with the emphasis on the continuous and stable distribution.
The Group has a structure in which profits are highly dependent on overseas manufacturing plants. They are mainly located in developing countries, and are therefore subject to exchange rate fluctuations. To achieve stable growth, we need to further enhance our corporate structure and prepare for unforeseen circumstances.
In future years, under the foregoing point of view, we will also determine the profit distribution based on the performance of fiscal year.

3. Corporate governance issues

(1) Basic concepts regarding corporate governance

Through fair and efficient corporate activities, The Company always intends to be trusted by all our stakeholders including shareholders, customers, partner companies, local communities and employees, and to be a continuously growing company, while making a further contribution to the international community. In order to realize that intention, we consider that the enhancement of the corporate governance is one of the most important issues for proper corporate management and aggressively taking various kind of measures.
For the purpose of enabling the agile corporate management and operations and clarifying the individual responsibilities, The Company has reduced the number of Directors (9 Directors including 2 Outside Directors as of 147th Ordinary General Meeting of Shareholders held on June 27, 2013) and introduced a Senior Managing Officer and Managing Officer system.
In order to enhance management supervisory and audit function, The Company elected Outside Directors (2 Directors as of 147th Ordinary General Meeting of Shareholders held on June 27, 2013) and Outside Company Auditor (3 Auditors as of 147th Ordinary General Meeting of Shareholders held on June 27, 2013) who are highly independent of The Company.
As to internal control system, The Company aim to maintain and manage the system properly by observing basic policy which is resolved by board of Directors based on Company act of Japan, and Internal control reporting system based on Financial Instruments and Exchange Act of Japan.

(2) Organization of The Company



(a) Execution of Operation

(Board of Directors)

In addition to the regular meetings of the Board of Directors held every month, Directors (9 Directors as of 147th Ordinary General Meeting of Shareholders held on June 27, 2013) 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 Company Auditors at all times, the function of management supervision in meetings of the Board of Directors is working effectively.

In addition, all Directors, excluding Chairman & CEO and Outside Directors, also works as a leader for accomplishment of tasks such as Executive General Manager of each division or other functional units to allow for discussion based on site information at board meetings for making proper decisions in line with actual situations of each department.

In order to clarify managerial accountability for individual Directors and flexibly respond to the changing business environment, the term of each Director is set to one year.

(Corporate Planning Committee)

At the Corporate Planning Committee which is a council-system organization involving 4 Executive Vice President as members, important missions for management at each department are cross-functionally and comprehensively reviewed and basic concepts are adjusted and established. In order to embody the said basic concepts, The Company has Corporate Planning Office.

(Various meeting on execution of operation)

The Company enhances efficiency of management by sharing important information on execution of operation. To achieve that, The Company take various measures such as management councils to discuss the strategic decision on execution of important management issues. Members of the council include Directors, Executive General Managers and Deputy Executive General Managers. Furthermore, Executive including Directors mutually exchange information through weekly meetings to identify administrative issues early and execute operation appropriately.

(Outside Directors)

By electing Outside Directors (2 Directors as of 147th Ordinary General Meeting of Shareholders held on June 27, 2013) who are highly independent of The Company, The Company enhanced supervision to management further, and is receiving helpful advice and indication based on large stock of experience and professional knowledge regarding execution of operation.

(b) Audit and supervision

The Company has adopted a Company Auditor system, and there are 5 members including 3 Outside Company Auditors who are highly independent of The Company and have wide experiences and knowledge in legal matters, management of enterprises, accounting and other areas in order to enhance the audit function and oversight function from outside The Company. In addition, The Company has the audit department. Thus, audits are conducted concerning compliance with laws, internal control and management efficiency from three different angles including independent auditor.

(Board of Company Auditors)

It executes audits on proper management of The Company, in accordance with the Rules of the Board of Company Auditors and audit policies of the corresponding fiscal year, by holding meetings of the Board of Company 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. 2 Company Auditors and 1 Outside Company Auditor have large stock of knowledge in finance and accounting due to long experience of being in charge of accounting in The Company as to Company Auditors, and large stock of experience as certified public accountant as to Outside Company Auditor respectively.

(Audit Department)

It audits The Company and domestic and foreign subsidiaries and affiliates, and periodically checks the integrity and efficiency of their internal control system. Results of the checks are reported to management together with suggestions regarding improvement and correction of problems. The audit department also helps to make rules for enhancement of management structures, conducts guidance and supports for compliance with the laws, regulations and rule and promotes efficiency and standardization of their business.

Company 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. Company Auditors also execute internal auditing and auditing on subsidiaries as Company Auditors' auditing in cooperation with the audit department.

The audit department and Company Auditors exchange information with organization specialized in internal audit, which consists of legal, finance and information system department.

(Independent Auditor)

Seimei Audit Corporation is assigned as an Independent Auditor for The Company. Company Auditors receive explanation from Independent Auditor on audit plans for the corresponding fiscal year, reports on audit on the finance and accounting statements, and also reports on audit on subsidiaries. Company Auditors, audit department and Independent Auditor create a closer connection by exchanging information whenever necessary.

CPA who engaged in the audit	Auditing company CPA belongs to
Designated and engagement partner Satoru Imamura	Seimei Audit Corporation
Designated and engagement partner Koji Sato	Seimei Audit Corporation

Note: The number of other assistant members for audit: 7 certified public accountants and 9 others.

(c) Function, role and status of Outside Director

In order to strengthen supervision and audit to management further, The Company adopted Outside Director system at 146th Ordinary General Meeting of Shareholders held on June 28, 2012 and elected 2 Outside Directors at 147th Ordinary General Meeting of Shareholders held on June 27, 2013. As to 3 Outside Company Auditors, The Company elected Outside Company Auditors who are more independent of The Company.

The Company elected Mr. Masakazu Iguchi as Outside Director to receive appropriate advice related to the management of The Company in manufacturing industry based on a large stock of expertise as a doctor of engineering. He currently serves as Director of Suzuki Foundation (part-time).

Suzuki Foundation has transactions with The Company and subsidiaries such as endowment which are about 0.01% of consolidated net sales of The Company. There are no special interest between him and The Company. The Company believes that he is sufficiently independent of the management of The Company.

The Company elected Mr. Sakutaro Tanino as Outside Director to receive appropriate advice related to the management of The Company from the international viewpoints based on a large stock of experience and knowledge as a diplomat. He served as Director of Toshiba Corporation until June 2007.

Toshiba Corporation has transactions with The Company which are about 0.05% of consolidated net sales of The Company. There are no special interest between him and The Company. The Company believes that he is sufficiently independent of the management of The Company.

The Company elected Mr. Shin Ishizuka as Outside Company Auditor because he is suitable person to properly conduct audit of The Company based on his experience and professional knowledge as an attorney-at-law. There are no special interest between him and The Company. The Company believes that he is sufficiently independent of the management of The Company.

The Company elected Mr. Masataka Osuka as Outside Company Auditor because he is suitable person to properly conduct audit of The Company based on a long term experiences and knowledge as a management of enterprises. He currently serves as Chairman of the Board of Hamakyorex Co., Ltd., Director of Kinbutsurex Co., Ltd., (Subsidiary of Hamakyorex Co., Ltd.) (part-time), Director of Suzuki Education & Culture Foundation (part-time), and vice chairman of Hamamatsu Chamber of Commerce and Industries. He also served as Director of Chotokan (part-time) until June 2012.

Hamakyorex Co., Ltd. has transactions with subsidiaries of The Company which are less than 0.01% of consolidated net sales of The Company.
Kinbutsurex Co., Ltd. (subsidiary of Hamakyorex Co., Ltd.) has transactions with The Company which are less than 0.01% of consolidated net sales of The Company.
Subsidiaries of Hamakyorex Co., Ltd. have transactions with subsidiaries of The Company which are about 0.02% of consolidated net sales of The Company.
Suzuki Education & Culture Foundation has transactions with The Company such as endowment which are less than 0.01% of consolidated net sales of The Company.
Hamamatsu Chamber of Commerce and Industries has transactions with The Company and its subsidiaries which are less than 0.01% of consolidated net sales of The Company.
Chotokan has transactions with The Company and its subsidiaries which are less than 0.01% of consolidated net sales of The Company.
There are no special interest between him and The Company. The Company believes that he is sufficiently independent of the management of The Company.
The Company elected Mr. Norio Tanaka as Outside Company Auditor because he is suitable person to properly conduct audit of The Company based on a large stock of the experiences and the professional knowledge as a certified public accountant.
There are no interest between him and The Company. The Company believes that he is sufficiently independent of the management of The Company.
The Company concluded that all 5 members of Outside Director/Company Auditor have no possibility of causing conflict of interest between them and shareholders, and filed them as independent director/auditor under the rules of the Tokyo Stock Exchange, Inc.
As to independence from The Company with regard to the election of Outside Director/Company Auditor, The Company judges their independence under “Standard of judgment” set by Tokyo Stock Exchange, Inc.
The Company makes decision on important issue regarding to management through discussion in meeting of board of Directors and management council in which principally all Directors and auditors participate. The Company believes that corporate governance of The Company functions sufficiently.

(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. The basic policy for construction of internal control system and its development are as follows:

(a) Compliance system for Directors
Directors respect the “Mission Statement” and the “Suzuki Activity 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 The Company established the “Suzuki Rules of Corporate Ethics” which lays out a set of basic points for Directors and employees to act in a fair and faithful manner in compliance with the laws, regulations, social rules and in-company rules. It is revised whenever necessary by “Corporate Ethics Committee” which promotes corporate ethics in The Company. And Company Auditors audit the execution of duties of Directors in accordance with the audit policies and work responsibilities set by the Board of Company 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’ Activity 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. They are revised whenever necessary. Furthermore, in accordance with the “Suzuki Rules of Corporate Ethics”, 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) Crisis management system
Crisis management procedures are laid down within the “Suzuki Rules of Corporate Ethics” as a countermeasure to crisis that may occur from illegalities and injustices inside/outside The Company, or natural disasters or terrorism, which are impossible for The Company to prevent. When the “Corporate Ethics Committee” finds risks that may cause urgent and serious damages to the corporate management and business operations, the committee immediately sets up a “Crisis Management Task Force” in line with the “Crisis Management Procedures” in order to deal with the crisis. This organization swiftly decides on the policies and measures to be taken against the risk occurred and gives instructions to the appropriate departments and divisions which are then able to communicate each other to solve the problem.

(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”. It is revised whenever necessary. The subsidiaries 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, conducts guidance, supporting and auditing for their regulatory compliance. It also promotes efficiency and standardization of their business.

(4) Remuneration for Directors and Company Auditors for current fiscal year

(a) Remuneration paid to Directors and Company Auditors is as follows:

(Amount of remuneration: million yen, Number of payees: person)

Classification	Total amount of remuneration	Amount of each type of remuneration			Number of payees
		Basic pay	Stock option	Bonus	
Directors (excluding Outside Directors)	604	343	73	187	10
Company Auditors (excluding Outside Company Auditors)	53	38	-	15	3
Outside Directors/Company Auditors	24	17	-	7	7

Notes:
1. The amount of remuneration limit for Directors (¥80 million per month) was resolved at the 135th Ordinary General Meeting of Shareholders held on June 28, 2001.
2. The amount of remuneration limit for Company Auditors (¥8 million per month) was resolved at the 123rd Ordinary General Meeting of Shareholders held on June 29, 1989.
3. The maximum amount of remuneration for Directors for stock options as compensation (¥170 million per year) was resolved at the 146th Ordinary General Meeting of Shareholders held on June 28, 2012.
4. The above-mentioned bonuses are recorded as provision for Directors’ bonuses at the end of current fiscal year and treated as expenses of current fiscal year.
5. The above includes 3 Company Auditors who retired at the end of the 146th Ordinary General Meeting of Shareholders held on June 28, 2012.
6. In addition to the above, ¥7 million was paid to 1 retired Director and ¥9 million was paid to 2 retired Outside Company Auditors as retirement benefits for Directors and Company Auditors under the resolution at the 140th Ordinary General Meeting of Shareholders held on June 29, 2006.
7. The following information is disclosed in 147th annual securities report
   • Total amount of consolidated remuneration paid to persons who received consolidated remuneration of ¥100 million or more each.

(b) Policy for determination of the amount of remuneration for Directors and Company Auditors
Remuneration for Directors/Company Auditors consists of basic remuneration, bonuses and stock options with respect to Directors, and basic remuneration and bonuses with respect to Company Auditors.
While The Company discontinued its retirement benefits plan for Directors and Company Auditors at the 140th Ordinary General Meeting of Shareholders, held on June 29, 2006, it has introduced the granting of stock options as compensation with a view toward strengthening Directors’ connection to The Company’s performance and stock price and ensuring that Directors share with shareholders not only the benefits of any increases in the stock price, but also the risks of any declines, pursuant to the approval granted at the 146th Ordinary General Meeting of Shareholders, held on June 28, 2012.

(Director)
As for basic remuneration, the amount of remuneration limit (monthly amount) for all Directors shall be determined by a resolution of an Ordinary General Meeting of Shareholders, and the amount of remuneration for each Director shall be determined by the representative Director who is authorized by the Board of Directors in consideration of the duties and responsibilities of each Director to enhance the corporate value in each fiscal year and on a mid-and long-term basis.
As for bonuses, the Board of Directors will decide on a proposal regarding bonus payments to Directors/Company Auditors in consideration of the management environment and The Company’s performance in each fiscal year, and the representative Director who is authorized by the Board of Directors will decide, pursuant to the approval of an Ordinary General Meeting of Shareholders concerning the total amount of the bonus, the amount of the bonus for each Director that reflects each Director’s achievement of his or her duties and responsibilities.
As for granting stock options as compensation, the Board of Directors will decide, pursuant to the approval of an Ordinary General Meeting of Shareholders concerning the maximum amount of remuneration, etc. with respect to the stock acquisition rights in each fiscal year, the allocation of stock acquisition rights to each Director (excluding Outside Directors).

(Company Auditor)
As for basic remuneration, the amount of remuneration limit (monthly amount) for all Company Auditors shall be determined by a resolution of an Ordinary General Meeting of Shareholders. As for bonuses, the total amount of bonuses shall be determined through the approval of an Ordinary General Meeting of Shareholders in each fiscal year.
The amount of the basic remuneration and bonus for each Company Auditor shall be determined through consultations among Company Auditors in proportion to each Company Auditor's duty and responsibility.

(5) Remuneration for Independent Auditor for current fiscal year

(a) The remuneration amount to be paid by The Company to Independent Auditors is ¥87 million.

(b) The remuneration amount to be paid by The Group to Independent Auditors is ¥90 million.

* The amounts shown in (a) and (b) were all paid for audit certification. Because the remuneration amount for the audit under Companies Act of Japan and for the audit under Financial Instrument and Exchange Act of Japan is not divided in the Auditing Agreement between The Company and Independent Auditor and is not be able to be actually divided, the amount described in the above specifies the total of these remuneration amount.

(Reference)
Internal Control Report System under the Financial Instruments and Exchange Act of Japan

Effective from the fiscal year ended March 31, 2009, Internal Control Report System has been applied under the Financial Instruments and Exchange Act of Japan. The Company has established a project team to enhance the system for assessment of the effectiveness of internal controls over the financial reporting.

Our management executive assessed the effectiveness of internal control over financial reporting as of March 31, 2013 in accordance with "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council of Financial Services Agency, The Japanese government. Based on that assessment, our management executive concluded that our Group's internal control over financial reporting was effective as of March 31, 2013.

Seimei Audit Corporation, The Company's Independent Auditor, has audited the Internal Control Report made by our management executive, and expressed an unqualified opinion regarding effectiveness of The Group's internal control over financial reporting as of March 31, 2013.

Financial review

1. Operating results

(1) The operating results by segment

(a) Motorcycle

The net sales decreased by ¥24.5 billion (9.6%) to ¥230.3 billion year-on-year, mainly due to the sales decrease in Europe and Asia. As for the operating income, the operating loss of ¥2.4 billion in the previous fiscal year became an operating loss of ¥11.9 billion.

(b) Automobile

The Japanese domestic net sales increased year-on-year as a result of expanding its sales and strengthening the products such as by the launch of the new WagonR and Spacia. As for the overseas, the net sales increased year-on-year by covering the sales decrease in Europe and the impact of the exchange conversion due to the yen appreciation, with the sales increase in Asia. As a result, the overall net sales of the automobile business increased by ¥88.8 billion (4.0%) to ¥2,297.8 billion year-on-year. Operating income increased by ¥36.1 billion (31.5%) to ¥150.6 billion year-on-year, mainly due to the increase of income in India, Indonesia, and the Japanese domestic automobile business.

(c) Marine and Power products, etc

The net sales increased by ¥1.8 billion (3.6%) to ¥50.2 billion year-on-year. Operating income decreased by ¥1.3 billion (17.7%) to ¥5.9 billion year-on-year.

(2) The operating results by geographical areas

(a) Japan

Despite decrease of export to Europe and other areas, the net sales increased by ¥5.9 billion (0.4%) to ¥1,552.1 billion year-on-year due to increased sales of automobiles in Japanese domestic market. The operating income also increased by ¥22.9 billion (28.8%) to ¥102.5 billion year-on-year. The Group was able to increase the operating income by covering the factors of income decrease of exports such as impact of the exchange rate with the factors of income increase such as the increased sales of automobiles in Japanese domestic market and cost reduction.

(b) Europe

Due to the economic stagnation in Europe, the net sales decreased by ¥48.4 billion (15.8%) to ¥258.3 billion year-on-year. Operating income of ¥2.2 billion in the previous fiscal year became an operating loss of ¥1.1 billion.

(c) Asia

The net sales increased by ¥111.8 billion (12.9%) to ¥981.0 billion year-on-year mainly due to increased sales of automobiles in India, Indonesia and Thailand. The operating income increased by ¥6.5 billion (20.5%) to ¥38.1 billion year-on-year.

(e) Other areas

Sales decreased by ¥8.3 billion (4.7%) to ¥169.1 billion year-on-year. Operating income increased by ¥0.5 billion (19.1%) to ¥3.1 billion year-on-year.

(3) Selling, general and administrative expenses

In the current consolidated fiscal year, the amount of selling, general and administrative expenses increased by ¥36.9 billion (7.7%) to ¥514.5 billion year-on-year because of increase of advertising expenses and research & development expenses.

(4) Other income and expenses

In the current consolidated fiscal year, the net amount of other income and expenses was a loss of ¥5.2 billion, which increased ¥2.6 billion year-on-year. This was mainly due to loss on liquidation of subsidiaries and affiliates despite profit from financial activities and others.

(5) Forecasts for the next fiscal year

As for the next fiscal year, while the exchange environment is improving and the sales in the growing markets such as India and ASEAN are increasing, increase of depreciation and research and development expenses due to increased investments to support those growths would be expected. But The Group will work as one to reform in every field to accomplish more than the below forecasts for the consolidated operation by developing the business activity.

(Forecasts for the consolidated operating results-First Half)

Net sales	¥1,300.0 billion	(up 6.0% year-on-year)
Operating income	¥82.5 billion	(up 24.7% year-on-year)
Net income	¥50.0 billion	(up 19.3% year-on-year)
Foreign exchange rates	97 yen/US$, 128yen/Euro, 1.71yen/Indian Rupee 0.99yen/100Indonesian Rupiah, 3.21yen/Thai Baht	

(Forecasts for the consolidated operating results-Full Year)

Net sales	¥2,800.0 billion	(up 8.6% year-on-year)
Operating income	¥165.0 billion	(up 14.1% year-on-year)
Net income	¥100.0 billion	(up 24.4% year-on-year)
Foreign exchange rates	96 yen/US$, 126yen/Euro, 1.65yen/Indian Rupee 0.97yen/100Indonesian Rupiah, 3.10yen/Thai Baht	

(Anounced on August 1, 2013)

* The forecasts for the next fiscal year mentioned above are based on currently available information and assumptions, contain risks and uncertainty and do not constitute guarantees of future achievement. Please note that the actual results may greatly vary by the changes of various factors. Those factors, which may influence the actual results, include economic conditions and the trend of demand in major markets and the fluctuations of foreign exchange rate (mainly US dollar/Yen rate, Euro/Yen rate, Indian Rupee/Yen rate).

2. Liquidity and capital resources

(1) Cash flow

Cash flow provided by operating activities for FY2012 amounted to ¥190.1 billion (¥226.7 billion was provided in the previous fiscal year), and ¥210.6 billion was used for the acquisition of property, plant and equipment etc. in the investment activities (¥93.6 billion was used in the previous fiscal year). As a result, free cash flow amounted to ¥20.5 billion of negative (¥133.1 billion of positive for the previous fiscal year). In financing activities, ¥33.6 billion was used in redemption of bonds with subscription rights to shares which amounted ¥150.0 billion and others (¥56.5 billion was used in the previous fiscal year).
As a result, the balance of cash and cash equivalents at the end of FY2012 amounted ¥661.1 billion and decreased by ¥49.4 billion from the end of previous fiscal year.

(2) Demand for money

During the current consolidated fiscal year, The Company and consolidated subsidiaries invested a total ¥169.3 billion of capital expenditures on various areas such as development of new model and research & development.
Capital expenditure project for the next fiscal year is ¥270.0 billion. The required fund will be covered mainly by our own funds.

3. Significant accounting policies

For information regarding significant accounting policies, please refer to the Notes to Consolidated Financial Statements.

* An amount less than 100 million yen has been rounded off in “financial review” section.

4. Risks in operations

Risks that may affect the management results, stock price and financial situation of The Group include the followings.
Forward-looking statements in this section are based on our conclusions as of March 31, 2013.

Risk relating to markets

(1) Change in economic situations, demand fluctuation in the markets

The long term economic slowdown, world economic deterioration and financial crisis, and the reduced buying motivation of the consumers may lead to a substantially reduced demand for the products of The Group including motorcycles, automobiles and outboard motors.

In addition, we conduct businesses around the world, and our dependency on the overseas manufacturing plants especially in the developing countries of the Asian regions has been increasing over the years. The unexpected situation in these markets such as the rapid change in the economic situations may affect the performance of The Group. Further, unexpected change or new application of tax systems in each country may also affect the performance and financial conditions of The Group.

(2) Severer competitions with other companies

We are facing competitions with rival companies in every global market where we conduct our businesses. As the automobiles and motorcycles industries in the world are globalized further, competitions may get harder. Competitions with other companies include various aspects such as product quality, safety, price, environmental performance, as well as efficiency of product development and manufacturing system, establishment of sales and service systems and sales finance.

We will make further efforts for maintaining and improving our competitive edges, but there may be risks that impede our competitive advantages.

Risk relating to business

(1) New product development and launching abilities

It is very important for an automobile and motorcycle manufacturer to correctly understand customer needs and to develop and launch to the market new attractive products that satisfy the customers in a timely manner. It has become more important than ever to understand customer needs that rapidly change, such as the reduced demands caused by domestic and overseas economic slowdown and the increased interest in the environmental performance.

In addition, launching of new products will require specific product development abilities as well as abilities to continually manufacture products in addition to appropriately understanding customer needs.

However, even if we are able to appropriately understand the customer needs, we may not be able to develop new products matching the customer needs in a timely manner on account of technical abilities, procurement of parts, production capabilities and other factors. If we are unable to launch products matching the customer needs to the market in a timely manner, the sales share and sales may be reduced, which may adversely affect the performance and financial conditions of The Group.

(2) Change in product prices and purchase prices, dependence on specific suppliers

Various factors including a rapid change in demands, insufficient supply or price rise of specific parts and raw materials, unstable economic conditions, revisions of import regulations and harder price competition may rapidly change the product prices and purchase prices of The Group. There is no guarantee that such rapid price change does not last long or such change does not occur in the markets where there have not been such changes so far. Rapid changes in product prices and purchase prices may adversely affect the performance and financial positions of The Group in any market where we conduct our businesses.

In addition, the procurement of some of the parts has been limited to specific suppliers on account of technical abilities, quality, and price competitiveness. If we are unable to obtain the parts continuously and stably on account of unforeseeable accidents of the suppliers, it may adversely affect the performance and financial conditions of The Group.

(3) Business development in various countries in the world

We have been conducting our businesses in various countries in the world, and in some of the countries, we conduct joint ventures with local companies in accordance with local laws or other requirements. These businesses are restricted by various legal and other regulations in each country (including those related to tax, tariff, overseas investment and fund transfer to the home country). Any changes to such regulations, management policies of the joint venture partners or management environment may adversely affect the performance and financial conditions of The Group.

(4) Fluctuations of exchange rates and interest rates

We export motorcycles, automobiles, outboard motors and related parts to various countries in the world from Japan. In addition, we export those products and parts from the overseas manufacturing plants to multiple other countries. Fluctuations of exchange rates may adversely affect the performance and financial conditions of The Group as well as our competitiveness.
Further, the exchange fluctuations will affect the price setting of the products sold by The Company in foreign currencies as well as the price of the raw materials purchased. The ratio of the overseas sales has reached 60 percent of consolidated sales for the current consolidated fiscal year, and transactions in foreign currencies account for significant part. We take hedging measures such as forward exchange contracts to reduce the risks of exchange-rates and interest-rates fluctuations, but it is impossible to hedge every risk, and the yen appreciation against other currencies may adversely affect the performance and financial conditions of The Group. On the contrary, the yen depreciation may result in opportunity losses.

(5) Government regulations

Various legal regulations are applied to the motorcycle, automobile and outboard motor industries in relation to the emission level of emission gas, mileage, noises, safety and contaminated material emission level from the manufacturing plants. These regulations may be revised, in many cases strengthened. Expenses to comply with these regulations may largely affect the performance of The Group.
In addition, many governments determine the imposition of tariffs, price control regulations and exchange control regulations. The Group is paying expenses to comply with these regulations and will expect to continue bearing them. We may pay more expenses depending on the establishment of new laws or changes of existing laws. Further, unexpected changes or new application of tax systems and economic measures of each country may adversely affect the performance and financial conditions of The Group.

(6) Quality assurance

We place the top priority on the product safety and make efforts to establish the quality assurance system from development to sales. We buy insurance for the product liability, but there are risks not covered by insurance. The occurrence of large expenses for a large-scale recall to ensure safety of the customers may adversely affect the performance and financial conditions of The Group.

(7) Alliance with other companies

We conduct various alliance activities with automobile manufacturer around the world and other companies for research and development, manufacturing, sales and finance, but factors that can not be controlled by The Group such as situations inherent to the alliance partners may adversely affect the performance and financial conditions of The Group.

(8) Legal proceedings

We may become a party to lawsuits and other legal proceedings in the course of our business activities. In the case where any judgments disadvantageous to us are made in such legal proceedings, they may adversely affect the performance and financial conditions of The Group.

(9) Influences of natural disasters, wars, terrorism and strikes, etc.

The major manufacturing plants of The Group in Japan conduct manufacturing activities, located mainly in the Tokai region. In addition, the head office and other facilities of The Company are also concentrated in the Tokai region. Any occurrences of Tokai and Tonankai earthquake may largely affect adversely the performance and financial condition of The Group. We have taken various preventive measures such as quake-resistant measures for buildings and facilities, fire preventive measures, establishment of business recovery plans, purchases of earthquake insurances to minimize the influences of damage by such disasters. We also conduct businesses around the world and are subject to number of risks relating to our overseas operations. Such risks include political or social instability and difficulties, natural disasters, diseases, wars, terrorism and strikes. These unexpected events may delay or suspend the purchase of raw materials and parts, manufacturing, sales of products, logistics and provision of services. If such delay or suspension caused by any of these factors occur or prolong, they may adversely affect the performance and financial conditions of The Group.

Further, there are various risks other than those mentioned above, and what have been stated in this section do not represent all the risks of The Group.

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)
	2013	2012	2011	2010	2009	**2013**
Net sales	**¥2,578,317**	¥2,512,186	¥2,608,217	¥2,469,063	¥3,004,888	**$27,414,326**
Net income	**80,389**	53,887	45,174	28,913	27,429	**854,752**
Net income per share:						
Primary	**143.31**	96.06	80.65	62.76	61.68	**1.524**
Fully diluted	**131.67**	88.28	74.11	55.26	53.97	**1.400**
Cash dividends per share	**18.00**	15.00	13.00	12.00	16.00	**0.191**
Net assets	**1,298,553**	1,111,757	1,106,999	1,089,757	742,915	**13,807,058**
Total current assets	**1,560,218**	1,509,568	1,372,885	1,479,336	1,267,790	**16,589,249**
Total assets	**2,487,635**	2,302,439	2,224,344	2,381,314	2,157,849	**26,450,133**
Depreciation and amortization	**93,680**	103,117	138,368	141,846	141,203	**996,074**

NON-CONSOLIDATED

Years ended March 31	Millions of yen (except per share amounts)					Thousands of U.S. dollars (except per share amounts)
	2013	2012	2011	2010	2009	**2013**
Net sales	**¥1,422,595**	¥1,383,269	¥1,409,205	¥1,286,633	¥1,685,777	**$15,125,948**
Net income	**36,405**	15,846	10,834	7,086	3,287	**387,083**
Net income per share:						
Primary	**64.89**	28.25	19.34	15.38	7.39	**0.690**
Fully diluted	**59.64**	25.98	17.80	13.57	6.50	**0.634**
Cash dividends per share	**18.00**	15.00	13.00	12.00	16.00	**0.191**
Net assets	**761,353**	703,292	691,207	673,803	405,434	**8,095,195**
Total current assets	**921,352**	921,669	818,964	899,655	705,203	**9,796,412**
Total assets	**1,641,700**	1,597,903	1,524,232	1,625,023	1,402,420	**17,455,611**
Depreciation and amortization	**35,626**	38,532	61,265	72,359	72,942	**378,805**

Note: Yen amounts are translated into U.S. dollars for convenience only, at ¥94.05 = U.S.$1, the prevailing exchange rate as of March 29, 2013.

Consolidated Financial Statements

Consolidated Balance Sheets

As of March 31, 2013 and 2012

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
ASSETS			
Current assets:			
Cash and deposits *NOTE 4	¥ 279,009	¥ 291,670	$ 2,966,603
Short-term investment securities *NOTE 4	559,609	542,668	5,950,131
Receivables:			
Notes and accounts receivables-trade *NOTE 4	253,237	254,066	2,692,587
Allowance for doubtful accounts	(5,076)	(5,020)	(53,971)
Merchandise and finished goods	183,195	169,303	1,947,852
Work in process	30,334	20,574	322,534
Raw materials and supplies	47,850	49,803	508,774
Deferred tax assets	93,307	92,910	992,109
Other	118,750	93,591	1,262,627
Total current assets	1,560,218	1,509,568	16,589,249
Property, plant and equipment: *NOTE 5			
Land	211,512	184,876	2,248,934
Buildings and structures	368,706	350,250	3,920,322
Machinery, equipment, vehicles, tools, furniture and fixtures	1,406,084	1,289,852	14,950,397
Construction in progress	79,075	57,239	840,776
	2,065,378	1,882,218	21,960,430
Accumulated depreciation	(1,456,918)	(1,375,355)	(15,490,892)
Total property, plant and equipment	608,460	506,862	6,469,538
Investments and other assets:			
Investment securities *NOTE 4	199,249	155,806	2,118,548
Investments in affiliates *NOTE 4	48,248	34,548	513,013
Deferred tax assets	36,179	67,294	384,687
Other	35,277	28,359	375,094
Total investments and other assets	318,956	286,008	3,391,345
Total assets	¥2,487,635	¥2,302,439	$26,450,133

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable-trade *NOTE 4	¥ 350,472	¥ 354,899	$ 3,726,445
Short-term loans payable *NOTE 4 and 5	171,790	170,463	1,826,588
Current portion of long term loans payable *NOTE 4 and 5	35,299	51,968	375,328
Current portion of bonds with subscription rights to shares *NOTE 4 and 5	—	149,975	—
Income taxes payable	21,420	21,170	227,761
Accrued expenses *NOTE 4	155,519	140,150	1,653,583
Provison for loss on liquidation of subsidiaries and affiliates	5,521	—	58,708
Other	144,592	148,399	1,537,397
Total current liabilities	884,616	1,037,028	9,405,814
Noncurrent liabilities:			
Long-term loans payable *NOTE 4 and 5	220,392	67,359	2,343,350
Provision for retirement benefits *NOTE 7	37,903	36,647	403,011
Provision for directors' retirement benefits	1,330	1,356	14,151
Provision for disaster	17,214	18,065	183,035
Deferred tax liabilities	111	1,135	1,183
Other	27,512	29,089	292,528
Total noncurrent liabilities	304,464	153,653	3,237,261
Total liabilities	1,189,081	1,190,681	12,643,075
Net assets:			
Shareholders' equity: *NOTE 11			
Capital stock:			
Common stock: Authorized - 1,500,000,000 shares Issued,			
as of March 31, 2013 – 561,047,304	138,014	—	1,467,461
as of March 31, 2012 – 561,047,304	—	138,014	—
Capital surplus	144,364	144,364	1,534,978
Retained earnings	912,304	834,296	9,700,212
Treasury stock	(86)	(81)	(923)
Total shareholders' equity	1,194,597	1,116,594	12,701,729
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	58,888	29,865	626,135
Deferred gains or losses on hedges	1,687	(1,119)	17,947
Foreign currency translation adjustment	(108,218)	(157,591)	(1,150,649)
Total accumulated other comprehensive income	(47,642)	(128,845)	(506,566)
Subscription rights to shares *NOTE 14	84	—	903
Minority interests	151,513	124,009	1,610,991
Total net assets	¥1,298,553	¥1,111,757	$13,807,058
Total liabilities and net assets	¥2,487,635	¥2,302,439	$26,450,133

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

Years ended March 31, 2013 and 2012

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Net sales	**¥2,578,317**	¥2,512,186	**$27,414,326**
Cost of sales	**1,919,218**	1,915,228	**20,406,363**
Gross profit	**659,098**	596,957	**7,007,962**
Selling, general and administrative expenses	**514,534**	477,653	**5,470,864**
Operating income	**144,564**	119,304	**1,537,098**
Other income (expenses):			
Interest and dividend income	**19,550**	17,617	**207,876**
Interest expense	**(5,510)**	(4,750)	**(58,592)**
Equity in earnings (losses) of affiliates	**664**	(67)	**7,061**
Other, net	**(19,864)**	(15,353)	**(211,216)**
Income before income taxes	**139,403**	116,751	**1,482,227**
Income taxes: *NOTE 8			
Current	**40,405**	36,142	**429,613**
Deferred	**7,971**	16,440	**84,762**
	48,377	52,582	**514,375**
Income before minority interests	**91,026**	64,169	**967,851**
Minority interests in income	**10,636**	10,281	**113,098**
Net income	**¥ 80,389**	¥ 53,887	**$ 854,752**

	Yen		U.S. dollars
Net income per share:			
Primary	**¥ 143.31**	¥ 96.06	**$ 1.524**
Fully diluted	**131.67**	88.28	**1.400**
Cash dividends per share	**18.00**	15.00	**0.191**

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

(Consolidated Statements of Comprehensive Income)

Years ended March 31, 2013 and 2012

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Income before minority interests	**¥91,026**	¥64,169	**$967,851**
Other comprehensive income			
Valuation difference on available-for-sale securities	**29,494**	3,974	**313,605**
Deferred gains or losses on hedges	**1,884**	(852)	**20,037**
Foreign currency translation adjustment	**51,812**	(52,689)	**550,903**
Share of other comprehensive income of associates accounted for using equity method	**3,672**	781	**39,043**
Change in equity	**6,595**	—	**70,129**
Total other comprehensive income *NOTE 12	**93,459**	(48,785)	**993,719**
Comprehensive income	**184,485**	15,383	**1,961,571**
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	**168,188**	26,028	**1,788,286**
Comprehensive income attributable to minority interests	**16,297**	(10,644)	**173,284**

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

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen							
	Thousands of shares of common stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total other comprehen-sive income	Subscription rights to shares	Minority interests
Balance as of March 31, 2011	561,047	¥138,014	¥144,364	¥788,263	¥(78)	¥(100,986)	¥—	¥137,422
Dividends from surplus ..	—	—	—	(7,854)	—	—	—	—
Net income	—	—	—	53,887	—	—	—	—
Purchase of treasury stock	—	—	—	—	(3)	—	—	—
Disposal of treasury stock	—	—	(0)	—	1	—	—	—
Transfer of loss on disposal of treasury stock	—	—	0	(0)	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	(27,858)	—	(13,413)
Balance as of March 31, 2012	561,047	¥138,014	¥144,364	¥834,296	¥(81)	¥(128,845)	¥—	¥124,009
Dividends from surplus ..	—	—	—	(8,976)	—	—	—	—
Change in equity	—	—	—	6,595	—	—	—	—
Net income	—	—	—	80,389	—	—	—	—
Purchase of treasury stock	—	—	—	—	(5)	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	81,203	84	27,504
Balance as of March 31, 2013	**561,047**	**¥138,014**	**¥144,364**	**¥912,304**	**¥(86)**	**¥(47,642)**	**¥84**	**¥151,513**

	Thousands of U.S. dollars							
	Thousands of shares of common stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total other comprehen-sive income	Subscription rights to shares	Minority interests
Balance as of March 31, 2012	561,047	$1,467,461	$1,534,978	$8,870,774	$(865)	$(1,369,971)	$—	$1,318,543
Dividends from surplus ..	—	—	—	(95,443)	—	—	—	—
Change in equity........	—	—	—	70,129	—	—	—	—
Net income	—	—	—	854,752	—	—	—	—
Purchase of treasury stock	—	—	—	—	(58)	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	863,404	903	292,447
Balance as of March 31, 2013	**561,047**	**$1,467,461**	**$1,534,978**	**$9,700,212**	**$(923)**	**$(506,566)**	**$(903)**	**$1,610,991**

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

Consolidated Statements of Cash Flows

Years ended March 31, 2013 and 2012

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Cash flows from operating activities			
Income before income taxes	**¥139,403**	¥116,751	**$1,482,227**
Depreciation and amortization	**93,680**	103,117	**996,074**
Impairment loss	**458**	6,030	**4,874**
Increase (decrease) in provision for loss on liquidation of subsidiaries and affiliates	**5,521**	—	**58,708**
Increase (decrease) in provision for disaster	**(850)**	18,065	**(9,043)**
Interest and dividends income	**(19,550)**	(17,617)	**(207,876)**
Interest expenses	**5,510**	4,750	**58,592**
Equity in (earnings) losses of affiliates	**(664)**	67	**(7,061)**
Loss (gain) on valuation of securities	**3,849**	5,341	**40,925**
Loss (gain) on sales of investment securities	**—**	(9,650)	**—**
Decrease (increase) in notes and accounts receivable-trade	**10,247**	(58,773)	**108,957**
Decrease (increase) in inventories	**(3,029)**	(21,060)	**(32,209)**
Increase (decrease) in notes and accounts payable-trade	**(8,142)**	97,280	**(86,579)**
Increase (decrease) in accrued expenses	**11,608**	6,676	**123,428**
Other, net	**(28,282)**	(9,945)	**(300,720)**
Subtotal	**209,759**	241,031	**2,230,297**
Interest and dividends income received	**19,466**	19,312	**206,981**
Interest expenses paid	**(5,211)**	(4,081)	**(55,411)**
Income taxes paid	**(33,957)**	(29,543)	**(361,054)**
Net cash provided by (used in) operating activities	**190,057**	226,718	**2,020,813**
Cash flows from investing activities			
Payments into time deposits	**(32,908)**	(42,786)	**(349,906)**
Proceeds from withdrawal of time deposits	**41,603**	40,875	**442,356**
Purchases of short-term investment securities	**(113,726)**	(84,628)	**(1,209,217)**
Proceeds from sales of short-term investment securities	**64,127**	59,157	**681,843**
Purchases of property, plant and equipment	**(163,929)**	(119,210)	**(1,743,002)**
Proceeds from sales of property, plant and equipment	**3,505**	3,751	**37,274**
Purchases of investment securities	**(4,002)**	(2,188)	**(42,559)**
Proceeds from sales and redemption of investment securities	**—**	25,025	**—**
Payments for investments in capital	**(4,865)**	(384)	**(51,734)**
Payments of loans receivable	**(436)**	(458)	**(4,636)**
Collection of loans receivable	**673**	28,759	**7,156**
Other, net	**(599)**	(1,554)	**(6,373)**
Net cash provided by (used in) investing activities	**(210,559)**	(93,643)	**(2,238,800)**
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	**(8,603)**	(12,480)	**(91,476)**
Proceeds from long-term loans payable	**190,482**	29,948	**2,025,330**
Repayment of long-term loans payable	**(54,708)**	(64,165)	**(581,696)**
Redemption of bonds	**(149,975)**	—	**(1,594,630)**
Cash dividends paid	**(8,975)**	(7,853)	**(95,435)**
Cash dividends paid to minority shareholders	**(1,814)**	(1,947)	**(19,292)**
Other, net	**(38)**	(42)	**(405)**
Net cash provided by (used in) financing activities	**(33,632)**	(56,540)	**(357,605)**
Effect of exchange rate changes on cash and cash equivalents	**4,706**	2,072	**50,046**
Net increase (decrease) in cash and cash equivalents	**(49,427)**	78,607	**(525,546)**
Cash and cash equivalents at beginning of period	**710,530**	631,923	**7,554,815**
Cash and cash equivalents at end of period *NOTE 10	**¥661,102**	¥710,530	**$7,029,269**

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 Financial Services Agency as required by the Financial Instruments and Exchange Act of Japan.
The preparation of the consolidated financial statements requires the management to select and adopt accounting standards and make estimates and assumptions that affect the reported amount of assets and liabilities, revenue and expenses, and the corresponding methods of disclosure.
As such, the management's estimates are made reasonably based on historical results. 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.
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 94.05 to U.S. $1, the rate of exchange prevailing as of March 29, 2013. 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, 2013 and 2012, include the accounts of The Company and its significant subsidiaries and the number of consolidated subsidiaries are 135 and 138 respectively. All significant intercompany accounts and transactions are eliminated in consolidation. Investments in affiliated companies are accounted for by the equity method.
The difference at the time of acquisition between the cost and underlying net equity of investments in consolidated subsidiaries (goodwill) and in affiliated companies accounted for under the equity method is, as a rule, amortized on a straight-line basis over a period of five years after appropriate adjustments.
The account settlement date of 30 consolidated subsidiaries is December 31, but Magyar Suzuki Corporation Ltd. and 4 others are consolidated based on the financial statements of provisional account settlement as of March 31. Other 25 subsidiaries are consolidated with the financial statements based on their respective account settlement date.
The account settlement date of other consolidated subsidiaries is the same as the consolidated account settlement date.

(b) Allowance for doubtful accounts

In order to allow for loss from bad debts, estimated uncollectible amount based on actual ratio of bad debt is appropriated as to general receivable. As for specific receivable with higher default possibility, possibility of collection is estimated respectively and uncollectible amount is appropriated.

(c) Provision for product warranties

The provision is appropriated into this account based on the warranty agreement and past experience in order to allow for expenses related to the maintenance service of products sold.

(d) Provision for recycling expenses

The provision is appropriated for an estimated expense related to the recycle of products of The Company based on actual sales.

(e) Provision for product liabilities

With regards to the products exported to North American market, to prepare for the payment of compensation, not covered by "Product Liability Insurance" the anticipated amount to be borne by The Company is computed and provided on the basis of actual results in the past.

(f) Short-term investment securities and Investment securities

The Company and its subsidiaries hold securities of listed companies, which have a risk of price fluctuations, and non-listed companies whose stock prices are difficult to be evaluated.
If we judge the decline in investment value is not temporary, we recognize revaluation loss based on the reasonable standard. If the stock market falls, we may incur significant loss on valuation of securities.
Securities have to be classified into four categories: trading securities; held-to-maturity debt securities; investments of The Company in equity securities issued by consolidated subsidiaries and affiliates; and available-for-sale securities.
According to this classification, securities held by The Company and its subsidiaries are available-for-sale securities. Available-for-sale securities for which market quotations are available are stated at market value method based on the market values as of the consolidated account settlement date (The evaluation differences shall be reported as a component of net assets, and sales costs shall be calculated mainly by the moving average method).
Available-for-sale 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 until the gains and losses on the hedged items or transactions are recognized.

If foreign currency forward contracts meet certain criteria, exceptional hedge accounting is applied and these contracts are handled together with hedged items.

The derivatives designated as hedging instruments by The Company and its subsidiaries are principally forward exchange contracts, interest swaps and cross currency interest rate swaps. The related hedged items are foreign currency denominated transaction and borrowings.

The Company and its subsidiaries have a policy to 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 income or loss for the period.

Assets and liabilities of the foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

The components of net assets are translated into Japanese yen at their historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average exchange rate during the year. Differences in yen amounts arising from the use of different rates are presented as "foreign currency translation adjustments" and "minority interests" in the net assets.

(i) Inventories

Stated at cost mainly determined by the gross average method (Figures on the consolidated balance sheet are measured by the method of book devaluation based on the reduction of profitability)

(j) Method of depreciation and amortization of significant depreciable assets

a. Property, plant and equipment (excluding lease assets)

.... Mainly declining balance method for The Company and domestic subsidiaries and mainly straight-line method for foreign subsidiaries

Main durable years are as follows

Buildings and structures	3 to 75 years
Machinery, equipment and vehicles	3 to 15 years

b. Intangible assets (excluding lease assets)

.... Straight line method

c. Lease assets

Finance lease which transfer ownership

.... The same method as depreciation and amortization of self-owned noncurrent assets.

Finance lease which do not transfer ownership

.... Straight-line method with the lease period as the durable years. As to lease assets with guaranteed residual value under lease agreement, remaining value is the guaranteed residual value. And as to other lease assets, remaining value would be zero.

(k) Income taxes

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

Consolidated tax payment has been applied to The Company and its domestic wholly owned subsidiaries since FY 2011.

(l) Retirement 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 the current consolidated fiscal year, the allowable amount which occurs at the end of the current consolidated fiscal year is appropriated.

With regard to prior service costs, the amount, prorated on a straight line basis over the certain period within average length of employees' remaining service years at the time when it occurs, is treated as expense. As for the actuarial differences, the amounts prorated on a straight line basis over the certain period within average length of employees' remaining service years in each fiscal year in which the differences occur are respectively treated as expenses from the next term of the fiscal year in which they arise.

As for Directors and Company Auditors of The Company, the amount to be paid at the end of fiscal year had been posted pursuant to The Company's regulations on the retirement allowance of Directors and Company Auditors. However, The Company's retirement benefit system for them was abolished at the closure of the Ordinary General Meeting of Shareholders held on June 2006. And it was approved at Ordinary General Meeting of Shareholders that reappointed Directors and Company Auditors were paid their retirement benefit at the time of their retirement, based on their years of service. Estimated amount of such retirement benefits is appropriated at the end of the current consolidated fiscal year.

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

Retirement benefit cost and retirement benefit obligation are calculated based on the actuarial assumptions, which include discount rate, assumed return of investment ratio, revaluation ratio, salary rise ratio, retirement ratio and mortality ratio. Discount rate is decided 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 reduce adverse effects caused by a decrease in the discount rate.

If the investment yield of pension assets is less than the assumed return of investment ratio, it will have an adverse effect on the calculation of retirement benefit cost. But by focusing on low-risk investments, this influence should be minimal in the case of the pension fund systems of The Company and its subsidiaries.

(m) Provision for disaster

Reasonably estimated amount is appropriated for anticipated loss mainly caused by relocation of plants and facilities located in the Ryuyo Region in Iwata City, Shizuoka Prefecture where massive tsunami damages caused by Tokai and Tonankai Earthquake are anticipated.

(n) Provision for loss on liquidation of subsidiaries and affiliates

Reasonably estimated amount is appropriated for anticipated loss caused by liquidation and restructuring of businesses operated by subsidiaries and affiliates.

(o) Revenue recognition

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

(p) Net income per share

Primary net income per share is computed based on the weighted average number of shares issued during the respective years. Fully diluted net income per share is computed assuming that all 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.

(q) Cash and cash equivalents

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

(r) Reclassification

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

NOTE 3: Changes in Accounting Principles and Accounting Estimates

Change in Accounting Principles which is difficult to be distinguished from Changes in Accounting Estimates

In accordance with revisions of the Corporation Tax Act, The Company and its domestic consolidated subsidiaries have revised the method of depreciation which is based on the revised Corporation Tax Act for property, plant and equipment acquired on or after April 1, 2012 from this fiscal year.

The impact of this change on operating income, ordinary income and income before income taxes was immaterial.

NOTE 4: Financial Instruments

(a) Matters for conditions of financial instruments

a. Policy for financial instruments

As for the fund management, The Group uses short-term deposits and short-term investment securities, and as for the fund-raising, The Group uses borrowings from financial institutions such as banks and issuance of bonds. The Group uses derivatives to hedge and manage the risks of interest-rates and exchange-rates fluctuations, and does not use derivatives for speculation purposes.

b. Type of financial instruments, risks and risk management

With respect to customers' credit risks from operating receivables such as notes and accounts receivables-trade, in order to mitigate the risks, The Group identifies credit standing of major counterparties and manages due date and receivable balance of each counterparty in line with our rules and regulations for credit control. The Group hedges risks of exchange-rate fluctuations from operating receivables denominated in foreign currency by forward exchange contract in principle.

Investment securities are mainly stocks of companies with which The Group has business relationship, and as for listed stocks, The Group quarterly identifies those fair values and reports them to the Board of Directors.

Most of accounts payable-trade are due within one year.

Applications of borrowings are fund for operating capital (mainly short-term) and capital expenditures (long-term), and The Group uses interest-rate swaps for the interest rate risks of some long-term borrowings to fix interest expenses. Also, The Group uses cross currency interest rate swaps for fluctuation of exchange rate in repayment of principle and interest rate risk to fix cash flow.

Objectives of derivative transactions are foreign currency forward contracts to hedge the risks of exchange-rate fluctuations related to receivables denominated in foreign currencies, interest rate swaps to hedge the risks of fluctuations in interest rate related to borrowings, and cross currency interest rate swaps to hedge the risk of fluctuation in exchange rate and interest rate related to borrowings. The Group executes and manages derivatives within the actual demand in line with our rules and regulations which set out the authority to trade. In addition, in using derivatives, The Group deals with financial institutions which have high credit grade in order to reduce credit risks. With respect to hedge accounting, also please see Note 2 (g).

In addition, each of The Group company manages liquidity risk related to accounts payable and borrowings by making a financial plan.

c. Supplement to fair values of financial instruments

Fair values of financial instruments include values based on quoted prices in active markets and values assessed by rational valuation techniques in case quoted prices are not available. Because the rational valuation techniques include variable factors, the results of valuation may differ when different assumption is applied.

(b) Matters for fair values of the financial instruments

Carrying amounts in the consolidated balance sheet, fair values and difference as of March 31, 2013 and 2012 are as follows. Financial instruments whose fair value cannot be reliably determined are not included in the below table.

Millions of yen

	2013			2012		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and deposits	**¥279,009**	**¥279,009**	**¥ —**	¥291,670	¥291,670	¥ —
Notes and accounts receivables-trade	**253,237**	**253,225**	**(12)**	254,066	254,099	32
Short-term investment securities and Investment securities						
Available-for-sale securities	**327,789**	**327,789**	**—**	232,499	232,499	—
Investments in affiliates	**513**	**357**	**(155)**	456	243	(212)
Total of assets	**860,549**	**860,381**	**(168)**	778,692	778,512	(179)
Accounts payable-trade	**350,472**	**350,472**	**—**	354,899	354,899	—
Short-term loans payable	**171,790**	**171,790**	**—**	170,463	170,463	—
Current portion of long-term loans payable	**35,299**	**35,313**	**(14)**	51,968	52,027	(58)
Current portion of bonds with subscription rights to shares	**—**	**—**	**—**	149,975	149,525	449
Accrued expenses	**155,519**	**155,519**	**—**	140,150	140,150	—
Long-term loans payable	**220,392**	**218,067**	**2,324**	67,359	67,883	(523)
Total of liabilities	**933,474**	**931,164**	**2,310**	934,817	934,949	(132)
Derivatives						
Hedge accounting is applied	**2,596**	**2,596**	**—**	(1,983)	(1,983)	—
Hedge accounting is not applied	**(1,845)**	**(1,845)**	**—**	(533)	(533)	—

Thousands of U.S. dollars

	2013		
	Carrying amount	Fair value	Difference
Cash and deposits	**$2,966,603**	**$2,966,603**	**$ —**
Notes and accounts receivables-trade	**2,692,587**	**2,692,452**	**(135)**
Short-term investment securities and Investment securities			
Available-for-sale securities	**3,485,265**	**3,485,265**	**—**
Investments in affiliates	**5,460**	**3,803**	**(1,656)**
Total of assets	**9,149,916**	**9,148,124**	**(1,792)**
Accounts payable-trade	**3,726,445**	**3,726,445**	**—**
Short-term loans payable	**1,826,588**	**1,826,588**	**—**
Current portion of long-term loans payable	**375,328**	**375,478**	**(149)**
Accrued expenses	**1,653,583**	**1,653,583**	**—**
Long-term loans payable	**2,343,350**	**2,318,638**	**24,712**
Total of liabilities	**9,925,297**	**9,900,734**	**24,562**
Derivatives			
Hedge accounting is applied	**27,604**	**27,604**	**—**
Hedge accounting is not applied	**(19,620)**	**(19,620)**	**—**

(*): Assets or liabilities derived from derivatives are shown on a net basis and net liabilities are shown as ( ).

*1. Matters for methods used to measure fair values of financial instruments

Assets:

a. Cash and deposits

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

b. Notes and accounts receivables-trade

Fair values of sales finance receivables are calculated on the discount method by the expected rate applied to new loan contract, on each receivable classified into a certain term.

Notes and accounts receivables-trade except sales finance are settled in short term and those fair values are approximately equal to the book values. So book values are used as fair values.

c. Short-term investment securities and Investment securities

These fair values are prices of the stock exchanges. Also please see Note 2 (f).

Liabilities:

a. Accounts payable-trade, Short-term loans payable and Accrued Expenses

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

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

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

c. Current portion of bonds with subscription rights to shares

Fair values of current portion of bonds with subscription rights to shares are measured based on the market value.

Derivatives:

Please refer to Note 4 (d) Derivative transactions

*2. Financial instruments whose fair value cannot be reliably determined as of March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Available-for-sale securities			
Negotiable certificate of deposit	**¥409,000**	¥444,700	**$4,348,750**
Unlisted stock other than stocks of affiliates	**18,876**	18,176	**200,706**
Unlisted stock of affiliates	**16,569**	10,629	**176,177**
Other	**3,193**	3,128	**33,957**

Those fair values cannot be reliably measured because market values are unavailable and future cash flows cannot be estimated. So they are not included in “short-term investment securities and investment securities”.

*3. The amounts to be redeemed after the account settlement date of monetary receivables and available-for-sale securities

	Millions of yen					
	2013			2012		
	Within one year	1-5 years	5-10 years	Within one year	1-5 years	5-10 years
Cash and deposits	**¥ 279,009**	**¥ —**	**¥ —**	¥ 291,670	¥ —	¥ —
Notes and accounts receivables- trade	**203,859**	**48,822**	**555**	209,695	43,891	479
Securities and investment securities with maturities	**559,609**	**—**	**—**	542,668	—	—
Total	**¥1,042,478**	**¥48,822**	**¥555**	¥1,044,034	¥43,891	¥479

	Thousands of dollars		
	2013		
	Within one year	1-5 years	5-10 years
Cash and deposits	**$ 2,966,603**	**$ —**	**$ —**
Notes and accounts receivables- trade	**2,167,567**	**519,109**	**5,910**
Securities and investment securities with maturities	**5,950,131**	**—**	**—**
Total	**$11,084,302**	**$519,109**	**$5,910**

(c) Securities

a. Available-for-sale securities with market value as of March 31, 2013 and 2012

	Millions of yen					
	2013			2012		
	Acquisition cost	Carrying Amount	Difference	Acquisition cost	Carrying Amount	Difference
Securities for which the carrying amount exceeds the acquisition costs						
Stocks	**¥ 86,883**	**¥176,008**	**¥ 89,124**	¥ 72,961	¥121,006	¥ 48,044
Bonds	**—**	**—**	**—**	2,809	2,809	—
Other	**144,648**	**147,424**	**2,776**	90,892	92,038	1,145
Sub Total	**¥231,531**	**¥323,432**	**¥ 91,901**	¥166,663	¥215,853	¥ 49,190
Securities for which the carrying amount does not exceed the acquisition costs						
Stocks	**¥ 5,158**	**¥ 4,356**	**¥ (801)**	¥ 19,723	¥ 16,645	¥ (3,077)
Bonds	**—**	**—**	**—**	—	—	—
Other	**—**	**—**	**—**	—	—	—
Sub Total	**¥ 5,158**	**¥ 4,356**	**¥ (801)**	¥ 19,723	¥ 16,645	¥ (3,077)
Total	**¥236,689**	**¥327,789**	**¥ 91,099**	¥186,387	¥232,499	¥ 46,112

	Thousands of U.S. dollars		
	2013		
	Acquisition cost	Carrying Amount	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Stocks	**$ 923,800**	**$1,871,432**	**$947,632**
Bonds	**—**	**—**	**—**
Other	**1,537,990**	**1,567,510**	**29,520**
Sub Total	**$2,461,790**	**$3,438,943**	**$977,152**
Securities for which the carrying amount does not exceed the acquisition costs			
Stocks	**$ 54,847**	**$ 46,321**	**$ (8,525)**
Bonds	**—**	**—**	**—**
Other	**—**	**—**	**—**
Sub Total	**$ 54,847**	**$ 46,321**	**$ (8,525)**
Total	**$2,516,638**	**$3,485,265**	**$968,626**

b. Available-for-sale securities sold during 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Amounts sold	**¥64,127**	¥73,822	**$681,843**
Gains on sales of available-for-sale securities	**—**	9,650	**—**
Loss on sales of available-for-sale securities	**—**	—	**—**

(d) Derivative transactions

The contract/notional amounts of derivatives which are shown in the below table do not represent The Group's exposure to market risk. As to fair values of derivatives which are shown in the below tables, commodity transactions are valued based on market price. Other transactions are valued based on the price offered by financial institutions.

a. Derivative transactions to which hedge accounting is not applied as of March 31, 2013 and 2012

Currency related transactions (non-market transactions) — Millions of yen

Type	2013				2012			
	Contract/ notional amount	Amount due after one year	Fair value	gain (loss)	Contract/ notional amount	Amount due after one year	Fair value	gain (loss)
Foreign currency forward contracts								
Selling								
USD	**¥ 2,323**	**—**	**¥ 73**	**¥ 73**	¥ 4,383	—	¥ (46)	¥ (46)
Buying								
USD	**17,356**	**—**	**(6)**	**(6)**	6,355	—	161	161
JPY	**38,808**	**—**	**(2,772)**	**(2,772)**	25,594	—	(1,113)	(1,113)
Currency swap transactions								
Pay INR Receive USD	**—**	**—**	**—**	**—**	2,569	—	237	237
Total	**¥58,488**	**—**	**¥(2,705)**	**¥(2,705)**	¥38,903	—	¥(760)	¥(760)

Thousands of U.S. dollars

Type	2013			
	Contract/ notional amount	Amount due after one year	Fair value	gain (loss)
Foreign currency forward contracts				
Selling				
USD	**$ 24,706**	**—**	**$ 784**	**$ 784**
Buying				
USD	**184,542**	**—**	**(67)**	**(67)**
JPY	**412,634**	**—**	**(29,483)**	**(29,483)**
Total	**$621,883**	**—**	**$(28,766)**	**$(28,766)**

Cross currency interest rate swap transactions (non-market transactions) — Millions of yen

Type	2013				2012			
	Contract/ notional amount	Amount due after one year	Fair value	gain (loss)	Contract/ notional amount	Amount due after one year	Fair value	gain (loss)
Pay floating receive floating Pay INR receive USD	**¥6,537**	**¥6,537**	**¥762**	**¥762**	—	—	—	—
Total	**¥6,537**	**¥6,537**	**¥762**	**¥762**	—	—	—	—

Thousands of U.S. dollars

Type	2013			
	Contract/ notional amount	Amount due after one year	Fair value	gain (loss)
Pay floating receive floating Pay INR receive USD	**$69,510**	**$69,510**	**$8,104**	**$8,104**
Total	**$69,510**	**$69,510**	**$8,104**	**$8,104**

Commodity-related transactions (market transactions)

Millions of yen

Type	2013				2012			
	Contract/ notional amount	Amount due after one year	Fair value	gain (loss)	Contract/ notional amount	Amount due after one year	Fair value	gain (loss)
Commodity Futures contract Buying	**¥7,592**	**—**	**¥97**	**¥97**	¥3,105	—	¥227	¥227
Total	**¥7,592**	**—**	**¥97**	**¥97**	¥3,105	—	¥227	¥227

Thousands of U.S. dollars

Type	2013			
	Contract/ notional amount	Amount due after one year	Fair value	gain (loss)
Commodity Futures contract Buying	**$80,730**	**—**	**$1,041**	**$1,041**
Total	**$80,730**	**—**	**$1,041**	**$1,041**

b. Derivative transactions to which hedge accounting is applied as of March 31, 2013 and 2012

Currency related transactions
Principal hedged item: Account receivable-trade, account payable-trade and long term debt

Millions of yen

Type	2013			2012		
	Contract/ notional amount	Amount due after one year	Fair value	Contract/ notional amount	Amount due after one year	Fair value
Foreign currency forward contracts (Principle hedge accounting)						
Selling						
USD	**¥22,369**	**—**	**¥ 745**	¥ 31,303	—	¥ (638)
EUR	**18,902**	**—**	**(130)**	35,589	—	(83)
CAD	**1,583**	**—**	**(30)**	3,064	—	(205)
AUD	**2,941**	**—**	**(151)**	9,623	—	(352)
NZD	**515**	**—**	**(14)**	1,464	—	(83)
GBP	**522**	**—**	**(49)**	1,406	—	(94)
MXN	**832**	**—**	**(25)**	—	—	—
Buying						
USD	**1,498**	**—**	**(46)**	—	—	—
EUR	**2,304**	**—**	**(19)**	1,410	—	11
JPY	**7,200**	**—**	**(1,158)**	23,599	—	(279)
Currency option transactions (Principle hedge accounting)						
Buying						
JPY	**2,578**	**—**	**(356)**	9,338	—	(316)
Foreign currency forward contracts (Exceptional hedge accounting)						
Selling						
USD	**5,654**	**—**	*****	15,461	—	*
EUR	**6,831**	**—**	*****	5,713	—	*
CAD	**1,279**	**—**	*****	1,651	—	*
AUD	**3,455**	**—**	*****	842	—	*
NZD	**563**	**—**	*****	439	—	*
GBP	**1,173**	**—**	*****	1,896	—	*
MXN	**1,149**	**—**	*****	—	—	*
CNY	**295**	**—**	*****	669	—	*
Buying						
USD	**383**	**—**	*****	145	—	*
EUR	**477**	**—**	*****	1,154	—	*
JPY	**412**	**—**	*****	64	—	*
Total	**¥82,925**	**—**	**¥(1,237)**	¥144,840	—	¥(2,042)

Thousands of U.S. dollars

Type	2013		
	Contract/ notional amount	Amount due after one year	Fair value
Foreign currency forward contracts (Principal hedge accounting)			
Selling			
USD	**$237,842**	**—**	**$ 7,930**
EUR	**200,981**	**—**	**(1,389)**
CAD	**16,831**	**—**	**(319)**
AUD	**31,278**	**—**	**(1,609)**
NZD	**5,486**	**—**	**(153)**
GBP	**5,555**	**—**	**(531)**
MXN	**8,853**	**—**	**(269)**
Buying			
USD	**15,933**	**—**	**(499)**
EUR	**24,502**	**—**	**(210)**
JPY	**76,555**	**—**	**(12,320)**
Currency option transactions (Principle hedge accounting)			
Buying			
JPY	**27,421**	**—**	**(3,786)**
Foreign currency forward contracts (Exceptional hedge accounting)			
Selling			
USD	**60,118**	**—**	*
EUR	**72,637**	**—**	*
CAD	**13,604**	**—**	*
AUD	**36,740**	**—**	*
NZD	**5,992**	**—**	*
GBP	**12,480**	**—**	*
MXN	**12,217**	**—**	*
CNY	**3,146**	**—**	*
Buying			
USD	**4,079**	**—**	*
EUR	**5,080**	**—**	*
JPY	**4,383**	**—**	*
Total	**$881,721**	**—**	**$(13,160)**

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

Cross currency interest rate swap transactions
Principal hedged item : long term debt

Millions of yen

Type	2013			2012		
	Contract/ notional amount	Amount due after one year	Fair value	Contract/ notional amount	Amount due after one year	Fair value
Principle hedge accounting						
Pay fixed receive floating Pay JPY receive USD	**¥121,000**	**¥121,000**	**¥3,910**	—	—	—
Pay fixed receive floating Pay IDR receive USD	**1,896**	**675**	**(35)**	—	—	—
Total	**¥122,896**	**¥121,675**	**¥3,875**	—	—	—

Thousands of U.S. dollars

Type	2013		
	Contract/ notional amount	Amount due after one year	Fair value
Principle hedge accounting			
Pay fixed receive floating Pay JPY receive USD	**$1,286,549**	**$1,286,549**	**$41,577**
Pay fixed receive floating Pay IDR receive USD	**20,160**	**7,180**	**(376)**
Total	**$1,306,710**	**$1,293,730**	**$41,201**

Commodity transactions
Principal hedged item : raw materials and supplies

Millions of yen

Type	2013			2012		
	Contract/ notional amount	Amount due after one year	Fair value	Contract/ notional amount	Amount due after one year	Fair value
Commodity futures contract (Principle hedge accounting)						
Buying	**¥536**	**—**	**¥(41)**	¥931	—	¥58
Total	**¥536**	**—**	**¥(41)**	¥931	—	¥58

Thousands of U.S. dollars

Type	2013		
	Contract/ notional amount	Amount due after one year	Fair value
Commodity futures contract (Principle hedge accounting)			
Buying	**$5,708**	**—**	**$(437)**
Total	**$5,708**	**—**	**$(437)**

NOTE 5: Short-term borrowings and long-term debt

Short-term borrowings as of March 31, 2013 and 2012 consisted of the following. The annual interest rates of short-term borrowings as of March 31, 2013 were from 0.22 percent to 12.25 percent.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Short-term loans payable and current portion of long term loans payable			
Secured	**¥ —**	¥ —	**$ —**
Unsecured	**207,090**	222,432	**2,201,917**
Lease obligations due within one year	**27**	47	**297**
Unsecured zero coupon convertible bonds with 130% call option in yen due 2013	**—**	149,975	**—**
	¥207,118	¥372,455	**$2,202,214**

Long-term debt as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Long-term loans payable maturing through 2018			
Secured	**¥ 307**	¥ 375	**$ 3,268**
Unsecured	**220,084**	66,983	**2,340,082**
Lease obligations due more than one year	**21**	34	**225**
Other interest-bearing debts (Long-term guarantee deposited)	**12,716**	11,538	**135,213**
	¥233,130	¥78,931	**$2,478,788**

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, excluding other interest-bearing debt, outstanding as of March 31, 2013 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2015	¥ 31,446	$ 334,364
2016	87,234	927,535
2017	28,730	305,482
2018	73,001	776,193
Thereafter	—	—
	¥220,413	$2,343,575

Assets pledged as collateral as of March 31, 2013:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment	¥781	$ 8,314
Other intangible assets	214	2,284
	¥996	$10,598

Secured liabilities as of March 31, 2013:

	Millions of yen	Thousands of U.S. dollars
Long-term loans payable	¥307	$3,268
Other (noncurrent liabilities)	588	6,262
	¥896	$9,530

NOTE 6: Loan commitment

The Company has the commitment line contract with five banks for effective financing. The outstanding balance of this contract as of March 31, 2013 and 2012 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Commitment line contract total	**¥200,000**	¥155,000	**$2,126,528**
Actual loan balance	**—**	—	**—**
Variance	**¥200,000**	¥155,000	**$2,126,528**

NOTE 7: Retirement and severance benefit

(a) Outline of adopted retirement benefit systems

As for The Company, cash balance corporate pension plan and lump-sum retirement benefit plan are established. And as for some of consolidated subsidiaries, defined benefit corporate pension plan and lump-sum retirement benefit plan are established.

(b) Component of retirement benefit obligation as of March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
a. Retirement benefit obligation	**¥(108,739)**	¥(105,874)	**$(1,156,193)**
b. Pension assets	**83,842**	76,475	**891,469**
c. Unfunded retirement benefit obligation (a+b)	**¥ (24,897)**	¥ (29,399)	**$ (264,723)**
d. Unrecognized difference by an actuarial calculation	**(810)**	1,377	**(8,619)**
e. Unrecognized prior service cost (decrease of liabilities)	**(4,063)**	(4,875)	**(43,209)**
f. Net amount in consolidated balance sheet(c+d+e)	**(29,771)**	(32,896)	**(316,552)**
g Prepaid pension cost	**8,131**	3,750	**86,459**
h. Provision for retirement benefits (f-g)	**¥ (37,903)**	¥ (36,647)	**$ (403,011)**

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) Component of retirement benefit cost for years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
a. Service cost	**¥5,214**	¥5,338	**$55,440**
b. Interest cost	**2,101**	1,760	**22,343**
c. Assumed return on investment	**(699)**	(579)	**(7,439)**
d. Amortized amount of actuarial difference	**1,497**	1,155	**15,926**
e. Amortized amount of prior service cost	**(734)**	(750)	**(7,807)**
f. Retirement benefit cost (a+b+c+d+e)	**¥7,379**	¥6,923	**$78,462**

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. Allocation method of the estimated amount of retirement benefits	: Straight line basis
b. Discount rate	: **2013 Mainly 2.00%** 2012 Mainly 2.00%
c. Reassessment rate	: **2013 1.50%** 2012 1.50%
d. Assumed return of investment ratio	: **2013 Mainly 0.77%** 2012 Mainly 0.70%
e. Number of years for amortization of prior service cost	: Mainly 15 years To be amortized by straight line method with certain term within the employees’ average remaining service years at the time when the difference was caused.
f. Number of years for amortization of actuarial difference	: Mainly 15 years To be amortized from the next fiscal year by straight line method with certain term within 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
	2013	2012	**2013**
Deferred tax assets			
Excess-depreciation and Impairment loss	**¥ 68,083**	¥ 78,671	**$ 723,908**
Various reserves	**41,433**	45,274	**440,545**
Unrealized gross profits elimination	**18,725**	16,719	**199,105**
Loss on valuation of securities	**12,648**	7,985	**134,492**
Deferred assets and others	**3,154**	1,668	**33,544**
Other	**76,845**	69,973	**817,073**
Gross deferred tax assets total	**220,892**	220,293	**2,348,668**
Valuation allowance	**(48,183)**	(35,650)	**(512,319)**
Deferred tax assets total	**¥172,708**	¥184,642	**$1,836,349**
Deferred tax liabilities			
Valuation difference on available-for-sale securities	**¥ (30,468)**	¥ (15,957)	**$ (323,956)**
Variance from the complete market value method of consolidated subsidiaries	**(5,167)**	(4,952)	**(54,945)**
Reserve for advanced depreciation of noncurrent assets	**(3,555)**	(3,437)	**(37,808)**
Other	**(4,140)**	(1,225)	**(44,025)**
Deferred tax liabilities total	**(43,332)**	(25,572)	**(460,735)**
Net amounts of deferred tax assets	**¥129,376**	¥159,069	**$1,375,614**

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

	2013	2012
Statutory tax rate	**37.2%**	39.8%
Valuation allowance	**9.0%**	0.9%
Effect of change of tax rate	**2.7%**	11.4%
Tax credit	**(5.9%)**	(5.5%)
Permanent difference (exclusion from gross revenue)	**(2.6%)**	(1.8%)
Other	**(5.7%)**	0.3%
Effective tax rate	**34.7%**	45.0%

NOTE 9: Research and development costs

Research and development costs included in selling, general and administrative expenses, for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Research and development costs	**¥119,269**	¥109,848	**$1,268,152**

NOTE 10: Cash and cash equivalents

Cash and cash equivalents as of March 31, 2013 and 2012 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Cash and deposits	**¥279,009**	¥291,670	**$2,966,603**
Short-term investment securities	**559,609**	542,668	**5,950,131**
Time deposits with maturities of over three months	**(34,845)**	(41,442)	**(370,495)**
Bonds etc. with redemption period of over three months	**(142,670)**	(82,365)	**(1,516,969)**
	¥661,102	¥710,530	**$7,029,269**

NOTE 11: Net assets

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

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

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

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

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

NOTE 12: Other comprehensive income

Other comprehensive income in the current consolidated fiscal year comprised the following

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Valuation difference on available-for-sale securities			
Unrealized loss(gain) arising during the period	**¥48,141**	¥ 976	**$ 511,866**
Reclassification adjustment of unrealized gain(loss) through profit or loss	**(3,305)**	1,820	**(35,148)**
Before tax effect	**44,835**	2,796	**476,718**
Tax effect	**(15,340)**	1,177	**(163,112)**
Balance at the end of the period	**¥29,494**	¥ 3,974	**$ 313,605**
Deferred gains or losses on hedges			
Unrealized loss(gain) arising during the period	**¥ 3,126**	¥ (1,015)	**$ 33,240**
Reclassification adjustment of unrealized gain(loss) through profit or loss	**447**	(183)	**4,759**
Before tax effect	**3,573**	(1,199)	**38,000**
Tax effect	**(1,689)**	347	**(17,962)**
Balance at the end of the period	**¥ 1,884**	¥ (852)	**$ 20,037**
Foreign currency translation adjustment			
Unrealized loss(gain) arising during the period	**¥45,254**	¥(52,689)	**$ 481,176**
Reclassification adjustment of unrealized gain(loss) through profit or loss	**6,557**	—	**69,727**
Balance at the end of the period	**¥51,812**	¥(52,689)	**$ 550,903**
Share of other comprehensive income of associates accounted for using equity method			
Unrealized loss(gain) arising during the period	**¥ 3,672**	¥ 781	**$ 39,043**
Change in equity			
The amount arising during the period	**¥ 6,595**	¥ —	**$ 70,129**
Total other comprehensive income	**¥93,459**	¥(48,785)	**$ 993,719**

NOTE 13: Cash dividends

	Ordinary General Meeting of Shareholders held on June 28, 2012		Meeting of the Board of Directors held on November 9, 2012	
Total amount of cash dividends	¥4,488 million	$47,721 thousand	¥4,488 million	$47,721 thousand
Cash dividends per share	¥8.00	$0.085	¥8.00	$0.085
Record date	March 31, 2012		September 30, 2012	
Effective date	June 29, 2012		November 30, 2012	

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

	Resolution	
	Ordinary General Meeting of Shareholders held on June 27,2013	
Total amount of cash dividends	¥5,610 million	$59,651 thousand
Cash dividends per share	¥10.00	$0.106
Record date	March 31, 2013	
Effective date	June 28, 2013	

NOTE 14: Stock option plan

The Company adopts stock option plan by using subscription rights to shares.
The plan was adopted at the 146th Ordinary General Meeting of Shareholders and meeting of the board of Directors held on June 28, 2012 and June 27, 2013 based on The Company Act of Japan.
The details of the plan are as follows;

1. Resolution date June 28, 2012
2. Category and number of people to whom stock options are granted 10 Directors of The Company (excluding Outside Directors) 6 Senior managing officers who do not concurrently serve as Directors
3. Class of shares that are the subject of subscription rights to shares Common stock of The Company
4. Number of shares 92,000 shares
5. Amount to be paid for subscription rights to shares 1 yen per 1 share
6. Period during which subscription rights to shares can be exercised From July 21, 2012 to July 20, 2042
7. Terms of exercise of subscription rights to shares (1) A person who is allocated subscription rights to shares shall be able to exercise share subscription rights only up until 10th day (the next business day if the 10th day falls on a non-business day) from the day immediately following the date of resignation as The Company's Director as well as the Senior Managing Officer or Managing Officer without the role of Director being served concurrently. (2) If a person who is allocated subscription rights to shares was dead, heir may exercise the rights.
8. Matters relating to assignment of subscription rights to shares The acquisition of subscription rights to shares by assignment shall require the approval of the Board of Directors of The Company.
9. Matters relating to subrogation payment None

1. Resolution date June 27, 2013
2. Category and number of people to whom stock options are granted 7 Directors of The Company (excluding Outside Director) 10 Senior managing officers and managing officers who do not concurrently serve as Directors
3. Class of shares that are the subject of subscription rights to shares Same to the plan adopted at June 28, 2012
4. Number of shares 49,800 shares
5. Amount to be paid for subscription rights to shares Same to the plan adopted at June 28, 2012.
6. Period during which subscription rights to shares can be exercised From July 20, 2013 to July 19, 2043
7. Terms of exercise of subscription rights to shares Same to the plan adopted at June 28, 2012
8. Matters relating to assignment of subscription rights to shares Same to the plan adopted at June 28, 2012
9. Matters relating to subrogation payment Same to the plan adopted at June 28, 2012

NOTE 15: Contingent liabilities

As of March 31, 2013, The Company and some of consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantee of indebtedness of affiliates and others	¥8,159	$86,755
Trade notes discounted	51	547
	¥8,210	$87,303

NOTE 16: Segment Information

1. Outline of Reportable Segments

The reportable segments of The Company are the components of The Company business for which discrete financial information is available, and whose operating results are regularly reviewed by our decision-making body such as Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance.
The Group has three reportable segments of "Motorcycle", "Automobile" and "Marine and Power products etc." based on the form of management organization and nature of products and services.
Main products and services of each segment are as follows:

Segment	Main products and services
Motorcycle	Motorcycles, All terrain vehicles
Automobile	Mini vehicles, Sub-compact vehicles, Standard-sized vehicles
Marine and Power products, etc.	Outboard motors, Engines for snowmobiles, etc., Electro senior vehicles, Houses

2. Methods of measurement for the amounts of net sales, profit or loss, assets and other items for each reportable segment

The accounting policies of the reportable segments are consistent to the description of the "Summary of significant accounting policies" (Note2).

3. Information about the amounts of net sales, profit or loss, assets and other items by reportable segment (Years ended March 31)

	Millions of yen				
			2013		
	Motorcycle	Automobile	Marine & Power products, etc.	Adjustment	Consolidated
Net Sales:					
Net sales to external customers	**¥ 230,290**	**¥2,297,814**	**¥ 50,212**	**¥ —**	**¥2,578,317**
Segment profit (loss)	**(11,946)**	**150,613**	**5,896**	**—**	**144,564**
Segment assets	**196,638**	**1,462,165**	**43,847**	**784,983**	**2,487,635**
Other content:					
Depreciation	**5,910**	**86,866**	**903**	**—**	**93,680**
Amortization of goodwill	**392**	**1,466**	**89**	**—**	**1,948**
Impairment loss	**27**	**431**	**—**	**—**	**458**
Investment in associates accounted for by equity method	**12,835**	**35,215**	**197**	**—**	**48,248**
Increase in property, plant and equipment and intangible assets	**15,683**	**152,701**	**903**	**—**	**169,288**

	Millions of yen				
	2012				
	Motorcycle	Automobile	Marine & Power products, etc.	Adjustment	Consolidated
Net Sales:					
Net sales to external customers	¥ 254,761	¥2,208,969	¥ 48,455	¥ —	¥2,512,186
Segment profit (loss)	(2,433)	114,571	7,167	—	119,304
Segment assets	155,583	1,334,426	41,565	770,863	2,302,439
Other content:					
Depreciation	6,689	95,337	1,090	—	103,117
Amortization of goodwill	423	63	70	—	557
Impairment loss	2,525	3,483	20	—	6,030
Investment in associates accounted for by equity method	5,540	28,684	324	—	34,548
Increase in property, plant and equipment and intangible assets	11,833	113,786	1,090	—	126,710

	Thousands of U.S. dollars				
	2013				
	Motorcycle	Automobile	Marine & Power products, etc.	Adjustment	Consolidated
Net Sales:					
Net sales to external customers	**$2,448,597**	**$24,431,837**	**$ 533,891**	**$ —**	**$27,414,326**
Segment profit (loss)	**(127,020)**	**1,601,424**	**62,693**	**—**	**1,537,098**
Segment assets	**2,090,784**	**15,546,686**	**466,212**	**8,346,449**	**26,450,133**
Other content:					
Depreciation	**62,848**	**923,620**	**9,605**	**—**	**996,074**
Amortization of goodwill	**4,168**	**15,597**	**955**	**—**	**20,721**
Impairment loss	**291**	**4,583**	**—**	**—**	**4,874**
Investment in associates accounted for by equity method	**136,474**	**374,435**	**2,104**	**—**	**513,013**
Increase in property, plant and equipment and intangible assets	**166,756**	**1,623,619**	**9,609**	**—**	**1,799,985**

(Reference information)

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

(a) The amount of net sales, operating income or loss based on location of The Company and its consolidated subsidiaries (Years ended March 31)

American Suzuki Motor Corporation, a former subsidiary of Suzuki Motor Corporation which distributed automobiles, motorcycles, ATVs, marine products and related parts/accessories in the United States (excluding Hawaii), discontinued distribution of automobiles in this fiscal year. As a result, The Group reviewed classification of geographical areas and changed it from previous five areas, namely "Japan", "Europe", "North America", "Asia" and "Other areas" to four areas, namely "Japan", "Europe", "Asia" and "Other areas". Operating results by geographical areas in previous fiscal year were prepared by using new classification.

* American Suzuki Motor Corporation was liquidated in March 2013

	Millions of yen					
	2013					
	Japan	Europe	Asia	Other areas	Eliminations	Consolidated
Net Sales:						
Net sales to external customers	**¥1,203,474**	**¥ 254,692**	**¥ 951,713**	**¥ 168,437**	**¥ —**	**¥2,578,317**
Internal net sales or transfer among geographical areas	**348,576**	**3,594**	**29,298**	**660**	**(382,129)**	**—**
Total	**1,552,050**	**258,287**	**981,012**	**169,097**	**(382,129)**	**2,578,317**
Operating income (loss)	**102,516**	**(1,062)**	**38,071**	**3,052**	**1,986**	**144,564**

	Millions of yen					
	2012					
	Japan	Europe	Asia	Other areas	Eliminations	Consolidated
Net Sales:						
Net sales to external customers	¥1,185,782	¥ 304,650	¥ 844,878	¥ 176,874	¥ —	¥2,512,186
Internal net sales or transfer among geographical areas	360,362	2,035	24,320	480	(387,198)	—
Total	1,546,145	306,686	869,198	177,354	(387,198)	2,512,186
Operating income	79,575	2,213	31,596	2,563	3,354	119,304

	Thousands of U.S. dollars					
	2013					
	Japan	Europe	Asia	Other areas	Eliminations	Consolidated
Net sales:						
Net sales to external customers	**$12,796,112**	**$2,708,057**	**$10,119,224**	**$1,790,930**	**$ —**	**$27,414,326**
Internal net sales or transfer among geographical areas	**3,706,285**	**38,220**	**311,525**	**7,020**	**(4,063,050)**	**—**
Total	**16,502,398**	**2,746,277**	**10,430,749**	**1,797,951**	**(4,063,050)**	**27,414,326**
Operating income	**1,090,020**	**(11,294)**	**404,799**	**32,453**	**21,118**	**1,537,098**

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

(b) The amount of net sales based on external customers (Years ended March 31)

	Millions of yen			
	2013			
	Japan	India	Other	Consolidated
Net sales	**¥1,040,948**	**¥647,390**	**¥889,977**	**¥2,578,317**

	Millions of yen			
	2012			
	Japan	India	Other	Consolidated
Net sales	¥986,774	¥584,653	¥940,758	¥2,512,186

	Thousands of U.S. dollars			
	2013			
	Japan	India	Other	Consolidated
Net sales	**$11,068,033**	**$6,883,475**	**$9,462,817**	**$27,414,326**

Independent Auditor's Report

To the Board of Directors of
Suzuki Motor Corporation

We have audited the accompanying consolidated financial statements of Suzuki Motor Corporation and its subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, all expressed in Japanese Yen, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Suzuki Motor Corporation and its consolidated subsidiaries as at March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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 27, 2013

Way of Life!

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