

FINANCIAL SECTION

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Five-Year Summary

SUZUKI MOTOR CORPORATION

CONSOLIDATED

Years ended 31 March	Millions of yen (except per share amounts)				
	2020	2019	2018	2017	2016
Net sales	¥3,488,433	¥3,871,496	¥3,757,219	¥3,169,542	¥3,180,659
Net income attributable to owners of the parent	134,222	178,759	215,730	159,956	116,660
Net income per share:					
Primary	286.36	395.26	488.86	362.54	234.98
Fully diluted	286.32	395.20	473.74	362.48	234.92
Cash dividends per share*	85.00	74.00	74.00	44.00	32.00
Net assets	1,793,657	1,715,914	1,595,227	1,387,041	1,187,703
Total assets	3,339,783	3,401,970	3,340,828	3,115,985	2,702,008
Depreciation and amortization ...	164,158	148,926	150,877	163,397	168,315

*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 Statement

Consolidated Balance Sheets

As of 31 March 2020 and 2019

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen	
	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents ^{*Note 13}	¥420,392	¥473,097
Receivables:		
Notes and accounts receivable-trade ^{*Note 5}	427,358	445,700
Allowance for doubtful accounts	(2,570)	(4,822)
Inventories ^{*Note 7}	355,492	351,896
Others ^{*Note 5}	339,049	356,445
Total current assets	1,539,722	1,622,317
Property, plant and equipment:		
Land ^{*Note 7}	304,652	299,977
Buildings and structures ^{*Note 7}	500,588	490,441
Machinery, equipment and vehicles	1,284,302	1,283,453
Tools, furniture and fixtures	622,197	626,529
Construction in progress	118,571	89,585
	2,830,311	2,789,988
Accumulated depreciation	(1,910,167)	(1,885,711)
Total property, plant and equipment	920,144	904,276
Investments and other assets:		
Investment securities ^{*Note 5}	633,342	604,164
Investments in affiliates ^{*Note 5}	38,102	39,145
Deferred tax assets ^{*Note 10}	174,320	198,422
Others	34,150	33,644
Total investments and other assets	879,916	875,376
Total assets	¥3,339,783	¥3,401,970

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

Consolidated Financial Statement

As of 31 March 2020 and 2019

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen	
	2020	2019
LIABILITIES AND NET ASSETS		
Current liabilities:		
Short-term loans payable ^{*Note 5 and 7}	¥121,082	¥93,807
Current portion of long-term loans payable ^{*Note 5 and 7} ...	74,515	63,845
Current portion of bonds with subscription rights to shares ^{*Note 5 and 6}	2,972	—
Accounts payable-trade ^{*Note 5}	257,996	327,373
Electronically recorded obligations	71,869	71,532
Income taxes payable	22,310	34,661
Accrued expenses ^{*Note 5}	279,911	297,200
Provision for product warranties	243,920	248,199
Others ^{*Note 7}	150,926	203,040
Total current liabilities	<u>1,225,506</u>	<u>1,339,662</u>
Non-current liabilities:		
Bonds with subscription rights to shares ^{*Note 5 and 6}	8,560	11,535
Long-term loans payable ^{*Note 5 and 7}	197,064	206,250
Liabilities for retirement benefits ^{*Note 9}	67,206	82,813
Provision for disaster	436	436
Deferred tax liabilities ^{*Note 10}	5,121	2,895
Others ^{*Note 7}	42,231	42,462
Total non-current liabilities	<u>320,619</u>	<u>346,393</u>
Total liabilities	<u>1,546,126</u>	<u>1,686,055</u>
Net assets:		
Shareholders' equity:		
Capital stock:		
Common stock		
Authorized: 1,500,000,000 shares Issued:		
as of 31 March 2020 :491,067,800 shares		
as of 31 March 2019 :491,049,100 shares	138,202	138,161
Capital surplus	146,490	143,965
Retained earnings	1,414,665	1,314,587
Treasury stock	(21,775)	(113,963)
Total shareholders' equity	<u>1,677,583</u>	<u>1,482,750</u>
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities.....	87,455	95,873
Deferred gains or losses on hedges	(269)	(219)
Foreign currency translation adjustment	(255,266)	(164,544)
Accumulated adjustment for retirement benefits	(21,951)	(21,369)
Total accumulated other comprehensive income	<u>(190,032)</u>	<u>(90,260)</u>
Subscription rights to shares ^{*Note 16}	115	115
Non-controlling interests	305,990	323,309
Total net assets	<u>1,793,657</u>	<u>1,715,914</u>
Total liabilities and net assets	<u>¥3,339,783</u>	<u>¥3,401,970</u>

(Consolidated Statement of Comprehensive Income)

Years ended 31 March 2020 and 2019

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen	
	2020	2019
Net Income	¥162,608	¥236,887
Other comprehensive income *Note 14		
Valuation difference on available-for-sale securities	(2,603)	(16,012)
Deferred gains or losses on hedges.....	(313)	(214)
Foreign currency translation adjustment	(119,454)	(25,318)
Adjustment for retirement benefits	(1,239)	(10,848)
Share of other comprehensive income of affiliates accounted for using equity method	(1,308)	(6,565)
Total other comprehensive income	(124,919)	(58,958)
Comprehensive income	37,688	177,928
Comprehensive income attributable to:		
Owners of the parent	34,425	131,010
Non-controlling interests	3,263	46,918

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

Consolidated Statement of Changes in Net Assets

Years ended 31 March 2020 and 2019

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen					
	Thousands of shares of common stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance as of 31 March 2018	491,018	¥138,064	¥143,868	¥1,247,242	¥(189,126)	¥1,340,047
Issuance of new shares....	31	97	97	—	—	194
Dividends from surplus.....	—	—	—	(36,481)	—	(36,481)
Net income attributable to owners of the parent.....	—	—	—	178,759	—	178,759
Purchase of treasury stock ...	—	—	—	—	(7)	(7)
Disposal of treasury stock.....	—	—	(74,932)	—	75,171	238
Transfer to capital surplus from retained earnings	—	—	74,932	(74,932)	—	—
Net changes of items other than shareholders' equity....	—	—	—	—	—	—
Total changes during the fiscal year	31	97	97	67,345	75,163	142,702
Balance as of 31 March 2019	491,049	¥138,161	¥143,965	¥1,314,587	¥(113,963)	¥1,482,750
Issuance of new shares....	19	41	41	—	—	82
Dividends from surplus.....	—	—	—	(34,144)	—	(34,144)
Net income attributable to owners of the parent.....	—	—	—	134,222	—	134,222
Purchase of shares of consolidated subsidiaries.....	—	—	(1,411)	—	—	(1,411)
Purchase of treasury stock ...	—	—	—	—	(12)	(12)
Disposal of treasury stock.....	—	—	3,894	—	92,201	96,096
Net changes of items other than shareholders' equity....	—	—	—	—	—	—
Total changes during the fiscal year	19	41	2,524	100,078	92,188	194,832
Balance as of 31 March 2020	491,068	¥138,202	¥146,490	¥1,414,665	¥(21,775)	¥1,677,583

Consolidated Financial Statement

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Accumulated adjustment for retirement benefits	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of 31 March 2018	¥108,528	¥22	¥(140,136)	¥(10,925)	¥(42,511)	¥126	¥297,564	¥1,595,227
Issuance of new shares....	—	—	—	—	—	—	—	194
Dividends from surplus....	—	—	—	—	—	—	—	(36,481)
Net income attributable to owners of the parent.....	—	—	—	—	—	—	—	178,759
Purchase of treasury stock ...	—	—	—	—	—	—	—	(7)
Disposal of treasury stock....	—	—	—	—	—	—	—	238
Transfer to capital surplus from retained earnings	—	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity....	(12,654)	(242)	(24,407)	(10,444)	(47,749)	(11)	25,744	(22,015)
Total changes during the fiscal year	(12,654)	(242)	(24,407)	(10,444)	(47,749)	(11)	25,744	120,687
Balance as of 31 March 2019	¥95,873	¥(219)	¥(164,544)	¥(21,369)	¥(90,260)	¥115	¥323,309	¥1,715,914
Issuance of new shares....	—	—	—	—	—	—	—	82
Dividends from surplus....	—	—	—	—	—	—	—	(34,144)
Net income attributable to owners of the parent.....	—	—	—	—	—	—	—	134,222
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	(1,411)
Purchase of treasury stock ...	—	—	—	—	—	—	—	(12)
Disposal of treasury stock....	—	—	—	—	—	—	—	96,096
Net changes of items other than shareholders' equity....	(8,417)	(49)	(90,722)	(581)	(99,771)	—	(17,318)	(117,090)
Total changes during the fiscal year	(8,417)	(49)	(90,722)	(581)	(99,771)	—	(17,318)	77,742
Balance as of 31 March 2020	¥87,455	¥(269)	¥(255,266)	¥(21,951)	¥(190,032)	¥115	¥305,990	¥1,793,657

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

Consolidated Statement of Cash Flows

Years ended 31 March 2020 and 2019

SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES	Millions of yen	
	2020	2019
Cash flows from operating activities		
Income before income taxes	¥246,027	¥298,390
Depreciation and amortization	164,158	148,926
Impairment loss	565	1,514
Increase (decrease) in allowance for doubtful accounts	(1,868)	(112)
Increase (decrease) in provision for product warranties	(3,524)	143,410
Interest and dividends income	(28,776)	(54,894)
Interest expenses	5,555	4,241
Foreign exchange losses (gains)	(2,527)	996
Equity in (earnings) losses of affiliates	(6,315)	(5,029)
Loss (gain) on sales of property, plant and equipment	(1,222)	(1,553)
Decrease (increase) in notes and accounts receivable-trade	1,109	(60,053)
Decrease (increase) in inventories	(29,177)	(7,431)
Decrease (increase) in accounts receivable-other ^{*Note 2}	(23,360)	11,853
Increase (decrease) in notes and accounts payable-trade	(51,727)	(107,695)
Increase (decrease) in accrued expenses	(7,665)	84,193
Others, net ^{*Note 2}	(54,511)	(15,881)
Sub-total	206,736	440,875
Interest and dividends income received	28,525	55,057
Interest expenses paid	(4,808)	(3,636)
Income taxes paid	(58,921)	(108,858)
Net cash provided by (used in) operating activities	171,533	383,437
Cash flows from investing activities		
Payments into time deposits	(97,968)	(88,201)
Proceeds from withdrawal of time deposits	93,678	138,195
Purchases of short-term investment securities	(682,913)	(819,455)
Proceeds from sales and redemption of short-term investment securities	698,776	730,247
Purchases of property, plant and equipment	(245,825)	(251,507)
Purchases of investment securities ^{*Note 2}	(88,048)	(30,000)
Others, net ^{*Note 2}	25,311	69,874
Net cash provided by (used in) investing activities	(296,989)	(250,848)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	36,358	(125)
Proceeds from long-term loans payable	72,741	78,779
Repayment of long-term loans payable	(70,395)	(95,001)
Purchase of convertible bond with stock acquisition rights	—	(182,400)
Proceeds from disposal of treasury stock	96,096	—
Purchase of treasury stock	(4)	(7)
Cash dividends paid	(34,139)	(36,340)
Cash dividends paid to non-controlling interests	(19,975)	(20,819)
Others, net	27	(194)
Net cash provided by (used in) financing activities	80,708	(256,110)
Effect of exchange rate changes on cash and cash equivalents	(7,956)	(4,228)
Net increase (decrease) in cash and cash equivalents	(52,704)	(127,749)
Cash and cash equivalents at beginning of period	473,097	600,846
Cash and cash equivalents at end of period ^{*Note 13}	¥420,392	¥473,097

The accompanying Notes to Consolidated Financial Statement 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 2020 and 2019 include the accounts of the Group, and the numbers of consolidated subsidiaries were 127 and 130 respectively. In addition, the numbers of investments in affiliated companies for the years ended 31 March 2020 and 2019 were 28 and 28 respectively. All significant inter-company accounts and transactions are eliminated in consolidation. Investments in affiliated companies are accounted for by the 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 16, 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) Short-term investment 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 for which market quotations are available are stated at market value method based on the market values as of the consolidated account settlement date (the valuation differences shall be reported as other comprehensive income, and costs shall be calculated mainly by moving average method).

Available-for-sale securities for which market quotations are unavailable are stated at cost by moving average method.

(k) Hedge accounting

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

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.

If hedging instruments meet certain criteria, special hedge accounting is applied and these contracts are handled together with hedged items.

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.

(l) 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 net income 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.

(m) 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).

(n) 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. With respect to other lease assets, remaining value is zero.

(o) 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 possibility 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.

(p) 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 respect to past service costs, they are treated as expense on a straight-line basis over the certain years within the period of average length of employees' remaining service years at the time when it occurs. With respect to the actuarial gain or loss, the amounts, prorated on a straight-line basis 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.

(q) Net income per share

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

(r) Cash and cash equivalents

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

(s) 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 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.

(t) New accounting standards not yet adopted

a. Accounting Standard for Revenue Recognition

"Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, revised on 31 March 2020)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, revised on 31 March 2020)

1) Outline

The aforementioned standard and guidance are comprehensive revenue recognition standards. Revenue is recognized by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

2) Scheduled date of application

The aforementioned standard and guidance will be applied at the start of the year ending 31 March 2022.

3) Effect of application of the accounting standards

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

b. Accounting Standard for Fair Value Measurement

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, issued on 4 July 2019)

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, issued on 4 July 2019)

"Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9, revised on 4 July 2019)

"Accounting Standard for Financial Instruments" (ASBJ Statement No.10, revised on 4 July 2019)

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, revised on 31 March 2020)

1) Outline

In order to improve comparability with international accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" were developed and relevant guidance was established.

The Accounting Standard for Fair Value Measurement is applied to the fair value of the following items.

- Financial Instruments in "Accounting Standard for Financial Instruments"
- Inventories held for trading purposes in "Accounting Standard for Measurement of Inventories"

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised to include notes on the breakdown of each level of fair value of financial instruments

2) Scheduled date of application

The aforementioned standard and guidance will be applied at the start of the year ending 31 March 2022.

3) Effect of application of the accounting standards

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

c. Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections

"Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections"

(ASBJ Statement No. 24, issued on 31 March 2020)

1) Outline

The purpose of this accounting standard is to outline the accounting principles and procedures adopted in case the related accounting standards, etc. are not clear.

2) Scheduled date of application

The aforementioned standard and guidance will be applied at the start of the year ending 31 March 2021.

d. Accounting Standard for Disclosure of Accounting Estimates

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, issued on 31 March 2020)

1) Outline

The purpose of this accounting standard is to disclose information that contributes to the understanding among users of financial statements, which addresses figures recorded in the financial statements for the current fiscal year based on accounting estimates for items that have a risk of a material effect on financial statements for the next fiscal year.

2) Scheduled date of application

The aforementioned standard and guidance will be applied at the end of the year ending 31 March 2021.

(u) Changes in Presentation with respect to Consolidated Statement of Cash Flows

"Loss (gain) on sales of investment securities", which was presented separately under "Cash flows from operating activities" in the previous fiscal year, is included in "Others, net" in the current fiscal year due to the quantitative materiality. Also, "Decrease (increase) in accounts receivable-other", which was included in "Others, net" under "Cash flows from operating activities" in the previous fiscal year, is presented separately in the current fiscal year due to the quantitative materiality. To reflect this change in presentation, the consolidated financial statement of the previous fiscal year was reclassified.

As a result, "Loss (gain) on sales of investment securities" of (158) million yen and "Others, net" of (3,869) million yen under "Cash flows from operating activities" in the consolidated statement of cash flows of the previous fiscal year was reclassified as "Decrease (increase) in accounts receivable-other" of 11,853 million yen and "Others, net" of (15,881) million yen.

"Purchases of investment securities", which was included in "Others, net" under "Cash flows from investing activities" in the previous fiscal year, is presented separately in the current fiscal year due to the quantitative materiality. To reflect this change in presentation, the consolidated financial statement of the previous fiscal year was reclassified.

As a result, "Others, net" of 39,874 million yen under "Cash flows from investing activities" in the consolidated statement of cash flows of the previous fiscal year was reclassified as "Purchases of investment securities" of (30,000) million yen and "Others, net" of 69,874 million yen.

NOTE 3: Impairment loss

The Group recorded impairment loss in year ended 31 March 2020.
This information is not provided due to its low materiality.

The Group recorded impairment loss in year ended 31 March 2019.
This information is not provided due to its low materiality.

NOTE 4: Measure expenses for final inspection

The Group recorded the measure expenses for final inspection of (81,329) million yen regarding the recall campaign etc. on the improper final inspection in the current fiscal year.

NOTE 5: 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 short-term investment securities, and with respect 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 respect 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 interest rate swap or 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, interest rate swap to hedge the risks of the fluctuation of interest rate related to borrowings, 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

Fair values of financial instruments include values based on quoted prices in active markets and values assessed by rational valuation techniques in case quoted prices are not available. Since the rational valuation techniques include variable factors, the results of valuation may differ when different assumptions are applied. In addition, in Note 5 (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 values and difference as of 31 March 2020 and 2019 were as follows. Financial instruments whose fair value cannot be reliably measured are not included in the below table. (Refer to *2)

Millions of yen

	2020			2019		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥485,808	¥485,808	¥—	¥509,717	¥509,717	¥—
(2) Notes and accounts receivable-trade	427,358	431,231	3,872	445,700	448,583	2,883
(3) Short-term investment securities and Investment securities						
Available-for-sale securities	730,305	730,305	—	772,519	772,519	—
Investment in affiliates	744	619	(124)	802	1,744	941
Total of assets	¥1,644,217	¥1,647,965	¥3,747	¥1,728,740	¥1,732,565	¥3,824
(1) Accounts payable-trade	257,996	257,996	—	327,373	327,373	—
(2) Short-term loans payable	121,082	121,082	—	93,807	93,807	—
(3) Current portion of long-term loans payable	74,515	74,563	(47)	63,845	63,911	(66)
(4) Current portion of bonds with subscription rights to shares	2,972	2,909	63	—	—	—
(5) Accrued expenses	279,911	279,911	—	297,200	297,200	—
(6) Bonds with subscription rights to shares	8,560	8,311	248	11,535	14,157	(2,621)
(7) Long-term loans payable	197,064	196,788	275	206,250	206,318	(68)
Total of liabilities	¥942,103	¥941,563	¥539	¥1,000,013	¥1,002,769	¥(2,756)
Derivatives*						
Hedge accounting is applied	(469)	(469)	—	(89)	(89)	—
Hedge accounting is not applied	5,106	5,106	—	(688)	(688)	—

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

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

Assets:

(1) Cash and deposits

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

(2) Notes and accounts receivable-trade

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

Notes and accounts receivable-trades except sales finance are settled in short term and those fair values are approximately equal to the book values. Therefore, book values are used as fair values.

(3) Short-term investment securities and Investment securities

With respect to these fair values, fair values of stock are prices of exchanges. With respect to negotiable certificate of deposit and other types of securities, book values are used as fair values since they are settled in short term and those fair values are approximately equal to the book values.

Liabilities:

(1) Accounts payable-trade, (2) Short-term loans payable and (5) Accrued expenses

Since these are settled in short term and those fair values are approximately equal to the book values. Therefore, book values are used as fair values.

(3) Current portion of long-term loans payable and (7) Long-term loans payable

These fair values are measured by discounting. The discounting is based on the estimated interest rates on the assumption of similar new loans with total amount of principal and interest.

(4) Current portion of bonds with subscription rights to shares and (6) Bonds with subscription rights to Shares

With respect to fair values of bonds with subscription rights to shares, they are calculated based on the prices offered by financial institutions, etc.

Derivatives:

Please refer to Note 5 (d) Derivative transactions.

*2. Financial instruments whose fair value cannot be reliably measured.

	Millions of yen	
	2020	2019
Available-for-sale securities		
Unlisted stock other than stocks of affiliates....	¥17,399	¥18,668
Unlisted stock of affiliates	27,958	30,023
Others	4,371	2,216

These fair values cannot be reliably measured since market values are unavailable and future cash flows cannot be estimated. Therefore, they are not included in "(3) Short-term investment securities and Investment securities" of assets.

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

	2020				2019			
	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	¥485,808	¥ —	¥ —	¥ —	¥509,717	¥ —	¥ —	¥ —
Notes and accounts receivable- trade	258,115	168,799	443	—	281,805	163,319	575	—
Securities and investment Securities with maturities	118,584	—	—	56,000	189,046	—	—	46,000
Total	¥862,508	¥168,799	¥443	¥56,000	¥980,570	¥163,319	¥575	¥46,000

(c) Securities

a. Available-for-sale securities with market value

	Millions of yen					
	Carrying Amount	2020 Acquisition cost	Difference	Carrying Amount	2019 Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs						
(1) Stocks	¥78,634	¥32,170	¥46,464	¥116,177	¥47,897	¥68,280
(2) Bonds.....	—	—	—	—	—	—
(3) Others	522,817	428,630	94,187	571,252	502,530	68,722
Sub-Total	¥601,452	¥460,800	¥140,651	¥687,430	¥550,427	¥137,002
Securities for which the carrying amount does not exceed the acquisition costs						
(1) Stocks	¥52,172	¥64,639	¥(12,466)	¥2,429	¥3,047	¥(618)
(2) Bonds.....	46,680	56,000	(9,319)	42,660	46,000	(3,339)
(3) Others	30,000	30,000	—	40,000	40,000	—
Sub-Total	¥128,853	¥150,639	¥(21,785)	¥85,089	¥89,047	¥(3,958)
Total	¥730,305	¥611,439	¥118,866	¥772,519	¥639,475	¥133,044

b. Available-for-sale securities sold

	Millions of yen	
	2020	2019
Amounts sold	¥847,112	¥914,804
Gains on sales of available-for-sale securities	170	158
Losses on sales of available-for-sale securities	215	9

c. Marketable securities impaired / Loss on valuation of securities

Year ended 31 March 2020

The Group recognized impairment of 1,812 million yen on available-for-sale securities. With respect to securities with a market value, if the market value at the end of the period has significantly declined compared to the acquisition cost, the Group recognizes impairment to the extent deemed necessary based on recoverability. With respect to securities without a market value, if the real price has significantly declined compared to the acquisition cost, the Group recognizes impairment to the extent deemed necessary based on recoverability.

Year ended 31 March 2019

The Group recognized impairment of 257 million yen on available-for-sale securities. With respect to securities with a market value, if the market value at the end of the period has significantly declined compared to the acquisition cost, the Group recognizes impairment to the extent deemed necessary based on recoverability. With respect to securities without a market value, if the real price has significantly declined compared to the acquisition cost, the Group recognizes impairment to the extent deemed necessary based on recoverability.

(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 to which hedge accounting is not applied

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

Millions of yen

Type	2020				2019			
	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								
Buy								
USD	¥12,672	¥—	¥2,335	¥2,335	¥31,543	¥—	¥(505)	¥(505)
EUR	—	—	—	—	996	—	(6)	(6)
JPY	13,350	—	336	336	7,200	—	37	37
Cross currency option								
Buy								
JPY	8,000	—	110	110	—	—	—	—
Cross currency swap								
Pay JPY receive EUR	11,300	11,300	747	747	11,300	11,300	1,188	1,188
Total	¥45,322	¥11,300	¥3,529	¥3,529	¥51,039	¥11,300	¥714	¥714

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

Millions of yen

Type	2020				2019			
	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	¥20,040	¥20,040	¥(98)	¥(98)	¥12,591	¥12,591	¥(1,132)	¥(1,132)
Pay fixed receive floating Pay THB receive USD	8,200	—	554	554	11,600	—	(462)	(462)
Total	¥28,240	¥20,040	¥456	¥456	¥24,192	¥12,591	¥(1,595)	¥(1,595)

(3) Commodity-related transactions (market transactions)

Millions of yen

Type	2020				2019			
	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	¥13,538	¥—	¥1,120	¥1,120	¥4,171	¥—	¥193	¥193
Total	¥13,538	¥—	¥1,120	¥1,120	¥4,171	¥—	¥193	¥193

b. Derivative transactions to which hedge accounting is applied

(1) Currency-related transactions

Millions of yen

Type	2020			2019		
	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 (Principal hedged item: Accounts receivable-trade)						
USD	¥6,534	¥—	¥(199)	¥8,767	¥—	¥119
EUR	11,599	—	139	1,304	—	18
CAD	661	—	59	483	—	6
AUD	1,109	—	107	1,535	—	(128)
NZD	—	—	—	664	—	9
GBP	2,358	—	105	4,157	—	(21)
CNY	135	—	1	—	—	—
MXN	—	—	—	2,962	—	34
PLN	462	—	64	2,196	—	22
ZAR	375	—	29	—	—	—
INR	—	—	—	3,021	—	(33)
Buy (Principal hedged item: Accounts payable-trade)						
THB	—	—	—	2,522	—	(25)
Foreign currency forward contracts (Special hedge accounting)						
Sell (Principal hedged item: Accounts receivable-trade)						
USD	10,197	—	*	5,034	—	*
EUR	12,609	—	*	18,455	—	*
CAD	—	—	*	89	—	*
AUD	324	—	*	855	—	*
NZD	328	—	*	611	—	*
GBP	12,678	—	*	17,505	—	*
MXN	8,240	—	*	125	—	*
PLN	3,054	—	*	2,879	—	*
CNY	153	—	*	46	—	*
ZAR	783	—	*	—	—	*
INR	—	—	*	91	—	*
Buy (Principal hedged item: Accounts payable-trade)						
THB	—	—	*	2,034	—	*
Total	¥71,606	¥—	¥308	¥75,345	¥—	¥0

* 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

Type	Principal hedged item	2020			2019		
		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 debt	¥12,500	¥12,500	*	¥12,500	¥12,500	*
Cross currency interest rate swap (Principle hedge accounting)							
Pay fixed receive floating Pay IDR receive USD	Long-term debt	28,566	16,923	(777)	26,053	24,917	(89)
Cross currency interest rate swap (Special hedge accounting)							
Pay fixed receive floating Pay JPY receive USD	Long-term debt	69,172	58,000	*	69,172	69,172	*
Total		¥110,238	¥87,423	¥(777)	¥107,725	¥106,589	¥(89)

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

NOTE 6: Bonds with subscription rights to shares

(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 2021	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 yen plus the aggregate principal amount of the bonds in respect of replacement certificates of the bonds with stock acquisition rights	Same as on the left
(3) Issue price	100.5% of principal amount	100.0% of principal amount
(4) Offer price	103.0% of principal amount	102.5% of principal amount
(5) Balance as of 31 March 2020 (Millions of yen)	2,972	8,560
(6) Coupon	Zero	Same as on the left
(7) Closing and issue date	1 April 2016	Same as on the left
(8) Redemption price	100% of principal amount	Same as on the left
(9) Redemption at maturity, Early redemption and Cancellation by acquisition	31 March 2021 by 100% of principal amount Early redemption and cancellation by acquisition of the bonds under certain circumstances are specified in the Information Memorandum.	31 March 2023 by 100% of principal amount Same as on the left
(10) Matters concerning the stock acquisition rights		
i. Type of share to be issued upon exercise of the stock acquisition rights	Common stock of the Company	Same as on the left
ii. Total number of stock 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 stock acquisition rights divided by 10 million yen	Same as on the left
iii. Conversion price	4,040.3 yen (please refer to vii.)	Same as on the left
iv. Exercise period and Supplementary conditions	From 15 April 2016 to 17 March 2021 [Automatic-acquisition-upon-exercise clause (subject to the maximum number of shares to be delivered)] Exercising by 31 December 2020 [One-time acquisition clause (subject to the maximum number of shares to be delivered)] Giving notice from 31 March 2020 to 16 December 2020 [Contingent conversion mechanism (130%)] Until 31 December 2020	From 15 April 2016 to 17 March 2023 [Same as on the left] Exercising by 31 December 2022 [Same as on the left] Giving notice from 31 March 2022 to 16 December 2022 [Same as on the left] Until 31 December 2022
v. Asset and amount to be paid upon exercise of the stock acquisition rights	The bonds in respect of the relevant stock acquisition rights shall be contributed upon exercising of each stock acquisition right, and the price of the bonds shall be equal to the principal amount of the bonds.	
vi. Capital stock and capital surplus increased in case the stocks are issued by exercising stock acquisition rights	The amount of capital stock increased in case the stocks are issued by exercising stock acquisition rights shall be half of the maximum increase of capital stock 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 capital stock increased from the maximum increase of capital stock and etc.	
vii. Adjustments of the conversion price	The dividend of fiscal year end retained earnings was approved as 37 yen per share and the annual dividend was determined as 85 yen per share including a 100th-year-anniversary commemorative dividend of 11 yen per share during the Ordinary General Meeting of Shareholders held on 26 June 2020. 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 2021 and Euro Yen Zero Coupon (subject to the maximum number of shares to be delivered) Convertible Bond due 2023 have been adjusted to 4,001.7 yen from 4,040.3 yen retroactively since 1 April 2020 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 7: Short-term debts and long-term debts

Short-term debts were as follows:

	Millions of yen	
	2020	2019
Short-term loans payable and Current portion of long-term loans payable	¥195,598	¥157,653
Lease obligations due within one year	18	23
	<u>¥195,616</u>	<u>¥157,676</u>

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Long-term debts were as follows:

	Millions of yen	
	2020	2019
Long-term loans payable maturing through 2023	¥197,064	¥206,250
Lease obligations due more than one year	10	34
Other interest-bearing debts	14,463	13,862
	<u>¥211,538</u>	<u>¥220,147</u>

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 2020 were as follows:

Year ending 31 March	Millions of yen
2022	¥153,439
2023	24,354
2024	19,281
Thereafter	—
	<u>¥197,075</u>

Assets pledged as collateral were as follows:

	Millions of yen	
	2020	2019
Merchandise and finished goods	¥14,698	¥15,961
Buildings and structures	371	475
Land	—	97
	<u>¥15,070</u>	<u>¥16,533</u>

Secured liabilities were as follows:

	Millions of yen	
	2020	2019
Short-term loans payable	¥10,722	¥7,520
Others (non-current liabilities)	243	219
	<u>¥10,965</u>	<u>¥7,740</u>

NOTE 8: Loan commitment

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

	Millions of yen	
	2020	2019
Commitment line contract total	¥300,000	¥300,000
Actual loan balance	—	—
Balance	<u>¥300,000</u>	<u>¥300,000</u>

NOTE 9: Retirement benefits**1. 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.

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

	Millions of yen	
	2020	2019
Opening balance of retirement benefit obligation	¥186,087	¥166,888
Service cost.....	9,593	9,168
Interest cost.....	1,043	890
Actuarial differences	1,790	462
Retirement allowance paid	(8,475)	(6,775)
Past service cost.....	—	15,168
Others	(1,081)	284
Closing balance of retirement benefit obligation	¥188,958	¥186,087

(b) Reconciliation of pension assets from the opening balance to the closing balance

	Millions of yen	
	2020	2019
Opening balance of pension assets	¥103,273	¥101,706
Expected return on pension assets	2,065	2,213
Actuarial differences	(2,981)	(1,461)
Contribution from employers	26,163	6,023
Retirement allowance paid	(6,141)	(5,027)
Others	(627)	(181)
Closing balance of pension assets	¥121,751	¥103,273

(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	
	2020	2019
Defined benefit obligation of funded severance plan	¥138,046	¥129,345
Pension assets.....	(121,751)	(103,273)
	16,294	26,072
Defined benefit obligation of unfunded severance plan	50,911	56,741
Net amount of liability and asset for retirement benefits recognized in consolidated balance sheet.....	¥67,206	¥82,813
Liabilities for retirement benefits	¥67,206	¥82,813
Assets for retirement benefits	—	—
Net amount of liability and asset for retirement benefits recognized in consolidated balance sheet.....	¥67,206	¥82,813

(d) Breakdown of retirement benefit expenses

	Millions of yen	
	2020	2019
Service cost	¥9,593	¥9,168
Interest cost	1,043	890
Expected return on pension assets.....	(2,065)	(2,213)
Amortization of actuarial gains and losses.....	836	435
Amortization of past service cost.....	2,029	118
Others	242	105
Total amount of retirement benefit expenses for defined benefit plans	¥11,680	¥8,504

(e) Adjustment for retirement benefits (before tax effect)

Breakdown of adjustment for retirement benefits recognized was as follows:

	Millions of yen	
	2020	2019
Past service cost	¥2,133	¥(14,146)
Actuarial gains and losses.....	(4,039)	(1,514)
Total	¥(1,905)	¥(15,660)

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

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

	Millions of yen	
	2020	2019
Unrecognized past service cost.....	¥(14,944)	¥(17,078)
Unrecognized actuarial gains and losses.....	(17,875)	(13,835)
Total	¥(32,819)	¥(30,914)

(g) Pension assets

a. Major breakdown of pension assets

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

	2020	2019
Debt securities.....	47.2%	38.3%
General account of life insurance companies	34.4%	39.7%
Others	18.4%	22.0%
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 asset classes that comprise pension assets.

(h) Actuarial assumptions

	2020	2019
Discount rate.....	mainly 0.15%	mainly 0.15%
Long-term expected rate of return on pension assets	mainly 1.80%	mainly 1.80%

3. Defined contribution plan

Year ended 31 March 2020

Contribution to defined contribution plan by the Group was 306 million yen.

Year ended 31 March 2019

Contribution to defined contribution plan by the Group was 223 million yen.

NOTE 10: Income taxes

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

	Millions of yen	
	2020	2019
Deferred tax assets		
Impairment loss and Excess-depreciation	¥64,156	¥70,353
Various provisions	81,364	65,673
Unrealized profits elimination	19,123	20,940
Loss on valuation of securities	9,402	13,008
Deferred assets.....	6,170	2,556
Others.....	51,275	71,780
Deferred tax assets sub-total.....	231,493	244,314
Valuation allowance	(31,034)	(25,353)
Deferred tax assets total	¥200,458	¥218,960
Deferred tax liabilities		
Valuation difference on available-for-sale securities	¥(8,524)	¥(15,159)
Variance from the complete market value method of consolidated subsidiaries	(8,090)	(8,090)
Reserve for advanced depreciation of non-current assets..	(3,940)	(3,818)
Others.....	(10,703)	3,635
Deferred tax liabilities total	(31,258)	(23,433)
Net amounts of deferred tax assets.....	¥169,199	¥195,527

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

	2020	2019
Statutory tax rate.....	29.86 %	29.99%
Tax rate difference	(1.08)%	1.11%
Tax credit.....	(1.80)%	(4.80)%
Retained earnings of subsidiaries etc.	4.73%	(1.84)%
Others.....	2.20%	(3.85)%
Effective tax rate	33.91%	20.61%

NOTE 11: Selling, general and administrative expenses

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

	Millions of yen	
	<u>2020</u>	<u>2019</u>
Delivery expenses	¥101,775	¥92,216
Advertising expenses.....	71,004	75,933
Sales promotion expenses.....	80,600	84,525
Wages and salaries.....	93,395	92,814
Research and development costs.....	148,080	158,086
Provision of allowance for doubtful accounts.....	(1,950)	722
Provision for product warranties	54,110	80,319
Retirement benefit expenses	4,912	4,005
Provision for product liability insurance.....	661	1,215
Provision for recycling	(593)	2,457

NOTE 12: Research and development costs

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

	Millions of yen	
	<u>2020</u>	<u>2019</u>
Research and development costs.....	¥148,080	¥158,086

NOTE 13: Cash and cash equivalents

Cash and cash equivalents were as follows:

	Millions of yen	
	<u>2020</u>	<u>2019</u>
Cash and deposits	¥485,808	¥509,717
Short-term investment securities	118,584	189,046
Sub-total.....	604,393	698,764
Time deposits with maturities of over three months	(65,416)	(66,620)
Bonds etc. with redemption period of over three months	(118,584)	(159,046)
Cash and cash equivalents	¥420,392	¥473,097

NOTE 14: Other comprehensive income

	Millions of yen	
	2020	2019
Valuation difference on available-for-sale securities		
Gain (loss) arising during the period	¥4,521	¥18,660
Reclassification adjustments.....	(12,258)	(39,910)
Before tax effect.....	(7,737)	(21,250)
Tax effect.....	5,134	5,238
Balance at the end of the period.....	¥(2,603)	¥(16,012)
Deferred gains or losses on hedges		
Gain (loss) arising during the period	¥756	¥1,761
Reclassification adjustments.....	(1,122)	(1,981)
Before tax effect.....	(365)	(219)
Tax effect.....	52	5
Balance at the end of the period.....	¥(313)	¥(214)
Foreign currency translation adjustment		
Gain (loss) arising during the period	¥(119,457)	¥(30,008)
Reclassification adjustments.....	3	4,689
Balance at the end of the period.....	¥(119,454)	¥(25,318)
Adjustment for retirement benefit		
Gain (loss) arising during the period	¥(4,784)	¥(16,107)
Reclassification adjustments.....	2,878	446
Before tax effect.....	(1,905)	(15,660)
Tax effect.....	665	4,812
Balance at the end of the period.....	¥(1,239)	¥(10,848)
Share of other comprehensive income of affiliates accounted for using equity method		
Gain (loss) arising during the period	¥(1,308)	¥(6,565)
Total other comprehensive income	¥(124,919)	¥(58,958)

NOTE 15: Cash dividends

	Resolutions	
	Ordinary General Meeting of Shareholders held on 27 June 2019	Meeting of the Board of Directors held on 5 November 2019
Total amount of cash dividends	¥17,071 million	¥17,072million
Cash dividends per share	¥37.00	¥37.00
Record date	31 March 2019	30 September 2019
Effective date	28 June 2019	29 November 2019

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 26 June 2020
Total amount of cash dividends	¥23,299 million
Cash dividends per share	¥48.00
Record date	31 March 2020
Effective date	29 June 2020

NOTE 16: Stock option plans

The Company adopts stock option plan by using subscription rights to shares.
The details of the plans were 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 subscription rights to shares	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 subscription rights to shares	(1) A person who is allocated subscription rights to shares shall be able to exercise share subscription rights only up until 10th day (the next business day if the 10th day falls on a non-business day) from the day immediately following the date of resignation as the Company's Director as well as the Senior Managing Officer or Managing Officer without the role of Director being served concurrently. (2) If a person who is allocated subscription rights to shares was dead, the person's heir shall be able to exercise the rights.		
Period during which subscription rights to shares 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 subscription rights to shares have not exercised	35,000	18,000	10,600

NOTE 17: Contingent liabilities

As of 31 March 2020 and 2019, the Company and some of consolidated subsidiaries had the contingent liabilities as follows:

	Millions of yen	
	2020	2019
Guarantee of indebtedness of sales companies and others	¥1,052	¥732

NOTE 18: Segment Information**1. Outline of reportable segments**

The reportable segments of the Company are the components of the Company business for which discrete financial information is available, and whose operating results are regularly reviewed by our decision-making body such as Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance.

The Company has three reportable segments of "Automobile business", "Motorcycle business" and "Marine business, etc." based on the form of management organization and nature of products and services.

Main products and services of each segment are as follows:

Segment	Main products and services
Automobile business	Mini vehicles, Sub-compact vehicles, Standard-sized vehicles
Motorcycle business	Motorcycles, All-terrain vehicles
Marine business, etc.	Outboard motors, Motorized wheelchairs, Houses

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

The accounting policies of the reportable segments are consistent to the description of the "Summary of significant accounting policies" (Note 2).

3. Information about the amounts of net sales, profit or loss, assets and other items by reportable segment

	Millions of yen					
	2020					
	Automobile business	Motorcycle business	Marine business, etc.	Total	Adjustment	Consolidated
Net Sales:						
Net sales to external customers	¥3,157,434	¥242,561	¥88,437	¥3,488,433	¥—	¥3,488,433
Segment profit	197,100	693	17,275	215,069	—	215,069
Segment assets	2,556,172	219,044	63,791	2,839,008	500,775	3,339,783
Other items:						
Depreciation	146,858	13,729	3,570	164,158	—	164,158
Amortization of goodwill	88	46	0	135	—	135
Impairment loss	540	14	10	565	—	565
Investments in affiliated companies accounted for by equity method	32,956	4,708	438	38,102	—	38,102
Increase in property, plant and equipment and intangible assets ...	220,098	13,753	2,598	236,450	—	236,450
	Millions of yen					
	2019					
	Automobile business	Motorcycle business	Marine business, etc.	Total	Adjustment	Consolidated
Net Sales:						
Net sales to external customers	¥3,532,531	¥255,071	¥83,893	¥3,871,496	¥—	¥3,871,496
Segment profit	303,731	3,631	17,003	324,365	—	324,365
Segment assets	2,621,420	244,293	55,667	2,921,381	480,589	3,401,970
Other items:						
Depreciation	133,050	12,591	3,284	148,926	—	148,926
Amortization of goodwill	68	33	0	101	—	101
Impairment loss	1,425	55	32	1,514	—	1,514
Investments in affiliated companies accounted for by equity method	34,805	3,678	661	39,145	—	39,145
Increase in property, plant and equipment and intangible assets ...	245,597	19,405	3,942	268,945	—	268,945

(Reference information)

As reference information, operating results by geographical regions were as follows:

The amount of net sales based on external customers

	Millions of yen			
	2020			
	Japan	India	Others	Consolidated
Net sales	¥1,179,523	¥1,121,164	¥1,187,746	¥3,488,433

	Millions of yen			
	2019			
	Japan	India	Others	Consolidated
Net sales	¥1,252,447	¥1,308,200	¥1,310,848	¥3,871,496

(Supplementary information)

The amount of net sales, operating income or loss based on location of the Company and its consolidated subsidiaries

	Millions of yen						
	2020						
	Japan	Europe	Asia	Other regions	Total	Eliminations	Consolidated
Net Sales							
Net sales to external customers...	¥1,369,326	¥392,007	¥1,541,745	¥185,354	¥3,488,433	¥—	¥3,488,433
Internal net sales or transfer among geographical regions.....	617,406	175,406	109,631	266	902,712	(902,712)	—
Total	1,986,733	567,414	1,651,377	185,621	4,391,145	(902,712)	3,488,433
Operating income.....	123,188	17,678	62,671	6,531	210,069	4,999	215,069

	Millions of yen						
	2019						
	Japan	Europe	Asia	Other regions	Total	Eliminations	Consolidated
Net Sales							
Net sales to external customers...	¥1,472,710	¥438,838	¥1,777,867	¥182,080	¥3,871,496	¥—	¥3,871,496
Internal net sales or transfer among geographical regions.....	669,739	191,957	109,228	1,053	971,978	(971,978)	—
Total	2,142,449	630,795	1,887,096	183,133	4,843,474	(971,978)	3,871,496
Operating income.....	150,768	22,981	144,214	6,083	324,047	318	324,365

- *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) EuropeHungary, Germany, United Kingdom and France
(2) Asia.....India, Pakistan, Indonesia, and Thailand
(3) Other regions...United States, Australia, Mexico and Colombia

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 sheet as at 31 March 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, all expressed in Japanese Yen, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020, 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.

Responsibilities of Management and Audit & Supervisory Board Members and Audit & Supervisory Board 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 members and the Audit & Supervisory Board 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, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 statement 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 members and Audit & Supervisory Board regarding, among other matters, 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.

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.

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

Akira Iwama
Designated Engagement Partner
Certified Public Accountant

Takashi Imamura
Designated Engagement Partner
Certified Public Accountant

Seimei Audit Corporation
Tokyo, Japan
26 June 2020