

Consolidated Financial Statements

SUZUKI MOTOR CORPORATION and Consolidated Subsidiaries

Year Ended 31 March 2022
with Independent Auditor's Report

FINANCIAL SECTION

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Five-Year Summary

SUZUKI MOTOR CORPORATION (CONSOLIDATED)

| Years ended 31 March | Millions of yen (except per share amounts) | | | | |
|---|--|------------|------------|------------|-------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Net sales | ¥3,757,219 | ¥3,871,496 | ¥3,488,433 | ¥3,178,209 | ¥3,568,380 |
| Profit attributable to owners of parent | 215,730 | 178,759 | 134,222 | 146,421 | 160,345 |
| Profit per share: | | | | | |
| Primary | 488.86 | 395.26 | 286.36 | 301.65 | 330.20 |
| Fully diluted | 473.74 | 395.20 | 286.32 | 301.61 | 330.18 |
| Cash dividends per share* | 74.00 | 74.00 | 85.00 | 90.00 | 91.00 |
| Net assets | 1,595,227 | 1,715,914 | 1,793,657 | 2,031,964 | 2,263,672 |
| Total assets | 3,340,828 | 3,401,970 | 3,339,783 | 4,036,360 | 4,155,153 |
| Depreciation and amortization | 150,877 | 148,926 | 164,158 | 136,545 | 161,505 |

* Cash dividends per share of ¥85.00 for the year ended 31 March 2020 include a 100th-year-anniversary commemorative dividend of ¥11.00 per share.

Consolidated Financial Statements

Consolidated Balance Sheets

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES

As of 31 March 2021 and 2022

| | Millions of yen | |
|---|--------------------|--------------------|
| | 2021 | 2022 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents* ^{Note 15} | ¥ 924,392 | ¥ 857,996 |
| Receivables: | | |
| Notes and accounts receivable-trade | 448,601 | — |
| Notes receivable-trade | — | 783 |
| Accounts receivable-trade* ^{Note 7} | — | 433,222 |
| Allowance for doubtful accounts | (3,854) | (6,407) |
| Inventories | 355,911 | 369,448 |
| Other | 433,741 | 396,175 |
| Total current assets | 2,158,793 | 2,051,219 |
| | | |
| Property, plant and equipment: | | |
| Land* ^{Note 4} | 317,813 | 337,326 |
| Buildings and structures* ^{Note 9} | 536,179 | 583,715 |
| Machinery, equipment and vehicles | 1,384,597 | 1,534,909 |
| Tools, furniture and fixtures | 654,875 | 711,731 |
| Construction in progress | 126,897 | 84,899 |
| | 3,020,363 | 3,252,672 |
| Accumulated depreciation | (2,041,447) | (2,214,697) |
| Total property, plant and equipment | 978,916 | 1,037,975 |
| | | |
| Investments and other assets: | | |
| Investment securities | 670,278 | 811,148 |
| Investments in affiliates | 47,346 | 60,541 |
| Retirement benefit asset* ^{Note 11} | 4,261 | 8,366 |
| Deferred tax assets* ^{Note 12} | 140,922 | 143,346 |
| Other | 35,841 | 42,555 |
| Total investments and other assets | 898,650 | 1,065,959 |
| Total assets | ¥ 4,036,360 | ¥ 4,155,153 |

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

| | Millions of yen | |
|---|-------------------|-------------------|
| | 2021 | 2022 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Short-term borrowings* ^{Note 9} | ¥ 287,577 | ¥ 95,246 |
| Current portion of long-term borrowings* ^{Note 9} | 281,277 | 87,019 |
| Current portion of bonds with share acquisition rights* ^{Note 8} | — | 8,560 |
| Accounts payable-trade | 330,522 | 287,724 |
| Electronically recorded obligations-operating | 78,663 | 14,911 |
| Income taxes payable | 32,138 | 55,155 |
| Accrued expenses | 228,726 | 201,841 |
| Provision for product warranties | 254,076 | 227,559 |
| Other* ^{Note 9} | 195,480 | 278,498 |
| Total current liabilities | 1,688,462 | 1,256,517 |
| Non-current liabilities: | | |
| Bonds with share acquisition rights* ^{Note 8} | 8,560 | — |
| Long-term borrowings* ^{Note 9} | 193,413 | 483,333 |
| Retirement benefit liability* ^{Note 11} | 62,081 | 64,449 |
| Provision for disaster | 358 | 336 |
| Deferred tax liabilities* ^{Note 12} | 5,802 | 6,602 |
| Other* ^{Note 9} | 45,717 | 80,241 |
| Total non-current liabilities | 315,932 | 634,963 |
| Total liabilities | 2,004,395 | 1,891,481 |
| NET ASSETS: | | |
| Shareholders' equity: | | |
| Share capital: | | |
| Common stock | | |
| Authorized: 1,500,000,000 shares Issued: | | |
| as of 31 March 2022: 491,122,300 shares | | |
| as of 31 March 2021: 491,098,300 shares | 138,262 | 138,318 |
| Capital surplus | 143,400 | 143,369 |
| Retained earnings | 1,519,826 | 1,638,726 |
| Treasury shares | (21,027) | (20,877) |
| Total shareholders' equity | 1,780,462 | 1,899,536 |
| Accumulated other comprehensive income: | | |
| Valuation difference on available-for-sale securities | 121,133 | 111,078 |
| Deferred gains or losses on hedges | (484) | 88 |
| Foreign currency translation adjustment | (193,295) | (112,138) |
| Remeasurements of defined benefit plans | (20,337) | (20,337) |
| Total accumulated other comprehensive income | (92,984) | (21,309) |
| Share acquisition rights*^{Note 18} | 115 | 41 |
| Non-controlling interests | 344,371 | 385,403 |
| Total net assets | 2,031,964 | 2,263,672 |
| Total liabilities and net assets | ¥4,036,360 | ¥4,155,153 |

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

(Consolidated Statements of Comprehensive Income)

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES
 Years ended 31 March 2021 and 2022

| | Millions of yen | |
|--|-----------------|-----------------|
| | 2021 | 2022 |
| Profit | ¥169,422 | ¥199,757 |
| Other comprehensive income *Note 16: | | |
| Valuation difference on available-for-sale securities | 47,078 | (22,644) |
| Deferred gains or losses on hedges | (44) | 637 |
| Foreign currency translation adjustment | 75,167 | 109,090 |
| Remeasurements of defined benefit plans, net of tax | 2,737 | (169) |
| Share of other comprehensive income of entities accounted for using equity method | 927 | 2,505 |
| Total other comprehensive income | 125,865 | 89,419 |
| Comprehensive income | ¥295,287 | ¥289,176 |
| Comprehensive income attributable to: | | |
| Owners of parent | 243,469 | 232,881 |
| Non-controlling interests | 51,817 | 56,294 |

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

Consolidated Statements of Changes in Net Assets

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES

Years ended 31 March 2021 and 2022

| | Millions of yen | | | | | |
|--|-------------------------------------|---------------|-----------------|-------------------|-----------------|----------------------------|
| | Thousands of shares of common stock | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance as of 31 March 2020 | 491,068 | ¥138,202 | ¥146,490 | ¥1,414,665 | ¥(21,775) | ¥1,677,583 |
| Cumulative effects of changes in accounting policies | | | | | | — |
| Restated balance | 491,068 | 138,202 | 146,490 | 1,414,665 | (21,775) | 1,677,583 |
| Issuance of new shares | 31 | 60 | 60 | | | 120 |
| Dividends of surplus | | | | (41,261) | | (41,261) |
| Profit attributable to owners of parent | | | | 146,421 | | 146,421 |
| Purchase of shares of consolidated subsidiaries | | | (2,400) | | | (2,400) |
| Purchase of treasury shares | | | | | (1) | (1) |
| Disposal of treasury shares | | | (749) | | 750 | 0 |
| Net changes in items other than shareholders' equity | | | | | | |
| Total changes during period | 31 | 60 | (3,089) | 105,160 | 748 | 102,879 |
| Balance as of 31 March 2021 | 491,098 | ¥138,262 | ¥143,400 | ¥1,519,826 | ¥(21,027) | ¥1,780,462 |
| Cumulative effects of changes in accounting policies | | | | 6,150 | | 6,150 |
| Restated balance | 491,098 | 138,262 | 143,400 | 1,525,976 | (21,027) | 1,786,612 |
| Issuance of new shares | 24 | 55 | 55 | | | 110 |
| Dividends of surplus | | | | (47,595) | | (47,595) |
| Profit attributable to owners of parent | | | | 160,345 | | 160,345 |
| Purchase of shares of consolidated subsidiaries | | | | | | — |
| Purchase of treasury shares | | | | | (13) | (13) |
| Disposal of treasury shares | | | (86) | | 162 | 76 |
| Net changes in items other than shareholders' equity | | | | | | — |
| Total changes during period | 24 | 55 | (30) | 112,749 | 149 | 112,923 |
| Balance as of 31 March 2022 | 491,122 | ¥138,318 | ¥143,369 | ¥1,638,726 | ¥(20,877) | ¥1,899,536 |

Consolidated Financial Statements

| Millions of yen | | | | | | | | |
|---|---|--|--|--|---|--------------------------------|----------------------------------|---------------------|
| | Valuation difference on available-for- sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasure- ments of defined benefit plans | Total accumulated other compre- hensive income | Share acquisition rights | Non- controlling interests | Total net assets |
| Balance as of 31 March 2020 | ¥ 87,455 | ¥(269) | ¥(255,266) | ¥(21,951) | ¥(190,032) | ¥115 | ¥305,990 | ¥1,793,657 |
| Cumulative effects of changes in accounting policies | | | | | | | | — |
| Restated balance | 87,455 | (269) | (255,266) | (21,951) | (190,032) | 115 | 305,990 | 1,793,657 |
| Issuance of new shares | | | | | | | | 120 |
| Dividends of surplus | | | | | | | | (41,261) |
| Profit attributable to owners of parent . . | | | | | | | | 146,421 |
| Purchase of shares of consolidated subsidiaries | | | | | | | | (2,400) |
| Purchase of treasury shares | | | | | | | | (1) |
| Disposal of treasury shares | | | | | | | | 0 |
| Net changes in items other than shareholders' equity | 33,678 | (215) | 61,971 | 1,613 | 97,048 | — | 38,380 | 135,428 |
| Total changes during period | 33,678 | (215) | 61,971 | 1,613 | 97,048 | — | 38,380 | 238,307 |
| Balance as of 31 March 2021 | ¥121,133 | ¥(484) | ¥(193,295) | ¥(20,337) | ¥ (92,984) | ¥115 | ¥344,371 | ¥2,031,964 |
| Cumulative effects of changes in accounting policies | | | 861 | | 861 | | | 7,011 |
| Restated balance | 121,133 | (484) | (192,434) | (20,337) | (92,123) | 115 | 344,371 | 2,038,975 |
| Issuance of new shares | | | | | | | | 110 |
| Dividends of surplus | | | | | | | | (47,595) |
| Profit attributable to owners of parent . . | | | | | | | | 160,345 |
| Purchase of shares of consolidated subsidiaries | | | | | | | | — |
| Purchase of treasury shares | | | | | | | | (13) |
| Disposal of treasury shares | | | | | | | | 76 |
| Net changes in items other than shareholders' equity | (10,055) | 572 | 80,296 | 0 | 70,813 | (73) | 41,032 | 111,772 |
| Total changes during period | (10,055) | 572 | 80,296 | 0 | 70,813 | (73) | 41,032 | 224,696 |
| Balance as of 31 March 2022 | ¥111,078 | ¥ 88 | ¥(112,138) | ¥(20,337) | ¥ (21,309) | ¥ 41 | ¥385,403 | ¥2,263,672 |

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

Consolidated Statements of Cash Flows

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended 31 March 2021 and 2022

| | Millions of yen | |
|--|------------------|------------------|
| | 2021 | 2022 |
| Cash flows from operating activities: | | |
| Profit before income taxes | ¥ 241,064 | ¥ 274,278 |
| Depreciation and amortization | 136,545 | 161,505 |
| Impairment losses | 5,323 | 7,686 |
| Increase (decrease) in allowance for doubtful accounts | 801 | 2,264 |
| Increase (decrease) in retirement benefit liability | (6,799) | 1,997 |
| Increase (decrease) in provision for product warranties | (62,750) | (19,255) |
| Interest and dividends income | (41,503) | (71,158) |
| Interest expenses | 4,935 | 5,954 |
| Foreign exchange losses (gains) | (7,146) | (1,801) |
| Share of loss (profit) of entities accounted for using equity method | (7,900) | (9,244) |
| Loss (gain) on sale of property, plant and equipment | 496 | (18,439) |
| Loss (gain) on sale of investment securities | (14,172) | (607) |
| Decrease (increase) in trade receivables | (5,547) | 66,893 |
| Decrease (increase) in inventories | 22,145 | 9,521 |
| Increase (decrease) in trade payables | 63,593 | (124,132) |
| Increase (decrease) in accrued expenses | 15,451 | (33,042) |
| Other, net | 75,861 | (36,964) |
| Sub-total | 420,400 | 215,454 |
| Interest and dividends received | 41,826 | 71,223 |
| Interest paid | (5,021) | (6,172) |
| Income taxes paid | (41,766) | (59,245) |
| Net cash provided by (used in) operating activities | 415,439 | 221,259 |
| Cash flows from investing activities: | | |
| Payments into time deposits | (128,363) | (179,709) |
| Proceeds from withdrawal of time deposits | 97,598 | 181,099 |
| Purchases of securities | (561,233) | (814,655) |
| Proceeds from sales and redemption of securities | 463,488 | 906,824 |
| Purchases of property, plant and equipment | (171,706) | (190,472) |
| Proceeds from property, plant and equipment | 3,188 | 22,475 |
| Other, net | 64,042 | (79,078) |
| Net cash provided by (used in) investing activities | (232,985) | (153,515) |
| Cash flows from financing activities: | | |
| Net increase (decrease) in short-term borrowings | 153,355 | (193,996) |
| Proceeds from long-term borrowings | 285,118 | 379,001 |
| Repayment of long-term borrowings | (80,166) | (282,992) |
| Purchase of bond with share acquisition rights | (2,970) | — |
| Dividends paid | (41,254) | (47,589) |
| Dividends paid to non-controlling interests | (11,490) | (9,045) |
| Other, net | 41 | (1) |
| Net cash provided by (used in) financing activities | 302,633 | (154,624) |
| Effect of exchange rate changes on cash and cash equivalents | 18,912 | 20,483 |
| Net increase (decrease) in cash and cash equivalents | 503,999 | (66,396) |
| Cash and cash equivalents at the beginning of period | 420,392 | 924,392 |
| Cash and cash equivalents at the end of period *Note 15 | ¥ 924,392 | ¥ 857,996 |

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”), consolidated subsidiaries (the “Group”) 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. However, due to the inherent uncertainties 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.

NOTE 2: Summary of significant accounting policies

(a) Principles of consolidation

a. Scope of consolidation and Application of the equity methods

The consolidated financial statements for the years ended 31 March 2022 and 2021 include the accounts of the Group, and the numbers of consolidated subsidiaries were 119 and 120 respectively. In addition, the numbers of investments in affiliated companies for the years ended 31 March 2022 and 2021 were 32 and 31 respectively. All significant inter-company accounts and transactions are eliminated in consolidation. Investments in affiliated companies are accounted for using equity method.

b. Method for amortization of goodwill and terms of amortization

The difference at the time of acquisition between the cost and underlying net equity of investments in consolidated subsidiaries (goodwill) is amortized on a straight-line basis over a period of five years after appropriate adjustments.

c. Fiscal year

- 1) The number of consolidated subsidiaries for which the account settlement date is different from the consolidated account settlement date (31 March) is as follows:

| | | |
|--------------|-------|---|
| 31 December | | 14, including Magyar Suzuki Corporation Ltd. |
| 30 September | | 2, including Suzuki (Myanmar) Motor Co., Ltd. |
- 2) The above consolidated subsidiaries are consolidated based on the financial statements with the provisional settlement of accounts on the consolidated account settlement date (31 March).

(b) Allowance for doubtful accounts

In order to allow for loss from bad debts, estimated uncollectible amount based on the actual ratio of bad debt is recorded as general allowance. With respect to specific receivable with higher default possibility, recoverable amount is estimated respectively and uncollectible amount is recorded.

(c) Allowance for investment loss

The differences between the book value and the fair value of securities and investment not quoted at an exchange are determined and recorded as reserve in order to allow for losses from these investments.

(d) Provision for product warranties

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

(e) Provision for Directors’ bonuses

In order to defray bonuses for Directors and Audit & Supervisory Board Members, estimated amount of such bonuses is recorded.

(f) Provision for Directors' retirement benefits

The amount to be paid at the end of the fiscal year had been recorded pursuant to the Company's regulations on the retirement allowance of Directors and Audit & Supervisory Board Members. However, the Company's retirement benefit system for them was abolished at the closure of the Ordinary General Meeting of Shareholders held on 29 June 2006. And it was approved at Ordinary General Meeting of Shareholders that reappointed Directors and Audit & Supervisory Board Members would be paid their retirement benefit at the time of their retirement, based on their years of service. Estimated amount of such retirement benefits is recorded at the end of the current fiscal year. Furthermore, in some of consolidated subsidiaries, the amount to be paid at the end of the year is recorded pursuant to their regulation on the retirement allowance of Directors and Audit & Supervisory Board Members.

(g) Provision for disaster

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

(h) Provision for product liabilities

The provision is recorded for product compensation related to North American market which is not covered by "Product Liability Insurance" based on the actual payments in the past periods.

(i) Provision for recycling expenses

The provision is recorded for an estimated expense related to the recycle of products of the Company based on the number of vehicles owned in the market, etc.

(j) Recognition criteria for revenue and expenses

a. Revenue

The Group is engaged in manufacturing and sale of automobiles, motorcycles, outboard motors, electric wheelchairs, etc. in addition to the logistics services associated to these businesses and other service businesses. The Group recognizes revenue from sale of the above goods at the time when it satisfies a performance obligation by transferring control of the goods or services to a customer in an amount that the Group expects to be entitled in exchange for those goods and services.

Such amounts exclude the amount of consumption tax and value added tax levied on behalf of tax authorities.

For contracted prices with customers, which include variable consideration, the Group measures revenue less variable consideration only to the extent that it is highly probable that there will be no significant reversal when the uncertainty associated with the variable consideration is subsequently resolved.

Variable consideration mainly consists of sales rebates calculated based on past transactions using the most likely amount method.

The Group recognizes revenue when it satisfies performance obligation over time or at a point in time. As for the sale of automobiles, since the performance obligation is considered fulfilled at the point in time when the products are delivered and the control of such products is acquired by the customers, the revenue is recognized at the delivery of the products.

If the Group provides services other than the warranty that the finished goods comply with the agreed-upon specifications, such as a customer-paid extended warranty covering longer than the standard period of time, revenue from such services is recognized over the duration of the warranty in proportion to expenses to be incurred to satisfy performance obligations under the contract.

The Group receives consideration mainly as advance payment during the period from the time of receipt of a purchase order until the fulfillment of the performance obligation or within one year after the fulfillment of the performance obligation. No significant financing component is included in such transaction.

b. Revenue recognition of finance lease transaction

Net sales and costs of sales are recognized when due for payment of lease fees has come.

(k) Securities and investment securities

The Group holds securities of listed companies, which have a risk of price fluctuations, and non-listed companies whose stock prices are difficult to be evaluated.

If the Group judges the decline in investment value is not temporary, the Group recognizes revaluation loss based on the reasonable standard. If the stock market falls, the Group 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.

Available-for-sale securities with available fair values are stated at market value method based on the market values as of the consolidated account settlement date (the valuation differences shall be reported as other comprehensive income, and costs shall be calculated mainly by moving average method).

Available-for-sale securities with no available fair values are stated at cost by moving average method.

(l) Hedge accounting

The derivatives designated as "hedging instruments" by the Group are principally cross currency interest rate swap. The related hedged items are foreign currency denominated borrowings and lendings.

Gains or losses arising from changes in fair value of the hedging instruments are deferred until the gains and losses on the hedged items or transactions are recognized.

The Group has a policy to utilize the above hedging instruments in order to reduce our exposure to the risks of the fluctuation of interest rate and foreign exchange. Therefore, our purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Group evaluates effectiveness of their 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.

(m) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are converted into Japanese yen at the exchange rates at the balance sheet date. Resulting gains and losses are included in profit or loss for the period.

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

The components of net assets are converted into Japanese yen at their historical rates. Profit and loss accounts for the fiscal year are converted into Japanese yen by using the average exchange rate during the fiscal year. Differences in yen amounts arising from the use of different rates are presented as "Foreign currency translation adjustment" and "Non-controlling interests" in the net assets.

(n) Inventories

Cost method 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).

(o) 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 leases which transfer ownership

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

Finance leases which do not transfer ownership

- Straight-line method with the lease period as the durable years. With respect to lease assets with guaranteed residual value under lease agreement, remaining value is the guaranteed residual value. Regarding other lease assets, remaining value is zero.

(p) Income taxes

The provision for income taxes is computed based on the income before income taxes included in the consolidated statements of income. The asset 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 recoverability of collection of deferred tax assets, the Group estimates their future taxable income reasonably. If the estimated amounts of future taxable income decrease, deferred tax assets may decrease and income taxes may be recorded.

Consolidated tax payment has been applied to the Company and its domestic wholly owned subsidiaries from the fiscal year ended 31 March 2012.

(q) Retirement benefits

With respect to calculation of retirement benefit obligations, benefit formula basis method is used to attribute expected benefit to period up to the end of this fiscal year. With regard to past service costs, they are treated as expense on a straight-line over the certain years within the period of average length of employees' remaining service years at the time when it occurs. Regarding the actuarial gain or loss, the amounts, prorated on a straight-line over the certain years within the period of average length of employees' remaining service years in each year when it occurs, are respectively treated as expenses from the next term of the year in which they arise.

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 based on yield on low-risk and 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 it 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 therefore the revaluation ratio, which is one of the base ratios, can reduce adverse effects caused by the decrease in 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. However, by focusing on low-risk investments, this influence should be minimal in the case of the pension fund systems of the Group.

(r) Profit per share

Primary profit per share is computed based on the weighted average number of shares issued during the respective years. Fully diluted profit per share is computed assuming that all stock options are exercised. Cash dividends per share are the amounts applicable to the respective periods including dividends to be paid after the end of the period.

(s) Cash and cash equivalents

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

(t) Application of the Consolidated Taxation System

The Group applies the Consolidated Taxation System.

Application of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System

The Company and some domestic consolidated subsidiaries will switch from the Consolidated Taxation System to the Group Tax Sharing System. However, the Company and some domestic consolidated subsidiaries do not apply the provisions of paragraph 44 of "Implementation Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, issued on 16 February 2018), in accordance with the treatment of paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Solution No. 39, issued on 31 March 2020), regarding the transition to the Group Aggregation System created in "Act on Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and items on Non-Consolidated Tax Payment System which are reviewed in line with the transition to the Group Aggregation System.

Therefore, the amounts of deferred tax assets and liabilities are calculated on the basis of the tax laws prior to the revision.

From the beginning of the next fiscal year, the Company and certain of its domestic consolidated subsidiaries will apply the “Treatment of Accounting and Disclosure under the Group Tax Sharing System” (Practical Solution Report No. 42, 12 August 2021.), which set forth accounting and disclosure for income taxes, local income taxes, and tax effect accounting.

(u) Significant accounting estimates

a. Provision for product warranties

1) Amounts recorded in the consolidated financial statements for the current consolidated fiscal year

| | Millions of yen | |
|---|-----------------|----------|
| | 2021 | 2022 |
| Opening balance | ¥315,835 | ¥254,076 |
| Current payment | (89,725) | (38,654) |
| Provisions | 30,004 | 19,180 |
| Other (increase/decrease of subsidiaries, etc.) | (2,038) | (7,042) |
| Ending balance | ¥254,076 | ¥227,559 |

2) Details of accounting estimates for the identified items

The Group recognizes provision for product warranties to allow for costs associated with future warranties which may arise in the future.

Costs associated with future warranties include the cost of free repairs based on (i) the warranty and (ii) notification to the competent authorities, etc.

With respect to the former of two types of costs, provisions are recognized when the products are sold. With regard to the latter, provisions are recognized based on comprehensive and individual estimates which consider past occurrences, if such expenses are likely to be incurred and the amount can be reasonably estimated.

The amount of these provisions is calculated by estimating projected number of units and the projected cost per unit based on information currently available, such as past sales results, repair results and experience. The amount of these provisions also reflects the amount expected to be recovered upon a request for compensation from the supplier. The provision for product warranties is calculated on estimates, therefore inherently involves uncertainties. Therefore, the actual repair cost may differ from the estimate.

b. Retirement benefit asset and Retirement benefit liability

1) Amounts recorded in the consolidated financial statements for the current consolidated fiscal year

| | Millions of yen | |
|------------------------------|-----------------|---------|
| | 2021 | 2022 |
| Retirement benefit asset | ¥ 4,261 | ¥ 8,366 |
| Retirement benefit liability | 62,081 | 64,449 |

2) Details of accounting estimates for the identified items

The Group’s retirement benefit expenses and retirement benefit obligations are calculated based on various assumptions, including the discount rate, the long-term expected rate of return on plan assets, the revaluation rate, the rate of salary increases and the death rate. The discount rate is determined based on the yield on long-term bonds that are highly safe, and the long-term expected rate of return is determined based on the pension asset management policy of each pension plan.

A decline in long-term bond yields results in a decline in the discount rate, which will adversely affect the calculation of retirement benefit expenses. However, under the cash balance corporate pension plan adopted by our company, the revaluation rate, which is one of the basic rates, has the effect of reducing the negative impact of the decline in the discount rate.

If the investment return on plan assets is lower than the long-term expected rate of return, it will have an adverse effect on the calculation of retirement benefit expenses. However, the effect is expected to be minor for corporate pension funds in our company and in the Group, which are committed to stable management.

The difference between these assumptions and the actual results is expensed using the straight-line method over a fixed number of years within the average remaining years of service of the employees when incurred.

c. Deferred tax assets

1) Amounts recorded in the consolidated financial statements for the current consolidated fiscal year

| | Millions of yen | |
|------------------------------------|-----------------|-----------------|
| | 2021 | 2022 |
| Deferred tax assets | ¥140,922 | ¥143,346 |
| Deferred tax liabilities | 5,802 | 6,602 |

2) Details of accounting estimates for the identified items

The recoverability of deferred tax assets is examined by whether certain or all deductible temporary differences, net operating loss carryforwards and tax credit carryforwards have the effect of reducing future tax consequences.

In evaluating the recoverability of deferred tax assets, the Company considers the elimination of expected taxable temporary differences, the estimation of future taxable income, and tax planning.

With respect to such estimates, changes in future market trends, business activities and other assumptions relating to the Group may affect the amounts of deferred tax assets and income taxes-deferred in and after the following fiscal year.

(v) Changes in accounting policies

a. Application of accounting standard for revenue recognition, etc.

The Group has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, 31 March 2020, hereinafter “Revenue Recognition Accounting Standard”) etc. from the beginning of the current fiscal year and recognized revenue in the amount that it expects to receive in exchange for promised goods or services when controls of those goods or services are transferred to customers. The changes in accounting methods by application of Revenue Recognition Accounting Standard, etc. are as follows:

1) Performance obligations satisfied over time

For royalties received in sales of vehicles, the Group used to recognize revenue when the amount was determined. However, the Group has changed to a method of recognizing revenue by estimating the amount in line with vehicle sales. For extended warranty services, the Group used to recognize revenue in a lump sum when the service was sold. However, if warranties provide customers with services except for the assurance that the products compile with agreed specifications, the Group has changed to a method of recognizing revenue for the services over the warranty periods.

2) Performance obligation satisfied at a point in time

The Group used to recognize revenue from sales of new vehicles accessories at the same time as sales of vehicles, however, the Group has changed to a method of recognizing revenue at the time of substantial delivery to customers.

3) Sales rebates

The Group used to record sales rebates as selling, general and administrative expenses, however, the Group has changed to a method of reducing them from the transaction price.

The application of the Revenue Recognition Accounting Standard, etc. is in accordance with the transitional treatment as provided in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of retroactively applying the new accounting policies to the periods prior to the beginning of the current fiscal year is added to or deducted from the retained earnings at the beginning of the current fiscal year, and the new accounting policies have been applied from such beginning balance.

Furthermore, “notes and accounts receivable-trade,” which was presented under current assets in the consolidated balance sheet of the previous fiscal year has been included under “notes receivable-trade,” and “accounts receivable-trade.” However, in accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Accounting Standard, figures for the previous fiscal year have not been reclassified based on the new presentation method.

As a result, for the current fiscal year, net sales decreased by ¥131,819 million, cost of sales decreased by ¥2,656 million, and operating profit, ordinary profit and profit before income taxes decreased by ¥2,511 million each compared with those before the application of the Revenue Recognition Accounting Standard, etc.

The balance of retained earnings in the consolidated statements of changes in net assets at the beginning of the current fiscal year increased by ¥6,150 million as the cumulative effect of this change is reflected in the balance of net assets at the beginning of the current fiscal year.

Basic and diluted profit per share for the current fiscal year decreased by ¥5.12 and ¥5.12, respectively.

In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Accounting Standard, “Notes to Revenue Recognition” in the previous fiscal year are not noted.

b. Application of accounting standard for fair value measurement

The Group has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, 4 July 2019; hereinafter “Fair Value Measurement Standard”), etc. from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, 4 July 2019). This has no effect on the consolidated financial statements. In addition, the Group included notes on fair value information by level within the fair value hierarchy in “NOTE 6: Financial instruments.” However, in accordance with the transitional treatment set forth in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instrument” (ASBJ Guidance No. 19, revised on 4 July 2019), “NOTE 6: Financial instruments” in the previous fiscal year are not noted.

c. Significant changes in hedge accounting

The Group used to apply the deferred hedge processing and the exceptional hedge accounting to forward exchange contracts, however, from the current fiscal year, the Group changed its method to measure at fair value at the end of the period and recognizes the valuation difference as profit and loss for the period.

In addition, the Group used to apply the special exceptional hedge accounting and the integration method if interest rate swap contracts and cross currency interest rate swap contracts had met certain criteria. However, from the current fiscal year, the Group changed its method to apply deferred hedge accounting in principle. These changes were owing to reflecting the status of derivative contracts on the consolidated financial statements more accurately.

These changes in accounting policy are not retrospectively applied to past periods as the effects of the changes are immaterial. Moreover, the effects on profit and loss for the current fiscal year are immaterial.

(w) New accounting standards not yet adopted

Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, revised on 17 June 2021)

1) Outline

This guidance determines the method of fair value measurement of investment trusts and the handling of notes, as well as the handling of notes on the fair value of investments in partnerships, etc. reported in the net amount equivalent to equity in the balance sheets.

2) Scheduled date of application

The aforementioned guidance will be applied at the start of the year ending 31 March 2023.

3) Effect of application of the accounting standards

The effect of the application of the aforementioned implementation guidance on the Group's consolidated financial statements is under evaluation.

(x) Changes in presentation**Consolidated Statements of Cash Flows**

“Decrease (increase) in accounts receivable-other,” which was presented separately under “Cash flows from operating activities” in the previous fiscal year, is included in “Other, net” in the current fiscal year due to low materiality. To reflect this change in presentation, the consolidated financial statements of the previous fiscal year have been reclassified.

As a result, “Decrease (increase) in accounts receivable-other” of ¥18,045 million and “Other, net” of ¥57,815 million under “Cash flows from operating activities” in the consolidated statements of cash flows of the previous fiscal year have been reclassified as “Other, net” of ¥75,861 million.

“Proceeds from sales of property, plant and equipment,” which was included in “Other, net” under “Cash flows from investing activities” in the previous fiscal year, is presented separately in the current fiscal year due to high materiality. To reflect this change in presentation, the consolidated financial statements of the previous fiscal year have been reclassified.

As a result, “Other, net” of ¥67,231 million under “Cash flow from investing activities” in the consolidated statements of cash flows of the previous fiscal year has been reclassified as “Proceeds from sales of property, plant and equipment” of ¥3,188 million and “Other, net” of ¥64,042 million.

NOTE 3: Revenue from contracts with customers

Revenue from contracts with customers and other revenue is not stated separately. The amount of revenue from contracts with customers is presented in NOTE 7 “Notes to revenue recognition.”

NOTE 4: Impairment losses

The Group recorded impairment losses in the following group of assets in year ended 31 March 2022.

| Usage | Location | Classification | Millions of yen |
|---------------------------|----------|----------------|-----------------|
| | | | Amount |
| Assets for rent | Japan | Land | ¥7,404 |
| Idle assets | Japan | Land | 282 |
| Total | | | ¥7,686 |

The Group recorded impairment losses in year ended 31 March 2021.

| Usage | Location | Classification | Millions of yen |
|---------------------------|----------|----------------|-----------------|
| | | | Amount |
| Assets for rent | Japan | Land | ¥5,245 |
| Idle assets | Japan | Land | 78 |
| Total | | | ¥5,323 |

The assets are grouped mainly in units of business facilities, and divided into the assets for business and for rent respectively. With respect to the assets which are decided to be disposed and idle assets which are not expected to be used in the future, the necessity of recording of impairment losses is judged based on individual assets.

With regard to assets for rent and idle assets, the Group has reduced the book value of the asset group whose market value has particularly fallen to the recoverable amount and recorded impairment losses as extraordinary losses.

The recoverable amount is measured by the net realizable value or the value in use, and the land value is evaluated by the real estate appraised value, etc.

NOTE 5: Loss on COVID-19

The Group recorded loss on COVID-19 in year ended 31 March 2021.

¥15,542 million equivalent to fixed expenses related to production suspension due to lockdown in countries including India and Hungary to prevent the spread of the new coronavirus pandemic was recorded as extraordinary losses.

NOTE 6: Financial instruments

(a) Status of financial instruments

a. Policy for financial instruments

With respect to the fund management, the Group uses short-term deposits and securities, and with regard to 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 the fluctuations of interest rates and exchange rates, and does not use derivatives for speculative purposes.

b. Type of financial instruments, risks and risk management

With respect to customers’ credit risks from operating receivables such as notes and accounts receivable-trade, in order to reduce 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 the risks of the fluctuation of exchange rate 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 with regard to listed stocks, the Group quarterly identifies those fair values and reports them to the Board of Directors.

Basically, accounts payable-trade is due within one year.

Applications of borrowings are fund for operating capital (mainly short-term) and capital expenditures (long-term), and the Group uses cross currency interest rate swap for the risks of the fluctuation of interest rate and exchange rate of some long-term borrowings.

Derivative transactions are foreign currency forward contracts to hedge the risks of the fluctuation of exchange rate related to receivables and payables denominated in foreign currencies and cross currency interest rate swap to hedge the risks of the fluctuation of exchange rate and interest rate related to borrowings and lending. 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.

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

c. Supplement to fair values of financial instruments

Since the rational valuation techniques include variable factors, the results of valuation may differ when different assumptions are applied. In addition, in Note 6 (d) Derivative transactions, contract amounts do not indicate market risks related to the derivative transactions.

(b) Fair values of financial instruments

Carrying amounts in the consolidated balance sheet, fair value and differences as of 31 March 2021 and 2022 are as follows. The following table does not include equity securities for which market values are unavailable.

| | Millions of yen | | | | | |
|--|-----------------|------------|------------|-----------------|------------|------------|
| | 2021 | | | 2022 | | |
| | Carrying amount | Fair value | Difference | Carrying amount | Fair value | Difference |
| (1) Notes and accounts receivable-trade | ¥ 448,601 | ¥ 449,995 | ¥ 1,393 | ¥ — | ¥ — | ¥ — |
| (2) Accounts receivable-trade | — | — | — | 433,222 | 436,224 | 3,001 |
| (3) Securities and Investment securities*2, 3, 4 | | | | | | |
| Available-for-sale securities | 851,467 | 851,467 | — | 910,020 | 910,020 | — |
| Investment in entities | 771 | 1,125 | 354 | 866 | 1,327 | 460 |
| Total of assets | ¥1,300,840 | ¥1,302,588 | ¥ 1,748 | ¥1,344,110 | ¥1,347,572 | ¥3,462 |
| (1) Current portion of long-term borrowings | ¥ 281,277 | ¥ 281,324 | ¥ (46) | ¥ 87,019 | ¥ 87,077 | ¥ (58) |
| (2) Current portion of bonds with share acquisition rights | — | — | — | 8,560 | 9,330 | (770) |
| (3) Bonds with share acquisition rights | 8,560 | 10,751 | (2,191) | — | — | — |
| (4) Long-term borrowings | 193,413 | 192,663 | 749 | 483,333 | 481,470 | 1,862 |
| Total of liabilities | ¥ 483,250 | ¥ 484,739 | ¥(1,488) | ¥ 578,912 | ¥ 577,878 | ¥1,034 |
| Derivatives*5 | | | | | | |
| Hedge accounting is applied | ¥ (707) | ¥ (707) | ¥ — | ¥ 873 | ¥ 873 | ¥ — |
| Hedge accounting is not applied | 334 | 334 | — | 54 | 54 | — |

*1 "Cash and deposits," "Accounts payable-trade," "Short-term borrowings," and "Accrued expenses" are omitted because they comprise cash and are short-term instruments whose carrying amount approximates their fair value.

*2 Equity securities for which fair values cannot be reliably measured since market values are unavailable and future cash flows cannot be estimated are not included in "(3) Securities and Investment securities" of assets for FY2021.

| | Millions of yen |
|--|-----------------|
| | 2021 |
| Available-for-sale securities | |
| Unlisted stock other than stocks of affiliates | ¥17,797 |
| Unlisted stock of affiliates | 33,023 |
| Other | 2,794 |

*3 Equity securities for which market values are unavailable are not included in the above (3) Securities and investment securities for FY2022.

| | Millions of yen |
|--|-----------------|
| | 2022 |
| Available-for-sale securities | |
| Unlisted stock other than stocks of affiliates | ¥18,265 |
| Unlisted stock of affiliates | 40,080 |

*4 Notes on investments in partnerships and other similar entities for which equity interests are recorded on a net basis on the consolidated balance sheet are omitted for FY2022.

The amount of these investments recorded on the consolidated balance sheet is ¥5,351 million.

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

Consolidated Financial Statements

a. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and significance of inputs used to measure fair value.

Level 1 fair value: Fair value measured using quoted prices (unadjusted) in active markets for the same assets or liabilities.

Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using significant unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

1) Financial assets and financial liabilities measured at fair value

| Category | Millions of yen | | | |
|--------------------------------------|-----------------|---------|---------|----------|
| | 2022 | | | |
| | Fair value | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Securities and investment securities | | | | |
| Available-for-sale securities | | | | |
| Stocks | ¥180,443 | ¥ — | ¥— | ¥180,443 |
| Bonds | — | 62,656 | — | 62,656 |
| Others | — | 30,323 | — | 30,323 |
| Total assets | ¥180,443 | ¥92,979 | ¥— | ¥273,423 |
| Derivatives | ¥ — | ¥ 927 | ¥— | ¥ 927 |

* The fair value of mutual funds is not included in the above table. The amount of mutual funds recorded on the consolidated balance sheet is ¥636,597 million.

2) Financial assets and financial liabilities not measured at fair value

| Category | Millions of yen | | | |
|--|-----------------|----------|---------|----------|
| | 2022 | | | |
| | Fair value | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Accounts receivable-trade | ¥ — | ¥436,224 | ¥— | ¥436,224 |
| Securities and investment securities | | | | |
| Stocks of associates | 1,327 | — | — | 1,327 |
| Total assets | ¥1,327 | ¥436,224 | ¥— | ¥437,552 |
| Current portion of long-term borrowings | ¥ — | ¥ 87,077 | ¥— | ¥ 87,077 |
| Current portion of bonds with share acquisition rights | — | 9,330 | — | 9,330 |
| Long-term borrowings | — | 481,470 | — | 481,470 |
| Total liabilities | ¥ — | ¥577,878 | ¥— | ¥577,878 |

3) Description of the valuation techniques and inputs used in the fair value measurement

Assets

Accounts receivable-trade

The fair value of these items is measured using the discounted cash flow method based on the amount of receivables, period to maturity and an interest rate reflecting credit risk, for each receivable categorized by a specified period, and is classified as Level 2.

Securities and investment securities

Listed shares and bonds are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1. On the other hand, the fair value of bonds held by the Company are classified as Level 2 because they are not traded frequently in the public market and not considered to have quoted prices in active markets.

Liabilities

Current portion of long-term borrowings and long-term borrowings

The fair value of these items is measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities and an interest rate reflecting credit risk, and is classified as Level 2.

Current portion of bonds with share acquisition rights

The fair value of corporate bonds and bonds with share acquisition rights issued by the Company is measured based on market prices. While market prices are available, their fair value is classified as Level 2 because they are not traded in an active market.

Derivatives transactions

The fair value of cross currency interest rate swaps and forward exchange contracts is measured using the discounted cash flow method based on observable inputs, such as interest rates and exchange rates, and is classified as Level 2.

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

| | Millions of yen | | | | | | | | |
|--|-----------------|-----------------------------|-------------------------------|---------------|---------------|-----------------------------|-------------------------------|---------------|--|
| | 2021 | | | | 2022 | | | | |
| | Within 1 year | Over 1 year, Within 5 years | Over 5 years, Within 10 years | Over 10 years | Within 1 year | Over 1 year, Within 5 years | Over 5 years, Within 10 years | Over 10 years | |
| Cash and deposits | ¥1,024,553 | ¥ — | ¥ — | ¥— | ¥ 964,315 | ¥ — | ¥ — | ¥— | |
| Notes and accounts receivable-trade | 261,536 | 186,719 | 346 | — | — | — | — | — | |
| Accounts receivable-trade | — | — | — | — | 248,043 | 184,891 | 287 | — | |
| Securities and Investment securities with maturities | 201,549 | — | 40,000 | — | 122,314 | 10,000 | 60,000 | — | |
| Total | ¥1,487,639 | ¥186,719 | ¥40,346 | ¥— | ¥1,334,672 | ¥194,891 | ¥60,287 | ¥— | |

(c) Securities

a. Available-for-sale securities with market value

| | Millions of yen | | | | | |
|--|-----------------|------------------|------------|-----------------|------------------|------------|
| | 2021 | | | 2022 | | |
| | Carrying amount | Acquisition Cost | Difference | Carrying amount | Acquisition cost | Difference |
| Securities whose carrying amount exceeds the acquisition costs | | | | | | |
| (1) Stocks | ¥166,493 | ¥ 87,693 | ¥ 78,799 | ¥177,241 | ¥ 83,982 | ¥ 93,258 |
| (2) Bonds | — | — | — | 10,089 | 10,000 | 89 |
| (3) Other | 616,676 | 504,448 | 112,228 | 636,590 | 550,800 | 85,790 |
| Sub-Total | 783,170 | 592,142 | 191,027 | 823,921 | 644,783 | 179,138 |
| Securities whose carrying amount does not exceed the acquisition costs | | | | | | |
| (1) Stocks | 5,777 | 6,831 | (1,053) | 3,204 | 3,889 | (684) |
| (2) Bonds | 32,514 | 40,000 | (7,486) | 52,567 | 60,000 | (7,432) |
| (3) Other | 30,004 | 30,004 | — | 30,327 | 30,360 | (32) |
| Sub-Total | 68,296 | 76,836 | (8,539) | 86,099 | 94,249 | (8,149) |
| Total | ¥851,467 | ¥668,979 | ¥182,487 | ¥910,020 | ¥739,032 | ¥170,988 |

b. Available-for-sale securities sold

| | Millions of yen | |
|---|-----------------|------------|
| | 2021 | 2022 |
| Amounts sold | ¥745,985 | ¥1,095,509 |
| Gain on sale of available-for-sale securities | 14,173 | 1,521 |
| Loss on sale of available-for-sale securities | 1 | 913 |

c. Marketable securities impaired / Loss on valuation of securities

This information is not provided due to its low materiality.

(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. With respect 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 for which hedge accounting is not applied

1) Currency-related transactions (non-market transactions)

| Type | Millions of yen | | | | | | | |
|------------------------------------|---------------------------------|---------------------------------|--------------|--------------|---------------------------------|---------------------------------|----------------|----------------|
| | 2021 | | | | 2022 | | | |
| | 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 | | | | | | | | |
| Sell | | | | | | | | |
| USD | ¥ 544 | ¥ — | ¥ 4 | ¥ 4 | ¥ 8,948 | ¥ — | ¥ (151) | ¥ (151) |
| EUR | — | — | — | — | 16,099 | — | (767) | (767) |
| CAD | — | — | — | — | 545 | — | (36) | (36) |
| AUD | — | — | — | — | 1,373 | — | (95) | (95) |
| GBP | — | — | — | — | 9,688 | — | (259) | (259) |
| CNY | — | — | — | — | 387 | — | (14) | (14) |
| PLN | — | — | — | — | 1,554 | — | (69) | (69) |
| ZAR | — | — | — | — | 2,373 | — | (160) | (160) |
| MXN | — | — | — | — | 13,205 | — | (1,201) | (1,201) |
| NZD | — | — | — | — | 1,207 | — | (68) | (68) |
| Buy | | | | | | | | |
| USD | 21,536 | — | (926) | (926) | 424 | — | (12) | (12) |
| EUR | — | — | — | — | 717 | — | 8 | 8 |
| JPY | 4,870 | — | (1) | (1) | 3,752 | — | (148) | (148) |
| Cross currency option | | | | | | | | |
| Buy | | | | | | | | |
| JPY | — | — | — | — | 1,500 | — | 11 | 11 |
| Cross currency swap | | | | | | | | |
| Pay JPY receive EUR | 11,300 | 11,300 | 1,858 | 1,858 | 11,300 | 11,300 | 2,398 | 2,398 |
| Total | ¥38,251 | ¥11,300 | ¥ 934 | ¥ 934 | ¥73,079 | ¥11,300 | ¥ (565) | ¥ (565) |

2) Interest and currency related transactions (non-market transactions)

| Type | Millions of yen | | | | | | | |
|-----------------------------------|---------------------------------|---------------------------------|-----------------|-----------------|---------------------------------|---------------------------------|-------------|-------------|
| | 2021 | | | | 2022 | | | |
| | Contract/ notional amount | Amount due after one year | Fair value | Gain (loss) | Contract/ notional amount | Amount due after one year | Fair value | Gain (loss) |
| Cross currency Interest rate swap | | | | | | | | |
| Pay fixed receive floating | | | | | | | | |
| Pay INR receive USD | ¥24,015 | ¥23,120 | ¥ (982) | ¥ (982) | ¥25,559 | ¥25,559 | ¥464 | ¥464 |
| Pay fixed receive floating | | | | | | | | |
| Pay IDR receive USD | 11,220 | — | (95) | (95) | 12,239 | — | 27 | 27 |
| Total | ¥35,235 | ¥23,120 | ¥(1,078) | ¥(1,078) | ¥37,798 | ¥25,559 | ¥491 | ¥491 |

3) Commodity-related transactions (market transactions)

| Type | Millions of yen | | | | | | | |
|----------------------------|---------------------------------|---------------------------------|-------------|-------------|---------------------------------|---------------------------------|-------------|-------------|
| | 2021 | | | | 2022 | | | |
| | 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 | | | | | | | | |
| Buy | | | | | | | | |
| | ¥1,118 | ¥— | ¥478 | ¥478 | ¥781 | ¥— | ¥128 | ¥128 |
| Total | ¥1,118 | ¥— | ¥478 | ¥478 | ¥781 | ¥— | ¥128 | ¥128 |

b. Derivative transactions for which hedge accounting is applied

1) Currency-related transactions

| | | Millions of yen | | | | | |
|--|----------------------------|---------------------------|---------------------------|------------|---------------------------|---------------------------|------------|
| | | 2021 | | | 2022 | | |
| Type | Principal hedged item | 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) | | | | | | | |
| Sell | Accounts receivable-trade | | | | | | |
| USD | | ¥ 3,864 | ¥— | ¥(104) | ¥— | ¥— | ¥— |
| EUR | | 13,523 | — | (183) | — | — | — |
| NZD | | 147 | — | 1 | — | — | — |
| GBP | | 67 | — | (2) | — | — | — |
| CNY | | 287 | — | (1) | — | — | — |
| Foreign currency forward contracts (Special hedge accounting) | | | | | | | |
| Sell | Accounts receivable-trade) | | | | | | |
| USD | | 4,952 | — | * | — | — | — |
| EUR | | 27,838 | — | * | — | — | — |
| CAD | | 63 | — | * | — | — | — |
| AUD | | 1,161 | — | * | — | — | — |
| NZD | | 803 | — | * | — | — | — |
| GBP | | 8,434 | — | * | — | — | — |
| MXN | | 2,759 | — | * | — | — | — |
| PLN | | 1,846 | — | * | — | — | — |
| CNY | | 95 | — | * | — | — | — |
| ZAR | | 481 | — | * | — | — | — |
| Total | | ¥66,326 | ¥— | ¥(291) | ¥— | ¥— | ¥— |

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

2) Interest and currency related transactions

| | | Millions of yen | | | | | |
|--|-----------------------|---------------------------|---------------------------|------------|---------------------------|---------------------------|------------|
| | | 2021 | | | 2022 | | |
| Type | Principal hedged item | Contract/ notional amount | Amount due after one year | Fair value | Contract/ notional amount | Amount due after one year | Fair value |
| Interest rate swap (Special hedge accounting) | | | | | | | |
| Pay fixed receive floating | Long-term borrowings | ¥12,500 | ¥ — | * | ¥ — | ¥ — | ¥ — |
| Cross currency interest rate swap (Principle hedge accounting) | | | | | | | |
| Pay fixed receive floating | Long-term borrowings | 23,619 | 8,303 | ¥(416) | 15,910 | 6,731 | 50 |
| Pay IDR receive USD | | | | | | | |
| Cross currency interest rate swap (Special hedge accounting-2021/ Principle hedge accounting-2022) | | | | | | | |
| Pay fixed receive floating | Long-term borrowings | 58,000 | 10,000 | * | 10,000 | 10,000 | 822 |
| Pay JPY receive USD | | | | | | | |
| Total | | ¥94,119 | ¥18,303 | ¥(416) | ¥25,910 | ¥16,731 | ¥873 |

* Since these transactions are handled together with hedged items, their fair values are included in that of hedged items.

NOTE 7: Notes to revenue recognition**(a) Disaggregation of revenue from contracts with customers**

| | Millions of yen | | | | |
|---|-------------------------|-------------------------|--------------------|-------------------|------------|
| | Automobiles Business | Motorcycles Business | Marine Business | Other Business | Total |
| Japan | ¥1,010,726 | ¥ 22,460 | ¥ 3,241 | ¥12,064 | ¥1,048,492 |
| Europe | 366,704 | 29,442 | 21,932 | — | 418,079 |
| Asia | 1,446,613 | 125,346 | 10,486 | — | 1,582,445 |
| Others | 349,425 | 74,789 | 62,313 | — | 486,528 |
| Revenue from contracts with customers | 3,173,469 | 252,039 | 97,973 | 12,064 | 3,535,546 |
| Revenue from other sources*2 | 31,407 | 1,419 | 7 | — | 32,834 |
| Sales to external customers | ¥3,204,877 | ¥253,458 | ¥97,981 | ¥12,064 | ¥3,568,380 |

*1 Revenue is disaggregated by region based on the location of customers.

*2 Revenue from other sources includes income from lessor lease, etc.

(b) Basic information for understanding revenue

The details are the same as described in “NOTE 2: Summary of significant accounting policies, (j) Recognition criteria for revenue and expenses.”

(c) Basic information for understanding the revenue amounts in the current and next fiscal years**a. Receivables from contracts with customers and contract liabilities**

Receivables from contracts with customers and contract liabilities in the current fiscal year are as follows:

| | Millions of yen | |
|---|--|---------------------------------|
| | Balance at beginning of the period | Balance at end of the period |
| Receivables from contracts with customers | ¥230,819 | ¥180,914 |
| Notes receivable-trade | 702 | 783 |
| Accounts receivables-trade | 230,117 | 180,131 |
| Contract liabilities | 124,447 | 163,212 |
| Other current liabilities | 92,092 | 127,701 |
| Other non-current liabilities | 32,354 | 35,511 |

Contract liabilities are mainly consideration received from customers prior to delivery of the product. Of the revenue recognized in the current fiscal year, the amount included in the contract liability balance as of the beginning of the period was ¥73,078 million. The amount of revenue recognized from performance obligations fulfilled (or partially fulfilled) in the past period is not significant.

b. Transaction price allocated to the remaining performance obligations

The Company and consolidated subsidiaries have applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations, and does not disclose contracts with an original expected duration of one year or less. Consideration arising from contracts with customers does not have any significant amounts not included in the transaction price.

As of the end of the current fiscal year, the total transaction price allocated to unfulfilled performance obligations and the period during which revenue is expected to be recognized are as follows:

| | Millions of yen |
|-----------------------|-----------------|
| | 2022 |
| Within one year | ¥25,364 |
| Over one year | 49,207 |
| Total | ¥74,572 |

Remaining performance obligations consist primarily of extended warranty income and maintenance income.

NOTE 8: Bonds with share acquisition rights

| | |
|--|---|
| (1) Name of the bond | SUZUKI MOTOR CORPORATION Euro Yen Zero Coupon (subject to the maximum number of shares to be delivered) Convertible Bond due 2023 |
| (2) Total issue amount | ¥100 billion plus the aggregate principal amount of the bonds in respect of replacement certificates of the bonds with share acquisition rights |
| (3) Issue price | 100.0% of principal amount |
| (4) Offer price | 102.5% of principal amount |
| (5) Balance as of 31 March 2022 (Millions of yen) | 8,560 |
| (6) Coupon | Zero |
| (7) Closing and issue date | 1 April 2016 |
| (8) Redemption price | 100% of principal amount |
| (9) Redemption at maturity, Early redemption and Cancellation by acquisition | 31 March 2023 by 100% of principal amount Early redemption and cancellation by acquisition of the bonds under certain circumstances are specified in the Information Memorandum. |
| (10) Matters concerning the bonds with share acquisition rights | |
| i. Type of share to be issued upon exercise of share acquisition rights | Common stock of the Company |
| ii. Total number of share acquisition rights | 10,000 units plus the units of the aggregate principal amount of the bonds in respect of replacement certificates of the bonds with share acquisition rights divided by ¥10 million |
| iii. Conversion price | ¥3,954.4 (please refer to vii.) |
| iv. Exercise period and Supplementary conditions | From 15 April 2016 to 17 March 2023 [Automatic-acquisition-upon-exercise clause (subject to the maximum number of shares to be delivered)] Exercising by 31 December 2022 [One-time acquisition clause (subject to the maximum number of shares to be delivered)] Giving notice from 31 March 2022 to 16 December 2022 [Contingent conversion mechanism (130%)] Until 31 December 2022 |
| v. Asset and amount to be paid upon exercise of share acquisition rights | The bonds in respect of the share acquisition rights shall be contributed upon exercising of each share acquisition right, and the price of the bonds shall be equal to the principal amount of the bonds. |
| vi. Share capital and capital surplus increased in case the stocks are issued by exercising share acquisition rights | The amount of share capital increased in case the stocks are issued by exercising share acquisition rights shall be half of the maximum increase of share capital and etc., calculated in accordance with Article 17 of the "Company Calculation Ordinance," and any amount less than one yen arising from such calculation shall be rounded up. The increase in capital surplus shall be obtained by subtracting the share capital increased from the maximum increase of share capital and etc. |
| vii. Adjustments of the conversion price | The dividend of fiscal year end retained earnings was approved as ¥46 per share and the annual dividend was determined as ¥91 per share during the Ordinary General Meeting of Shareholders held on 29 June 2022. By the approval and determination, the conversion price of Euro Yen Zero Coupon (subject to the maximum number of shares to be delivered) Convertible Bond due 2023 have been adjusted to ¥3,915.5 from ¥3,954.4 retroactively since 1 April 2022 in accordance with the clause of Adjustments of the Conversion Price in the guideline for the bonds. |
| (11) Security or guarantee | None |
| (12) Use of proceeds | Proceeds from the issuance of the bonds shall be used as strategic investment for accelerating the Group's mid-term management plan and for strengthening its competitive position. |

NOTE 9: Short-term debts and long-term debts

Short-term debts are as follows:

| | Millions of yen | |
|---|-----------------|-----------------|
| | 2021 | 2022 |
| Short-term borrowings and Current portion of long-term borrowings | ¥568,855 | ¥182,266 |
| Lease obligations due within one year | 20 | 472 |
| | ¥568,876 | ¥182,738 |

Long-term debts are as follows:

| | Millions of yen | |
|--|-----------------|-----------------|
| | 2021 | 2022 |
| Long-term borrowings maturing through 2031 | ¥193,413 | ¥483,333 |
| Lease obligations due more than one year | 35 | 1,501 |
| Other interest-bearing debts | 16,641 | 19,301 |
| | ¥210,090 | ¥504,135 |

As is customary in Japan, both short-term and long-term bank loans are subjected 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 debts excluding other interest-bearing debts as of 31 March 2022 are as follows:

| Year ending 31 March | Millions of yen |
|----------------------|-----------------|
| 2024 | ¥159,322 |
| 2025 | 217,800 |
| 2026 | 106,167 |
| Thereafter | 1,543 |
| | ¥484,834 |

Assets pledged as collateral are as follows:

| | Millions of yen | |
|------------------------------------|-----------------|---------------|
| | 2021 | 2022 |
| Buildings and structures | ¥447 | ¥2,213 |

Secured liabilities are as follows:

| | Millions of yen | |
|---|-----------------|---------------|
| | 2021 | 2022 |
| Long-term borrowings | ¥ — | ¥1,763 |
| Other (non-current liabilities) | 284 | 291 |
| | ¥284 | ¥2,054 |

NOTE 10: Loan commitment

The Company has the commitment line contracts with six banks for effective financing. The outstanding balance of these contracts is as follows:

| | Millions of yen | |
|--|-----------------|-----------------|
| | 2021 | 2022 |
| Commitment line contract total | ¥300,000 | ¥300,000 |
| Actual loan balance | — | — |
| Balance | ¥300,000 | ¥300,000 |

NOTE 11: Retirement benefits**(a) Outline of adopted retirement benefit systems**

The Company established cash balance corporate pension plan and lump-sum retirement benefit plan. Some of consolidated subsidiaries established defined benefit corporate pension plan and lump-sum retirement benefit plan. Some of foreign consolidated subsidiaries established defined contribution plan.

Some of consolidated subsidiaries adopt simplified method for the calculation of retirement benefits.

(b) Defined benefit plan**a. Reconciliation of retirement benefit obligation from the opening balance to the closing balance**

| | Millions of yen | |
|--|-----------------|-----------------|
| | 2021 | 2022 |
| Opening balance of retirement benefit obligation | ¥188,958 | ¥196,096 |
| Service cost | 10,397 | 10,755 |
| Interest cost | 1,058 | 1,080 |
| Actuarial differences | 1,295 | 473 |
| Retirement allowance paid | (8,124) | (7,800) |
| Other | 2,511 | 1,864 |
| Closing balance of retirement benefit obligation | ¥196,096 | ¥202,470 |

b. Reconciliation of pension assets from the opening balance to the closing balance

| | Millions of yen | |
|-----------------------------------|-----------------|-----------------|
| | 2021 | 2022 |
| Opening balance of pension assets | ¥121,751 | ¥138,276 |
| Expected return on pension assets | 2,520 | 2,971 |
| Actuarial differences | 2,750 | (2,254) |
| Contribution from employers | 17,278 | 12,412 |
| Retirement allowance paid | (5,035) | (5,428) |
| Other | (989) | 410 |
| Closing balance of pension assets | ¥138,276 | ¥146,388 |

c. Reconciliation between closing balance of retirement benefit obligation and pension assets and net amount of liability/asset for retirement benefits recognized in consolidated balance sheet

| | Millions of yen | |
|--|-----------------|------------------|
| | 2021 | 2022 |
| Defined benefit obligation of funded severance plan | ¥ 143,532 | ¥ 148,663 |
| Pension assets | (138,276) | (146,388) |
| | 5,256 | 2,275 |
| Defined benefit obligation of unfunded severance plan | 52,563 | 53,806 |
| Net amount of liability and asset for retirement benefits recognized in consolidated balance sheet | ¥ 57,819 | ¥ 56,082 |
| Retirement benefit liability | ¥ 62,081 | ¥ 64,449 |
| Retirement benefit asset | 4,261 | 8,366 |
| Net amount of liability and asset for retirement benefits recognized in consolidated balance sheet | ¥ 57,819 | ¥ 56,082 |

d. Breakdown of retirement benefit expenses

| | Millions of yen | |
|---|-----------------|----------------|
| | 2021 | 2022 |
| Service cost | ¥10,397 | ¥10,755 |
| Interest cost | 1,058 | 1,080 |
| Expected return on pension assets | (2,520) | (2,971) |
| Amortization of actuarial gains and losses | 1,105 | 1,151 |
| Amortization of past service cost | 1,227 | 1,227 |
| Other | 687 | (11) |
| Total amount of retirement benefit expenses for defined benefit plans | ¥11,955 | ¥11,232 |

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e. Adjustment for retirement benefits (before tax effect)

Breakdown of adjustment for retirement benefits recognized is as follows:

| | Millions of yen | |
|--------------------------------------|-----------------|---------|
| | 2021 | 2022 |
| Past service cost | ¥1,392 | ¥ 1,419 |
| Actuarial gains and losses | 2,395 | (1,768) |
| Total | ¥3,788 | ¥ (348) |

f. Accumulated adjustment for retirement benefits (before tax effect)

Breakdown of accumulated adjustment for retirement benefits recognized is as follows:

| | Millions of yen | |
|---|-----------------|-----------|
| | 2021 | 2022 |
| Unrecognized past service cost | ¥(13,523) | ¥(12,104) |
| Unrecognized actuarial gains and losses | (15,507) | (17,275) |
| Total | ¥(29,031) | ¥(29,379) |

g. Pension assets

a. Major breakdown of pension assets

Portion of major components to total pension assets is as follows:

| | 2021 | 2022 |
|---|--------|--------|
| Debt securities | 46.7% | 44.5% |
| General account of life insurance companies | 33.2 | 33.7 |
| Other | 20.1 | 21.8 |
| Total | 100.0% | 100.0% |

b. Method to determine long-term expected rate of return on pension assets

Long-term expected rate of return on pension assets was determined by considering the current and anticipated future portfolio of pension assets and the long-term performance of various assets that comprise pension assets.

h. Actuarial assumptions

| | 2021 | 2022 |
|---|--------------|--------------|
| Discount rate | mainly 0.15% | mainly 0.15% |
| Long-term expected rate of return on pension assets | mainly 1.80% | mainly 1.80% |

(c) Defined contribution plan

Year ended 31 March 2021

Contribution to defined contribution plan by the Group was ¥355 million.

Year ended 31 March 2022

Contribution to defined contribution plan by the Group was ¥302 million.

NOTE 12: Income taxes

(a) Significant components of deferred tax assets and deferred tax liabilities are as follows:

| Deferred tax assets | Millions of yen | |
|---|-----------------|----------|
| | 2021 | 2022 |
| Impairment losses and Excess-depreciation | ¥ 68,594 | ¥ 70,901 |
| Various provisions | 86,095 | 81,742 |
| Unrealized profits elimination | 19,319 | 16,517 |
| Loss on valuation of securities | 7,526 | 7,195 |
| Deferred assets | 7,674 | 6,001 |
| Net operating loss carryforwards* | 14,859 | 22,076 |
| Other | 18,107 | 27,374 |
| Deferred tax assets sub-total | 222,177 | 231,808 |
| Valuation allowance for net operating loss carryforwards* | (9,528) | (15,147) |
| Valuation allowance for deductible temporary differences* | (26,554) | (32,415) |
| Deferred tax assets total | 186,095 | 184,245 |
| Deferred tax liabilities | | |
| Valuation difference on available-for-sale securities | (26,003) | (24,658) |
| Variance from the complete market value method of consolidated subsidiaries | (8,090) | (8,090) |
| Reserve for advanced depreciation of non-current assets | (3,927) | (6,687) |
| Prepaid pension costs | (1,540) | (2,759) |
| Other | (11,412) | (5,304) |
| Deferred tax liabilities total | (50,974) | (47,501) |
| Net amounts of deferred tax assets | ¥135,120 | ¥136,743 |

* The amount of net operating loss carryforwards and those deferred tax assets by due date are as follows:

| | Millions of yen | | | | | | |
|--|-----------------|------|--------|---------|---------|------------|---------|
| | 2021 | | | | | | |
| | 2022 | 2023 | 2024 | 2025 | 2026 | Thereafter | Total |
| Net operating loss carryforwards (a) | ¥ 434 | ¥ 25 | ¥1,480 | ¥ 2,843 | ¥ 2,881 | ¥ 7,194 | ¥14,859 |
| Valuation allowance | (434) | (25) | (807) | (1,716) | (2,881) | (3,662) | (9,528) |
| Deferred tax assets | ¥ — | ¥ — | ¥ 672 | ¥ 1,126 | ¥ — | ¥ 3,532 | ¥ 5,331 |

(a) Net operating loss carryforwards are calculated by multiplying the statutory tax rate.

| | Millions of yen | | | | | | |
|--|-----------------|------|-------|---------|---------|------------|----------|
| | 2022 | | | | | | |
| | 2023 | 2024 | 2025 | 2026 | 2027 | Thereafter | Total |
| Net operating loss carryforwards (b) | ¥ 38 | ¥ 22 | ¥ 846 | ¥ 3,763 | ¥ 2,112 | ¥15,293 | ¥ 22,076 |
| Valuation allowance | (38) | (22) | (754) | (3,751) | (2,103) | (8,476) | (15,147) |
| Deferred tax assets | ¥ — | ¥ — | ¥ 91 | ¥ 11 | ¥ 8 | ¥ 6,817 | ¥ 6,929 |

(b) Net operating loss carryforwards are calculated by multiplying the statutory tax rate.

(b) Breakdown of the differences between the statutory tax rate and the effective tax rate

| | 2021 | 2022 |
|--|------|-------|
| Statutory tax rate | — | 29.9% |
| Different tax rates applied to consolidated subsidiaries | — | (2.1) |
| Tax credit | — | (3.0) |
| Retained earnings in subsidiaries etc. | — | 5.6 |
| Equity in earnings | — | (1.0) |
| Other | — | (2.2) |
| Effective tax rate | — | 27.2% |

Note: Notes to FY2021 are omitted because the difference between the statutory tax rate and the effective tax rate is 5/100 or less of the statutory tax rate.

NOTE 13: Selling, general and administrative expenses

Main items of selling, general and administrative expenses are as follows:

| | Millions of yen | |
|--|-----------------|----------|
| | 2021 | 2022 |
| Delivery expenses | ¥ 98,028 | ¥118,969 |
| Advertising expenses | 55,192 | 57,249 |
| Sales promotion expenses | 67,757 | — |
| Wages and salaries | 90,701 | 97,240 |
| Research and development expenses | 146,221 | 160,747 |
| Provision of allowance for doubtful accounts | 804 | 2,302 |
| Provision for product warranties | 29,440 | 18,852 |
| Retirement benefit expenses | 5,429 | 4,809 |
| Provision for product liability insurance | (254) | (547) |
| Provision for recycling | 2,716 | 1,273 |

NOTE 14: Research and development expenses

Research and development expenses included in selling, general and administrative expenses are as follows:

| | Millions of yen | |
|-----------------------------------|-----------------|----------|
| | 2021 | 2022 |
| Research and development expenses | ¥146,221 | ¥160,747 |

NOTE 15: Cash and cash equivalents

Cash and cash equivalents are as follows:

| | Millions of yen | |
|--|-----------------|-----------|
| | 2021 | 2022 |
| Cash and deposits | ¥1,024,553 | ¥ 964,315 |
| Securities | 201,549 | 122,314 |
| Sub-total | 1,226,103 | 1,086,629 |
| Time deposits with maturities of over three months | (100,160) | (106,319) |
| Bonds etc. with redemption period of over three months | (201,549) | (122,314) |
| Cash and cash equivalents | ¥ 924,392 | ¥ 857,996 |

NOTE 16: Other comprehensive income

| | Millions of yen | |
|---|-----------------|----------|
| | 2021 | 2022 |
| Valuation difference on available-for-sale securities | | |
| Gain (loss) arising during the period | ¥100,990 | ¥ 37,029 |
| Reclassification adjustments | (41,240) | (56,651) |
| Before tax effect | 59,750 | (19,621) |
| Tax effect | (12,672) | (3,023) |
| Balance at the end of the period | 47,078 | (22,644) |
| Deferred gains or losses on hedges | | |
| Gain (loss) arising during the period | (319) | (447) |
| Reclassification adjustments | 191 | 1,703 |
| Before tax effect | (127) | 1,255 |
| Tax effect | 82 | (618) |
| Balance at the end of the period | (44) | 637 |
| Foreign currency translation adjustment | | |
| Gain (loss) arising during the period | 75,222 | 109,090 |
| Reclassification adjustments | (54) | — |
| Balance at the end of the period | 75,167 | 109,090 |
| Remeasurements of defined benefit plans | | |
| Gain (loss) arising during the period | 1,544 | (2,625) |
| Reclassification adjustments | 2,243 | 2,276 |
| Before tax effect | 3,788 | (348) |
| Tax effect | (1,051) | 179 |
| Balance at the end of the period | 2,737 | (169) |
| Share of other comprehensive income of entities accounted for using equity method | | |
| Gain (loss) arising during the period | 927 | 2,505 |
| Total other comprehensive income | ¥125,865 | ¥ 89,419 |

NOTE 17: Cash dividends

| | Resolutions | |
|--------------------------------|---|--|
| | Ordinary General Meeting of Shareholders held on 25 June 2021 | Meeting of the Board of Directors held on 11 November 2021 |
| Total amount of cash dividends | ¥25,738 million | ¥21,856 million |
| Cash dividends per share | ¥53.00 | ¥45.00 |
| Record date | 31 March 2021 | 30 September 2021 |
| Effective date | 28 June 2021 | 30 November 2021 |

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

| | Resolution |
|--------------------------------|---|
| | Ordinary General Meeting of Shareholders held on 29 June 2022 |
| Total amount of cash dividends | ¥22,342 million |
| Cash dividends per share | ¥46.00 |
| Record date | 31 March 2022 |
| Effective date | 30 June 2022 |

NOTE 18: Stock option plans

The Company adopts stock option plan by using share acquisition rights.

The details of the plans are as follows:

| | The plan adopted at 28 June 2012 | The plan adopted at 27 June 2013 | The plan adopted at 27 June 2014 |
|--|---|--|--|
| Category and number of people to whom stock options are granted | 10 Directors of the Company (excluding Outside Directors) 6 Managing Officers who do not concurrently serve as Directors | 7 Directors of the Company (excluding Outside Directors) 10 Senior Managing Officers and Managing Officers who do not concurrently serve as Directors | 6 Directors of the Company (excluding Outside Directors) 6 Managing Officers who do not concurrently serve as Directors |
| Class of shares that are the subject of share acquisition rights | 92,000 of Common stock of the Company | 49,800 of Common stock of the Company | 32,400 of Common stock of the Company |
| Adoption date | 20 July 2012 | 19 July 2013 | 22 July 2014 |
| Terms of exercise of share acquisition rights | (1) A person who is allocated share acquisition rights shall be able to exercise share acquisition 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 share acquisition rights was dead, the person's heir shall be able to exercise the rights. | | |
| Period during which share acquisition rights can be exercised | From 21 July 2012 to 20 July 2042 | From 20 July 2013 to 19 July 2043 | From 23 July 2014 to 22 July 2044 |
| Number of shares which share acquisition rights have not exercised | 10,000 | 6,000 | 5,300 |

NOTE 19: Contingent liabilities

As of 31 March 2022 and 2021, the Company and some of consolidated subsidiaries have the contingent liabilities, which are as follows:

| | Millions of yen | |
|---|-----------------|--------|
| | 2021 | 2022 |
| Guarantee of indebtedness of overseas sales companies and other | ¥1,920 | ¥2,250 |

NOTE 20: Segment information

(a) 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 Company has four reportable segments of "Automobile business," "Motorcycle business," "Marine business" and "Other business" 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 |
|---------------------|--|
| Automobile business | Mini vehicles, Sub-compact vehicles, Standard-sized vehicles |
| Motorcycle business | Motorcycles, All-terrain vehicles |
| Marine business | Outboard motors |
| Other business | Motorized wheelchairs, Solar power generation, Real estate |

(b) The change in reportable segments

The Group used to classify reportable segments into three, “Automobile business,” “Motorcycle business,” “Marine business, etc.” To present the Group’s business operations more clearly, the Group classified Marine business and reportable segments have now been classified into four, “Automobile business,” “Motorcycle business,” “Marine business” and “Other business” from FY2021.

The results for FY2020 (1 April 2020–31 March 2021) have been reclassified to conform with the new reportable segments.

(c) 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” (Note 2).

(d) Information about the amounts of net sales, profit or loss, assets and other items by reportable segment

| | Millions of yen | | | | | | |
|---|---------------------|---------------------|-----------------|----------------|------------|------------|--------------|
| | 2021 | | | | | | |
| | Automobile business | Motorcycle business | Marine business | Other business | Total | Adjustment | Consolidated |
| Net sales | | | | | | | |
| Net sales to external customers . . . | ¥2,876,601 | ¥206,530 | ¥83,411 | ¥11,666 | ¥3,178,209 | ¥ — | ¥3,178,209 |
| Segment profit | 172,066 | 2,575 | 17,099 | 2,692 | 194,432 | — | 194,432 |
| Segment assets | 2,823,212 | 219,262 | 58,180 | 15,413 | 3,116,067 | 920,292 | 4,036,360 |
| Other items | | | | | | | |
| Depreciation | 124,937 | 8,619 | 1,838 | 1,149 | 136,545 | — | 136,545 |
| Impairment losses | 5,277 | 25 | 20 | 0 | 5,323 | — | 5,323 |
| Investments in entities accounted for using equity method | 38,477 | 8,395 | 455 | 17 | 47,346 | — | 47,346 |
| Increase in property, plant and equipment and intangible assets | 160,762 | 8,350 | 1,613 | 220 | 170,947 | — | 170,947 |

| | Millions of yen | | | | | | |
|---|---------------------|---------------------|-----------------|----------------|------------|------------|--------------|
| | 2022 | | | | | | |
| | Automobile business | Motorcycle business | Marine business | Other business | Total | Adjustment | Consolidated |
| Net sales | | | | | | | |
| Net sales to external customers . . . | ¥3,204,877 | ¥253,458 | ¥97,981 | ¥12,064 | ¥3,568,380 | ¥ — | ¥3,568,380 |
| Segment profit | 152,832 | 10,859 | 24,017 | 3,750 | 191,460 | — | 191,460 |
| Segment assets | 2,970,346 | 257,509 | 70,278 | 15,763 | 3,313,896 | 841,255 | 4,155,153 |
| Other items | | | | | | | |
| Depreciation | 147,910 | 10,235 | 2,258 | 1,100 | 161,505 | — | 161,505 |
| Impairment losses | 7,587 | 98 | 0 | 0 | 7,686 | — | 7,686 |
| Investments in entities accounted for using equity method | 45,239 | 14,956 | 333 | 12 | 60,541 | — | 60,541 |
| Increase in property, plant and equipment and intangible assets | 179,675 | 6,947 | 2,398 | 367 | 189,389 | — | 189,389 |

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(Reference information)

Operating results by geographical regions are as follows:
The amount of net sales based on external customers

| | Millions of yen | | | |
|-----------|-----------------|----------|------------|--------------|
| | 2021 | | | |
| | Japan | India | Other | Consolidated |
| Net sales | ¥1,174,034 | ¥966,721 | ¥1,037,453 | ¥3,178,209 |

| | Millions of yen | | | |
|-----------|-----------------|------------|------------|--------------|
| | 2022 | | | |
| | Japan | India | Other | Consolidated |
| Net sales | ¥1,073,303 | ¥1,174,430 | ¥1,320,247 | ¥3,568,380 |

(Supplementary information)

The amount of net sales, operating profit or loss based on location of the Group

| | Millions of yen | | | | | | |
|---|-----------------|----------|------------|---------------|------------|--------------|--------------|
| | 2021 | | | | | | |
| | Japan | Europe | Asia | Other regions | Total | Eliminations | Consolidated |
| Net sales | | | | | | | |
| Net sales to external customers | ¥1,337,708 | ¥352,541 | ¥1,307,977 | ¥179,982 | ¥3,178,209 | ¥ — | ¥3,178,209 |
| Internal net sales or transfer among geographical regions | 562,817 | 145,984 | 87,319 | 375 | 796,498 | (796,498) | — |
| Total | ¥1,900,526 | ¥498,526 | ¥1,395,297 | ¥180,357 | ¥3,974,707 | ¥(796,498) | ¥3,178,209 |
| Operating profit | ¥ 118,373 | ¥ 10,823 | ¥ 55,957 | ¥ 8,641 | ¥ 193,796 | ¥ 636 | ¥ 194,432 |

| | Millions of yen | | | | | | |
|---|-----------------|----------|------------|---------------|------------|--------------|--------------|
| | 2022 | | | | | | |
| | Japan | Europe | Asia | Other regions | Total | Eliminations | Consolidated |
| Net sales | | | | | | | |
| Net sales to external customers | ¥1,305,150 | ¥352,831 | ¥1,658,301 | ¥252,096 | ¥3,568,380 | ¥ — | ¥3,568,380 |
| Internal net sales or transfer among geographical regions | 623,090 | 133,892 | 145,210 | 1,105 | 903,299 | (903,299) | — |
| Total | ¥1,928,240 | ¥486,724 | ¥1,803,511 | ¥253,202 | ¥4,471,679 | ¥(903,299) | ¥3,568,380 |
| Operating profit | ¥ 121,018 | ¥ 12,561 | ¥ 43,765 | ¥ 14,361 | ¥ 191,706 | ¥ (246) | ¥ 191,460 |

Notes: 1. Classification of countries or regions is based on a geographical adjacency.

2. The major countries or regions belonging to classifications other than Japan:

(1) Europe Hungary, Germany, United Kingdom and France

(2) Asia India, Pakistan, Indonesia, and Thailand

(3) Other regions United States, Australia, Mexico, Colombia and South Africa

3. Classification is counted based on the location of the Company and its consolidated subsidiaries.

Independent Auditor's Report

To the Board of Directors of
Suzuki Motor Corporation

Opinion

We have audited the consolidated financial statements of Suzuki Motor Corporation and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheets as of 31 March 2022, the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets, consolidated statements of cash flows for the year then ended, and notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 March 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan.

Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

In the audit of the consolidated financial statements for the current year, the Key Audit Matters are those that the auditor, as a professional expert, determined to be particularly important. The Key Audit Matters are those that have been addressed in the process of conducting the audit of the entire consolidated financial statements and in the formation of the audit opinion. We do not express our opinion on these matters individually.

| 1. Renewal of the Company's accounting system | |
|--|---|
| Key audit matter description | How our audit addressed the key audit matter |
| <p>The Company undertook a complete renewal of its accounting system with the aim of improving the efficiency of accounting operations and centralizing the management of accounting information implementing the new accounting system in the current consolidated fiscal year.</p> <p>We identified the risks that incorrect financial accounting figures could be repeatedly and continuously processed and reported unless data migration from the old system to the new system and reconfiguration of various masters in the new system had been processed properly.</p> <p>From the aforementioned reasons, we determined that the implementation of the new accounting system shall be treated as one of our "Key Audit Matters."</p> | <p>We conducted the following audit procedures with the use of members with expertise in the IT area in order to examine whether the new accounting system has been implemented properly.</p> <ul style="list-style-type: none"> • Assess the operating effectiveness of internal controls over management transition test for the implementation of the new accounting system. • Performed procedures to verify that the data have been completely and accurately migrated. • Performed procedures to verify that master data including the chart of accounts have been reconfigured correctly. • Assess the effect of the implementation of the new accounting system to the IT general control assessment. |

| 2. Liabilities for individual repair costs based on notifications to competent authorities | |
|---|--|
| Key audit matter description | How our audit addressed the key audit matter |
| <p>As of March 31, 2022, the Group recorded a provision for product warranties of ¥227,559 million in the consolidated balance sheets to allow for expenses related to after services of products sold. The related disclosures are in “Notes to Consolidated Financial Statements,” “NOTE 2: Summary of significant accounting policies” (d) and (u)-a. The provision for product warranties includes liabilities related to individual repair costs based on notifications to competent authorities.</p> <p>Liabilities related to individual repair costs based on notifications to competent authorities are recorded based on estimates of comprehensive or individual repair costs for products which may arise in the future.</p> <p>Individual repair costs for products which may arise in the future are estimated based on historical repair costs, projected number of vehicles to be repaired and estimated repair cost per vehicle, which are reviewed periodically and modified as necessary.</p> <p>Since this estimate of repair costs involves significant judgment by management, a high degree of auditor judgment is required in evaluating the estimate.</p> <p>From the aforementioned reasons, we determined that the individual estimates of liabilities for individual repair costs based on notifications to competent authorities is specifically important in the audit of the consolidated financial statements of the current fiscal year and therefore is one of our “Key Audit Matters.”</p> | <p>In auditing the individual estimates of liabilities for individual repair costs based on notifications to competent authorities, we performed the following audit procedures.</p> <ul style="list-style-type: none"> • Assess the operating effectiveness of internal controls over liabilities related to individual repair costs based on notifications to competent authorities, including the internal controls related to the determination of significant assumptions and underlying data used in estimating the projected number of units to be repaired as well as the projected repair cost per unit. • Examine that the data used to determine the projected number of units to be repaired and the projected repair cost per unit are supported by evidences and its consistency with historical repair data. • Examine the completeness of the individual estimates of liabilities for individual repair costs based on notifications to competent authorities through reviewing the consistency with minutes of meetings and approval documents related to repair costs as well as information on recalls and defects published by competent authorities. |

Other Information

Other information comprises information contained in the Annual Securities Report except for consolidated financial statements and our auditor’s report thereon.

Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Board and its members are responsible for overseeing the Company’s reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board and Its Members for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan. The responsibility includes establishment and management of internal control that the management determines to require in order to enable the preparation of consolidated financial statements that are free from material misstatement due to fraud or errors.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board and its members are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or error, and design, and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statements audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board and its members regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit and other matters.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board and its members, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Satoru Imamura
Designated Engagement Partner
Certified Public Accountant

Koji Nishikawa
Designated Engagement Partner
Certified Public Accountant

Ryuichi Kitakura
Designated Engagement Partner
Certified Public Accountant

Seimei Audit Corporation
Tokyo, Japan
29 June 2022