

# ANNUAL REPORT

## 2016



**SUZUKI MOTOR CORPORATION**

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# 社是

- 一、消費者の立場になって  
価値ある製品を作ろう
- 二、協力一致清新な会社を  
建設しよう
- 三、自己の向上とともに常に  
意欲的に前進しよう



## Mission Statement

1. Develop products of superior value by focusing on the customer
2. Establish a refreshing and innovative company through teamwork
3. Strive for individual excellence through continuous improvement

# A Message from the Management

There are two items to report in advance of the Outline and Result of Business.

The first is regarding the arbitration case with Volkswagen AG raised in November 2011, which has been a source of disturbance to our shareholders over several years. The contract was annulled through the arbitration award of August 2015, and in the following month of September, the Company's stocks were successfully restored. Furthermore, in March 2016, the Company canceled some of the stocks it repurchased.

Second, the Company wishes to express its profound apologies for the disturbance caused to our shareholders as a result of cases of improper activities that were inconsistent with national regulations with regards to gas emission and fuel consumption testing of the Company's automobiles. The Company will take preventative measures to ensure that this will not happen again, and will work to ensure thorough compliance and strengthen risk management systems in all fields of its business.

## Management results of this fiscal year

As for the management environment of the Group for FY2015, economic recoveries of the US, Europe and India are improving, but on the other hand, economy of China and ASEAN is remaining stagnant. And furthermore, there are concerned situations about the influence of normalization of monetary policy in the US, trend of crude oil price and others. In Japan, although the economy is recovering moderately on the back of various measures introduced by the government, its outlook is uncertain with the advancement of the appreciation of the yen since the beginning of 2016 and others.

Under these circumstances, the consolidated net sales of this fiscal year (April 2015 to March 2016) increased by ¥165.2 billion (5.5%) to ¥3,180.7 billion compared to the previous fiscal year. The Japanese domestic net sales decreased by ¥46.7 billion (4.3%) to ¥1,047.9 billion year-on-year owing to the impact of the hike in the rate of the light motor vehicle tax and decrease in the OEM sales. The overseas net sales increased by ¥211.9 billion (11.0%) to ¥2,132.8 billion year-on-year mainly owing to the increase in the sales of automobile in India.

In terms of the consolidated income, the operating income increased by ¥15.9 billion (8.9%) to ¥195.3 billion year-on-year mainly owing to the increase in the income in India. The ordinary income increased by ¥14.8 billion (7.6%) to ¥209.1 billion year-on-year. The net income attributable to owners of the parent increased by ¥19.8 billion (20.4%) to ¥116.7 billion year-on-year.

## Basic policies for profit distribution

The Group will be celebrating its 100th anniversary of foundation in 2020. The Group will put efforts into strengthening of its management base, by founding a five-year from 2015 for the Group to continuous growth for the next 100 years.

For the moment, the Group will prioritize growth investment centering on India, while recognizing that capital efficiency and shareholders' return are also important management issues. In light of this, the Group will be responding to the capital issue by balancing enhancement of shareholders' equity and dividend payment.

In the New Mid-Term Management Plan SUZUKI NEXT 100, the Company set the consolidated dividend payout ratio of more than 15% as the shareholder return target in FY2019.

As for this fiscal year, the Company implemented purchase and retirement of treasury stocks. Taking this into consideration, based on the net income attributable to owners of the parent excluding the gain on sales of the ordinary shares of Volkswagen AG, the year-end dividends was the same as the previous fiscal year at ¥17.00 per share. As a result, the annual dividends including the interim dividends was ¥32.00 per share, up by ¥5.00 per share from the previous fiscal year.

## Outstanding issues

The Group has established the New Mid-Term Management Plan SUZUKI NEXT 100 - Strengthening of its management base toward the 100th anniversary of foundation and the next 100 years -, a five-year plan from 2015.

The Group will be celebrating its 100th anniversary of foundation in 2020. In order for the Group to continuous grow for the next 100 years, the Group will put efforts into strengthening of management base by positioning the next five years as the period to stabilize the foundation of management. The Group will tackle as Team Suzuki to globally develop manufacturing base and overhaul working procedure.

Under the New Mid-Term Management Plan, the Group will unite as one to enhance corporate value and aim for sustainable growth.

### ■ Basic Policy

By returning to the origin of "Develop products of superior value by focusing on the customer" as mentioned in the first paragraph of the mission statement, the Group will strengthen its business base through the action under the New Mid-Term Management Plan.

Particularly on the quality management, the Group will make the customers' safety and security its top priority, develop and produce high-quality products which the customers can use securely, and provide after services. In the case where a problem related to product quality occurs, the Group will respond sincerely to what the customers say, grasp the problem as early as possible, take appropriate measures based on thorough investigation of its cause and do its utmost to enable our customers to continue using our products securely.

## ■ Business Strategy

### - Automobile Business

The Group concentrates on Mini to C, and SUV segment models to correspond to the expanding global compact car market. For development efficiency, the Group plans to consolidate platform and concentrate development of gasoline engine. The Group plans to introduce new 20 models globally in five years. Concerning regional strategy, the Group will be focusing on Japan and Asia centering on India.

- Japan – Minicar share of more than 30%,  
Compact car sales of more than 100,000 units
- India – Passenger car share of more than 45%

### - Motorcycle Business

The Group will strive to eliminate its loss-making structure through selection and concentration and develop product that clearly defines characteristics of Suzuki. The Group will be focusing particularly on the 150cc and up, backbone, and sport categories.

### - Outboard Motor Business

The Group will make “THE ULTIMATE 4-STROKE OUTBOARD” its new brand slogan and aim at creating the world top 4-STROKE outboard motors brand by focusing on strengthening sales in the US and development of Asian market.

## ■ Mid-Term Management Target

As for the consolidated net sales, the Group will aim to promptly exceed its highest-ever marked in FY2007 (¥3,502.4 billion) by steadily increasing. By balancing between investments for growth and strengthening of its management base, the Group will consistently promote efforts for enhancing corporate value.

For the details of Mid-Term Management Target, please refer to the next page.

The Group has the motto “Develop products of superior value by focusing on the customer” in the first paragraph of its mission statement.

We will continue to strive to manufacture truly valuable products appreciated by customers.

We are committing ourselves to making efforts to promote the production of small and subcompact vehicles and the development of environmentally benign products needed by customers, with the slogan “Small Cars for a Big Future.”

We are making efforts to promote the “to be small, less, light, short and beautiful” slogan in every field, and we have been working for efficient, well-knit, and healthy management.

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



Representative Director and Chairman  
**Osamu Suzuki**

Representative Director and President (CEO and COO)  
**Toshihiro Suzuki**

## New Mid-Term Management Plan SUZUKI NEXT 100

### ~ Strengthening of management base toward the 100th anniversary of foundation and the next 100 years ~

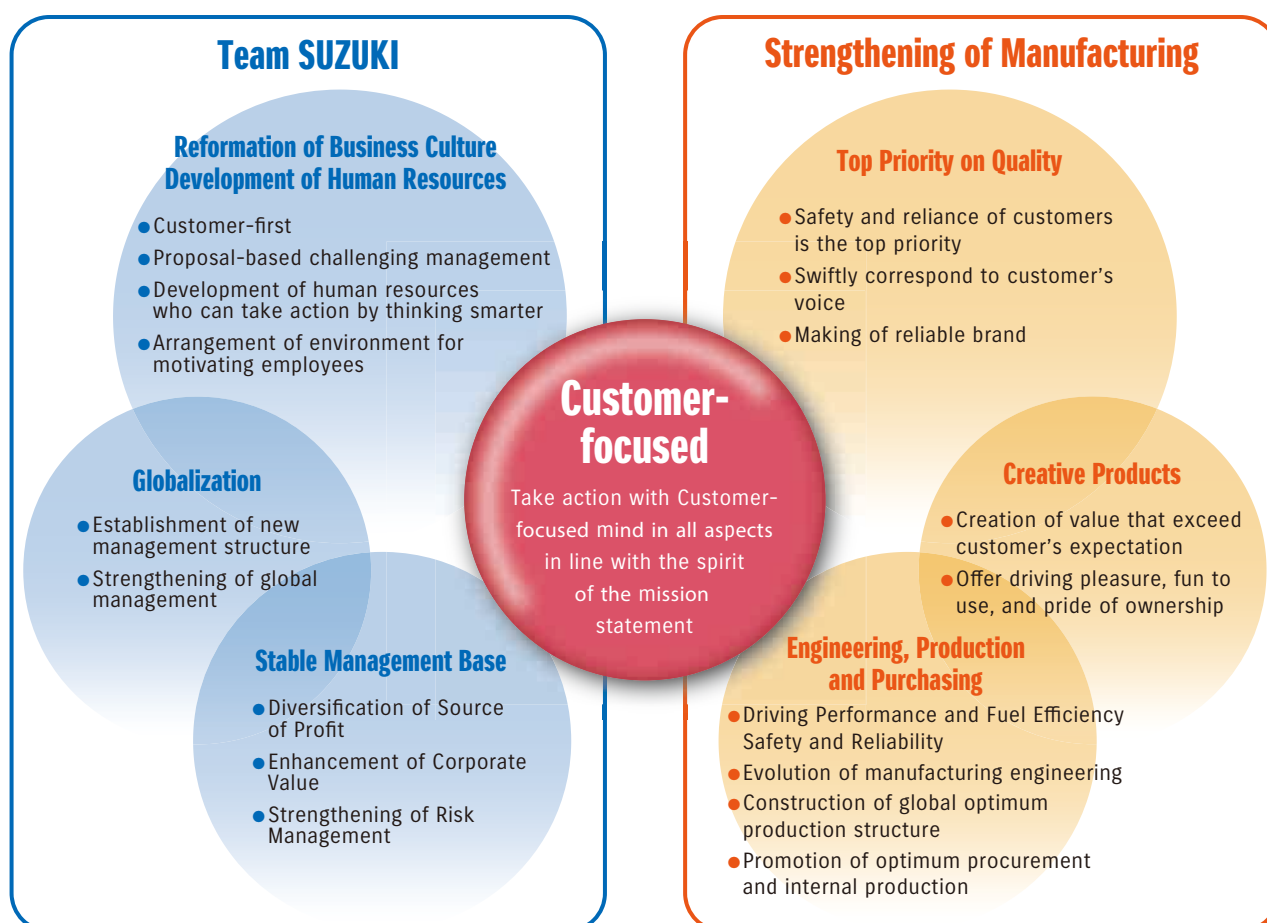
Suzuki Motor Corporation has established the New Mid-Term Management Plan SUZUKI NEXT 100, a five-year plan from 2015. The Suzuki Group will be celebrating its 100th anniversary of foundation in 2020. In order for the Group to continuously grow for the next 100 years, Suzuki will put efforts into strengthening of management base by positioning the next five years as the period to stabilize the foundation of management. The Group will tackle as Team Suzuki to globally develop manufacturing base and overhaul working procedure.

Under the New Mid-Term Management Plan, the Group will unite as one to enhance corporate value and aim for sustainable growth.

Overview of the New Mid-Term Management Plan SUZUKI NEXT 100 is as per below.

### Basic Policy

By returning to the origin of “Develop products of superior value by focusing on the customer” as mentioned in the first paragraph of the mission statement, Suzuki will strengthen its business base.



## Suzuki's Business Strategy

### 1. Automobile Business

#### ■ Product Strategy

| Efficient Development                           |                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Consolidation of Passenger Platform             | <ul style="list-style-type: none"> <li>New development will be consolidated into three new lightweight platform of Mini, A, and B</li> <li>Inter-segment use of common functional parts through modularization</li> </ul>                                                                                                   |
| Concentration of Development of Gasoline Engine | <ul style="list-style-type: none"> <li>Efficiently develop basic and new technologies by concentrating on 660 to 1,400cc</li> </ul>                                                                                                                                                                                         |
| Development with Global Sight                   | <ul style="list-style-type: none"> <li>Other than gasoline engine technologies, put efforts into technologies which also consider the needs of emerging countries such as AGS, ISG, and infotainment</li> <li>Development of human resources and making of long-term base by co-developing with Indian engineers</li> </ul> |
| Global Optimum Production                       | <ul style="list-style-type: none"> <li>Make Japan, India, Indonesia, Thailand, and Hungary as global production base</li> </ul>                                                                                                                                                                                             |
| Model Introduction Plan                         |                                                                                                                                                                                                                                                                                                                             |
| Introduce 20 new models globally in five years  |                                                                                                                                                                                                                                                                                                                             |
| Minicar                                         | Constantly introduce one model every year (five models in five years)                                                                                                                                                                                                                                                       |
| A Segment                                       | Expand sales by introducing six models in five years                                                                                                                                                                                                                                                                        |
| B Segment<br>C Segment<br>SUV                   | Introduce three models in each segment, a total of nine models in five years                                                                                                                                                                                                                                                |

#### ■ Regional Strategy

| Centered in Japan and India, Asia is the main region |                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Japan                                                | <ul style="list-style-type: none"> <li>Maintain market and employment by placing as the base of development and production</li> <li>Constantly introduce mini and compact models every year</li> <li>Minicar share of more than 30%, compact car sales of more than 100,000 units</li> <li>Strengthen direct sales and expansion of distributor base</li> </ul> |
| India                                                | <ul style="list-style-type: none"> <li>While still centering on the expanding new buyers, fulfill products, sales network, and productivity to meet increasing substitute demands</li> <li>Passenger share of more than 45%</li> </ul>                                                                                                                          |
| ASEAN                                                | <ul style="list-style-type: none"> <li>Develop Indonesia and Thailand as pillars that follow Japan and India, to place them as the production base for inside and outside ASEAN</li> </ul>                                                                                                                                                                      |
| Europe                                               | <ul style="list-style-type: none"> <li>Brush up advanced technologies and product competitiveness through corresponding to fuel efficiency restriction, safety technologies, and design</li> </ul>                                                                                                                                                              |

### 2. Motorcycle Business

#### ■ Enhancing Earning Strength and Brand Value

- Departure from chronic deficits through selection and concentration.
- Development of products which clearly define characteristics of Suzuki (150cc and up, backbone, sport)

| Main Category and Product Development                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Main Category <ul style="list-style-type: none"> <li>150cc and up • Backbone • Sport</li> </ul> </li> <li>(Shift from low-priced to mid-to high-priced products)</li> <li>Return to the origin of basic performances of "Running, Cornering, and Braking"</li> <li>Pursue fun-to-ride and easy-to-ride</li> <li>Feedback of MotoGP technologies</li> </ul> |

| Marketing Strategy                                   |                                                                                                                                                                                                      |
|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| High quality service → Improve customer satisfaction |                                                                                                                                                                                                      |
| Developed Countries                                  | <ul style="list-style-type: none"> <li>Strengthen announcement activities of events, etc.</li> <li>Strengthen sales of parts and accessories → Improve profitability</li> </ul>                      |
| Emerging Countries                                   | <ul style="list-style-type: none"> <li>Consolidate production base in ASEAN → Strengthen business base</li> <li>Develop sales network of large displacement model → Improve profitability</li> </ul> |

### 3. Outboard Motor Business

| Product Strategy                                                                                                                                           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Expand lineup of large four-stroke outboard motors</li> <li>Introduce more than six models in five years</li> </ul> |
| Regional Strategy                                                                                                                                          |
| <ul style="list-style-type: none"> <li>Focus on strengthening sales in the US</li> <li>Development of Asian market</li> </ul>                              |



|                                                                                                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>New Brand Slogan</p> <p><b>THE ULTIMATE</b></p> <p><b>4-STROKE OUTBOARD</b></p> <p>Aim for the world's best four-stroke outboard motor brand</p> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|

## Mid-Term Management Target

As for the consolidated net sales, Suzuki will aim to promptly exceed its highest-ever marked in FY2007 (¥3,502.4 billion) by steadily increasing.

By balancing between investments for growth and strengthening of management base, Suzuki will consistently promote efforts for enhancing corporate value.

#### Mid-Term Management Target Value

|                                             | FY2015 Result         | FY2016 Disclosed Value | FY2019 Target      |
|---------------------------------------------|-----------------------|------------------------|--------------------|
| Consolidated Net Sales                      | ¥3,180.7 billion      | ¥3,100.0 billion       | ¥3,700.0 billion   |
| Operating Income Margin                     | 6.1%                  | 5.8%                   | 7.0%               |
| Shareholder Return                          | ROE                   | 9.6%                   | —                  |
|                                             | Dividend payout ratio | 13.6%                  | (¥32.00 per share) |
| R&D expenses                                | ¥131.0 billion        | ¥140.0 billion         | ¥200.0 billion     |
| (Total capital expenditures for five years) |                       |                        | (¥1,000 billion)   |

\* Foreign exchange rates...¥105/US\$, ¥120/Euro, ¥1.60/Indian Rupee, ¥0.80/100 Indonesian Rupiah, ¥3.00/Thai Baht.

#### Global Sales Units

|            |               | FY2015 Result | FY2016 Disclosed Value | FY2019 Target |
|------------|---------------|---------------|------------------------|---------------|
| Automobile | Japan         | 630,000       | 650,000                | 700,000       |
|            | Europe        | 210,000       | 230,000                | 280,000       |
|            | Asia          | 1,840,000     | 1,890,000              | 2,200,000     |
|            | Others        | 180,000       | 190,000                | 220,000       |
|            | Total         | 2,860,000     | 2,960,000              | 3,400,000     |
| Motorcycle | Japan         | 60,000        | 70,000                 | 70,000        |
|            | Europe        | 50,000        | 50,000                 | 70,000        |
|            | North America | 50,000        | 50,000                 | 60,000        |
|            | Asia          | 1,130,000     | 1,150,000              | 1,500,000     |
|            | Others        | 220,000       | 190,000                | 300,000       |
|            | Total         | 1,500,000     | 1,500,000              | 2,000,000     |

\* The targets and forward-looking statements mentioned in this document are based on currently available information and assumptions, contain risks and uncertainty and do not constitute guarantees of future achievement.

\* Please note that the future results may greatly vary by the changes of various factors. Those factors, which may influence the future results, include economic conditions and the trend of demand in major markets and the fluctuations of foreign exchange rates (mainly U.S. dollar/Yen rate, Euro/Yen rate, Indian Rupee/Yen rate).

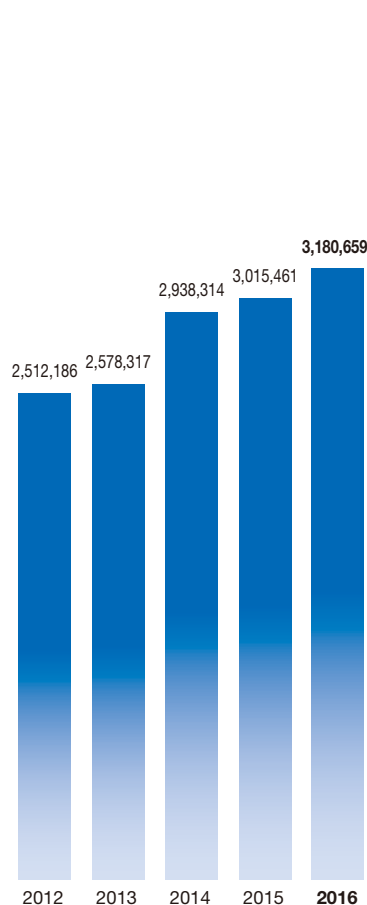
# Financial Highlights

| SUZUKI MOTOR CORPORATION<br>AND CONSOLIDATED SUBSIDIARIES<br>Years ended 31 March, 2016 and 2015 | Millions of yen<br>(except per share amounts) | Thousands of US<br>dollars (except per<br>share amounts) |                     |
|--------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------|---------------------|
|                                                                                                  | 2016                                          | 2015                                                     | 2016                |
| Net sales .....                                                                                  | <b>¥3,180,659</b>                             | ¥3,015,461                                               | <b>\$28,227,361</b> |
| Net income attributable to owners of the parent.....                                             | <b>116,660</b>                                | 96,862                                                   | <b>1,035,323</b>    |
| Net income per share:                                                                            |                                               |                                                          |                     |
| Primary .....                                                                                    | <b>234.98</b>                                 | 172.67                                                   | <b>2.09</b>         |
| Fully diluted .....                                                                              | <b>234.92</b>                                 | 172.63                                                   | <b>2.09</b>         |
| Cash dividends per share.....                                                                    | <b>32.00</b>                                  | 27.00                                                    | <b>0.28</b>         |
| Net assets .....                                                                                 | <b>1,187,703</b>                              | 1,701,390                                                | <b>10,540,496</b>   |
| Total current assets.....                                                                        | <b>1,632,630</b>                              | 2,008,729                                                | <b>14,489,091</b>   |
| Total assets .....                                                                               | <b>2,702,008</b>                              | 3,252,800                                                | <b>23,979,484</b>   |
| Depreciation and amortization.....                                                               | <b>168,315</b>                                | 134,377                                                  | <b>1,493,749</b>    |

Note: Yen amounts are translated into US dollars, for convenience only, at ¥112.68=US\$1, the prevailing exchange rate on 31 March, 2016.

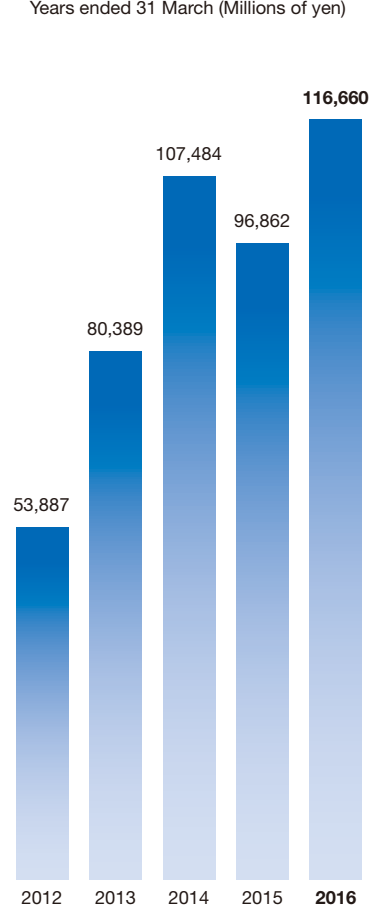
## Net Sales

Years ended 31 March (Millions of yen)



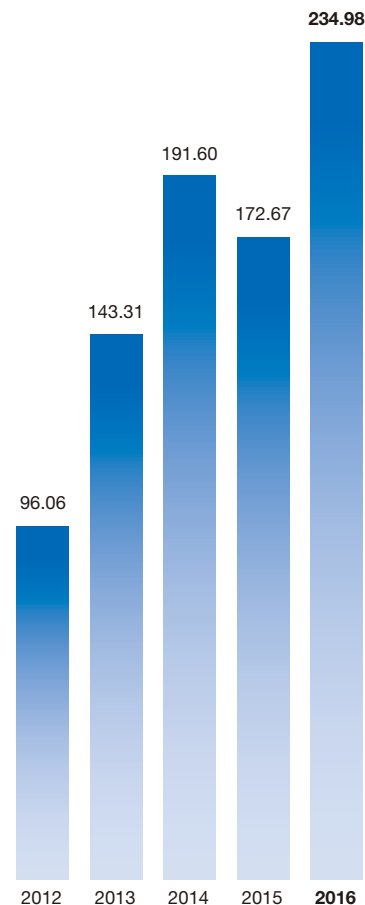
## Net Income Attributable to Owners of the Parent

Years ended 31 March (Millions of yen)



## Net Income Per Share

Years ended 31 March (yen)



# Year in Review

## ■ Production

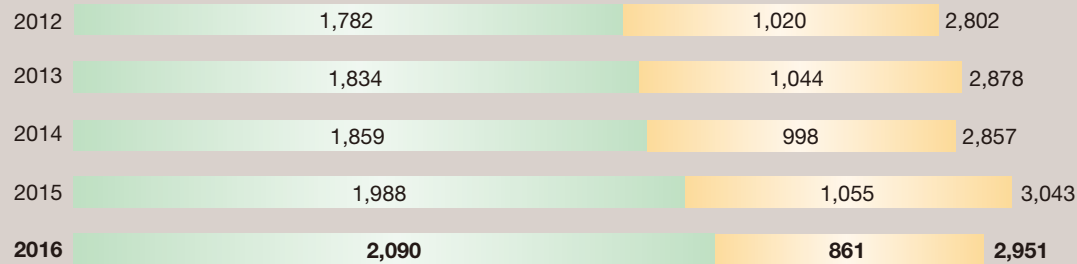
### Automobile Production

Years ended 31 March

(Thousand units)

Overseas Japan

Total



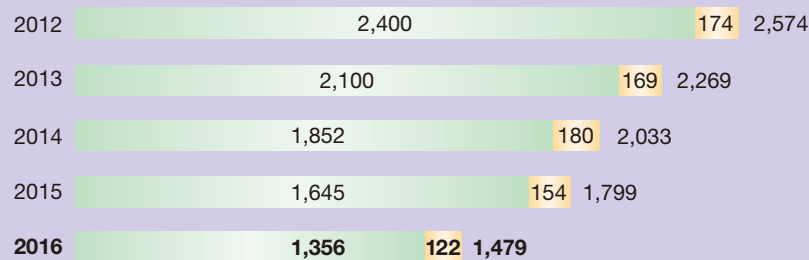
### Motorcycle Production

Years ended 31 March

(Thousand units)  
(ATV included)

Overseas Japan

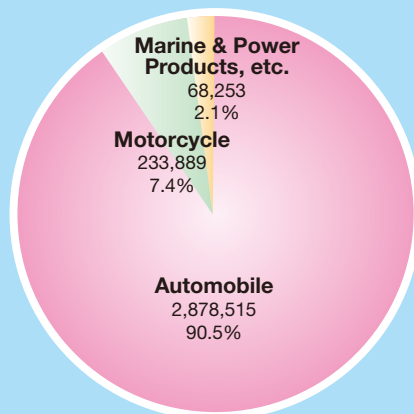
Total



## ■ 2016 Net Sales

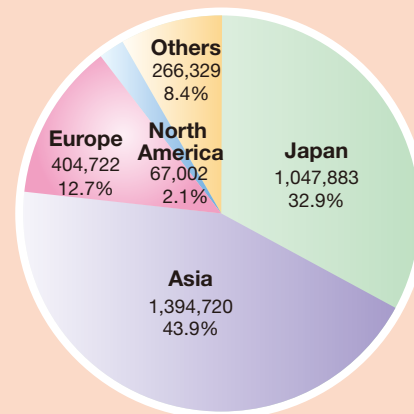
### 2016 Net Sales By Products

(Year ended 31 March, 2016 Millions of yen)



### 2016 Net Sales By Market

(Year ended 31 March, 2016 Millions of yen)



## Automobiles

### Suzuki's Worldwide Manufacturing and Sales

Total overseas automobile production for FY2015 increased by 5.2% year-on-year to 2,090,000 units. Worldwide production, including Japan, decreased by 3.0% year-on-year to 2,951,000 units.

Sales of automobiles in overseas market increased by 5.7% year-on-year to 2,231,000 units, while total global sales, including Japan, decreased by 0.2% year-on-year to 2,861,000 units.

### Operating Results by Segment

In the automobile business, the operating income increased by ¥20.8 billion (12.1%) to ¥192.6 billion year-on-year mainly owing to the increase in the income in India.

### The Japanese Market

#### 1. Overview of the Japanese Automobile Market

Total domestic automobile sales volume in FY2015 declined by 7% year-on-year to 4,938,000 units. It fell year-on-year for the second fiscal year in a row, and dipped below five million units for the first time in four fiscal years. Sales of registered vehicles were flat on the year at 3,124,000 units. Sales of minivehicles fell largely by 17% year-on-year to 1,813,000 units owing mainly to the impact of hike in light motor vehicle tax from April 2015.

#### 2. Suzuki Sales

Suzuki's domestic automobile sales in FY2015 fell year-on-year in volume terms for the first time in five fiscal years. They declined by 17% year-on-year to 630,000 units. Suzuki's sales of minivehicles fell largely by 19% year-on-year to 549,000 units. Suzuki's sales of registered vehicles rose year-on-year for the first time in three fiscal years. They grew by 6% year-on-year to 81,000 units. The key driver of that growth were comprehensively enhanced SOLIO launched in August and the newly-introduced ESCUDO and IGNIS.

#### 3. Suzuki Topics in FY2015

- In June 2015, Suzuki launched a comprehensively enhanced version of the ALTO Lapin minicar.
- In August 2015, Suzuki launched comprehensively enhanced versions of SOLIO and SOLIO Bandit compact cars.
- In October 2015, Suzuki launched the ESCUDO compact SUV. The Company is having the ESCUDO built by its Hungarian subsidiary, Magyar Suzuki, and is importing it into Japan.
- In November and December 2015, ALTO and ALTO Lapin minicars won the 2016 JJC Car of the Year and the 2015-2016 Car of the Year Japan Small Mobility Award.
- In December 2015, Suzuki expanded the ALTO range by adding the performance-enhanced ALTO Works.
- In February 2016, Suzuki launched the IGNIS, a new-genre mini crossover of compact car and SUV.
- In March 2016, Suzuki launched the all-new hatchback BALENO. The Company is having the BALENO built by its Indian subsidiary, Maruti Suzuki India, and is importing it into Japan.



ALTO Lapin



SOLIO



ESCUDO



BALENO

## Overseas Markets

### 1. Overview of Suzuki's Main Overseas Automobile Markets

Sales of automobiles (passenger cars and multi-utility vehicles) in India grew in FY2015 by 7% year-on-year to 2,789,000 units owing to the economic recovery. Sales of passenger cars in Europe also grew by 3% year-on-year to 17,015,000 units, as well as in China by 5% year-on-year to 24,931,000 units. Sales in the five key ASEAN countries (Indonesia, Thailand, Vietnam, the Philippines, and Malaysia) fell by 3% year-on-year to 3,009,000 units owing to the continuing economic slump. The future outlook is unclear, with negative factors such as the worrying trend in crude oil price and the appreciating yen since the beginning of 2016.

### 2. Suzuki Sales

Suzuki's overseas automobile sales volume in FY2015 grew by 6% year-on-year to 2,231,000 units. Suzuki's sales in India rose by 12% year-on-year to a record-high 1,305,000 units owing to strong demand for models including the BALENO and VITARA BREZZA. Suzuki's sales in Europe grew by 6% year-on-year to 207,000 units owing to strong demand for models including the VITARA. Suzuki's sales in China fell by 26% year-on-year to 186,000 units, and sales in Indonesia by 19% year-on-year to 120,000 units.

### 3. Suzuki Topics in FY2015

- In May 2015, cumulative production units of the Indian subsidiary Maruti Suzuki India reached 15 million units.
- Also in May 2015, Suzuki held an opening ceremony for the new automobile assembly plant (Cikarang Plant) of the Indonesian subsidiary Suzuki Indomobil Motor.
- In June 2015, Suzuki agreed to form collaboration with Proton in Malaysia.
- Also in June 2015, production of CIAZ began at a Thai subsidiary Suzuki Motor (Thailand), and it was launched in July.
- In July 2015, production and sales of ERTIGA began at a Myanmar subsidiary Suzuki Myanmar Motor.
- Also in July 2015, new sales channel NEXA was established in India, and S-CROSS was launched.
- In October 2015, Suzuki began a series of launches for the BALENO by putting it on the market in India.
- In February 2016, the all-new VITARA BREZZA compact SUV was unveiled in India.



VITARA



VITARA BREZZA



BALENO

## Motorcycles

### Suzuki's Worldwide Manufacturing and Sales

Total overseas motorcycle production (including ATVs) in FY2015 decreased by 17.5% year-on-year to 1,356,000 units. Worldwide production, including production in Japan, also decreased by 17.8% year-on-year to 1,479,000 units.

Sales of motorcycles (including ATVs) in overseas market decreased by 15.4% year-on-year to 1,435,000 units, while total global sales, including Japan, also decreased by 15.2% year-on-year to 1,496,000 units.

### Operating Results by Segment

In the motorcycle business, the operating loss of ¥0.7 billion in the previous fiscal year became an operating loss of ¥10.2 billion partly owing to the quality-related expenses.

### The Japanese Market

#### 1. Overview of Japanese Motorcycle Market

The total domestic motorcycle sales (factory shipments) of the four Japanese manufacturers in FY2015 fell by 7% year-on-year to 365,000 units. Sales of models with engine displacements of 126cm<sup>3</sup> and higher were down 1% year-on-year at 84,000 units. Sales of models with engine displacements up to 125cm<sup>3</sup> were down 8% year-on-year at 281,000 units.

#### 2. Suzuki Sales

Suzuki's domestic sales (factory shipments) of models with engine displacements of 126cm<sup>3</sup> and higher fell by 24% year-on-year to 8,000 units. Although their sales were led by the new GSX-S1000 ABS and GSX-S1000F ABS, they remained at that level owing to the adjustment in inventory. The Company's sales of models with engine displacements up to 125cm<sup>3</sup> fell by 10% year-on-year to 50,000 units. Although their sales were led by the new Address 110, they remained at that level owing to the adjustment in inventory of models with engine displacement of up to 50cm<sup>3</sup>. Overall, Suzuki recorded a 12% year-on-year drop in sales (factory shipments) to 58,000 units.

#### 3. Suzuki Topics in FY2015

- In April 2015, Suzuki launched 50cm<sup>3</sup> scooters Let's Basket and Address V50, which are based on the Let's, a 50cm<sup>3</sup> scooter that's light, fuel-efficient, and user-friendly. Let's Basket offers large-sized front basket and front inner pocket, while Address V50 offers sporty styling.
- In July 2015, Suzuki launched the GSX-S1000 ABS and GSX-S1000F ABS. They offer uplifting feeling when accelerating, which can be enjoyed in city and on winding road.
- TeamSUZUKI's Yohei KOJIMA became the champion of the 2015 All Japan Motocross Championship in the top IA1 class. Suzuki achieved a 1-2 finish as his teammate Yo-shitaka ATSUTA finished second overall.



Let's Basket



Address 110



GSX-S1000 ABS



Hayabusa

## Overseas Markets

### 1. Overview of Suzuki's Main Overseas Motorcycle Markets

Sales of motorcycles in Europe in FY2015 grew by 11% year-on-year to 950,000 units. Sales of motorcycles (including ATVs) in North America were flat on the year at 826,000 units. Sales in the six key ASEAN countries (Indonesia, Thailand, Vietnam, the Philippines, Malaysia, and Cambodia) declined by 7% year-on-year to 12,466,000 units. Sales in China also fell by 16% year-on-year to 8,663,000 units. Sales in India grew by 3% year-on-year to 16,456,000 units.

### 2. Suzuki Sales

Suzuki's overseas motorcycle sales in FY2015 declined by 15% year-on-year to 1,435,000 units. Sales in Europe grew by 7% year-on-year to 48,000 units. Sales in North America also grew by 6% year-on-year to 46,000 units. Sales in the six key ASEAN countries fell by 30% year-on-year to 304,000 units owing mainly to a drop in sales in Indonesia. Sales in China also fell by 20% year-on-year to 453,000 units. Sales in India fell by 8% year-on-year to 313,000 units.

### 3. Suzuki Topics in FY2015

- GIXXER SF, a fully faired sportbike launched in India in April 2015, received bike of the year awards from various magazines for its performance and design.
- In November 2015, Suzuki unveiled the new road sportbike SV650 and the GSX-R1000 concept model at the Milan Show held in Italy.
- Suzuki Endurance Racing Team, an endurance team of a subsidiary Suzuki France that participates with the supersport bike GSX-R1000, achieved its 14th title (of which 11 titles won by the GSX-R1000) of the World Endurance Championship for the first time in two years.
- Suzuki returned to the world's top motorcycle racing series MotoGP and achieved sixth places in three races. Team SUZUKI ECSTAR's rider Maverick VIÑALES won the Rookie of the Year title.



Milan Show



World Endurance Championship



MotoGP



SV650 ABS



RM-Z250



ACCESS 125



GIXXER SF

## Marine Products

### Operating Results by Segment

In the marine and power products, etc. business, the net sales increased by ¥5.3 billion (8.3%) to ¥68.3 billion year-on-year mainly owing to the increase in the sales of outboard motors in the US. The operating income increased by ¥4.6 billion (55.8%) to ¥12.9 billion year-on-year.

### Overview of Marine Products

Suzuki's domestic outboard motor sales in FY2015 fell by 5% year-on-year in volume terms and by 1% year-on-year in net terms.

Suzuki's export sales surged by 3% year-on-year in volume terms and by 21% year-on-year in net terms. Sales in the United States made a significant contribution. They were strong owing partly to foreign-exchange effects and partly to a shift in demand toward larger models.

Suzuki's four-stroke outboard motors range from the DF2 (the lowest-power model, which delivers 1.49kW/2PS) to the DF300 (the highest-power model, which delivers 220.7kW/300PS). The Company produces small models in Thailand and larger models at the Toyokawa Plant in Japan.

### Suzuki Topic in FY2015

- The year 2015 marked 50 years of Suzuki outboard motors. Since FY2014, the Company had been celebrating this milestone with various activities, and in FY2015, the Company wrapped up its 50th anniversary year by holding events such as global clean-up activities and fishing contest at Lake Hamana. Through these events, Suzuki's outboard motor brand images were enhanced.
- In the New Mid-Term Management Plan SUZUKI NEXT 100, the Company set an aim at creating the world top 4-STROKE outboard motors brand by making "THE ULTIMATE 4-STROKE OUTBOARD" its new brand slogan. The Company will focus on strengthening sales in the United States and development of Asian market.



DF6A



DF200AP



DF300AP



DF200AP



DF6A

## Others

### Environmental Initiatives

As a manufacturer of automobiles, motorcycles, outboard motors, and other items, Suzuki acts in consideration of the environment at all product stages from development to disposal.

In product development, our environmental initiatives include improving fuel economy, reducing exhaust emissions, developing clean-energy vehicles, and reducing noise. In manufacturing, our efforts include reducing environmental risk, reducing energy requirements, and promoting the use of alternative energy sources. In distribution, we focus on improving the operational efficiency and energy efficiency of transportation and on promoting the three Rs (reducing, reusing, and recycling). In marketing, we promote environmental management among our dealers and strive to ensure proper disposal of end-of-life products.

We also pursue environmental initiatives that are not directly related to our products. For instance, we promote energy savings and green purchasing in our offices, give our workers environmental education, and support social action programs in local communities.

### Suzuki Topics in FY2015

- Suzuki published "Suzuki Environmental and Social Report 2015". The Company has published a report about its environmental initiatives every year since FY1999.
- In August 2015, Suzuki launched comprehensively enhanced versions of SOLIO and SOLIO Bandit compact cars. Fuel efficiency of a newly-developed K12C DUALJET engine is enhanced while increasing torque in the low speed range. In addition to installing a mild hybrid system\*<sup>1</sup>, comprehensive weight savings of 100kg\*<sup>2</sup> lighter than its predecessor realize fuel economy of 27.8km/L\*<sup>3</sup> (the best of its class in Japan)\*<sup>4</sup>.
- Suzuki Makinohara Solar Power Plant, a solar power facility with a maximum capacity of 20MW (megawatt) which was being constructed at the Nakazato Industrial Park located in Makinohara, Shizuoka, started making test operation from October 2015.
- In January 2016, Suzuki's Sagara Plant received the "ANRE (Agency for Natural Resources and Energy) Director-General's Award (co-implementation field)" in the "FY2015 Energy Conservation Grand Prize <Energy Conservation Case Example Category>". Since FY1990, Energy Conservation Grand Prize (organized by the Energy Conservation Center, Japan) has been awarding products that excel in energy and electricity conservation, or business operators that have developed business models with high ramification for energy conservation. Energy Conservation Case Example Category was introduced in FY2011, awarding business operators that have made progress by promoting electricity conservation and activities that excel in energy conservation of corporations, plants, offices, etc.

By co-developing an infra-red die heater with Chubu Electric Power and Metro Denki Kogyo, and introducing it to the engine parts foundry process of the Sagara Plant, Suzuki made efforts to shorten heating time and reduce energy consumption, as well as conserve labor and enhance safety and productivity of work.

\*1 G variant is not installed with mild hybrid system.

\*2 Comparison between the new SOLIO HYBRID MX two-wheel drive variant and the conventional SOLIO X-DJE two-wheel drive variant.

\*3 Measured in the JC08 test cycle using SOLIO HYBRID MX and HYBRID MZ grades and SOLIO Bandit HYBRID MV grade (each with two-wheel drive). Verified by Japan's Ministry of Land, Infrastructure, Transport and Tourism.

\*4 Based on Suzuki research in August 2015 on compact height wagon (two-row, five-seater with engine displacement of 1.5L or less and overall heights of 1,550mm or more).



SUZUKI ENVIRONMENTAL & SOCIAL REPORT 2015



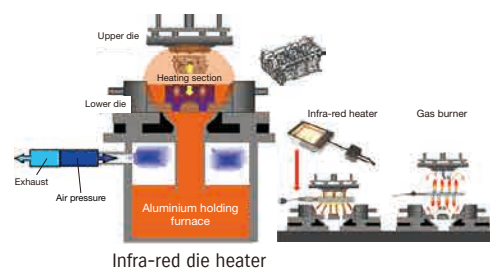
SOLIO HYBRID MZ



SOLIO Bandit HYBRID MZ



Suzuki Makinohara Solar Power Plant



### Suzuki's cooperation with other automobile manufacturers

Suzuki has been cooperating with other automobile manufacturers both in and outside Japan.

Suzuki and Nissan have been supplying each other with vehicles in Japan on an original-equipment-manufacturer (OEM) basis since 2002. To Mazda, Suzuki has been supplying vehicles in Japan since 1989, and has been supplying vehicles in Indonesia since 2013. Suzuki has been also making vehicles' OEM supply to Mitsubishi in Japan since 2011.

From Fiat, Suzuki has been sourcing its diesel engines for vehicles sold mainly in Europe since 2003. In India, Suzuki has been producing diesel engines at its own factories since 2006 using technologies acquired from Fiat.

Since 2013, Suzuki has been supplying a British manufacturer, Caterham with 660cm<sup>3</sup> engines and some drive-train components designed for minivehicles for the installation on its sport cars. The car is sold also in Japan as a British-made minivehicle.

Suzuki continues pursuing opportunities and areas of cooperation with other manufacturers where effective use of companies' business resources and mutual benefit can be expected.

# Topics

May 2015

## Indian car subsidiary rolls out its 15 millionth vehicle

Maruti Suzuki India Limited (Maruti Suzuki), our Indian subsidiary, has achieved 15 million accumulated units 31 years and five months after starting production in December 1983 with the MARUTI 800, a model based on the Japanese ALTO minicar. This comes only four years and two months after the company reached 10 million accumulated production units in March 2011.

Maruti Suzuki is currently constructing a new manufacturing facility in Gujarat to add to its existing Gurgaon and Manesar manufacturing plants in Haryana State. This will increase the company's annual maximum production capacity in India to 1.75 million units.



The SWIFT Dzire was the 15 millionth unit

## New automobile plant completed in Indonesia

PT. Suzuki Indomobil Motor, a subsidiary of ours in Indonesia, has completed construction of its new automobile assembly plant (Cikarang Plant) within the Greenland International Industrial Center (GIIC) located in Bekasi Regency, east of Jakarta. The Cikarang Plant started assembling engines and transmissions in February 2014 and, upon completion of the automobile assembly plant, began producing the ERTIGA compact car in January 2015.

In the Indonesian market, where an LCGC (Low Cost Green Car) policy is being promoted, Suzuki Motor Corporation produces the 5-seater WAGON R, which is compatible with this policy, as Japanese minicar production technology is utilized overseas.

The company is also carrying out the knockdown export of the WAGON R from Indonesia to Pakistan.



Tape cutting at the plant opening

June 2015

## New structure and New Mid-Term Management Plan announced

Suzuki Motor Corporation established its new executive structure on 30 June with Toshihiro Suzuki as the new President and COO, and at the same time announced the New Mid-Term Management Plan SUZUKI NEXT 100, a five-year plan from 2015. The Suzuki Group will be celebrating the 100th anniversary of its foundation in 2020. To continue growing for another 100 years, the Group will, as Team Suzuki, develop its manufacturing base and overhaul working procedures globally, and make efforts to strengthen its management base with the next five years as a period of stabilization. Under the New Mid-Term Management Plan, the Group will unite as one to enhance its corporate value and aim for sustainable growth.



August 2015

## Suzuki Education and Culture Foundation selects scholarship students for FY2015

The Suzuki Education and Culture Foundation offers non-repayable scholarships to high school students in Shizuoka prefecture, or university students who graduated from high school in Shizuoka prefecture, who are unable to focus on their studies for financial reasons.

In FY2015, the 15th year of this scholarship, the Foundation supported 68 students in all, 55 at high school and 13 at university.

This takes the number of recipients since the scholarship was established in 2000 to commemorate the 80th anniversary of the foundation of Suzuki Motor Corporation to 272.



## Maruti Suzuki launches S-CROSS under new sales channel NEXA

Maruti Suzuki, has launched a new sales channel NEXA aimed at premium users, through which it has begun selling the S-CROSS, the first premium crossover model in India.

Following on from the S-CROSS, NEXA is launching the hatchback BALENO in October.

NEXA opened 100 dealerships within FY2015 and plans to increase this number in future.



Ceremony for launching S-CROSS



Image of new sales channel NEXA

## Compact passenger cars SOLIO and SOLIO Bandit launched

Suzuki Motor Corporation's compact passenger cars SOLIO and SOLIO Bandit models have been fully remodelled with features such as a large interior space packaged in a compact body ideal for getting around town, convenient sliding rear doors, and superb fuel economy performance.

The first time a newly developed lightweight, high-rigidity platform has been adopted in a compact passenger car. Installing the new 1.2 Dualjet engine (K12C) and mild hybrid system and carrying out strict weight saving has realized excellent fuel efficiency and dynamic driving.



## Arbitration award for termination of business and capital alliance with Volkswagen AG

Suzuki Motor Corporation filed a request at the International Court of Arbitration of the International Chamber of Commerce for Volkswagen AG (VW) to terminate their business and capital alliance. The Tribunal found that the Framework Agreement was validly terminated by Suzuki's notice of termination dated 18 November, 2011, such termination being effective from on 18 May, 2012. The Tribunal also upheld Suzuki's claim regarding VW's disposal of its shares in Suzuki and ordered VW to divest forthwith those shares to Suzuki, or a third party designated by Suzuki, using a method that is reasonably determined by Suzuki. As a result, Suzuki completed the buying back of its shares on 17 September, 2015, and the sale of VW shares held by Suzuki was also completed on 25 September.

Regarding deliberations on Suzuki's breaches of agreement, a settlement was reached in February 2016, bringing all arbitration proceedings to a close.



September 2015

## Suzuki wins 2015 FIM Endurance World Championship

Suzuki Endurance Racing Team (SERT), the motorcycle racing team of Suzuki Motor Corporation's French subsidiary Suzuki France S.A.S., has won the FIM (Federation of International Motorcycling) Endurance World Championship for the first time in two years and the 14th time overall.

The Endurance World Championship is an annual competition for commercially available motorcycles and consists of four races a year.

The races demand overall strength from the motorcycles including driving performance and durability, and Suzuki takes part with its GSX-R1000 Supersport model.



SERT's GSX-R1000

October 2015

## Exhibited at the 44th Tokyo Motor Show 2015

At the 44th Tokyo Motor Show, organized by the Japan Automobile Manufacturers Association, Inc. (JAMA), Suzuki Motor Corporation showed many reference exhibits such as the MIGHTY DECK, which offers new kinds of fun in the minicar segment, the AIR TRISER embodying the concept of a private lounge, and the HUSTLER SCOOT, which increases the ways in which people can enjoy riding on two wheels.

Suzuki's booth this time exhibited innovative ideas and cutting-edge technologies too, giving a feel for the potential of mobility in the future. Visitors' sense of anticipation was also heightened by displays of the IG-NIS (on sale from February 2016) and ALTO Works (on sale from December 2015).



November 2015

## ALTO passenger car series wins RJC Car of the Year award and Car of the Year Japan - Small Mobility award

The ALTO and ALTO Lapin minicars have won the 2016 RJC Car of the Year Award, and the ALTO, ALTO Turbo RS and ALTO Lapin the Small Mobility category of the 2015-2016 Car of the Year Japan awards. This is the first RJC Car of the Year Award for the ALTO, which has a 36-year history since its first launch in 1979, and the second win in succession for Suzuki following the success of the HUSTLER last year.

The ALTO Lapin has also received the Grand Prix at the Auto Color Awards 2015-2016.



ALTO Series design & development team

January 2016

## AGS wins Chairman's Prize at the 13th New JSPMI Prizes

Suzuki Motor Corporation's Auto Gear Shift (AGS) transmission has received the Chairman's Prize from the Japan Society for the Promotion of Machine Industry (JSPMI) for the "development of AMT (Automated Manual Transmission) with enhanced drivability and user-friendliness".

AMT is a new kind of transmission combining the merits of both manual and automatic transmissions. Suzuki has developed one called Auto Gear Shift (AGS), which is installed widely in the company's overseas models and Japanese minicars. AGS continues to evolve to provide ever greater ease of use, such as a 2-speed starting mode fitted in the 5AGS cars CARRY and EVERY.

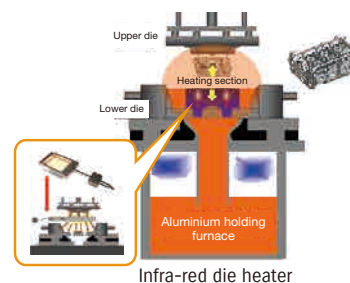


AGS developed by Suzuki

## Sagara Plant Receives the FY2015 Energy Conservation Grand Prize, Energy Conservation Category

Suzuki Motor Corporation's Sagara Plant has received the Agency for Natural Resources and Energy (ANRE) Director-General's Award (co-implementation field) in the Energy Conservation Category of the 2015 Energy Conservation Grand prize (organized by the Energy Conservation Center).

The ANRE Director-General's Award (co-implementation field) was given to Suzuki, Chubu Electric Power, and Metro Denki Kogyo for installing their co-developed infra-red die heater into the engine parts foundry process of the Sagara Plant. Their efforts in significantly shortening heating time and reducing energy consumption, while enhancing labor-saving, work safety and productivity in the workplace, were highly acclaimed.



Infra-red die heater

January 2016

## New mini crossover IGNIS launched

The IGNIS is a new-genre mini crossover based on the concept of a “functional and stylish mini crossover”, which is convenient for daily use while also broadening the scope of outdoor and other possible leisure pursuits at weekends.

All variants are installed with a mild hybrid system and 1.2 Dualjet engine (K12C), realizing excellent fuel efficiency and dynamic driving. The IGNIS is also planned to be distributed to Europe and other overseas markets as a new-genre mini crossover born in Japan.



## New outboard motors DF4A/5A/6A released

Suzuki Motor Corporation has unveiled its new outboard motors DF4A/5A/6A at the 47th International Boat Show in Düsseldorf, Germany.

These motors have been made more compact and lightweight and re-shaped to enhance their portability and user-friendliness as outboard motors for small boats. Reducing the size of the previous motors has realized a 1kg weight reduction, while the carrying handle has been made rounder and easier to hold and another grip added at the front. The motors are produced at a Thai subsidiary, Thai Suzuki Motor Co., Ltd., and will be marketed worldwide including in Europe and Japan.



Suzuki booth at boat show

February 2016

## Suzuki Foundation selects 29 research initiatives to fund in FY2015

Founded in March 1980 to commemorate the 60th anniversary of the foundation of Suzuki Motor Corporation, the Suzuki Foundation provided financial assistance in FY2015 to 29 research initiatives totalling ¥68.03 million in the form of scientific technology research assistance and proposed subject research assistance.

This was the Foundation's 36th round of financial assistance since its launch, which has included research funding for universities and research institutes nationwide and grants for accepting overseas researchers. The Foundation has now supported 1,441 scientific research projects with financial assistance worth a total of ¥1,618.89 million.



Presentation ceremony

March 2016

## Launch of new compact passenger car BALENO, produced by Indian subsidiary Maruti Suzuki

The new BALENO model is produced by Indian subsidiary Maruti Suzuki and imported to Japan by Suzuki. Sold through the new sales channel NEXA in India since October 2015, the BALENO has been highly acclaimed. The launch event in Tokyo in March 2016 was also attended by His Excellency, Sujan R. Chinoy, Indian Ambassador to Japan.

Roomy interior and ample luggage space are packaged in a flowing and elegant styling. Two models are available, one fitted with a 1.0L turbo engine and the other with a 1.2L DUALJET naturally aspirated engine.

After Japan, the new BALENO is planned to be distributed as a global compact car to Europe and other markets worldwide.



Sujan Chinoy, Indian Ambassador to Japan, in the center at launch event

# Directors, Auditors and Officers (as of 1 July, 2016)

## [Representative Directors]

|                                                   |                          |                     |
|---------------------------------------------------|--------------------------|---------------------|
| Representative Director and Chairman              | <b>Osamu Suzuki</b>      |                     |
| Representative Director and Vice Chairman         | <b>Yasuhito Harayama</b> | Supporting Chairman |
| Representative Director and President (CEO & COO) | <b>Toshihiro Suzuki</b>  |                     |

## [Directors]

|                               |                         |                                                                      |
|-------------------------------|-------------------------|----------------------------------------------------------------------|
| Director and Managing Officer | <b>Takashi Iwatsuki</b> | Executive General Manager, Global Business Administration & Planning |
|                               | <b>Masahiko Nagao</b>   | Executive General Manager, Corporate Planning Office                 |
|                               | <b>Hiroaki Matsuura</b> | Executive General Manager, Manufacturing Engineering                 |
| Director (Outside Director)   | <b>Masakazu Iguchi</b>  |                                                                      |
|                               | <b>Sakutaro Tanino</b>  |                                                                      |

\* Masakazu Iguchi and Sakutaro Tanino are the outside directors as stipulated in Article 2, Item 15 of Companies Act of Japan.

## [Audit & Supervisory Board Members]

|                                            |                          |
|--------------------------------------------|--------------------------|
| Audit & Supervisory Board Member           | <b>Kunio Nakamura</b>    |
|                                            | <b>Eiji Mochizuki</b>    |
|                                            | <b>Yasuhiro Yamazaki</b> |
| Audit & Supervisory Board Member (Outside) | <b>Norio Tanaka</b>      |
|                                            | <b>Nobuyuki Araki</b>    |

\* Norio Tanaka, Yasuhiro Yamazaki and Nobuyuki Araki are the outside audit & supervisory board members as stipulated in Article 2, Item 16 of Companies Act of Japan.

## [Senior Managing Officers]

|                         |                        |                                                                                                                       |
|-------------------------|------------------------|-----------------------------------------------------------------------------------------------------------------------|
| Senior Managing Officer | <b>Kenichi Ayukawa</b> | Executive General Manager, India / Africa Automobile Operations / Managing Director and CEO, Maruti Suzuki India Ltd. |
|                         | <b>Ichizo Aoyama</b>   | Executive General Manager, Global IT                                                                                  |

## [Managing Officers]

|                  |                           |                                                                                                                      |
|------------------|---------------------------|----------------------------------------------------------------------------------------------------------------------|
| Managing Officer | <b>Toshiaki Hasuie</b>    | Deputy Executive General Manager, Automobile Engineering / Joint Managing Director, Maruti Suzuki India Ltd.         |
|                  | <b>Kazuo Hakamata</b>     | Indonesia and Thai Automobile Division. (Based in S.I.M.)                                                            |
|                  | <b>Masato Kasai</b>       | Executive General Manager, Automobile Engineering                                                                    |
|                  | <b>Izumi Oishi</b>        | Executive General Manager, Manufacturing                                                                             |
|                  | <b>Taisuke Toyoda</b>     | Executive General Manager, Finance / Managing Officer, Finance Dept. / Managing Officer, Affiliates Accounting Dept. |
|                  | <b>Hirofumi Nagao</b>     | Division General Manager, Pakistan Automobile Division / Managing Director, Pak Suzuki Motor Co., Ltd. (Pakistan)    |
|                  | <b>Keiichi Asai</b>       | President, Chongqing Changan Suzuki Automobile Co., Ltd. (China)                                                     |
|                  | <b>Shuji Oishi</b>        | Division General Manager, Indonesia and Thai Automobile Division / President, PT. Suzuki Indomobil Motor (Indonesia) |
|                  | <b>Kazuki Yamaguchi</b>   | President, Suzuki Motor Sales Kinki Inc.                                                                             |
|                  | <b>Shigeyuki Yamamura</b> | Executive General Manager, Administration / Managing Officer, Human Resources Dept.                                  |
|                  | <b>Toshiaki Suzuki</b>    | Executive General Manager, Domestic Marketing I, Domestic Marketing                                                  |
|                  | <b>Hidenori Yamashita</b> | Deputy Executive General Manager, Manufacturing (Production Quality Assurance & Overseas Manufacturing)              |
|                  | <b>Kinji Saito</b>        | Executive General Manager, Global Automobile Operations                                                              |
|                  | <b>Ichiro Onishi</b>      | Executive General Manager, Customer Quality Assurance                                                                |
|                  | <b>Keiji Miyamoto</b>     | Executive General Manager, Domestic Marketing II, Domestic Marketing                                                 |
|                  | <b>Kazuhiko Ayabe</b>     | Executive General Manager, Purchasing                                                                                |

# Corporate Governance Issues

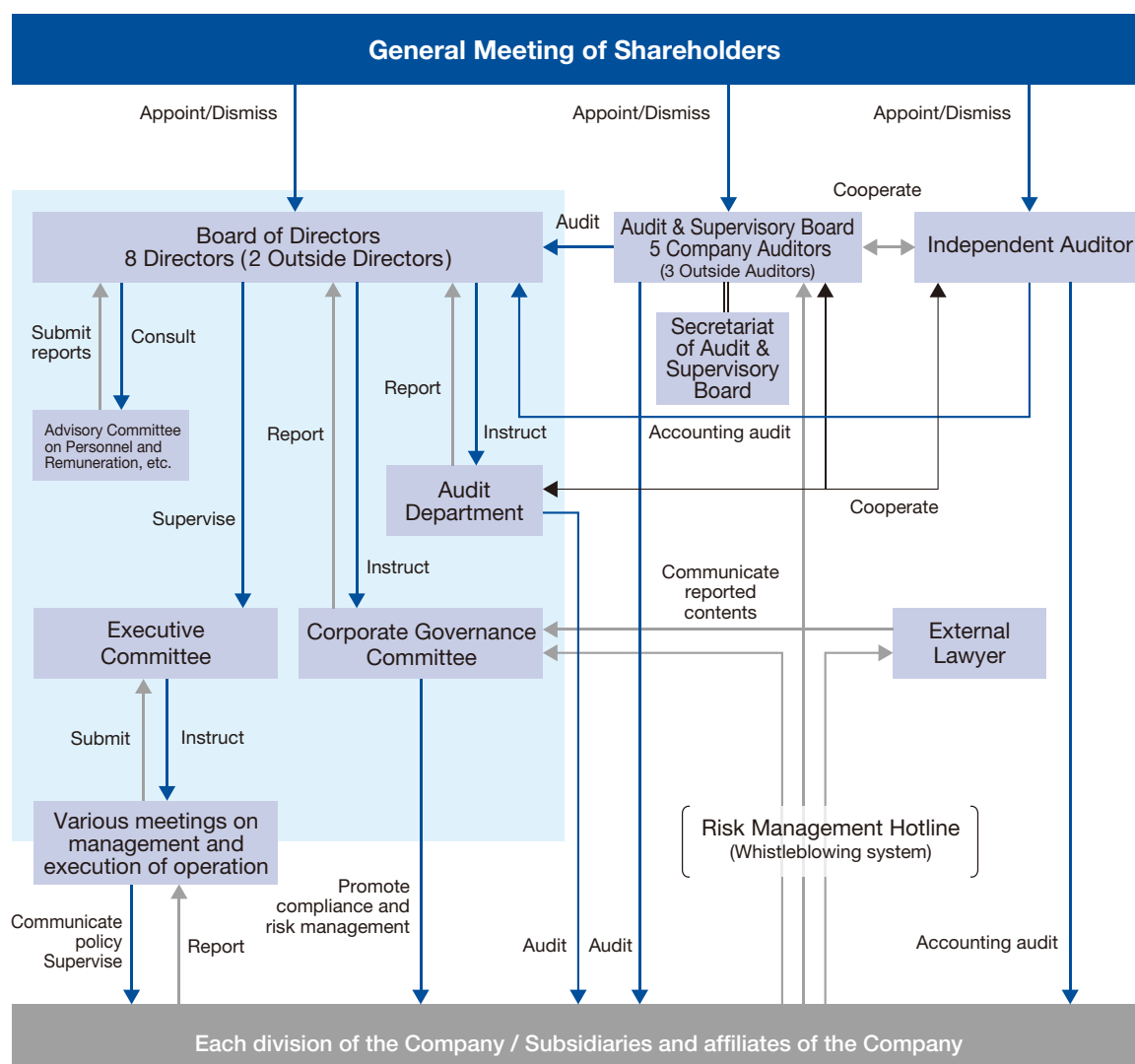
## 1. Basic policy on corporate governance

Through fair and efficient corporate activities, the Company always intends to be trusted by all our stakeholders including shareholders, customers, partner companies, local communities and employees, and to be a continuously growing company, while making a further contribution to the international community. In order to realize that intention, the Company considers that the enhancement of the corporate governance is one of the most important issues for proper corporate management and is aggressively taking various kinds of measures.

Also, in order to be trusted further by society and stakeholders, we disclose information quickly in fair and accurate manner prescribed in laws and regulations and actively disclose information that we think is beneficial to understand the Company. We will further enhance the transparency of the Company.

## 2. Corporate Governance System

The Company has elected to be a company with the Audit & Supervisory Board with the supervisory function of execution of business by the Board of Directors and the auditing function by the Audit & Supervisory Board. In addition, in the belief that the Company will be able to realize highly effective corporate governance by establishing the Advisory Committee on Personnel and Remuneration, etc. that include Outside Directors and Outside Audit & Supervisory Board Members (hereinafter “Outside Company Auditors”) as their members who are highly independent, as the advisory body of the Board of Directors, the Company has elected to adopt the present structure.



**(Board of Directors)**

In addition to the regular meetings of the Board of Directors composed of 8 Directors including 2 Outside Company Directors held every month, Directors hold a special board meeting whenever necessary, and discuss the matters set forth in the Articles of Incorporation and the laws and regulations, and important managerial agenda based on the deliberation criteria, and make decisions on a sufficient discussion, including in terms of regulatory compliance and corporate ethics, and make efforts to strengthen oversight of business execution.

Also, for the purpose of enabling the agile corporate management, speeding up decision making and executing operations, and clarifying the individual responsibilities, the Company has introduced a Senior Managing Officer and Managing Officer system.

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

**(Outside Directors)**

By electing Outside Directors who are highly independent of the Company and have no possibility of causing conflict of interest between them and shareholders, the Company enhanced supervision to management further, and is receiving beneficial advice and indication for the growth of the Company based on large stock of experience and professional knowledge.

**(Executive Committee)**

At the Executive Committee (Chairman: Representative Director and President) which is composed of Directors and Managing Officers, etc. as a council-system organization, important missions and strategies for management are cross-functionally and comprehensively discussed, while pre-reviewing matters to be discussed at the Board of Directors.

**(Various meeting on management and execution of operation)**

The Company enhances efficiency of management by enabling appropriate execution of operation through closely exchanging important information and identifying administrative issues. To achieve that, the Company holds various councils to discuss countermeasures on execution of management issues weekly, monthly, extraordinarily, or biannually, depending on the content. Members of the council include Directors, Executive General Managers and Deputy Executive General Managers.

**(Advisory Committee on Personnel and Remuneration, etc.)**

Aimed to enhance clarity and objectivity upon electing candidates for Directors and Auditors, as well as deciding remuneration of Directors, as an advisory committee for the Board of Directors, the Company establishes the Advisory Committee on Personnel and Remuneration, etc. composed of 5 members, of which 2 Outside Directors and 1 Outside Company Auditor make up the majority of the membership.

The committee discusses issues such as election standards and adequacy of candidates for Directors and Auditors, as well as adequacy of system and level of Director's remuneration. The Board of Directors decides based on their results.

Decision for election and remuneration of candidates for Senior Managing Officers and Managing Officers who do not concurrently serve as Directors are also based on results of the Committee's discussion.

**(Corporate Governance Committee)**

For sustainable growth and enhancement of corporate value of the Group on a mid- to long-term basis, the Corporate Governance Committee was established to thorough compliance and examines matters including risk management as well as promotes the implementation of measures and policies thereof.

**(Company Auditor's Audit)**

Audit & Supervisory Board of the Company is composed of 5 Audit & Supervisory Board Members (hereinafter "Company Auditors") including 3 Outside Company Auditors.

Pursuant to the standard for the Company Auditor's Audit, set forth by the Audit & Supervisory Board, and following the policy of auditing and division of duties, each Company Auditor has audited the execution of business in the Company in an appropriate manner by attending not only meetings of the Board of Directors but also important meetings such as the Executive Committee, viewing circular resolutions, meeting minutes and other documents as well as receiving reports or having hearings on the state of business from Directors.

In addition, the Company has established the Secretariat of Audit & Supervisory Board as the dedicated staff organization that is independent from the chain of command of Directors, etc. in order to reinforce a supportive system for duties of Company Auditors.

1 Full-Time Company Auditor and 1 Outside Company Auditor have large stock of knowledge in finance and accounting due to long experience of being in charge of accounting in the Group as to Full-Time Company Auditor, and large stock of experience as certified public accountant as to Outside Company Auditor respectively.

**(Internal Auditing)**

The Company has established the Audit Department as an internal auditing organization that is staffed by experts in the fields of sales, purchasing, engineering, quality, production, etc. in order to upgrade internal controls in wide-ranging fields of work. The Audit Department audits the Company, subsidiaries and affiliated companies at home and abroad to verify the state of compliance with laws and regulations and the effectiveness of internal controls on a regular basis and reports to the Board of Directors and the Audit & Supervisory Board on the results together with proposals for improving the problems that were detected.

## **(Independent Auditor)**

2 certified public accountants who engaged in the audit for FY2015 are Mr. Takashi Imamura and Mr. Koji Sato, who belong to Seimei Audit Corporation. The numbers of other assistant members for audit are 9 certified public accountants and 6 others.

## **(Mutual cooperation of Internal Auditing, Auditor's Audit and Independent Auditor, and relationship between these audits and departments of internal control)**

Audit Department, Company Auditors and Independent Auditor cooperate appropriately and audit concerning compliance with laws, internal control and management efficiency from three different angles.

Company Auditors receive periodical reports from Independent Auditor such as on audit plans and results of quarter reviews, as well as on situation of conducting fiscal auditing. Company Auditors trade comments and share information as necessary to strengthen cooperation, such as by conducting observation of Independent Auditor's audit to comprehend situation of conducting auditing, while also receiving reports on the efforts for quality management of auditing as an audit corporation.

Also, Company Auditors adjust audit plans and auditing themes with the Audit Department, attend its audit whenever necessary, and receive reports and explanation on all its audits.

Audit Department and Company Auditors exchange information with organization specialized in internal audit, which consists of Corporate Planning Office, Legal Department, Finance Department and IT Systems Department.

## **3. Function, role and status of Outside Director and Outside Company Auditor**

The Company elected 2 Outside Directors and 3 Outside Company Auditors.

The Company elected Mr. Masakazu Iguchi as Outside Director to receive supervision of the Company from a neutral position and beneficial advice related to the management of the Company in manufacturing industry based on a large stock of expertise as a doctor of engineering.

There are no special interest between him and the Company. The Company believes that he is sufficiently independent of the management of the Company. He is also in charge of a member of Advisory Committee on Personnel and Remuneration, etc.

The Company elected Mr. Sakutaro Tanino as Outside Director to receive supervision of the Company from a neutral position and beneficial advice related to the management of the Company from the global viewpoints based on a large stock of experience and knowledge as a diplomat.

There are no special interest between him and the Company. The Company believes that he is sufficiently independent of the management of the Company. He is also in charge of a member of Advisory Committee on Personnel and Remuneration, etc.

The Company elected Mr. Norio Tanaka as Outside Company Auditor to receive audit of the Company from a neutral position, as well as based on a large stock of the experiences and the professional knowledge as a certified public accountant.

There are no special interest between him and the Company. The Company believes that he is sufficiently independent of the management of the Company. He is also in charge of a member of Advisory Committee on Personnel and Remuneration, etc.

The Company elected Mr. Yasuhiro Yamazaki as Outside Company Auditor to receive audit of the Company from a neutral position, based on the large stock of experience and knowledge that he acquired through performance of local administration and duties as officers of third sectors for long years.

There are no special interest between him and the Company. The Company believes that he is sufficiently independent of the management of the Company.

The Company elected Mr. Nobuyuki Araki as Outside Company Auditor to receive audit of the Company from a neutral position, based on the large stock of experience and expertise as doctor of engineering and other important offices such as in the field of academy/environment.

There are no special interest between him and the Company. The Company believes that he is sufficiently independent of the management of the Company.

The Company concluded that all 5 members of Outside Director/Company Auditor have no possibility of causing conflict of interest between them and shareholders, and filed them as independent director/auditor under the rules of the Tokyo Stock Exchange, Inc.

As to independence from the Company with regard to the election of Outside Director/Company Auditor, the Company judges their independence under the below "Standard for Independence of Outside Directors and Outside Company Auditors" based on "Standard of judgment" set by Tokyo Stock Exchange, Inc.

Under the provisions of Paragraph 1, Article 427 of the Companies Act, the Company has entered into contracts with Outside Directors and Outside Company Auditors to limit their liability for damages arising from neglect of duties. The amount of the limit for liability for damages pursuant to such contracts shall be specified as the minimum amount specified by law.

### **<Standard for Independence of Outside Directors and Outside Company Auditors>**

The Company never elects a person who falls under any of the followings as a candidate Outside Director or Outside Company Auditor in order to ensure the independence:

1. Person concerned with the Company and its subsidiaries (“the Group”)
  - (1) With regard to Outside Directors, any person who is or was a person executing business (Note 1) of the Group at present or in the past,
  - (2) With regard to Outside Company Auditors, any person who is or was a Director, Managing Officer or employee of the Group at present or in the past, or
  - (3) A spouse or a relative within the second degree of kinship of the present Director or Managing Officer of the Group.
2. Person concerned such as business partners or major shareholders, etc.
  - (1) Any person who is a person executing business of any of the followings:
    - 1) A company of which major business partner is the Group (Note 2)
    - 2) A major business partner of the Group (Note 3)
    - 3) A major shareholder having 10% or more of total voting rights of the Company
    - 4) A company for which the Group has 10% or more of total voting rights
  - (2) A person who is or was a representative partner or a partner of the Group’s Independent Auditor at present or in the past five years
  - (3) A person who receives a large amount of remuneration from the Group other than remuneration for Director/Company Auditor (Note 4)
  - (4) A person who receives a large amount of donation from the Group (Note 5)
  - (5) A spouse or a relative within the second degree of kinship of the person who falls under category from (1) through (4) above

- Notes
1. A person executing business:  
A director executing business, a managing officer, an executive officer or an employee
  2. A company of which major business partner is the Group:  
A company which belongs to the group of the business partner who receives 2% or more of its consolidated net sales in the latest business year ended of the group from the Group in any of the business year in past three years
  3. A major business partner of the Group:  
A company which belongs to the group of the business partner who makes payment 2% or more of the Group’s consolidated net sales or provides the Group with 2% or more of loans of its consolidated total assets in the latest business year ended of the Group in any of the business year in past three years
  4. A person who receives a large amount of remuneration:  
A consultant or legal or accounting expert who receives annual compensation of 10 million yen or more (for the organization, 2% or more of its annual total revenues) in any of the business year in past three years
  5. A person who receives a large amount of donation:  
A person who receives annual donation of 10 million yen or more (for the organization, a person directly involved in activities which is the purpose of the donation) in any of the business year in past three years

#### 4. Development status of internal control system and risk management system

Followings are the basic policies regarding the systems to ensure the appropriateness of execution of duties (internal control systems), which were resolved at the meeting of Board of Directors of the Company.

##### **Systems to ensure that Directors’ and employees’ execution of their duties complies with laws and regulations and the Articles of Incorporation**

- 1) The Board of Directors shall formulate the “Suzuki Group Code of Conduct” to ensure Directors and Officers and employees in the Company and the Group execute their duties in a healthy manner as well as shall oversee the state in which the Code is fully disseminated throughout the Group.
- 2) A corporate governance committee, chaired by the Officer in charge of corporate planning, shall be established under the Board of Directors. The Corporate Governance Committee shall deploy measures for advancing in thorough compliance and promote efforts to address cross-sectional challenges in coordination with the relevant sections.
- 3) Executive General Managers shall clearly define the division of work among their responsible sections and establish work regulations and manuals that include compliance with laws and regulations related to their responsible duties, approval and decision procedures, and rules for the confirmation process by other sections as well as make them fully known to people concerned.
- 4) The Human Resources Department shall hold seminars about compliance and individual laws/regulations for Directors, Officers and employees in a continuous manner in cooperation with the Corporate Planning Office, Legal Department, Engineering Department and other related departments.
- 5) To prevent violations of laws and regulation and take corrective measures at an early stage, a whistleblowing system (Suzuki Group Risk Management Hotline) that has both internal and external contact points, shall be established to allow Directors, Officers and employees to report on breach of laws and regulations or their possibility without any disadvantageous treatment to the whistleblower. The Corporate Planning Office shall strive to make the whistleblowing system fully known and promote its use.

## **Systems relating to the storage and administration of the information in relation to Directors' execution of their duties**

The minutes of the meetings of the Board of Directors and other information related to Directors' execution of their duties shall be retained and administered by responsible sections pursuant to laws, regulations and internal regulations as well as shall be available to Directors and Company Auditors for examination when the need arises.

## **Rules and other systems relating to management of the risk of loss**

- 1) Important matters regarding corporate management shall be decided after the meetings of Board of Directors, the Executive Committee, circular resolutions and other systems deliberate and evaluate their risks in accordance with the standard for deliberation.
- 2) Executive General Managers shall establish work regulations and manuals that include preventive measures against risks that can be presumed in their responsible duties, and counter-measures in case of their occurrence and disseminate them to people concerned.
- 3) To prepare for a large-scale disaster, action manuals and business continuity plans shall be formulated, and drills shall be carried out.

## **Systems to ensure that Directors' execution of their duties is made efficiently**

- 1) Important matters regarding corporate management shall be deliberated at the Executive Committee and other meetings prior to decision-making.
- 2) The Board of Directors shall clarify responsibilities regarding the execution of Managing Officers' and Executive General Managers' duties and supervise their execution.
- 3) The Board of Directors shall receive reporting from the person responsible for the execution of the duties, as necessary, on how the matters, which were decided at the meetings of the Board of Directors, the Executive Committee and other meetings, are executed to give necessary instructions.
- 4) The Board of Directors shall formulate mid-term management plans that include consolidated subsidiaries and regularly verify the progress in the business plans of the fiscal years that Executive General Managers make in order to achieve the mid-term plan.
- 5) The Audit Department, which directly reports to President, shall audit the state of establishment and operation of internal controls, which are based on the basic policies, on a regular basis and report on the outcome to the Board of Directors.

The Board of Directors shall make Managing Officers and Executive General Managers, etc. attend meetings of Board of Directors, if necessary, and ask them to explain or report on issues that were detected in activities such as internal audits and whistleblowing. Accordingly, the Board of Directors shall give instructions for correction of the issues and ask reporting on the result.

## **Systems to ensure proper business operation of the Corporate Group consisting of the Company and subsidiaries**

- 1) The Board of Directors shall formulate mid-term management plans that include consolidated subsidiaries, and the presidents of the subsidiaries shall make business plans in the fiscal years in order to achieve the mid-term plans.
- 2) The Company shall set forth regulations for managing subsidiaries, which clarify the departments that are responsible for administering the subsidiaries, and receive reporting from subsidiaries on the situation of their business on a regular basis and on matters set forth in the regulations. Important matters related to the corporate management of subsidiaries shall be subject to prior approval from the Company.
- 3) The Corporate Governance Committee shall deploy thorough compliance and measures for risk management, which include consolidated subsidiaries, to the presidents of subsidiaries as well as give them necessary assistance in coordination with the relevant departments.

The Audit Department, directly reporting to President, shall regularly audit the state of dissemination of the "Suzuki Group Code of Conduct", compliance, risk management and the state of establishment of a whistleblowing system as well as report the results to the Board of Directors.

The Board of Directors shall make the presidents of subsidiaries attend meetings of Board of Directors, if necessary, and ask them to explain or report on issues that were detected in activities such as internal audits and whistleblowing. Accordingly, the Board of Directors shall give instructions for correction of the issues and ask reporting on the result.

- 4) The Corporate Planning section shall disseminate the Suzuki Group Risk Management Hotline to subsidiaries to allow the Directors, Officers and employees of subsidiaries to report directly to the Company on violations of laws and regulations or their possibility.

**Matters for employees to support duties of the Company Auditors when the Company Auditor seeks appointment of the employees, matters for independence of such employees from the Directors and matters for ensuring the efficiency of instructions given the employees**

- 1) The Company shall establish Secretariat of Audit & Supervisory Board in which staff is dedicated to executing their duties under the direction of Company Auditors.
- 2) Company Auditors whom the Audit & Supervisory Board appoints can ask a change of their staff anytime, and Directors shall not refuse the requests without right reason.
- 3) Transfers, treatments, disciplinary punishments, etc. of the staff in the Secretariat of Audit & Supervisory Board shall be subject to approval from Company Auditors whom the Audit & Supervisory Board appoints. The staff's performance assessment shall be conducted by Company Auditors whom the Audit & Supervisory Board appoints.

**Systems for reporting to the Company Auditors**

- 1) Company Auditors may attend the Executive Committee, other important meetings and various committees in addition to meetings of Board of Directors to ask questions and express their opinions.
- 2) In additions to delivering circular resolutions and other important documents to Company Auditors, the Board of Directors, departments and the presidents of subsidiaries shall submit necessary information and report on the state of business and operations at the request of Company Auditors.
- 3) On finding the fact that can cause serious damage to the Suzuki Group, the Board of Directors shall report on the fact to the Audit & Supervisory Board immediately.
- 4) The Audit Department, directly reporting to President, shall report on the results of internal audits to the Audit & Supervisory Board.
- 5) One of the contacts of the Suzuki Group Risk Management Hotline shall be Company Auditors. In addition, the state of whistleblowing activities outside that of Company Auditors shall be reported to Company Auditors on a regular basis.
- 6) The Company will not treat those who reported to Company Auditors to their disadvantage and shall ask the subsidiaries to treat them in the same way.

**Matters regarding procedures for prepayment or redemption of expenses arising from the execution of duties of Company Auditors and processing of other expenses or liabilities arising from the execution of such duties**

The Company shall budget a certain amount of fund each year to pay expenses, etc. caused by the execution of Company Auditors' duties. When Company Auditors claim an advance payment of expenses and others related to the execution of their duties, the Company shall treat the claim without delay.

**Other System to ensure effecting auditing by the Company Auditors**

Company Auditors may seek advice, etc. from lawyers and other external experts, if necessary, at the expense of the Company.

## 5. Remuneration for Directors and Company Auditors

**Remuneration paid to Directors and Company Auditors is as follows:**

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

| Classification                                        | Total amount of remuneration | Amount of each type of remuneration |       |                                               |              | Number of payees |
|-------------------------------------------------------|------------------------------|-------------------------------------|-------|-----------------------------------------------|--------------|------------------|
|                                                       |                              | Basic remuneration                  | Bonus | Remuneration as the form of share acquisition | Stock option |                  |
| Directors (excluding Outside Directors)               | 331                          | 271                                 | –     | 40                                            | 19           | 9                |
| Outside Directors                                     | 20                           | 20                                  | –     | –                                             | –            | 2                |
| Total                                                 | 352                          | 292                                 | –     | 40                                            | 19           | 11               |
| Company Auditors (excluding Outside Company Auditors) | 47                           | 47                                  | –     | –                                             | –            | 2                |
| Outside Company Auditors                              | 16                           | 16                                  | –     | –                                             | –            | 3                |
| Total                                                 | 63                           | 63                                  | –     | –                                             | –            | 5                |

- Notes: 1. The amount of remuneration limit for Directors (¥80 million per month) was resolved at the 135th Ordinary General Meeting of Shareholders held on 28 June, 2001. The amount of remuneration limit for Company Auditors (¥8 million per month) was resolved at the 123rd Ordinary General Meeting of Shareholders held on 29 June, 1989. The maximum amount of remuneration for Directors for stock options as compensation (¥170 million per year) was resolved at the 147th Ordinary General Meeting of Shareholders held on 27 June, 2013 and 148th Ordinary General Meeting of Shareholders held on 27 June, 2014.
2. Regarding the “Bonus” column for Directors (not including Outside Directors): expenses of 210,000,000 yen had originally been appropriated for FY2015, based on the calculation methods linked to the Company’s performance for the fiscal year given in “Policy on determining the amount of remuneration, etc. for Directors/Company Auditors.” However, it was later discovered that there were cases of improper activities that were inconsistent with national regulations with regards to gas emission and fuel consumption testing of the Company’s automobiles. As such, it was decided that the agenda item to pay bonuses to the Directors would not be referred to the 150th Ordinary General Meeting of Shareholders to be held on June 29, 2016.
3. The above-mentioned “remuneration as the form of share acquisition” is the amount recorded as expenses of FY2015, among remuneration, etc. to be paid within the range of the amount of remuneration limit (monthly amount) approved at the General Meeting of Shareholders.
4. The above-mentioned “stock options” is the amount recorded as expenses of FY2015, among the amount of remuneration for stock acquisition rights granted for stock options in FY2014.
5. The above includes two Directors who retired at the closure of the 149th Ordinary General Meeting of Shareholders held on 26 June 2015.
6. In addition to the above, ¥21 million was paid to two retired Directors as retirement benefits for Director under the resolution at the 140th Ordinary General Meeting of Shareholders held on 29 June 2006.

## **Policy on determining the amount of remuneration, etc. for Directors/Company Auditors**

### **(Remuneration of Directors)**

Remuneration of Directors (excluding Outside Directors) shall consist of basic remuneration for each position (fixed sum), bonus linked to the Company’s performance of each fiscal year and stock-based remuneration linked to the Company’s mid- and long-term performance or stock price. Remuneration of Outside Directors shall be solely basic remuneration (at the fixed amount).

Also, remuneration of Directors shall be decided by the Board of Directors based on the deliberation results of the Advisory Committee on Personnel and Remuneration, etc., of which Outside Directors/Auditors make up the majority of the membership, on the policy regarding the decision of Director’s remuneration, standards, remuneration system and adequacy of the remuneration level.

The basic remuneration shall be within the range of the amount of remuneration limit (monthly amount) approved at a General Meeting of Shareholders, and the amount of remuneration for each Director shall be determined and paid in consideration of the duties and responsibilities of each Director.

As for bonuses, a proposal based on the calculation method linked with the Company’s performance shall be submitted to an Ordinary General Meeting of Shareholders for approval and then paid.

The stock-based remuneration shall be paid within the range of amount of remuneration limit (monthly amount) approved at the General Meeting of Shareholders, as the remuneration that is linked to mid-and long-term Company’s performance and stock price. Directors shall contribute such type of remuneration to the officer stockholding association every month, acquire the Company’s shares and continuously hold them during their term of office.

### **(Remuneration of Company Auditors)**

Remuneration of Company Auditors shall be solely basic remuneration (at fixed amount), and the amount shall be decided and paid in the discussion among Company Auditors within the range of the amount of remuneration limit (monthly amount) approved at a General Meeting of Shareholders.

### **(Reference)**

Remuneration of Directors are calculated using a method based on points set for each position of Directors as per below.

As for the calculation method, the Company received a document that states that all Company Auditors agreed on appropriateness of the method.

## 1. Calculation method

Paid amount = Net income attributable to owners of the parent × 0.18% × Each Director's point ÷ Total of Director's point

Notes: 1. "Indexes on profits for such accounting period" stated in Article 34(1)(iii)(a) of Corporation Tax Act of Japan is "Net income attributable to owners of the parent".

2. Amount of above-mentioned "Net income attributable to owners of the parent" used in the method is an amount before accounting loss of such paid remuneration amount.

3. Amount of net income attributable to owners of the parent multiplied by 0.18% is rounded down to the nearest million.

## 2. Number and point of Directors by position

|                          | Point | Number of Directors | Total Point |
|--------------------------|-------|---------------------|-------------|
| Chairman                 | 30    | 1                   | 30          |
| Vice Chairman            | 18    | 1                   | 18          |
| President                | 22    | 1                   | 22          |
| Executive Vice President | 18    | —                   | —           |
| Directors                | 13    | 3                   | 39          |
| Total                    | —     | 6                   | 109         |

Note: Above number is based on number of Directors as of 29 June, 2016.

## 3. Eligible person

Only Directors that apply to "Managing members" as stated in Article 34(1)(iii) of Corporation Tax Act of Japan, and excludes Outside Directors.

## 4. Fixed amount

"Fixed amount" as stated in Article 34(1)(iii)(a)[1] of Corporation Tax Act of Japan is limited up to ¥300 million. If amount of net income attributable to owners of the parent multiplied by 0.18% exceeds ¥300 million, ¥300 million divided by each Director's point would become remuneration of each Director.

## 5. Others

Remuneration of Director retiring during the fiscal year would be decided by calculating amount of remuneration that would have been paid if expiring the full fiscal year, and dividing it by the actual service months (rounded down to the nearest 10,000).

## 6. Remuneration for Independent Auditor

| Division    | FY2014                                                      |                                                             | FY2015                                                      |                                                             |
|-------------|-------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
|             | Remuneration based on audit certification (millions of yen) | Remuneration based on non-audit operation (millions of yen) | Remuneration based on audit certification (millions of yen) | Remuneration based on non-audit operation (millions of yen) |
| The Company | 85                                                          | —                                                           | 88                                                          | 10                                                          |
| The Group   | 3                                                           | —                                                           | 3                                                           | —                                                           |
| Total       | 88                                                          | —                                                           | 91                                                          | 10                                                          |

\* Because the remuneration amount for the audit under Companies Act of Japan and for the audit under Financial Instrument and Exchange Act of Japan is not divided in the Auditing Agreement between the Company and Independent Auditor and is not be able to be actually divided, the amount described in the above specifies the total of these remuneration amounts.

# Risks in Operations

Risks that may affect the management results, stock price and financial situation of the Group include the followings.  
Forward-looking statements in this section are based on our conclusions as of the end of current consolidated fiscal year.

## (1) Risk relating to markets

### - Change in economic situations, demand fluctuation in the markets

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

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

### - Severer competitions with other companies

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

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

## (2) Risk relating to business

### - New product development and launching abilities

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

Besides, launching of new products will require abilities of specific product development, development capability of advanced technology toward the future, and further abilities of continually manufacture products, in addition to appropriately understanding customer needs and environment surrounding cars.

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

### - Change in product prices and purchase prices, dependence on specific suppliers

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

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

### - Business development in various countries in the world

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

### - Fluctuations of exchange rates and interest rates

We export automobiles, motorcycles, outboard motors and related parts to various countries in the world from Japan. In addition, we export those products and parts from the overseas manufacturing plants to multiple other countries. The ratio of the overseas sales has reached about 70 percent of consolidated sales for the current consolidated fiscal year. As the Group depends heavily on the overseas manufacturing plants located mainly in emerging countries, it is susceptible to fluctuations in the foreign currencies. Also, since the Group procures a major part of fund in Japan where interest rates continue to be low, it is susceptible to changes in the interest rates.

We take hedging measures such as forward exchange contracts and decentralization of production sites to optimize the production system globally to reduce the risks of exchange rates and interest rates fluctuations, but it is impossible to hedge every risk. The currencies appreciation in main production countries against other currencies may adversely affect the performance and financial conditions of the Group. On the other hand, by transferring production sites to other countries, it may result in opportunity losses that the

Group can no longer benefit from foreign exchange gain in export even when the currency of its local country weakens. Further, rapid increase of interest rates in Japan may adversely affect the performance and financial conditions of the Group.

## **- Government regulations**

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

## **- Quality assurance**

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

## **- Alliance with other companies**

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

## **- Dependency on information technology**

We create, process and stock information in the form of electronic data in all areas of the business activities such as design and development, production, marketing and accounting. The Group's products are also equipped with a variety of electronic control systems, which control vehicles and mounted equipment. While safety measures have been taken on the said items, infrastructure failure such as power shutoff and attacks by computer hacker and viruses may occur. If the group's operation is interrupted, and data is destroyed or lost, and leakage of confidential information takes place, it may adversely affect the performance and financial conditions of the Group.

## **- Leakage of information**

We have adopted a structure to prevent leakage of personal information of inside and outside of company and confidential information related to the Group's management, operation and technology, etc. But if such information is leaked or used without due authorization attributable to unexpected circumstances, the Group may be subject to legal demand, lawsuit, indemnity liability and obligation to pay a fine, and this may adversely affect the performance and financial conditions of the Group.

## **- Compliance**

We have established a compliance system to prevent violation of laws and regulations and respond quickly to various issues related to compliance. Nevertheless, if we detect a fact of violation of laws or inappropriate response to compliance issues due to unexpected circumstances, the Group's social credibility may be affected seriously, which may adversely affect the performance and financial conditions of the Group.

## **- Protection of intellectual property**

We have stocked intellectual property such as technology and knowhow to distinguish its products with those of competitors, and have taken measures to protect such property and to prevent infringement of intellectual property rights by a third party. Nonetheless, if the Group's intellectual property is infringed unlawfully, or if the Group is pointed out by a third party to have infringed intellectual property rights and faces lawsuit or asked to terminate manufacturing and marketing of its products and to pay indemnity, it may adversely affect the performance and financial conditions of the Group.

## **- Legal proceedings**

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

## **- Influences of natural disasters, epidemics, wars, terrorism and strikes, etc.**

In Japan, we are exposed to a variety of risks such as natural disasters including earthquake, typhoon and flood and unexpected accident. Especially, the Group's major facilities including head office, R&D sites and major manufacturing plants are concentrated in the Tokai region where occurrence of periodic massive earthquakes is highly probable.

We have taken various preventive measurements such as quake-resistant measures for buildings and facilities, fire preventive measures, establishment of BCP (Business Continuity Plan), purchases of earthquake insurances and others to minimize the influences of damage by natural disasters such as Tokai and Tonankai Earthquake. But, occurrences of any Tokai and Tonankai Earthquake may adversely affect the performance and financial condition of the Group largely.

We also conduct businesses around the world and are exposed to number of risks relating to our overseas operations. These risks around the world are natural disasters, epidemics, wars, terrorism, strikes, and various matters attributable to unstable political and social situation and difficulties, etc. These unexpected events may delay or suspend the purchase of raw materials and parts, manufacturing, sales of products, and provision of logistics and services. If such delay or suspension caused by any of these factors occur or prolong, it may adversely affect the performance and financial conditions of the Group.

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

# The Status of the Corporate Group

## The outline of the corporate group

The corporate group of the Company consists of subsidiaries of 136 companies and affiliates of 33. The main businesses are manufacturing and marketing of automobiles, motorcycles, marine & power products, motorized wheelchairs, electro senior vehicles and houses, further developing the businesses of logistics and other services related to the respective operations.

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

### Automobile

Automobiles are manufactured by the Company as well as in overseas, by subsidiaries, Magyar Suzuki Corporation Ltd., Maruti Suzuki India Limited and by an affiliate, Chongqing Changan Suzuki Automobile Co., Ltd. and others. Some of parts are manufactured by Suzuki Auto Parts Mfg. Co., Ltd. and others, and they are purchased by the Company.

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

### Motorcycle

Motorcycles are manufactured by the Company as well as in overseas, by a subsidiary Thai Suzuki Motor Co., Ltd. and an affiliate, Jinan Qingqi Suzuki Motorcycle Co., Ltd. and others. Some of parts are manufactured by a subsidiary, Suzuki Auto Parts Mfg. Co., Ltd. and others, and those parts are purchased by the Company.

The marketing of the motorcycles is conducted in the domestic market by a subsidiary, Suzuki Motorcycle Sales Inc. and other marketing companies, and in overseas markets through a subsidiary, Suzuki Deutschland GmbH and other marketing companies and manufacturing & marketing companies.

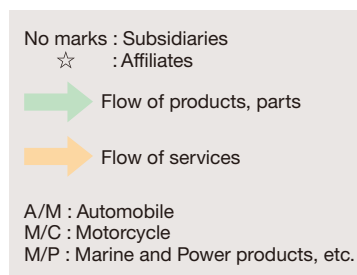
### Marine and Power products, etc.

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

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

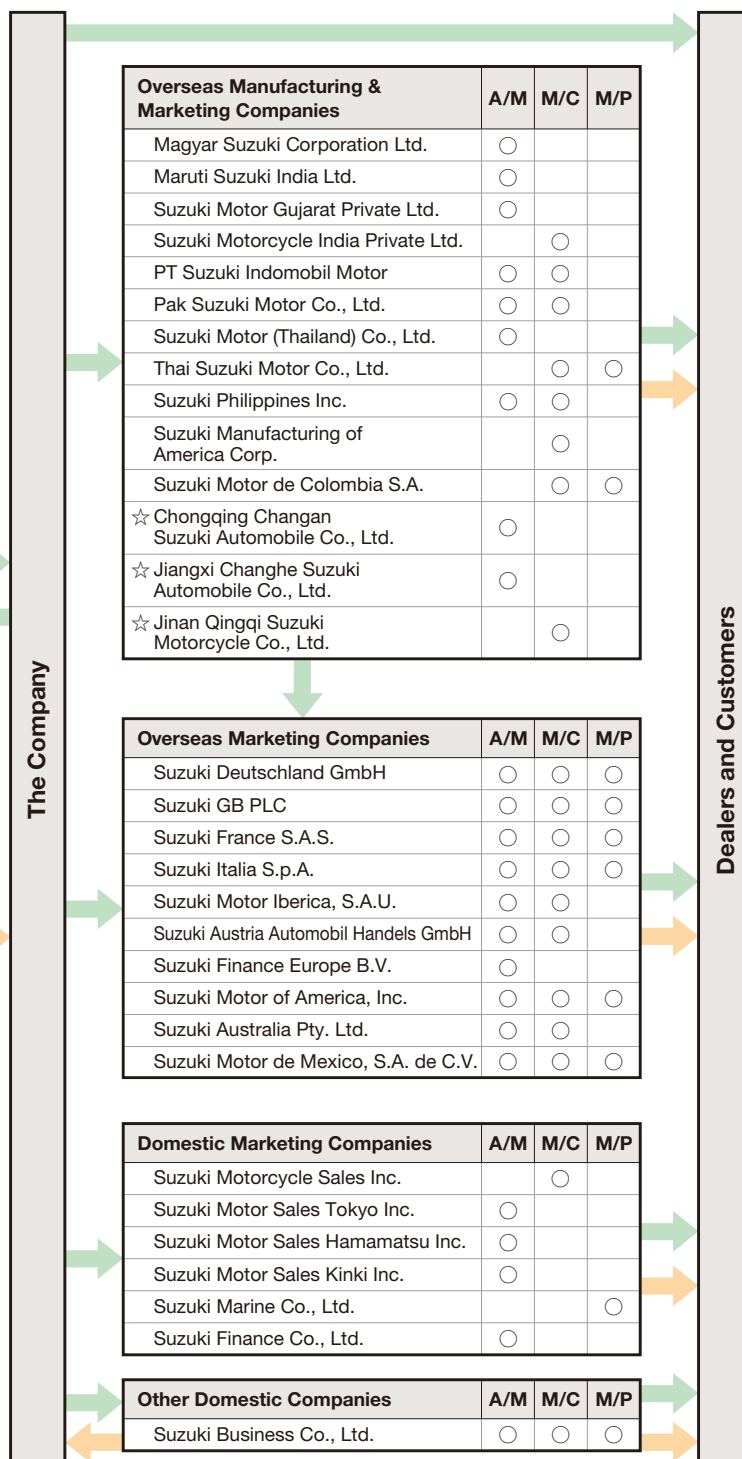
## Operation Flow Chart

Operation flow chart is as follows (Major companies only)



| Domestic Manufacturing Companies       | A/M | M/C | M/P |
|----------------------------------------|-----|-----|-----|
| Suzuki Auto Parts Mfg. Co., Ltd.       | ○   | ○   | ○   |
| Snic Co., Ltd.                         | ○   |     |     |
| Suzuki Toyama Auto Parts Mfg Co., Ltd. | ○   | ○   |     |
| ☆ Hamana Parts Industry Co., Ltd.      | ○   | ○   | ○   |

| Logistic Services                           | A/M | M/C | M/P |
|---------------------------------------------|-----|-----|-----|
| Suzuki Transportation & Packaging Co., Ltd. | ○   | ○   | ○   |



## FINANCIAL SECTION

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# Management Discussion and Analysis

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## 1. Operating results

### (1) The operating results by business segment

#### (a) Motorcycle

The net sales decreased by ¥16.6 billion (6.6%) to ¥233.9 billion year-on-year mainly owing to the decrease in Indonesia, despite sales contribution of the new road sportbike GSX-S1000 and the Indian Gixxer. The operating loss of ¥0.7 billion in the previous fiscal year became an operating loss of ¥10.2 billion partly owing to the quality-related expenses. The Company will strive to eliminate its loss-making structure through selection and concentration on the motorcycle business.

#### (b) Automobile

The Company made efforts to expand its sales and strengthen the products, such as receiving high appraisal in Japan for the Alto and Alto Lapin minicars including the RJC Car of the Year award (the second consecutive win for the Company following the Hustler minicar in the previous year), and launching Solio, Escudo (Vitara), Ignis, and Baleno compact cars in Japan. However, owing to the hike in the rate of the light motor vehicle tax and decrease in the OEM sales, the Japanese domestic net sales decreased year-on-year. The overseas net sales increased year-on-year mainly owing to the sales contribution of the Vitara in Europe and the increase in India and Pakistan. Consequently, the net sales of the automobile business increased by ¥176.5 billion (6.5%) to ¥2,878.5 billion year-on-year. The operating income increased by ¥20.8 billion (12.1%) to ¥192.6 billion year-on-year mainly owing to the increase in the income in India.

#### (c) Marine and Power products, etc.

The net sales increased by ¥5.3 billion (8.3%) to ¥68.3 billion year-on-year mainly owing to the increase in the sales of outboard motors in the US. The operating income increased by ¥4.6 billion (55.8%) to ¥12.9 billion year-on-year.

### (2) The operating results by geographical areas

#### (a) Japan

The net sales increased by ¥45.2 billion (2.6%) to ¥1,810.2 billion year-on-year mainly owing to expansion of triangular trade via Japan. The operating income decreased by ¥5.9 billion (6.5%) to ¥84.8 billion year-on-year mainly owing to the increase in the research and development expenses and the depreciation.

#### (b) Europe

The net sales increased by ¥114.4 billion (26.2%) to ¥550.5 billion year-on-year mainly owing to the sales contribution of all-new compact SUV Vitara and expansion of triangle trade via Japan. The operating income increased by ¥1.6 billion (31.4%) to ¥6.7 billion year-on-year.

#### (c) Asia

The net sales increased by ¥189.9 billion (14.5%) to ¥1,496.1 billion year-on-year mainly owing to the increase in the sales of automobile in India and Pakistan, despite the decrease of the sales in Indonesia. The operating income increased by ¥22.2 billion (27.2%) to ¥103.8 billion year-on-year mainly owing to the increase in the income in India and Pakistan.

#### (d) Other areas

The net sales decreased by ¥4.8 billion (3.0%) to ¥154.4 billion year-on-year partly owing to the adjusting stock of motorcycle, despite the increase in the sales of outboard motors in the US. The operating income decreased by ¥0.2 billion (7.2%) to ¥2.4 billion year-on-year owing to the decrease of income in Latin America and others.

### (3) Selling, general and administrative expenses

In the current consolidated fiscal year, the amount of selling, general and administrative expenses increased of ¥25.8 billion (4.0%) to ¥671.6 billion year-on-year mainly owing to increase of sales expenses such as advertising expenses.

### (4) Other income and expenses

In the current consolidated fiscal year, the net amount of other income and expenses was a gain of ¥50.3 billion, which increased by ¥36.5 billion year-on-year. This was due to increase of gain on sales of investment securities from the previous fiscal year.

## (5) Forecasts for the next fiscal year

For the next fiscal year, the Company prospects increase in sales of automobiles mainly in Europe and India. However, the Company prospects decrease in sales and income results owing to the appreciation of the yen. The Group will work as one to reform in every field and pursue the business activities to accomplish more than the below forecasts for the consolidated operating results.

(Forecasts for the consolidated operating results-First Half)

|                                                 |                  |                           |
|-------------------------------------------------|------------------|---------------------------|
| Net Sales                                       | ¥1,500.0 billion | (down 3.6% year-on-year)  |
| Operating income                                | ¥90.0 billion    | (down 11.0% year-on-year) |
| Net income attributable to owners of the parent | ¥46.5 billion    | (down 41.2% year-on-year) |

(Forecasts for the consolidated operating results-Full Year)

|                                                 |                                                                                                         |                           |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------|---------------------------|
| Net Sales                                       | ¥3,100.0 billion                                                                                        | (down 2.5% year-on-year)  |
| Operating income                                | ¥180.0 billion                                                                                          | (down 7.8% year-on-year)  |
| Net income attributable to owners of the parent | ¥93.0 billion                                                                                           | (down 20.3% year-on-year) |
| Foreign exchange rates                          | 105 yen/US\$, 120 yen/Euro, 1.60 yen/Indian Rupee<br>0.80 yen/100 Indonesian Rupiah, 3.00 yen/Thai Baht |                           |

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

## 2. Liquidity and capital resources

### Cash flow

Cash flow provided by operating activities for fiscal year 2015 (April 2015 to March 2016) amounted to ¥294.1 billion (¥255.0 billion was provided in the previous fiscal year). In investing activities, ¥242.4 billion was used for purchase of short-term investment securities, the acquisition of property, plant and equipment and other purposes (¥120.9 billion was used in the previous fiscal year). As a result, free cash flow amounted to ¥51.7 billion of positive (¥134.1 billion of positive for the previous fiscal year). In financing activities, ¥520.4 billion was used for purchase of treasury stock and other purposes (¥84.5 billion was provided in the previous fiscal year).

As a result, the balance of cash and cash equivalents as of 31 March 2016 amounted to ¥450.1 billion and decreased by ¥482.2 billion from the end of previous fiscal year.

## 3. Significant accounting policies

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

\* An amount less than 100 million yen has been rounded off in "Management discussion and analysis" section.

# Five-Year Summary

SUZUKI MOTOR CORPORATION

## CONSOLIDATED

| Years ended 31 March                                    | Millions of yen<br>(except per share amounts) |            |            |            |            | Thousands of<br>US dollars<br>(except per<br>share amounts) |
|---------------------------------------------------------|-----------------------------------------------|------------|------------|------------|------------|-------------------------------------------------------------|
|                                                         | 2016                                          | 2015       | 2014       | 2013       | 2012       | 2016                                                        |
| Net sales .....                                         | <b>¥3,180,659</b>                             | ¥3,015,461 | ¥2,938,314 | ¥2,578,317 | ¥2,512,186 | <b>\$28,227,361</b>                                         |
| Net income attributable to owners<br>of the parent..... | <b>116,660</b>                                | 96,862     | 107,484    | 80,389     | 53,887     | <b>1,035,323</b>                                            |
| Net income per share:                                   |                                               |            |            |            |            |                                                             |
| Primary (yen / US dollars).....                         | <b>234.98</b>                                 | 172.67     | 191.60     | 143.31     | 96.06      | <b>2.09</b>                                                 |
| Fully diluted (yen / US dollars) .                      | <b>234.92</b>                                 | 172.63     | 191.57     | 131.67     | 88.28      | <b>2.09</b>                                                 |
| Cash dividends per share<br>(yen / US dollars) .....    | <b>32.00</b>                                  | 27.00      | 24.00      | 18.00      | 15.00      | <b>0.28</b>                                                 |
| Net assets .....                                        | <b>1,187,703</b>                              | 1,701,390  | 1,494,357  | 1,298,553  | 1,111,757  | <b>10,540,496</b>                                           |
| Total current assets.....                               | <b>1,632,630</b>                              | 2,008,729  | 1,790,832  | 1,560,218  | 1,509,568  | <b>14,489,091</b>                                           |
| Total assets .....                                      | <b>2,702,008</b>                              | 3,252,800  | 2,874,074  | 2,487,635  | 2,302,439  | <b>23,979,484</b>                                           |
| Depreciation and amortization....                       | <b>168,315</b>                                | 134,377    | 117,188    | 93,680     | 103,117    | <b>1,493,749</b>                                            |

## NON-CONSOLIDATED

| Years ended 31 March                                 | Millions of yen<br>(except per share amounts) |            |            |            |            | Thousands of<br>US dollars<br>(except per<br>share amounts) |
|------------------------------------------------------|-----------------------------------------------|------------|------------|------------|------------|-------------------------------------------------------------|
|                                                      | 2016                                          | 2015       | 2014       | 2013       | 2012       | 2016                                                        |
| Net sales .....                                      | <b>¥1,609,065</b>                             | ¥1,663,147 | ¥1,498,853 | ¥1,422,595 | ¥1,383,269 | <b>\$14,279,954</b>                                         |
| Net income.....                                      | <b>78,593</b>                                 | 51,248     | 67,219     | 36,405     | 15,846     | <b>697,490</b>                                              |
| Net income per share:                                |                                               |            |            |            |            |                                                             |
| Primary (yen / US dollars).....                      | <b>158.28</b>                                 | 91.34      | 119.81     | 64.89      | 28.25      | <b>1.41</b>                                                 |
| Fully diluted (yen / US dollars) .                   | <b>158.25</b>                                 | 91.32      | 119.79     | 59.64      | 25.98      | <b>1.40</b>                                                 |
| Cash dividends per share<br>(yen / US dollars) ..... | <b>32.00</b>                                  | 27.00      | 24.00      | 18.00      | 15.00      | <b>0.28</b>                                                 |
| Net assets .....                                     | <b>452,701</b>                                | 937,767    | 859,224    | 761,353    | 703,292    | <b>4,017,587</b>                                            |
| Total current assets.....                            | <b>669,423</b>                                | 1,191,614  | 1,070,668  | 921,352    | 921,669    | <b>5,940,921</b>                                            |
| Total assets .....                                   | <b>1,519,889</b>                              | 2,096,545  | 1,850,068  | 1,641,700  | 1,597,903  | <b>13,488,548</b>                                           |
| Depreciation and amortization....                    | <b>40,935</b>                                 | 37,421     | 33,605     | 35,626     | 38,532     | <b>363,288</b>                                              |

Note: Yen amounts are translated into US dollars for convenience only, at ¥112.68 = US\$1, the prevailing exchange rate as of 31 March 2016.

# Consolidated Financial Statements

## Consolidated Balance Sheets

As of 31 March 2016 and 2015

| SUZUKI MOTOR CORPORATION<br>AND CONSOLIDATED SUBSIDIARIES | Millions of yen |             | Thousands of<br>US dollars |
|-----------------------------------------------------------|-----------------|-------------|----------------------------|
|                                                           | 2016            | 2015        | 2016                       |
| <b>ASSETS</b>                                             |                 |             |                            |
| <b>Current assets:</b>                                    |                 |             |                            |
| Cash and cash equivalents <b>*NOTE 11</b> .....           | ¥ 450,088       | ¥ 932,261   | \$ 3,994,398               |
| Receivables:                                              |                 |             |                            |
| Notes and accounts receivable-trade <b>*NOTE 5</b> .....  | 335,343         | 316,826     | 2,976,072                  |
| Allowance for doubtful accounts.....                      | (5,528)         | (4,156)     | (49,061)                   |
| Inventories.....                                          | 286,301         | 314,391     | 2,540,836                  |
| Deferred tax assets <b>*NOTE 9</b> .....                  | 116,378         | 115,015     | 1,032,819                  |
| Others.....                                               | 450,046         | 334,391     | 3,994,027                  |
| Total current assets.....                                 | 1,632,630       | 2,008,729   | 14,489,091                 |
| <b>Property, plant and equipment:</b>                     |                 |             |                            |
| Land <b>*NOTE 6</b> .....                                 | 255,013         | 259,540     | 2,263,163                  |
| Buildings and structures <b>*NOTE 6</b> .....             | 416,217         | 403,922     | 3,693,799                  |
| Machinery, equipment and vehicles.....                    | 1,286,385       | 1,280,563   | 11,416,272                 |
| Tools, furniture and fixtures.....                        | 408,683         | 391,797     | 3,626,939                  |
| Construction in progress .....                            | 50,361          | 70,456      | 446,938                    |
|                                                           | 2,416,660       | 2,406,280   | 21,447,114                 |
| Accumulated depreciation.....                             | (1,659,584)     | (1,610,388) | (14,728,295)               |
| Total property, plant and equipment .....                 | 757,076         | 795,892     | 6,718,818                  |
| <b>Investments and other assets:</b>                      |                 |             |                            |
| Investment securities <b>*NOTE 5</b> .....                | 226,516         | 341,325     | 2,010,260                  |
| Investments in affiliates <b>*NOTE 5</b> .....            | 46,250          | 59,544      | 410,462                    |
| Assets for retirement benefits <b>*NOTE 8</b> .....       | 50              | 1,860       | 447                        |
| Deferred tax assets <b>*NOTE 9</b> .....                  | 14,773          | 19,985      | 131,111                    |
| Others.....                                               | 24,709          | 25,462      | 219,292                    |
| Total investments and other assets .....                  | 312,301         | 448,179     | 2,771,574                  |
| Total assets.....                                         | ¥2,702,008      | ¥3,252,800  | \$23,979,484               |

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

|                                                                               | Millions of yen |            | Thousands of<br>US dollars |
|-------------------------------------------------------------------------------|-----------------|------------|----------------------------|
|                                                                               | 2016            | 2015       | 2016                       |
| <b>LIABILITIES AND NET ASSETS</b>                                             |                 |            |                            |
| <b>Current liabilities:</b>                                                   |                 |            |                            |
| Short-term loans payable <small>*NOTE 5 and 6</small> .....                   | ¥ 201,507       | ¥ 177,805  | \$ 1,788,315               |
| Current portion of long-term loans payable <small>*NOTE 5 and 6</small> ..... | 64,982          | 104,145    | 576,703                    |
| Accounts payable-trade <small>*NOTE 5</small> .....                           | 402,624         | 479,950    | 3,573,165                  |
| Electronically recorded obligations.....                                      | 64,055          | —          | 568,476                    |
| Income taxes payable .....                                                    | 29,486          | 21,797     | 261,686                    |
| Accrued expenses <small>*NOTE 5</small> .....                                 | 183,695         | 181,217    | 1,630,239                  |
| Provision for product warranties <small>*NOTE 4</small> .....                 | 66,032          | 60,305     | 586,013                    |
| Deferred tax liabilities <small>*NOTE 9</small> .....                         | 481             | 6,190      | 4,274                      |
| Others <small>*NOTE 6</small> .....                                           | 133,089         | 121,188    | 1,181,131                  |
| Total current liabilities.....                                                | 1,145,956       | 1,152,601  | 10,170,006                 |
| <b>Noncurrent liabilities:</b>                                                |                 |            |                            |
| Long-term loans payable <small>*NOTE 5 and 6</small> .....                    | 262,797         | 272,717    | 2,332,249                  |
| Liabilities for retirement benefits <small>*NOTE 8</small> .....              | 56,346          | 40,791     | 500,061                    |
| Provision for disaster <small>*NOTE 4</small> .....                           | 3,056           | 8,923      | 27,122                     |
| Deferred tax liabilities <small>*NOTE 9</small> .....                         | 7,484           | 43,766     | 66,418                     |
| Others <small>*NOTE 6</small> .....                                           | 38,663          | 32,609     | 343,129                    |
| Total noncurrent liabilities .....                                            | 368,348         | 398,808    | 3,268,981                  |
| Total liabilities .....                                                       | 1,514,305       | 1,551,409  | 13,438,988                 |
| <b>Net assets:</b>                                                            |                 |            |                            |
| <b>Shareholders' equity: <small>*NOTE 12</small></b>                          |                 |            |                            |
| Capital stock:                                                                |                 |            |                            |
| Common stock: Authorized-1,500,000,000 shares Issued,                         |                 |            |                            |
| as of 31 March 2016 – 491,000,000.....                                        | 138,014         | —          | 1,224,838                  |
| as of 31 March 2015 – 561,047,304.....                                        | —               | 138,014    | —                          |
| Capital surplus .....                                                         | 144,166         | 144,364    | 1,279,428                  |
| Retained earnings .....                                                       | 913,656         | 1,082,440  | 8,108,421                  |
| Treasury stock <small>*NOTE 14</small> .....                                  | (191,169)       | (62)       | (1,696,568)                |
| Total shareholders' equity.....                                               | 1,004,668       | 1,364,757  | 8,916,119                  |
| <b>Accumulated other comprehensive income:</b>                                |                 |            |                            |
| Valuation difference on available-for-sale securities .....                   | 77,624          | 158,788    | 688,897                    |
| Deferred gains or losses on hedges.....                                       | 536             | 679        | 4,762                      |
| Foreign currency translation adjustment .....                                 | (115,551)       | (42,997)   | (1,025,481)                |
| Accumulated adjustment for retirement benefits .....                          | (9,580)         | 864        | (85,027)                   |
| Total accumulated other comprehensive income .....                            | (46,970)        | 117,333    | (416,849)                  |
| <b>Subscription rights to shares <small>*NOTE 16</small></b> .....            | 188             | 250        | 1,676                      |
| <b>Non-controlling interests</b> .....                                        | 229,816         | 219,048    | 2,039,549                  |
| Total net assets                                                              | ¥1,187,703      | ¥1,701,390 | \$10,540,496               |
| Commitments and contingent liabilities <small>*NOTE 17</small>                |                 |            |                            |
| Total liabilities and net assets .....                                        | ¥2,702,008      | ¥3,252,800 | \$23,979,484               |

## Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### (Consolidated Statements of Income)

Years ended 31 March 2016 and 2015

| SUZUKI MOTOR CORPORATION<br>AND CONSOLIDATED SUBSIDIARIES    | Millions of yen   |            | Thousands of<br>US dollars |
|--------------------------------------------------------------|-------------------|------------|----------------------------|
|                                                              | 2016              | 2015       | 2016                       |
| <b>Net sales</b> .....                                       | <b>¥3,180,659</b> | ¥3,015,461 | <b>\$28,227,361</b>        |
| <b>Cost of sales</b> .....                                   | <b>2,313,779</b>  | 2,190,309  | <b>20,534,071</b>          |
| Gross profit.....                                            | <b>866,879</b>    | 825,152    | <b>7,693,290</b>           |
| <b>Selling, general and administrative expenses</b> .....    | <b>671,571</b>    | 645,727    | <b>5,959,990</b>           |
| Operating income .....                                       | <b>195,308</b>    | 179,424    | <b>1,733,300</b>           |
| <b>Other income (expenses):</b>                              |                   |            |                            |
| Interest and dividend income.....                            | <b>20,885</b>     | 25,259     | <b>185,355</b>             |
| Interest expense .....                                       | <b>(6,381)</b>    | (9,433)    | <b>(56,631)</b>            |
| Equity in earnings (losses) of affiliates.....               | <b>(2,492)</b>    | (1,454)    | <b>(22,119)</b>            |
| Others, net.....                                             | <b>38,311</b>     | (549)      | <b>339,999</b>             |
| Income before income taxes etc.....                          | <b>245,631</b>    | 193,246    | <b>2,179,903</b>           |
| <b>Income taxes: *NOTE 9</b>                                 |                   |            |                            |
| Current.....                                                 | <b>87,279</b>     | 70,589     | <b>774,576</b>             |
| Deferred .....                                               | <b>5,051</b>      | (4,970)    | <b>44,832</b>              |
|                                                              | <b>92,330</b>     | 65,619     | <b>819,408</b>             |
| Net income.....                                              | <b>153,300</b>    | 127,627    | <b>1,360,495</b>           |
| Net income attributable to non-controlling interests.....    | <b>36,640</b>     | 30,765     | <b>325,171</b>             |
| <b>Net income attributable to owners of the parent</b> ..... | <b>¥ 116,660</b>  | ¥ 96,862   | <b>\$ 1,035,323</b>        |
|                                                              |                   |            |                            |
|                                                              | Yen               |            | US dollars                 |
| <b>Net income per share:</b>                                 |                   |            |                            |
| Primary .....                                                | <b>¥ 234.98</b>   | ¥ 172.67   | <b>\$ 2.09</b>             |
| Fully diluted .....                                          | <b>234.92</b>     | 172.63     | <b>2.09</b>                |
| <b>Cash dividends per share</b> .....                        | <b>32.00</b>      | 27.00      | <b>0.28</b>                |

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

**(Consolidated Statements of Comprehensive Income)**

Years ended 31 March 2016 and 2015

| SUZUKI MOTOR CORPORATION<br>AND CONSOLIDATED SUBSIDIARIES                                    | Millions of yen |          | Thousands of<br>US dollars |
|----------------------------------------------------------------------------------------------|-----------------|----------|----------------------------|
|                                                                                              | 2016            | 2015     | 2016                       |
| <b>Net Income</b> .....                                                                      | <b>¥153,300</b> | ¥127,627 | <b>\$1,360,495</b>         |
| <b>Other comprehensive income</b> *NOTE 13                                                   |                 |          |                            |
| Valuation difference on available-for-sale securities .....                                  | (77,011)        | 57,734   | (683,453)                  |
| Deferred gains or losses on hedges.....                                                      | (29)            | 587      | (261)                      |
| Foreign currency translation adjustment .....                                                | (100,590)       | 46,774   | (892,708)                  |
| Adjustment for retirement benefits .....                                                     | (10,562)        | (3,005)  | (93,737)                   |
| Share of other comprehensive income of associates<br>accounted for using equity method ..... | (3,411)         | 3,489    | (30,277)                   |
| Total other comprehensive income .....                                                       | (191,605)       | 105,579  | (1,700,437)                |
| <b>Comprehensive income</b> .....                                                            | <b>(38,304)</b> | 233,206  | <b>(339,942)</b>           |
| Comprehensive income attributable to:                                                        |                 |          |                            |
| Comprehensive income attributable to owners of the parent                                    | (51,260)        | 178,312  | (454,919)                  |
| Comprehensive income attributable to non-controlling interests                               | 12,955          | 54,894   | 114,977                    |

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

## Consolidated Statements of Changes in Net Assets

Years ended 31 March 2016 and 2015

Millions of yen

| SUZUKI MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES                      | Thousands of shares of common stock | Capital stock   | Capital surplus | Retained earnings | Treasury stock    | Total other comprehensive income | Subscription rights to shares | Non-controlling interests |
|-----------------------------------------------------------------------------|-------------------------------------|-----------------|-----------------|-------------------|-------------------|----------------------------------|-------------------------------|---------------------------|
| <b>Balance as of 31 March 2014</b>                                          | <b>561,047</b>                      | <b>¥138,014</b> | <b>¥144,364</b> | <b>¥1,008,555</b> | <b>¥(57)</b>      | <b>¥35,846</b>                   | <b>¥168</b>                   | <b>¥167,464</b>           |
| Cumulative effects of changes in accounting policies.....                   | —                                   | —               | —               | (8,118)           | —                 | —                                | —                             | —                         |
| <b>Balance as of 31 March 2014 reflected changes in accounting policies</b> | <b>561,047</b>                      | <b>¥138,014</b> | <b>¥144,364</b> | <b>¥1,000,437</b> | <b>¥(57)</b>      | <b>¥35,846</b>                   | <b>¥168</b>                   | <b>¥167,464</b>           |
| Dividends from surplus ..                                                   | —                                   | —               | —               | (13,464)          | —                 | —                                | —                             | —                         |
| Net income attributable to owners of the parent ..                          | —                                   | —               | —               | 96,862            | —                 | —                                | —                             | —                         |
| Effects of changes of fiscal year.....                                      | —                                   | —               | —               | (1,384)           | —                 | —                                | —                             | —                         |
| Purchase of treasury stock..                                                | —                                   | —               | —               | —                 | (30)              | —                                | —                             | —                         |
| Disposal of treasury stock..                                                | —                                   | —               | (9)             | —                 | 25                | —                                | —                             | —                         |
| Transfer to capital surplus from retained earnings.....                     | —                                   | —               | 9               | (9)               | —                 | —                                | —                             | —                         |
| Net changes of items other than shareholders' equity ....                   | —                                   | —               | —               | —                 | —                 | 81,487                           | 81                            | 51,583                    |
| Total changes during the fiscal year.....                                   | —                                   | —               | —               | 82,003            | (4)               | 81,487                           | 81                            | 51,583                    |
| <b>Balance as of 31 March 2015</b>                                          | <b>561,047</b>                      | <b>¥138,014</b> | <b>¥144,364</b> | <b>¥1,082,440</b> | <b>¥(62)</b>      | <b>¥117,333</b>                  | <b>¥250</b>                   | <b>¥219,048</b>           |
| Dividends from surplus ..                                                   | —                                   | —               | —               | (16,156)          | —                 | —                                | —                             | —                         |
| Net income attributable to owners of the parent .....                       | —                                   | —               | —               | 116,660           | —                 | —                                | —                             | —                         |
| Purchase of treasury stock *NOTE 14 .....                                   | —                                   | —               | —               | —                 | (460,479)         | —                                | —                             | —                         |
| Disposal of treasury stock..                                                | —                                   | —               | (95)            | —                 | 180               | —                                | —                             | —                         |
| Retirement of treasury stock *NOTE 14 .....                                 | (70,047)                            | —               | (269,191)       | —                 | 269,191           | —                                | —                             | —                         |
| Transfer to capital surplus from retained earnings.....                     | —                                   | —               | 269,287         | (269,287)         | —                 | —                                | —                             | —                         |
| Capital increase of consolidated subsidiaries .....                         | —                                   | —               | (198)           | —                 | —                 | —                                | —                             | —                         |
| Net changes of items other than shareholders' equity ...                    | —                                   | —               | —               | —                 | —                 | (164,304)                        | (62)                          | 10,768                    |
| Total changes during the fiscal year.....                                   | —                                   | —               | (198)           | (168,783)         | (191,107)         | (164,304)                        | (62)                          | 10,768                    |
| <b>Balance as of 31 March 2016</b>                                          | <b>491,000</b>                      | <b>¥138,014</b> | <b>¥144,166</b> | <b>¥913,656</b>   | <b>¥(191,169)</b> | <b>¥(46,970)</b>                 | <b>¥188</b>                   | <b>¥229,816</b>           |

|                                                            | Thousands of US dollars             |                    |                    |                    |                      |                                  |                               |                           |
|------------------------------------------------------------|-------------------------------------|--------------------|--------------------|--------------------|----------------------|----------------------------------|-------------------------------|---------------------------|
|                                                            | Thousands of shares of common stock | Capital stock      | Capital surplus    | Retained earnings  | Treasury stock       | Total other comprehensive income | Subscription rights to shares | Non-controlling interests |
| <b>Balance as of 31 March 2015</b>                         | <b>561,047</b>                      | <b>\$1,224,838</b> | <b>\$1,281,192</b> | <b>\$9,606,323</b> | <b>\$(551)</b>       | <b>\$1,041,302</b>               | <b>\$2,226</b>                | <b>\$1,943,983</b>        |
| Dividends from surplus ..                                  | —                                   | —                  | —                  | (143,383)          | —                    | —                                | —                             | —                         |
| Net income attributable to owners of the parent .....      | —                                   | —                  | —                  | 1,035,323          | —                    | —                                | —                             | —                         |
| Purchase of treasury stock *NOTE 14 .....                  | —                                   | —                  | —                  | —                  | (4,086,612)          | —                                | —                             | —                         |
| Disposal of treasury stock ..                              | —                                   | —                  | (847)              | —                  | 1,601                | —                                | —                             | —                         |
| Retirement of treasury stock *NOTE 14 .....                | (70,047)                            | —                  | (2,388,993)        | —                  | 2,388,993            | —                                | —                             | —                         |
| Transfer to capital surplus from retained earnings ..      | —                                   | —                  | 2,389,841          | (2,389,841)        | —                    | —                                | —                             | —                         |
| Capital increase of consolidated subsidiaries ....         | —                                   | —                  | (1,763)            | —                  | —                    | —                                | —                             | —                         |
| Net changes of items other than shareholders' equity ..... | —                                   | —                  | —                  | —                  | —                    | (1,458,151)                      | (550)                         | 95,565                    |
| Total changes during the fiscal year .....                 | —                                   | —                  | (1,763)            | (1,497,901)        | (1,696,017)          | (1,458,151)                      | (550)                         | 95,565                    |
| <b>Balance as of 31 March 2016</b>                         | <b>491,000</b>                      | <b>\$1,224,838</b> | <b>\$1,279,428</b> | <b>\$8,108,421</b> | <b>\$(1,696,568)</b> | <b>\$(416,849)</b>               | <b>\$1,676</b>                | <b>\$2,039,549</b>        |

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

## Consolidated Statements of Cash Flows

Years ended 31 March 2016 and 2015

| SUZUKI MOTOR CORPORATION<br>AND CONSOLIDATED SUBSIDIARIES                                                        | Millions of yen |           | Thousands of<br>US dollars |
|------------------------------------------------------------------------------------------------------------------|-----------------|-----------|----------------------------|
|                                                                                                                  | 2016            | 2015      | 2016                       |
| <b>Cash flows from operating activities</b>                                                                      |                 |           |                            |
| Income before income taxes etc. ....                                                                             | ¥245,631        | ¥193,246  | \$2,179,903                |
| Depreciation and amortization .....                                                                              | 168,315         | 134,377   | 1,493,749                  |
| Impairment loss .....                                                                                            | 322             | 969       | 2,861                      |
| Increase (decrease) in allowance for doubtful accounts                                                           | (1,029)         | (867)     | (9,137)                    |
| Interest and dividend income.....                                                                                | (20,885)        | (25,259)  | (185,355)                  |
| Interest expenses .....                                                                                          | 6,381           | 9,433     | 56,631                     |
| Foreign exchange losses (gains).....                                                                             | 4,627           | 4,804     | 41,071                     |
| Equity in (earnings) losses of affiliates.....                                                                   | 2,492           | 1,454     | 22,119                     |
| Loss (gain) on sales of property, plant and equipment ...                                                        | (83)            | 102       | (743)                      |
| Loss (gain) on sales of investment securities.....                                                               | (36,760)        | —         | (326,239)                  |
| Decrease (increase) in notes and accounts receivable-trade                                                       | 3,479           | (9,242)   | 30,876                     |
| Decrease (increase) in inventories .....                                                                         | 8,298           | (37,179)  | 73,650                     |
| Increase (decrease) in notes and accounts payable-trade ..                                                       | 593             | 44,390    | 5,266                      |
| Increase (decrease) in accrued expenses .....                                                                    | 14,857          | 2,542     | 131,856                    |
| Others, net.....                                                                                                 | (36,630)        | 15,838    | (325,079)                  |
| Sub-total                                                                                                        | 359,610         | 334,611   | 3,191,431                  |
| Interest and dividend income received .....                                                                      | 20,328          | 25,347    | 180,413                    |
| Interest expenses paid .....                                                                                     | (7,833)         | (8,108)   | (69,520)                   |
| Income taxes paid .....                                                                                          | (78,010)        | (96,813)  | (692,319)                  |
| Net cash provided by (used in) operating activities                                                              | 294,095         | 255,037   | 2,610,004                  |
| <b>Cash flows from investing activities</b>                                                                      |                 |           |                            |
| Payments into time deposits .....                                                                                | (61,915)        | (79,661)  | (549,481)                  |
| Proceeds from withdrawal of time deposits.....                                                                   | 28,596          | 136,236   | 253,789                    |
| Purchases of short-term investment securities .....                                                              | (274,553)       | (193,152) | (2,436,578)                |
| Proceeds from sales of short-term investment securities                                                          | 173,478         | 206,239   | 1,539,563                  |
| Purchases of property, plant and equipment .....                                                                 | (162,574)       | (192,694) | (1,442,796)                |
| Others, net.....                                                                                                 | 54,533          | 2,123     | 483,966                    |
| Net cash provided by (used in) investing activities                                                              | (242,435)       | (120,909) | (2,151,536)                |
| <b>Cash flows from financing activities</b>                                                                      |                 |           |                            |
| Net increase (decrease) in short-term loans payable.....                                                         | 27,088          | (26,353)  | 240,404                    |
| Proceeds from long-term loans payable .....                                                                      | 45,400          | 173,000   | 402,910                    |
| Repayment of long-term loans payable .....                                                                       | (108,365)       | (45,191)  | (961,710)                  |
| Purchase of treasury stock.....                                                                                  | (460,479)       | (30)      | (4,086,612)                |
| Cash dividends paid .....                                                                                        | (16,156)        | (13,466)  | (143,381)                  |
| Cash dividends paid to non-controlling interests.....                                                            | (7,504)         | (3,456)   | (66,599)                   |
| Others, net.....                                                                                                 | (344)           | (28)      | (3,057)                    |
| Net cash provided by (used in) financing activities                                                              | (520,361)       | 84,472    | (4,618,044)                |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                                              | (13,471)        | 5,042     | (119,554)                  |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                                      | (482,172)       | 223,643   | (4,279,131)                |
| <b>Cash and cash equivalents at beginning of period</b>                                                          | 932,261         | 710,611   | 8,273,530                  |
| <b>Increase (decrease) in cash and cash equivalents<br/>resulting from change of fiscal year of subsidiaries</b> | —               | (2,039)   | —                          |
| <b>Increase (decrease) in cash and cash equivalents<br/>resulting from change of scope of consolidation</b>      | —               | 45        | —                          |
| <b>Cash and cash equivalents at end of period *NOTE 11</b>                                                       | ¥450,088        | ¥932,261  | \$3,994,398                |

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, and Affiliates (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. For the convenience of the readers, the consolidated financial statements, including the opening balance of shareholders' equity, have been presented in US dollars by translating all Japanese yen amounts on the basis of 112.68 to US\$1, the rate of exchange prevailing as of 31 March 2016. Consequently, the totals shown in the consolidated financial statements (both in yen and in US dollars) do not necessarily agree with the sum of the individual amounts.

### NOTE 2: Summary of significant accounting policies

#### (a) Principles of consolidation

The consolidated financial statements for the years ended 31 March 2016 and 2015 include the accounts of the Group, and the numbers of consolidated subsidiaries were 136 and 133 respectively. In addition, the numbers of investments in affiliated companies for the years ended 31 March 2016 and 2015 were 33 and 35 respectively. All significant inter-company accounts and transactions are eliminated in consolidation. Investments in affiliated companies are accounted for by the equity method. The difference at the time of acquisition between the cost and underlying net equity of investments in consolidated subsidiaries (goodwill) and in affiliated companies accounted for under the equity method is, as a rule, amortized on a straight-line basis over a period of five years after appropriate adjustments.

The account settlement date of 23 consolidated subsidiaries is December 31, however Magyar Suzuki Corporation Ltd. and 21 others are consolidated based on the financial statements of provisional account settlement as of March 31. Subsidiary which has been consolidated based on the financial statements as of 31 December is 1 subsidiary.

The account settlement date of other consolidated subsidiaries is the same as the consolidated account settlement date.

#### (b) Allowance for doubtful accounts

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

#### (c) Allowance for investment loss

In order to allow for loss from non-marketable securities, the difference between book value and fair value is appropriated.

#### (d) Provision for product warranties

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

#### (e) Provision for directors' bonuses

In order to defray bonuses for directors and company auditors, estimated amount of such bonuses is appropriated.

#### (f) Provision for directors' retirement benefits

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

#### (g) Provision for disaster

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

#### (h) Provision for product liabilities

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

(i) **Provision for recycling expenses**

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

(j) **Short-term investment securities and Investment securities**

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

If the Company and its subsidiaries judge the decline in investment value is not temporary, the Company and its subsidiaries recognize revaluation loss based on the reasonable standard. If the stock market falls, the Company and its subsidiaries may incur significant loss on valuation of securities.

Securities have to be classified into four categories: trading securities; held-to-maturity debt securities; investments of the Company in equity securities issued by consolidated subsidiaries and affiliates; and available-for-sale securities.

According to this classification, securities held by the Company and its subsidiaries are available-for-sale securities. Available-for-sale securities for which market quotations are available are stated at market value method based on the market values as of the consolidated account settlement date (the evaluation differences shall be reported as other comprehensive income, and sales 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**

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

If foreign currency forward contracts meet certain criteria, exceptional hedge accounting is applied and these contracts are handled together with hedged items. If interest rate swap contracts meet certain criteria, special exceptional hedge accounting is applied and these contracts are handled together with hedged items. If cross currency interest rate swap contracts meet certain criteria, integration method (special exceptional method and exceptional method) is applied and these contracts are handled together with hedged items.

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

The Company and its subsidiaries have a policy to utilize the above hedging instruments in order to reduce our exposure to the risks of the fluctuation of interest rate and foreign exchange. Thus, our purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items. The Company and its subsidiaries evaluate effectiveness of 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 translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net income or loss for the period.

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

The components of net assets are translated into Japanese yen at their historical rates. Profit and loss accounts for the fiscal year are translated 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**

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

(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 noncurrent 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 Company and its subsidiaries estimate their future taxable income reasonably. If the estimated amounts of future taxable income decrease, deferred tax assets may decrease and income taxes may be posted.

Consolidated tax payment has been applied to the Company and its domestic wholly owned subsidiaries since 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 in which the differences occur, 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 thus 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 Company and its subsidiaries.

**(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) Reclassification**

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

**NOTE 3: Changes in accounting policies****(a) Application of Accounting Standard for Business Combinations**

The "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, 13 September 2013, hereinafter the "Business Combinations Standard"), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, 13 September 2013, hereinafter the "Consolidated Financial Statements Standard"), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, 13 September 2013, hereinafter the "Business Divestitures Standard") and others have been applied since beginning of this consolidated fiscal year. Accordingly, the Company's accounting policies have been changed; the difference arising from a change in ownership interest in a subsidiary when the Company continues to have control is recorded as capital surplus, acquisition-related costs are recognized as expenses in the consolidated fiscal year when they are incurred. Also, regarding business combinations to be performed at and after the beginning of this consolidated fiscal year, a method was changed with respect to the retrospective adjustment of the purchase price allocation based on provisional accounting applicable to the consolidated financial statements of the fiscal period in which the business combination occurred. In addition, the Company has changed expression of net income, etc. and changed minority interests to non-controlling interests. To reflect these changes in presentation, consolidated financial statements in the previous fiscal year have been reclassified. In accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Business Combinations Standard, Paragraph 44-5 (4) of the Consolidated Financial Statements Standard, and Paragraph 57-4 (4) of the Business Divestitures Standard, the Business Combinations Standard and others have been applied from the beginning of this consolidated fiscal year.

In the consolidated statements of cash flows in this consolidated fiscal year, cash flow of acquisition or sale by the Company of the subsidiary's shares which would not change the scope of consolidation was included in "Net cash provided by (used in) financing activities" while cash flow of costs related to acquisition by the Company of the subsidiary's shares which would change the scope of consolidation, and cash flow of costs related to acquisition or sale by the Company of the subsidiary's shares which would not change the scope of consolidation, were included in "Net cash provided by (used in) operating activities".

The effect in the consolidated financial statements as a result of the adoption of these accounting standards is insignificant in this consolidated fiscal year.

**(b) New accounting standards not yet applied**

"Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Statement No.26, 28 March, 2016)

**a. Overview**

The "Implementation Guidance on Recoverability of Deferred Tax Assets" groups companies into five categories and with respect to guidelines related to the recoverability of deferred tax assets, principally those provided in the Auditing Guidance No.66; "Audit Treatment for Judgment of Recoverability of Deferred Assets". The Implementation Guidance basically continues to apply the framework for handling estimates of the amount of deferred tax assets recorded according to these categories, making several necessary revisions with respect to the below accounting treatments.

- 1.) Accounting treatments of entities not satisfying any of the category criteria from "Category 1" to "Category 5"
- 2.) Category criteria of "Category 2" and "Category 3"
- 3.) Accounting treatments of unscheduled deductible temporary differences for entities in "Category 2"
- 4.) Accounting treatments for reasonably estimable period for taxable income before temporary differences for entities in "Category 3"
- 5.) Accounting treatments for entities satisfying the category criteria of "Category 4" and also falling in "Category 2" or "Category 3"

**b. Application date**

These revisions will be applied from the beginning of consolidated fiscal year on and after 1 April 2016.

**c. Effect of applying accounting standard**

The amount of the effect is currently under assessment.

**NOTE 4: Changes in Accounting Estimates**

**[Provision for product warranties]**

The Company changed warranty estimation method because future after service cost came to be estimated more accurately in this consolidated fiscal year.

The effect in the consolidated financial statements is insignificant in this consolidated fiscal year.

**[Provision for disaster]**

The Company changed estimation method of provision for disaster mainly owing to changed relocation project of plants and facilities, etc. in this consolidated fiscal year.

As a result of this change in estimation method, the amounts of operating income and income before income taxes etc. increased by ¥5,359 million respectively compared to the previous method.

**[Provision for recycling expenses]**

The Company reversed provision for recycling expenses due to insignificant amount of estimated recycling expenses for motor-cycle related to the provision and insignificant results of using the recycling systems in this consolidated fiscal year.

The effect in the consolidated financial statements is insignificant in this consolidated fiscal year.

**NOTE 5: Financial Instruments**

**(a) Matters for conditions 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 speculation purposes.

**b. Type of financial instruments, risks and risk management**

With respect to customers' credit risks from operating receivables such as notes and accounts receivable-trade, in order to mitigate the risks, the Group identifies credit standing of major counterparties and manages due date and receivable balance of each counterparty in line with our rules and regulations for credit control. The Group hedges the risks of the fluctuation 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 swaps or cross currency interest rate swaps for the risks of the fluctuation of interest rate and exchange rate of some long-term borrowings.

Objectives of 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 swaps to hedge the risks of the fluctuation of interest rate related to borrowings, and cross currency interest rate swaps 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 present market risks for the derivative transactions.

## (b) Matters for fair values of the financial instruments

Carrying amounts in the consolidated balance sheet, fair values and difference as of 31 March 2016 and 2015 were as follows. Financial instruments whose fair value cannot be reliably measured are not included in the below table.

Millions of yen

|                                                                | 2016             |                  |              | 2015            |            |            |
|----------------------------------------------------------------|------------------|------------------|--------------|-----------------|------------|------------|
|                                                                | Carrying amount  | Fair value       | Difference   | Carrying amount | Fair value | Difference |
| (1) Cash and deposits                                          | <b>¥497,187</b>  | <b>¥497,187</b>  | <b>¥ —</b>   | ¥457,513        | ¥457,513   | ¥ —        |
| (2) Notes and accounts receivable-trade                        | <b>335,343</b>   | <b>337,385</b>   | <b>2,041</b> | 316,826         | 318,567    | 1,741      |
| (3) Short-term investment securities and Investment securities |                  |                  |              |                 |            |            |
| Available-for-sale securities                                  | <b>488,274</b>   | <b>488,274</b>   | <b>—</b>     | 1,007,347       | 1,007,347  | —          |
| Investments in affiliates                                      | <b>588</b>       | <b>1,024</b>     | <b>436</b>   | 616             | 669        | 52         |
| Total of assets                                                | <b>1,321,394</b> | <b>1,323,872</b> | <b>2,477</b> | 1,782,304       | 1,784,098  | 1,794      |
| (1) Accounts payable-trade                                     | <b>402,624</b>   | <b>402,624</b>   | <b>—</b>     | 479,950         | 479,950    | —          |
| (2) Short-term loans payable                                   | <b>201,507</b>   | <b>201,507</b>   | <b>—</b>     | 177,805         | 177,805    | —          |
| (3) Current portion of long-term loans payable                 | <b>64,982</b>    | <b>64,924</b>    | <b>58</b>    | 104,145         | 103,768    | 377        |
| (4) Accrued expenses                                           | <b>183,695</b>   | <b>183,695</b>   | <b>—</b>     | 181,217         | 181,217    | —          |
| (5) Long-term loans payable                                    | <b>262,797</b>   | <b>260,818</b>   | <b>1,979</b> | 272,717         | 268,346    | 4,370      |
| Total of liabilities                                           | <b>1,115,607</b> | <b>1,113,569</b> | <b>2,037</b> | 1,215,834       | 1,211,087  | 4,747      |
| Derivatives                                                    |                  |                  |              |                 |            |            |
| Hedge accounting is applied                                    | <b>1,340</b>     | <b>1,340</b>     | <b>—</b>     | 1,072           | 1,072      | —          |
| Hedge accounting is not applied                                | <b>736</b>       | <b>736</b>       | <b>—</b>     | 1,603           | 1,603      | —          |

Thousands of US dollars

|                                                                | 2016               |                    |               |
|----------------------------------------------------------------|--------------------|--------------------|---------------|
|                                                                | Carrying amount    | Fair value         | Difference    |
| (1) Cash and deposits                                          | <b>\$4,412,385</b> | <b>\$4,412,385</b> | <b>\$ —</b>   |
| (2) Notes and accounts receivable-trade                        | <b>2,976,072</b>   | <b>2,994,193</b>   | <b>18,120</b> |
| (3) Short-term investment securities and Investment securities |                    |                    |               |
| Available-for-sale securities                                  | <b>4,333,282</b>   | <b>4,333,282</b>   | <b>—</b>      |
| Investments in affiliates                                      | <b>5,225</b>       | <b>9,096</b>       | <b>3,870</b>  |
| Total of assets                                                | <b>11,726,965</b>  | <b>11,748,956</b>  | <b>21,991</b> |
| (1) Accounts payable-trade                                     | <b>3,573,165</b>   | <b>3,573,165</b>   | <b>—</b>      |
| (2) Short-term loans payable                                   | <b>1,788,315</b>   | <b>1,788,315</b>   | <b>—</b>      |
| (3) Current portion of long-term loans payable                 | <b>576,703</b>     | <b>576,183</b>     | <b>519</b>    |
| (4) Accrued expenses                                           | <b>1,630,239</b>   | <b>1,630,239</b>   | <b>—</b>      |
| (5) Long-term loans payable                                    | <b>2,332,249</b>   | <b>2,314,682</b>   | <b>17,566</b> |
| Total of liabilities                                           | <b>9,900,672</b>   | <b>9,882,587</b>   | <b>18,085</b> |
| Derivatives                                                    |                    |                    |               |
| Hedge accounting is applied                                    | <b>11,898</b>      | <b>11,898</b>      | <b>—</b>      |
| Hedge accounting is not applied                                | <b>6,533</b>       | <b>6,533</b>       | <b>—</b>      |

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

**\*1. Matters for methods used to measure fair values of financial instruments****Assets:****a. Cash and deposits**

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

**b. 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-trade 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.

**c. 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 because they are settled in short term and those fair values are approximately equal to the book values.

**Liabilities:****a. Accounts payable-trade, Short-term loans payable and Accrued expenses**

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

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

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

**Derivatives:**

Please refer to Note 5 (d) Derivative transactions.

**\*2. Financial instruments whose fair value cannot be reliably determined**

|                                                | Millions of yen |         | Thousands of<br>US dollars |
|------------------------------------------------|-----------------|---------|----------------------------|
|                                                | 2016            | 2015    | 2016                       |
| <b>Available-for-sale securities</b>           |                 |         |                            |
| Unlisted stock other than stocks of affiliates | <b>¥17,882</b>  | ¥18,748 | <b>\$158,701</b>           |
| Unlisted stock of affiliates .....             | <b>17,188</b>   | 23,084  | <b>152,547</b>             |
| Others .....                                   | <b>210</b>      | 119     | <b>1,871</b>               |

Those fair values cannot be reliably measured because 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

Millions of yen

|                                                      | 2016          |                             |                               | 2015          |                             |                               |
|------------------------------------------------------|---------------|-----------------------------|-------------------------------|---------------|-----------------------------|-------------------------------|
|                                                      | Within 1 year | Over 1 year, Within 5 years | Over 5 years, Within 10 years | Within 1 year | Over 1 year, Within 5 years | Over 5 years, Within 10 years |
| Cash and deposits                                    | ¥ 497,187     | ¥ —                         | ¥ —                           | ¥ 457,513     | ¥ —                         | ¥ —                           |
| Notes and accounts receivable- trade                 | 244,470       | 90,513                      | 360                           | 241,373       | 75,017                      | 435                           |
| Securities and investment securities with maturities | 279,571       | —                           | —                             | 685,647       | —                           | —                             |
| Total                                                | ¥1,021,229    | ¥90,513                     | ¥360                          | ¥1,384,534    | ¥75,017                     | ¥435                          |

Thousands of US dollars

|                                                      | 2016          |                             |                               |
|------------------------------------------------------|---------------|-----------------------------|-------------------------------|
|                                                      | Within 1 year | Over 1 year, Within 5 years | Over 5 years, Within 10 years |
| Cash and deposits                                    | \$4,412,385   | \$ —                        | \$ —                          |
| Notes and accounts receivable- trade                 | 2,169,598     | 803,275                     | 3,198                         |
| Securities and investment securities with maturities | 2,481,109     | —                           | —                             |
| Total                                                | \$9,063,093   | \$803,275                   | \$3,198                       |

### (c) Securities

#### a. Available-for-sale securities with market value

Millions of yen

|                                                                                | 2016             |                 |            | 2015             |                 |            |
|--------------------------------------------------------------------------------|------------------|-----------------|------------|------------------|-----------------|------------|
|                                                                                | Acquisition cost | Carrying Amount | Difference | Acquisition cost | Carrying Amount | Difference |
| Securities for which the carrying amount exceeds the acquisition costs         |                  |                 |            |                  |                 |            |
| Stocks.....                                                                    | ¥ 50,789         | ¥149,942        | ¥ 99,152   | ¥ 93,769         | ¥ 320,628       | ¥226,859   |
| Bonds.....                                                                     | —                | —               | —          | —                | —               | —          |
| Others.....                                                                    | 302,911          | 332,224         | 29,313     | 249,238          | 263,329         | 14,090     |
| Sub-Total                                                                      | ¥353,700         | ¥482,166        | ¥128,465   | ¥343,008         | ¥ 583,957       | ¥240,949   |
| Securities for which the carrying amount does not exceed the acquisition costs |                  |                 |            |                  |                 |            |
| Stocks.....                                                                    | ¥ 6,549          | ¥ 6,107         | ¥ (441)    | ¥ 1,549          | ¥ 1,191         | ¥ (358)    |
| Bonds.....                                                                     | —                | —               | —          | —                | —               | —          |
| Others.....                                                                    | —                | —               | —          | 422,198          | 422,198         | —          |
| Sub-Total                                                                      | ¥ 6,549          | ¥ 6,107         | ¥ (441)    | ¥423,748         | ¥ 423,389       | ¥ (358)    |
| Total                                                                          | ¥360,249         | ¥488,274        | ¥128,024   | ¥766,756         | ¥1,007,347      | ¥240,591   |

|                                                                                | Thousands of US dollars |                 |              |
|--------------------------------------------------------------------------------|-------------------------|-----------------|--------------|
|                                                                                | 2016                    |                 |              |
|                                                                                | Acquisition cost        | Carrying Amount | Difference   |
| Securities for which the carrying amount exceeds the acquisition costs         |                         |                 |              |
| Stocks.....                                                                    | \$ 450,744              | \$ 1,330,690    | \$ 879,945   |
| Bonds.....                                                                     | —                       | —               | —            |
| Others.....                                                                    | 2,688,241               | 2,948,388       | 260,147      |
| Sub-Total                                                                      | \$ 3,138,985            | \$ 4,279,078    | \$ 1,140,092 |
| Securities for which the carrying amount does not exceed the acquisition costs |                         |                 |              |
| Stocks.....                                                                    | \$ 58,120               | \$ 54,203       | \$ (3,917)   |
| Bonds.....                                                                     | —                       | —               | —            |
| Others.....                                                                    | —                       | —               | —            |
| Sub-Total                                                                      | \$ 58,120               | \$ 54,203       | \$ (3,917)   |
| Total                                                                          | \$ 3,197,106            | \$ 4,333,282    | \$ 1,136,175 |

## b. Available-for-sale securities sold

|                                                       | Millions of yen |          | Thousands of US dollars |
|-------------------------------------------------------|-----------------|----------|-------------------------|
|                                                       | 2016            | 2015     | 2016                    |
| Amounts sold .....                                    | ¥247,317        | ¥206,255 | \$2,194,867             |
| Gains on sales of available-for-sale securities ..... | 36,760          | —        | 326,239                 |

## c. Marketable securities impaired / Loss on valuation of securities

Year ended 31 March 2015

Not applicable.

With respect to impairing 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 impairing 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 2016

The Group recognized impairment of 1,337 million yen (11,871 thousand US dollars) on available-for-sale securities. With respect to impairing 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 impairing 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

Currency related transactions (non-market transactions)

Millions of yen

| Type                               | 2016                            |                                 |            |                | 2015                            |                                 |            |                |
|------------------------------------|---------------------------------|---------------------------------|------------|----------------|---------------------------------|---------------------------------|------------|----------------|
|                                    | Contract/<br>notional<br>amount | Amount<br>due after<br>one year | Fair value | Gain<br>(loss) | Contract/<br>notional<br>amount | Amount<br>due after<br>one year | Fair value | Gain<br>(loss) |
| Foreign currency forward contracts |                                 |                                 |            |                |                                 |                                 |            |                |
| Selling                            |                                 |                                 |            |                |                                 |                                 |            |                |
| USD                                | ¥ 5,444                         | —                               | ¥175       | ¥175           | ¥ —                             | —                               | ¥ —        | ¥ —            |
| Buying                             |                                 |                                 |            |                |                                 |                                 |            |                |
| JPY                                | 3,733                           | —                               | 160        | 160            | 14,550                          | —                               | (43)       | (43)           |
| EUR                                | 766                             | —                               | 36         | 36             | 1,694                           | —                               | (16)       | (16)           |
| USD                                | 83                              | —                               | (0)        | (0)            | 3,746                           | —                               | 394        | 394            |
| MXN                                | 57                              | —                               | (1)        | (1)            | —                               | —                               | —          | —              |
| Total                              | ¥10,085                         | —                               | ¥370       | ¥370           | ¥19,990                         | —                               | ¥333       | ¥333           |

Thousands of US dollars

| Type                               | 2016                            |                                 |            |                |
|------------------------------------|---------------------------------|---------------------------------|------------|----------------|
|                                    | Contract/<br>notional<br>amount | Amount<br>due after<br>one year | Fair value | Gain<br>(loss) |
| Foreign currency forward contracts |                                 |                                 |            |                |
| Selling                            |                                 |                                 |            |                |
| USD                                | \$48,320                        | —                               | \$1,560    | \$1,560        |
| Buying                             |                                 |                                 |            |                |
| JPY                                | 33,131                          | —                               | 1,420      | 1,420          |
| EUR                                | 6,799                           | —                               | 324        | 324            |
| USD                                | 738                             | —                               | (5)        | (5)            |
| MXN                                | 512                             | —                               | (12)       | (12)           |
| Total                              | \$89,502                        | —                               | \$3,287    | \$3,287        |

Interest and currency related transactions (non-market transactions)

Millions of yen

| Type                              | 2016                            |                                 |            |                | 2015                            |                                 |            |                |
|-----------------------------------|---------------------------------|---------------------------------|------------|----------------|---------------------------------|---------------------------------|------------|----------------|
|                                   | Contract/<br>notional<br>amount | Amount<br>due after<br>one year | Fair value | Gain<br>(loss) | Contract/<br>notional<br>amount | Amount<br>due after<br>one year | Fair value | Gain<br>(loss) |
| Cross currency interest rate swap |                                 |                                 |            |                |                                 |                                 |            |                |
| Pay floating                      |                                 |                                 |            |                |                                 |                                 |            |                |
| receive floating                  |                                 |                                 |            |                |                                 |                                 |            |                |
| Pay INR                           |                                 |                                 |            |                |                                 |                                 |            |                |
| receive USD                       | ¥ 2,610                         | ¥ —                             | ¥842       | ¥842           | ¥ 5,568                         | ¥ 2,784                         | ¥1,323     | ¥1,323         |
| Pay fixed                         |                                 |                                 |            |                |                                 |                                 |            |                |
| receive floating                  |                                 |                                 |            |                |                                 |                                 |            |                |
| Pay IDR                           |                                 |                                 |            |                |                                 |                                 |            |                |
| receive JPY                       | 10,000                          | 10,000                          | 418        | 418            | 10,000                          | 10,000                          | (0)        | (0)            |
| Pay fixed                         |                                 |                                 |            |                |                                 |                                 |            |                |
| receive floating                  |                                 |                                 |            |                |                                 |                                 |            |                |
| Pay IDR                           |                                 |                                 |            |                |                                 |                                 |            |                |
| receive USD                       | 11,268                          | 11,268                          | (932)      | (932)          | 12,017                          | 12,017                          | 0          | 0              |
| Total                             | ¥23,878                         | ¥21,268                         | ¥328       | ¥328           | ¥27,585                         | ¥24,801                         | ¥1,323     | ¥1,323         |

Thousands of US dollars

| Type                                                                                               | 2016                            |                                 |                |                |
|----------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|----------------|----------------|
|                                                                                                    | Contract/<br>notional<br>amount | Amount<br>due after<br>one year | Fair value     | Gain<br>(loss) |
| Cross currency<br>interest rate swap<br>Pay floating<br>receive floating<br>Pay INR<br>receive USD | <b>\$ 23,170</b>                | <b>\$ —</b>                     | <b>\$7,473</b> | <b>\$7,473</b> |
| Pay fixed<br>receive floating<br>Pay IDR<br>receive JPY                                            | <b>88,746</b>                   | <b>88,746</b>                   | <b>3,717</b>   | <b>3,717</b>   |
| Pay fixed<br>receive floating<br>Pay IDR<br>receive USD                                            | <b>100,000</b>                  | <b>100,000</b>                  | <b>(8,272)</b> | <b>(8,272)</b> |
| Total                                                                                              | <b>\$211,916</b>                | <b>\$188,746</b>                | <b>\$2,917</b> | <b>\$2,917</b> |

Commodity-related transactions (market transactions)

Millions of yen

| Type                                    | 2016                            |                                 |            |                | 2015                            |                                 |            |                |
|-----------------------------------------|---------------------------------|---------------------------------|------------|----------------|---------------------------------|---------------------------------|------------|----------------|
|                                         | Contract/<br>notional<br>amount | Amount<br>due after<br>one year | Fair value | Gain<br>(loss) | Contract/<br>notional<br>amount | Amount<br>due after<br>one year | Fair value | Gain<br>(loss) |
| Commodity<br>futures contract<br>Buying | <b>¥859</b>                     | <b>—</b>                        | <b>¥36</b> | <b>¥36</b>     | ¥1,304                          | —                               | ¥(54)      | ¥(54)          |
| Total                                   | <b>¥859</b>                     | <b>—</b>                        | <b>¥36</b> | <b>¥36</b>     | ¥1,304                          | —                               | ¥(54)      | ¥(54)          |

Thousands of US dollars

| Type                                    | 2016                            |                                 |              |                |
|-----------------------------------------|---------------------------------|---------------------------------|--------------|----------------|
|                                         | Contract/<br>notional<br>amount | Amount<br>due after<br>one year | Fair value   | Gain<br>(loss) |
| Commodity<br>futures contract<br>Buying | <b>\$7,625</b>                  | <b>—</b>                        | <b>\$328</b> | <b>\$328</b>   |
| Total                                   | <b>\$7,625</b>                  | <b>—</b>                        | <b>\$328</b> | <b>\$328</b>   |

Earthquake-related transactions

Since fair values for derivative contract relating to earthquakes were not measured due to characteristic of instruments, they are not accounted for at fair values.

## b. Derivative transactions to which hedge accounting is applied

## Currency related transactions

Millions of yen

| Type                                                              | 2016                         |                              |            | 2015                         |                              |            |
|-------------------------------------------------------------------|------------------------------|------------------------------|------------|------------------------------|------------------------------|------------|
|                                                                   | Contract/<br>notional amount | Amount due<br>after one year | Fair value | Contract/<br>notional amount | Amount due<br>after one year | Fair value |
| Foreign currency forward contracts (Principle hedge accounting)   |                              |                              |            |                              |                              |            |
| Selling (Principal hedged item: Accounts receivable-trade)        |                              |                              |            |                              |                              |            |
| USD                                                               | ¥ 6,790                      | —                            | ¥106       | ¥ 8,034                      | —                            | ¥ 42       |
| EUR                                                               | 5,738                        | —                            | 227        | 21,695                       | —                            | 1,012      |
| CAD                                                               | 296                          | —                            | 3          | 414                          | —                            | 11         |
| AUD                                                               | 2,897                        | —                            | (81)       | 4,528                        | —                            | 141        |
| NZD                                                               | 270                          | —                            | (1)        | 1,236                        | —                            | 3          |
| GBP                                                               | 575                          | —                            | 35         | 40                           | —                            | 1          |
| MXN                                                               | 1,657                        | —                            | (17)       | 1,518                        | —                            | 14         |
| Buying (Principal hedged item: Accounts payable-trade)            |                              |                              |            |                              |                              |            |
| THB                                                               | 4,289                        | —                            | (41)       | —                            | —                            | —          |
| EUR                                                               | 515                          | —                            | 1          | 11,083                       | —                            | (88)       |
| Foreign currency forward contracts (Exceptional hedge accounting) |                              |                              |            |                              |                              |            |
| Selling (Principal hedged item: Accounts receivable-trade)        |                              |                              |            |                              |                              |            |
| USD                                                               | 961                          | —                            | *          | —                            | —                            | *          |
| EUR                                                               | 20,169                       | —                            | *          | 19,354                       | —                            | *          |
| CAD                                                               | 353                          | —                            | *          | 51                           | —                            | *          |
| AUD                                                               | 3,417                        | —                            | *          | 2,883                        | —                            | *          |
| NZD                                                               | 308                          | —                            | *          | 375                          | —                            | *          |
| GBP                                                               | 195                          | —                            | *          | 40                           | —                            | *          |
| MXN                                                               | 597                          | —                            | *          | 492                          | —                            | *          |
| CNY                                                               | 2,371                        | —                            | *          | 720                          | —                            | *          |
| Buying (Principal hedged item: Accounts payable-trade)            |                              |                              |            |                              |                              |            |
| THB                                                               | 2,223                        | —                            | *          | —                            | —                            | *          |
| JPY                                                               | 400                          | —                            | *          | 895                          | —                            | *          |
| EUR                                                               | —                            | —                            | *          | 2,726                        | —                            | *          |
| USD                                                               | —                            | —                            | *          | 3,649                        | —                            | *          |
| Total                                                             | ¥54,032                      | —                            | ¥231       | ¥79,742                      | —                            | ¥1,139     |

Thousands of US dollars

| Type                                                              | 2016                         |                              |            |
|-------------------------------------------------------------------|------------------------------|------------------------------|------------|
|                                                                   | Contract/<br>notional amount | Amount due<br>after one year | Fair value |
| Foreign currency forward contracts (Principle hedge accounting)   |                              |                              |            |
| Selling (Principal hedged item: Accounts receivable-trade)        |                              |                              |            |
| USD                                                               | \$ 60,266                    | —                            | \$ 942     |
| EUR                                                               | 50,931                       | —                            | 2,021      |
| CAD                                                               | 2,634                        | —                            | 30         |
| AUD                                                               | 25,717                       | —                            | (725)      |
| NZD                                                               | 2,398                        | —                            | (10)       |
| GBP                                                               | 5,107                        | —                            | 313        |
| MXN                                                               | 14,710                       | —                            | (158)      |
| Buying (Principal hedged item: Accounts payable-trade)            |                              |                              |            |
| THB                                                               | 38,069                       | —                            | (371)      |
| EUR                                                               | 4,579                        | —                            | 9          |
| Foreign currency forward contracts (Exceptional hedge accounting) |                              |                              |            |
| Selling (Principal hedged item: Accounts receivable-trade)        |                              |                              |            |
| USD                                                               | 8,529                        | —                            | *          |
| EUR                                                               | 179,001                      | —                            | *          |

|                                                        |           |   |         |
|--------------------------------------------------------|-----------|---|---------|
| CAD                                                    | 3,138     | — | *       |
| AUD                                                    | 30,327    | — | *       |
| NZD                                                    | 2,735     | — | *       |
| GBP                                                    | 1,738     | — | *       |
| MXN                                                    | 5,302     | — | *       |
| CNY                                                    | 21,047    | — | *       |
| Buying (Principal hedged item: Accounts payable-trade) |           |   |         |
| THB                                                    | 19,730    | — | *       |
| JPY                                                    | 3,549     | — | *       |
| Total                                                  | \$479,519 | — | \$2,050 |

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

## Interest and currency related transactions

Millions of yen

| Type                                                             | Principal hedged item   | 2016                         |                              |            | 2015                         |                              |            |
|------------------------------------------------------------------|-------------------------|------------------------------|------------------------------|------------|------------------------------|------------------------------|------------|
|                                                                  |                         | Contract/<br>notional amount | Amount due<br>after one year | Fair value | Contract/<br>notional amount | Amount due<br>after one year | Fair value |
| Interest rate swap (special exceptional hedge accounting)        |                         |                              |                              |            |                              |                              |            |
| Pay fixed<br>receive floating                                    | Long-term<br>debt       | ¥ 32,500                     | ¥ 12,500                     | *          | ¥ —                          | ¥ —                          | ¥ —        |
| Interest rate swap (Principle hedge accounting)                  |                         |                              |                              |            |                              |                              |            |
| Pay fixed<br>receive floating                                    | Long-term<br>debt       | —                            | —                            | —          | 63,500                       | 63,500                       | (32)       |
| Cross currency interest rate swap (Principle hedge accounting)   |                         |                              |                              |            |                              |                              |            |
| Pay fixed<br>receive floating<br>Pay IDR<br>receive USD          | Long-term<br>debt       | 12,608                       | 5,055                        | —          | 8,919                        | 4,026                        | (18)       |
| Pay fixed<br>receive floating<br>Pay THB<br>receive USD          |                         | 12,899                       | 12,899                       | 1,109      | 14,962                       | 14,962                       | (16)       |
| Cross currency interest rate swap (Integration hedge accounting) |                         |                              |                              |            |                              |                              |            |
| Pay fixed<br>receive floating<br>Pay JPY<br>receive USD          | Long-term<br>debt       | 118,000                      | 118,000                      | *          | 98,000                       | 98,000                       | *          |
| Pay fixed<br>receive floating<br>Pay CNY<br>receive JPY          | Long-term<br>receivable | 243                          | 243                          | *          | 243                          | 243                          | *          |
| Pay fixed<br>receive floating<br>Pay INR<br>receive USD          |                         | 2,732                        | 2,732                        | *          | 2,913                        | 2,913                        | *          |
| Total                                                            |                         | ¥178,983                     | ¥151,430                     | ¥1,109     | ¥188,538                     | ¥183,645                     | ¥(67)      |

Thousands of US dollars

| Type                                                           | Principal hedged item | 2016                         |                              |            |
|----------------------------------------------------------------|-----------------------|------------------------------|------------------------------|------------|
|                                                                |                       | Contract/<br>notional amount | Amount due<br>after one year | Fair value |
| Interest rate swap (special exceptional hedge accounting)      |                       |                              |                              |            |
| Pay fixed<br>receive floating                                  | Long-term<br>debt     | \$288,427                    | \$110,933                    | *          |
| Cross currency interest rate swap (Principle hedge accounting) |                       |                              |                              |            |
| Pay fixed<br>receive floating<br>Pay IDR<br>receive USD        | Long-term<br>debt     | 111,893                      | 44,869                       | —          |

|                                                                  |                         |                    |                    |                |
|------------------------------------------------------------------|-------------------------|--------------------|--------------------|----------------|
| Pay fixed<br>receive floating<br>Pay THB<br>receive USD          | Long-term<br>debt       | <b>114,481</b>     | <b>114,481</b>     | <b>9,847</b>   |
| Cross currency interest rate swap (Integration hedge accounting) |                         |                    |                    |                |
| Pay fixed<br>receive floating<br>Pay JPY<br>receive USD          | Long-term<br>debt       | <b>1,047,213</b>   | <b>1,047,213</b>   | <b>*</b>       |
| Pay fixed<br>receive floating<br>Pay CNY<br>receive JPY          | Long-term<br>receivable | <b>2,156</b>       | <b>2,156</b>       | <b>*</b>       |
| Pay fixed<br>receive floating<br>Pay INR<br>receive USD          |                         | <b>24,248</b>      | <b>24,248</b>      | <b>*</b>       |
| <b>Total</b>                                                     |                         | <b>\$1,588,420</b> | <b>\$1,343,902</b> | <b>\$9,847</b> |

\* Since these cross currency interest rate swap transactions are handled together with hedged items, their fair values are included in that of hedged items.

#### NOTE 6: Short-term debts and long-term debts

Short-term debts were as follows. The annual interest rates of short-term debts as of 31 March 2016 were from **0.10** percent to **19.8** percent.

|                                                                         | Millions of yen |          | Thousands of<br>US dollars |
|-------------------------------------------------------------------------|-----------------|----------|----------------------------|
|                                                                         | <b>2016</b>     | 2015     | <b>2016</b>                |
| Short-term loans payable and Current portion of long-term loans payable |                 |          |                            |
| Unsecured .....                                                         | <b>¥266,490</b> | ¥281,950 | <b>\$2,365,018</b>         |
| Lease obligations due within one year .....                             | <b>41</b>       | 43       | <b>368</b>                 |
|                                                                         | <b>¥266,531</b> | ¥281,994 | <b>\$2,365,387</b>         |

Long-term debts were as follows:

|                                                              | Millions of yen |          | Thousands of<br>US dollars |
|--------------------------------------------------------------|-----------------|----------|----------------------------|
|                                                              | <b>2016</b>     | 2015     | <b>2016</b>                |
| Long-term loans payable maturing through 2021                |                 |          |                            |
| Unsecured .....                                              | <b>¥262,797</b> | ¥272,717 | <b>\$2,332,249</b>         |
| Lease obligations due more than one year .....               | <b>16</b>       | 49       | <b>143</b>                 |
| Other interest-bearing debts (Long-term guarantee deposited) | <b>11,900</b>   | 13,731   | <b>105,609</b>             |
|                                                              | <b>¥274,714</b> | ¥286,497 | <b>\$2,438,001</b>         |

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 2016 were as follows:

| Year ending 31 March | Millions of yen | Thousands of US dollars |
|----------------------|-----------------|-------------------------|
| 2018 .....           | <b>¥109,249</b> | <b>\$ 969,555</b>       |
| 2019 .....           | <b>61,563</b>   | <b>546,359</b>          |
| 2020 .....           | <b>15,000</b>   | <b>133,126</b>          |
| Thereafter .....     | <b>77,000</b>   | <b>683,351</b>          |
|                      | <b>¥262,813</b> | <b>\$2,332,392</b>      |

Assets pledged as collateral as of 31 March 2016:

|                                | Millions of yen | Thousands of US dollars |
|--------------------------------|-----------------|-------------------------|
| Buildings and structures ..... | <b>¥594</b>     | <b>\$5,271</b>          |
| Land .....                     | <b>97</b>       | <b>861</b>              |
|                                | <b>¥691</b>     | <b>\$6,133</b>          |

Secured liabilities as of 31 March 2016:

|                                       | Millions of yen | Thousands of US dollars |
|---------------------------------------|-----------------|-------------------------|
| Others (noncurrent liabilities) ..... | <b>¥372</b>     | <b>\$3,309</b>          |

#### NOTE 7: Loan commitment

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

|                                      | Millions of yen |          | Thousands of US dollars |
|--------------------------------------|-----------------|----------|-------------------------|
|                                      | 2016            | 2015     | 2016                    |
| Commitment line contract total ..... | <b>¥250,000</b> | ¥200,000 | <b>\$2,218,672</b>      |
| Actual loan balance .....            | —               | —        | —                       |
| Variance                             | <b>¥250,000</b> | ¥200,000 | <b>\$2,218,672</b>      |

**NOTE 8: Retirement and severance 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 |          | Thousands of US dollars |
|-----------------------------------------------------------|-----------------|----------|-------------------------|
|                                                           | 2016            | 2015     |                         |
| Opening balance of retirement benefit obligation .....    | <b>¥133,418</b> | ¥111,096 | <b>\$1,184,051</b>      |
| Cumulative effects of changes in accounting policies..... | —               | 12,243   | —                       |
| Opening balance reflected changes in accounting .....     | <b>¥133,418</b> | ¥123,339 | <b>\$1,184,051</b>      |
| Service cost .....                                        | <b>8,322</b>    | 6,638    | <b>73,862</b>           |
| Interest cost .....                                       | <b>1,855</b>    | 1,681    | <b>16,467</b>           |
| Actuarial differences.....                                | <b>14,073</b>   | 886      | <b>124,901</b>          |
| Retirement allowance paid .....                           | <b>(4,753)</b>  | (4,751)  | <b>(42,188)</b>         |
| Past service cost .....                                   | <b>347</b>      | 5,322    | <b>3,084</b>            |
| Others .....                                              | <b>(1,103)</b>  | 301      | <b>(9,792)</b>          |
| Closing balance of retirement benefit obligation          | <b>¥152,161</b> | ¥133,418 | <b>\$1,350,387</b>      |

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

|                                         | Millions of yen |         | Thousands of US dollars |
|-----------------------------------------|-----------------|---------|-------------------------|
|                                         | 2016            | 2015    |                         |
| Opening balance of pension assets ..... | <b>¥94,487</b>  | ¥90,040 | <b>\$838,551</b>        |
| Expected return on pension assets.....  | <b>1,537</b>    | 1,000   | <b>13,643</b>           |
| Actuarial differences.....              | <b>(1,344)</b>  | 454     | <b>(11,929)</b>         |
| Contribution from employers.....        | <b>4,856</b>    | 5,905   | <b>43,097</b>           |
| Retirement allowance paid .....         | <b>(3,452)</b>  | (3,364) | <b>(30,639)</b>         |
| Others .....                            | <b>(219)</b>    | 451     | <b>(1,950)</b>          |
| Closing balance of pension assets       | <b>¥95,865</b>  | ¥94,487 | <b>\$850,772</b>        |

**(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 |          | Thousands of US dollars |
|---------------------------------------------------------------------------------------------------------|-----------------|----------|-------------------------|
|                                                                                                         | 2016            | 2015     |                         |
| Defined benefit obligation of funded severance plan .....                                               | <b>¥108,729</b> | ¥95,065  | <b>\$964,943</b>        |
| Pension assets.....                                                                                     | <b>(95,865)</b> | (94,487) | <b>(850,772)</b>        |
|                                                                                                         | <b>12,864</b>   | 577      | <b>114,170</b>          |
| Defined benefit obligation of unfunded severance plan .....                                             | <b>43,431</b>   | 38,353   | <b>385,443</b>          |
| Net amount of liability and asset for retirement benefits recognized in consolidated balance sheet..... | <b>¥56,296</b>  | ¥38,930  | <b>\$499,614</b>        |
| Liabilities for retirement benefits .....                                                               | <b>¥56,346</b>  | ¥40,791  | <b>\$500,061</b>        |
| Assets for retirement benefits .....                                                                    | <b>(50)</b>     | (1,860)  | <b>(447)</b>            |
| Net amount of liability and asset for retirement benefits recognized in consolidated balance sheet..... | <b>¥56,296</b>  | ¥38,930  | <b>\$499,614</b>        |

## (d) Breakdown of retirement benefit expenses

|                                                                                | Millions of yen |         | Thousands of<br>US dollars |
|--------------------------------------------------------------------------------|-----------------|---------|----------------------------|
|                                                                                | 2016            | 2015    |                            |
| Service cost .....                                                             | <b>¥8,322</b>   | ¥6,638  | <b>\$73,862</b>            |
| Interest cost .....                                                            | <b>1,855</b>    | 1,681   | <b>16,467</b>              |
| Expected return on pension assets .....                                        | <b>(1,537)</b>  | (1,000) | <b>(13,643)</b>            |
| Recognition of actuarial gains and losses .....                                | <b>987</b>      | 992     | <b>8,762</b>               |
| Amortization of past service cost .....                                        | <b>(342)</b>    | 117     | <b>(3,036)</b>             |
| Others .....                                                                   | <b>48</b>       | 46      | <b>426</b>                 |
| Total amount of retirement benefit expenses<br>for defined benefit plans ..... | <b>¥9,334</b>   | ¥8,477  | <b>\$82,839</b>            |

## (e) Adjustment for retirement benefits

Breakdown of adjustment for retirement benefit recognized were as follows:

|                                  | Millions of yen  |          | Thousands of<br>US dollars |
|----------------------------------|------------------|----------|----------------------------|
|                                  | 2016             | 2015     |                            |
| Past service cost .....          | <b>¥(293)</b>    | ¥(5,140) | <b>\$(2,608)</b>           |
| Actuarial gains and losses ..... | <b>(14,782)</b>  | 616      | <b>(131,186)</b>           |
| Total                            | <b>¥(15,075)</b> | ¥(4,524) | <b>\$(133,794)</b>         |

## (f) Accumulated adjustment for retirement benefits

Breakdown of accumulated adjustment for retirement benefit recognized were as follows:

|                                               | Millions of yen  |          | Thousands of<br>US dollars |
|-----------------------------------------------|------------------|----------|----------------------------|
|                                               | 2016             | 2015     |                            |
| Unrecognized past service cost .....          | <b>¥(2,158)</b>  | ¥(1,864) | <b>\$(19,152)</b>          |
| Unrecognized actuarial gains and losses ..... | <b>(11,437)</b>  | 3,344    | <b>(101,508)</b>           |
| Total                                         | <b>¥(13,596)</b> | ¥1,479   | <b>\$(120,661)</b>         |

## (g) Pension assets

## a. Major breakdown of pension assets

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

|                                                   | 2016          | 2015   |
|---------------------------------------------------|---------------|--------|
| Debt securities .....                             | <b>43.9%</b>  | 49.0%  |
| General account of life insurance companies ..... | <b>37.9%</b>  | 37.9%  |
| Others .....                                      | <b>18.2%</b>  | 13.1%  |
| Total                                             | <b>100.0%</b> | 100.0% |

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

Expected return on pension assets were determined by considering the current and anticipated future portfolio of pension assets and current and anticipated future long-term performance of various asset classes that comprise pension assets.

## (h) Actuarial assumptions

|                                                   | 2016         | 2015  |
|---------------------------------------------------|--------------|-------|
| Discount rate .....                               | <b>0.15%</b> | 1.12% |
| Expected long-term return on pension assets ..... | <b>1.80%</b> | 0.88% |

## 3. Defined contribution plan

## Year ended 31 March 2015

Contribution to defined contribution plan by the Company and consolidated subsidiaries was 231 million yen.

## Year ended 31 March 2016

Contribution to defined contribution plan by the Company and consolidated subsidiaries was 233 million yen (2,069 thousand US dollars).

**NOTE 9: Income taxes**

(a) Breakdown of deferred tax assets and deferred tax liabilities by their main occurrence causes

|                                                                                      | Millions of yen  |           | Thousands of<br>US dollars |
|--------------------------------------------------------------------------------------|------------------|-----------|----------------------------|
|                                                                                      | 2016             | 2015      | 2016                       |
| <b>Deferred tax assets</b>                                                           |                  |           |                            |
| Impairment loss and Excess-depreciation .....                                        | <b>¥57,330</b>   | ¥57,418   | <b>\$508,789</b>           |
| Various provisions .....                                                             | <b>34,044</b>    | 37,254    | <b>302,133</b>             |
| Unrealized profits elimination .....                                                 | <b>19,383</b>    | 24,197    | <b>172,021</b>             |
| Loss on valuation of securities .....                                                | <b>13,655</b>    | 14,265    | <b>121,189</b>             |
| Deferred assets .....                                                                | <b>3,606</b>     | 3,579     | <b>32,010</b>              |
| Others.....                                                                          | <b>81,523</b>    | 75,362    | <b>723,494</b>             |
| Deferred tax assets sub-total .....                                                  | <b>209,544</b>   | 212,078   | <b>1,859,638</b>           |
| Valuation allowance .....                                                            | <b>(36,743)</b>  | (39,996)  | <b>(326,091)</b>           |
| Deferred tax assets total .....                                                      | <b>¥172,800</b>  | ¥172,082  | <b>\$1,533,547</b>         |
| <b>Deferred tax liabilities</b>                                                      |                  |           |                            |
| Valuation difference on available-for-sale securities .....                          | <b>¥(39,938)</b> | ¥(76,700) | <b>\$(354,438)</b>         |
| Variance from the complete market value method of<br>consolidated subsidiaries ..... | <b>(5,264)</b>   | (5,811)   | <b>(46,723)</b>            |
| Reserve for advanced depreciation of noncurrent assets ...                           | <b>(3,265)</b>   | (3,450)   | <b>(28,983)</b>            |
| Others.....                                                                          | <b>(1,145)</b>   | (1,076)   | <b>(10,164)</b>            |
| Deferred tax liabilities total .....                                                 | <b>(49,614)</b>  | (87,038)  | <b>(440,309)</b>           |
| Net amounts of deferred tax assets.....                                              | <b>¥123,186</b>  | ¥85,043   | <b>\$1,093,237</b>         |

\* Net amounts of deferred tax assets are included in the following accounts in the consolidated balance sheets.

|                                                        | Millions of yen |          | Thousands of<br>US dollars |
|--------------------------------------------------------|-----------------|----------|----------------------------|
|                                                        | 2016            | 2015     | 2016                       |
| Current assets – Deferred tax assets.....              | <b>¥116,378</b> | ¥115,015 | <b>\$1,032,819</b>         |
| Investment and other assets – Deferred tax assets..... | <b>14,773</b>   | 19,985   | <b>131,111</b>             |
| Current liabilities – Deferred tax liabilities .....   | <b>(481)</b>    | (6,190)  | <b>(4,274)</b>             |
| Noncurrent liabilities – Deferred tax liabilities..... | <b>(7,484)</b>  | (43,766) | <b>(66,418)</b>            |

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

|                                    | 2016    | 2015 |
|------------------------------------|---------|------|
| Statutory tax rate.....            | 32.34%  | —    |
| Tax rate difference .....          | 2.82%   | —    |
| Effect of change of tax rate ..... | 2.64%   | —    |
| Others.....                        | (0.21)% | —    |
| Effective tax rate .....           | 37.59%  | —    |

\* For the year ended 31 March 2015, the note was omitted as the difference between the statutory tax rate and the effective tax rate after adoption of tax effect accounting was less than 5% of the statutory tax rate.

## (c) Revision of the amount of deferred tax assets and deferred tax liabilities due to change in corporation tax rate

"The Act on Partial Revision of the Income Tax Act, etc." (Act No.15 of 2016) and "The Act on Partial Revision of the Local Tax Act, etc." (Act No.13 of 2016) were enacted in the Diet on 29 March 2016. As a result, the effective corporation tax rate to calculate deferred tax assets and deferred tax liabilities in this consolidated fiscal year (applied only to be settled on or after 1 April 2016) which were expected to be settled from 1 April 2016 to 31 March 2018 was changed to 30.21%, and which were expected to be settled on or after 1 April 2018 was to 29.99%, while the effective corporation tax rate to calculate deferred tax assets and deferred tax liabilities in previous consolidated fiscal year which were expected to be settled from 1 April 2015 to 31 March 2016 was 32.34%, and which were expected to be settled on or after 1 April 2016 was 31.56%.

As a result of this change in corporation tax rate, the amount of deferred tax assets (net amount of deferred tax liabilities) decreased by ¥5,650 million, income taxes-deferred increased by ¥6,882 million, valuation difference on available-for-sale securities increased by ¥1,435 million, deferred gains or losses on hedges increased by ¥1 million, and accumulated adjustment for retirement benefit decreased by ¥204 million.

## NOTE 10: Research and development costs

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

|                                     | Millions of yen |          | Thousands of US dollars |
|-------------------------------------|-----------------|----------|-------------------------|
|                                     | 2016            | 2015     | 2016                    |
| Research and development costs..... | ¥131,031        | ¥125,896 | \$1,162,859             |

## NOTE 11: Cash and cash equivalents

Cash and cash equivalents were as follows:

|                                                              | Millions of yen |           | Thousands of US dollars |
|--------------------------------------------------------------|-----------------|-----------|-------------------------|
|                                                              | 2016            | 2015      | 2016                    |
| Cash and deposits .....                                      | ¥497,187        | ¥457,513  | \$4,412,385             |
| Short-term investment securities .....                       | 279,571         | 685,647   | 2,481,109               |
| Time deposits with maturities of over three months.....      | (47,098)        | (18,012)  | (417,986)               |
| Bonds etc. with redemption period of over three months ..... | (279,571)       | (192,888) | (2,481,109)             |
|                                                              | ¥450,088        | ¥932,261  | \$3,994,398             |

**NOTE 12: Net assets**

The Companies Act of Japan ("the Companies Act") requires that at least 50% of the contribution of new shares shall be included in capital stock. The portion to be recorded as capital stock is determined by resolution of the meeting of the Board of Directors. Proceeds in excess of the capital stock shall be credited to "Legal capital surplus".

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

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

The legal retained earnings of the Company and its subsidiaries are included in "Retained earnings" on the consolidated balance sheets and are not shown separately.

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

**NOTE 13: Other comprehensive income**

|                                                                                        | Millions of yen   |          | Thousands of<br>US dollars |
|----------------------------------------------------------------------------------------|-------------------|----------|----------------------------|
|                                                                                        | 2016              | 2015     | 2016                       |
| Valuation difference on available-for-sale securities                                  |                   |          |                            |
| Loss (gain) arising during the period.....                                             | <b>¥(78,299)</b>  | ¥77,327  | <b>\$ (694,886)</b>        |
| Reclassification adjustments.....                                                      | <b>(35,422)</b>   | —        | <b>(314,367)</b>           |
| Before tax effect.....                                                                 | <b>(113,722)</b>  | 77,327   | <b>(1,009,254)</b>         |
| Tax effect .....                                                                       | <b>36,711</b>     | (19,592) | <b>325,801</b>             |
| Balance at the end of the period.....                                                  | <b>¥(77,011)</b>  | ¥57,734  | <b>\$ (683,453)</b>        |
| Deferred gains or losses on hedges                                                     |                   |          |                            |
| Loss (gain) arising during the period.....                                             | <b>¥2,939</b>     | ¥965     | <b>\$ 26,088</b>           |
| Reclassification adjustments.....                                                      | <b>(3,088)</b>    | 75       | <b>(27,407)</b>            |
| Before tax effect.....                                                                 | <b>(148)</b>      | 1,041    | <b>(1,318)</b>             |
| Tax effect .....                                                                       | <b>119</b>        | (453)    | <b>1,057</b>               |
| Balance at the end of the period.....                                                  | <b>¥(29)</b>      | ¥587     | <b>\$ (261)</b>            |
| Foreign currency translation adjustment                                                |                   |          |                            |
| Loss (gain) arising during the period.....                                             | <b>¥(101,996)</b> | ¥46,774  | <b>\$ (905,183)</b>        |
| Reclassification adjustments.....                                                      | <b>1,405</b>      | —        | <b>12,474</b>              |
| Balance at the end of the period.....                                                  | <b>¥(100,590)</b> | ¥46,774  | <b>\$ (892,708)</b>        |
| Adjustment for retirement benefit                                                      |                   |          |                            |
| Loss (gain) arising during the period.....                                             | <b>¥(15,274)</b>  | ¥(5,176) | <b>\$ (135,552)</b>        |
| Reclassification adjustments.....                                                      | <b>198</b>        | 651      | <b>1,757</b>               |
| Before tax effect.....                                                                 | <b>(15,075)</b>   | (4,524)  | <b>(133,794)</b>           |
| Tax effect .....                                                                       | <b>4,513</b>      | 1,518    | <b>40,056</b>              |
| Balance at the end of the period.....                                                  | <b>¥(10,562)</b>  | ¥(3,005) | <b>\$ (93,737)</b>         |
| Share of other comprehensive income of associates<br>accounted for using equity method |                   |          |                            |
| Loss (gain) arising during the period.....                                             | <b>¥(3,411)</b>   | ¥3,489   | <b>\$ (30,277)</b>         |
| Total other comprehensive income .....                                                 | <b>¥(191,605)</b> | ¥105,579 | <b>\$ (1,700,437)</b>      |

**NOTE 14: Significant Changes in the Amount of Shareholders' Equity****(a) Acquisition of treasury stock and sales of Volkswagen AG share**

The Company carried out the acquisition of 119,787,000 treasury stocks through the Tokyo Stock Exchange Trading Network System for Off-Auction Treasury Share Repurchase Trading (ToSTNeT-3) on 17 September 2015 for the purpose of repurchase of 111,610,000 ordinary Suzuki shares owned by Volkswagen AG, pursuant to the arbitration award from International Court of Arbitration of the International Chamber of Commerce on 29 August 2015.

And the Company also disposed of all of 4,397,000 ordinary Volkswagen AG shares owned by the Company, in line with the intention of Volkswagen AG on 25 September 2015.

**(Details of Acquisition of Treasury Stock)**

|                                      |                                                     |
|--------------------------------------|-----------------------------------------------------|
| Type of shares acquired              | Ordinary shares of Suzuki                           |
| Total number of shares acquired      | 119,787,000 shares                                  |
| Total amount paid of the acquisition | 460,281 million yen (4,084,850 thousand US dollars) |
| Acquisition date                     | 17 September 2015 (trade basis)                     |

**(Details of Sales of Volkswagen AG Share)**

|                                        |                                                        |
|----------------------------------------|--------------------------------------------------------|
| Type of shares sold                    | Ordinary shares of Volkswagen AG                       |
| Total number of shares sold            | 4,397,000 shares (All the shares owned by the Company) |
| Buyer                                  | Porsche Automobil Holding SE                           |
| Gain on sales of investment securities | 36,691 million yen (325,621 thousand US dollars)       |
| Execution of agreement                 | 25 September 2015                                      |

**(b) Retirement of treasury stock**

The Company resolved to cancel treasury stock, pursuant to provisions of Article 178 of the Companies Act by a Board of Directors' meeting held on 7 March 2016. The Company carried out cancelling 70,047,304 treasury stocks on 31 March 2016.

**NOTE 15: Cash dividends**

|                                | Resolutions                                                   |                   |                                                           |                   |
|--------------------------------|---------------------------------------------------------------|-------------------|-----------------------------------------------------------|-------------------|
|                                | Ordinary General Meeting of Shareholders held on 26 June 2015 |                   | Meeting of the Board of Directors held on 4 November 2015 |                   |
| Total amount of cash dividends | ¥9,537 million                                                | \$84,643 thousand | ¥6,618 million                                            | \$58,739 thousand |
| Cash dividends per share       | ¥17.00                                                        | \$0.15            | ¥15.00                                                    | \$0.13            |
| Record date                    | 31 March 2015                                                 |                   | 30 September 2015                                         |                   |
| Effective date                 | 29 June 2015                                                  |                   | 30 November 2015                                          |                   |

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

|                                | Resolution                                                    |                   |
|--------------------------------|---------------------------------------------------------------|-------------------|
|                                | Ordinary General Meeting of Shareholders held on 29 June 2016 |                   |
| Total amount of cash dividends | ¥7,501 million                                                | \$66,571 thousand |
| Cash dividends per share       | ¥17.00                                                        | \$0.15            |
| Record date                    | 31 March 2016                                                 |                   |
| Effective date                 | 30 June 2016                                                  |                   |

**NOTE 16: Stock option plans**

The Company adopts stock option plan by using subscription rights to shares.

The plans were adopted at the Ordinary General Meetings of Shareholders and meetings of the Board of Directors held on 28 June 2012, 27 June 2013 and 27 June 2014 based on the Companies Act.

The details of the plans were as follows:

|                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1. Resolution date</b>                                                       | 28 June 2012                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>2. Category and number of people to whom stock options are granted</b>       | 10 Directors of the Company (excluding Outside Directors)<br>6 Managing Officers who do not concurrently serve as Directors                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>3. Class of shares that are the subject of subscription rights to shares</b> | Common stock of the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>4. Number of shares</b>                                                      | 50,000 shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>5. Amount to be paid for subscription rights to shares</b>                   | 1 yen per 1 share                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>6. Period during which subscription rights to shares can be exercised</b>    | From 21 July 2012 to 20 July 2042                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>7. Terms of exercise of subscription rights to shares</b>                    | (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.<br>(2) If a person who is allocated subscription rights to shares was dead, the person's heir shall be able to exercise the rights. |
| <b>8. Matters relating to assignment of subscription rights to shares</b>       | The acquisition of subscription rights to shares by assignment shall require the approval of the Board of Directors of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>9. Matters relating to subrogation payment</b>                               | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

|                                                                                 |                                                                                                                                                          |
|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1. Resolution date</b>                                                       | 27 June 2013                                                                                                                                             |
| <b>2. Category and number of people to whom stock options are granted</b>       | 7 Directors of the Company (excluding Outside Directors)<br>10 Senior Managing Officers and Managing Officers who do not concurrently serve as Directors |
| <b>3. Class of shares that are the subject of subscription rights to shares</b> | Same to the plan adopted at 28 June 2012                                                                                                                 |
| <b>4. Number of shares</b>                                                      | 29,400 shares                                                                                                                                            |
| <b>5. Amount to be paid for subscription rights to shares</b>                   | Same to the plan adopted at 28 June 2012                                                                                                                 |
| <b>6. Period during which subscription rights to shares can be exercised</b>    | From 20 July 2013 to 19 July 2043                                                                                                                        |
| <b>7. Terms of exercise of subscription rights to shares</b>                    | Same to the plan adopted at 28 June 2012                                                                                                                 |
| <b>8. Matters relating to assignment of subscription rights to shares</b>       | Same to the plan adopted at 28 June 2012                                                                                                                 |
| <b>9. Matters relating to subrogation payment</b>                               | Same to the plan adopted at 28 June 2012                                                                                                                 |

|                                                                          |                                                                                                                            |
|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| 1. Resolution date                                                       | 27 June 2014                                                                                                               |
| 2. Category and number of people to whom stock options are granted       | 6 Directors of the Company (excluding Outside Directors)<br>6 Managing Officers who do not concurrently serve as Directors |
| 3. Class of shares that are the subject of subscription rights to shares | Same to the plan adopted at 28 June 2012                                                                                   |
| 4. Number of shares                                                      | 20,500 shares                                                                                                              |
| 5. Amount to be paid for subscription rights to shares                   | Same to the plan adopted at 28 June 2012                                                                                   |
| 6. Period during which subscription rights to shares can be exercised    | From 23 July 2014 to 22 July 2044                                                                                          |
| 7. Terms of exercise of subscription rights to shares                    | Same to the plan adopted at 28 June 2012                                                                                   |
| 8. Matters relating to assignment of subscription rights to shares       | Same to the plan adopted at 28 June 2012                                                                                   |
| 9. Matters relating to subrogation payment                               | Same to the plan adopted at 28 June 2012                                                                                   |

**NOTE 17: Contingent liabilities**

As of 31 March 2016 and 2015, the Company and some of consolidated subsidiaries had the contingent liabilities as follows:

|                                                          | Millions of yen |         | Thousands of<br>US dollars |
|----------------------------------------------------------|-----------------|---------|----------------------------|
|                                                          | 2016            | 2015    | 2016                       |
| Guarantee of indebtedness of affiliates and others ..... | ¥1,427          | ¥10,425 | \$12,670                   |

**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 segments and to assess their performances.

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

Main products and services of each segment are as follows:

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

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

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

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

| Millions of yen                                                        |                 |                   |                               |                |                   |
|------------------------------------------------------------------------|-----------------|-------------------|-------------------------------|----------------|-------------------|
| <b>2016</b>                                                            |                 |                   |                               |                |                   |
|                                                                        | Motorcycle      | Automobile        | Marine & Power products, etc. | Adjustment     | Consolidated      |
| Net Sales:                                                             |                 |                   |                               |                |                   |
| Net sales to external customers ...                                    | <b>¥233,889</b> | <b>¥2,878,515</b> | <b>¥68,253</b>                | <b>¥ —</b>     | <b>¥3,180,659</b> |
| Segment profit (loss) .....                                            | <b>(10,198)</b> | <b>192,619</b>    | <b>12,887</b>                 | <b>—</b>       | <b>195,308</b>    |
| Segment assets .....                                                   | <b>190,376</b>  | <b>1,984,591</b>  | <b>46,094</b>                 | <b>480,945</b> | <b>2,702,008</b>  |
| Other content:                                                         |                 |                   |                               |                |                   |
| Depreciation .....                                                     | <b>7,992</b>    | <b>158,116</b>    | <b>2,207</b>                  | <b>—</b>       | <b>168,315</b>    |
| Amortization of goodwill .....                                         | <b>184</b>      | <b>1,723</b>      | <b>79</b>                     | <b>—</b>       | <b>1,988</b>      |
| Impairment loss .....                                                  | <b>30</b>       | <b>292</b>        | <b>—</b>                      | <b>—</b>       | <b>322</b>        |
| Investments in affiliated companies accounted for by equity method ... | <b>3,990</b>    | <b>42,193</b>     | <b>67</b>                     | <b>—</b>       | <b>46,250</b>     |
| Increase in property, plant and equipment and intangible assets ...    | <b>7,531</b>    | <b>161,679</b>    | <b>2,324</b>                  | <b>—</b>       | <b>171,535</b>    |

| Millions of yen                                                         |            |            |                               |            |              |
|-------------------------------------------------------------------------|------------|------------|-------------------------------|------------|--------------|
| <b>2015</b>                                                             |            |            |                               |            |              |
|                                                                         | Motorcycle | Automobile | Marine & Power products, etc. | Adjustment | Consolidated |
| Net Sales:                                                              |            |            |                               |            |              |
| Net sales to external customers ...                                     | ¥250,485   | ¥2,701,942 | ¥63,033                       | ¥ —        | ¥3,015,461   |
| Segment profit (loss) .....                                             | (675)      | 171,827    | 8,272                         | —          | 179,424      |
| Segment assets .....                                                    | 203,256    | 1,893,036  | 45,159                        | 1,111,348  | 3,252,800    |
| Other content:                                                          |            |            |                               |            |              |
| Depreciation .....                                                      | 8,504      | 124,686    | 1,186                         | —          | 134,377      |
| Amortization of goodwill .....                                          | 639        | 1,757      | 122                           | —          | 2,519        |
| Impairment loss .....                                                   | —          | 969        | —                             | —          | 969          |
| Investments in affiliated companies accounted for by equity method .... | 15,089     | 45,346     | 82                            | —          | 60,519       |
| Increase in property, plant and equipment and intangible assets ...     | 8,356      | 184,785    | 1,314                         | —          | 194,457      |

| Thousands of US dollars                                                |                    |                     |                               |                  |                     |
|------------------------------------------------------------------------|--------------------|---------------------|-------------------------------|------------------|---------------------|
| <b>2016</b>                                                            |                    |                     |                               |                  |                     |
|                                                                        | Motorcycle         | Automobile          | Marine & Power products, etc. | Adjustment       | Consolidated        |
| Net Sales:                                                             |                    |                     |                               |                  |                     |
| Net sales to external customers ...                                    | <b>\$2,075,700</b> | <b>\$25,545,935</b> | <b>\$605,725</b>              | <b>\$ —</b>      | <b>\$28,227,361</b> |
| Segment profit (loss) .....                                            | <b>(90,510)</b>    | <b>1,709,435</b>    | <b>114,375</b>                | <b>—</b>         | <b>1,733,300</b>    |
| Segment assets .....                                                   | <b>1,689,535</b>   | <b>17,612,632</b>   | <b>409,075</b>                | <b>4,268,241</b> | <b>23,979,484</b>   |
| Other content:                                                         |                    |                     |                               |                  |                     |
| Depreciation .....                                                     | <b>70,928</b>      | <b>1,403,233</b>    | <b>19,586</b>                 | <b>—</b>         | <b>1,493,749</b>    |
| Amortization of goodwill .....                                         | <b>1,639</b>       | <b>15,299</b>       | <b>707</b>                    | <b>—</b>         | <b>17,646</b>       |
| Impairment loss .....                                                  | <b>266</b>         | <b>2,594</b>        | <b>—</b>                      | <b>—</b>         | <b>2,861</b>        |
| Investment in affiliated companies accounted for by equity method .... | <b>35,410</b>      | <b>374,451</b>      | <b>600</b>                    | <b>—</b>         | <b>410,462</b>      |
| Increase in property, plant and equipment and intangible assets ...    | <b>66,841</b>      | <b>1,434,854</b>    | <b>20,629</b>                 | <b>—</b>         | <b>1,522,325</b>    |

## (Reference information)

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

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

| Millions of yen                                              |            |          |            |             |              |              |
|--------------------------------------------------------------|------------|----------|------------|-------------|--------------|--------------|
| 2016                                                         |            |          |            |             |              |              |
|                                                              | Japan      | Europe   | Asia       | Other areas | Eliminations | Consolidated |
| Net Sales:                                                   |            |          |            |             |              |              |
| Net sales to external customers...                           | ¥1,301,207 | ¥323,309 | ¥1,402,285 | ¥153,857    | ¥ —          | ¥3,180,659   |
| Internal net sales or transfer among geographical areas..... | 508,962    | 227,156  | 93,830     | 542         | (830,491)    | —            |
| Total                                                        | 1,810,169  | 550,465  | 1,496,116  | 154,399     | (830,491)    | 3,180,659    |
| Operating income.....                                        | 84,812     | 6,721    | 103,823    | 2,431       | (2,481)      | 195,308      |

| Millions of yen                                              |            |          |            |             |              |              |
|--------------------------------------------------------------|------------|----------|------------|-------------|--------------|--------------|
| 2015                                                         |            |          |            |             |              |              |
|                                                              | Japan      | Europe   | Asia       | Other areas | Eliminations | Consolidated |
| Net Sales:                                                   |            |          |            |             |              |              |
| Net sales to external customers...                           | ¥1,317,659 | ¥306,156 | ¥1,233,494 | ¥158,151    | ¥ —          | ¥3,015,461   |
| Internal net sales or transfer among geographical areas..... | 447,311    | 129,982  | 72,736     | 1,029       | (651,059)    | —            |
| Total                                                        | 1,764,970  | 436,139  | 1,306,230  | 159,181     | (651,059)    | 3,015,461    |
| Operating income.....                                        | 90,718     | 5,116    | 81,607     | 2,620       | (637)        | 179,424      |

| Thousands of US dollars                                      |              |             |              |             |              |              |
|--------------------------------------------------------------|--------------|-------------|--------------|-------------|--------------|--------------|
| 2016                                                         |              |             |              |             |              |              |
|                                                              | Japan        | Europe      | Asia         | Other areas | Eliminations | Consolidated |
| Net sales:                                                   |              |             |              |             |              |              |
| Net sales to external customers...                           | \$11,547,808 | \$2,869,267 | \$12,444,845 | \$1,365,439 | \$ —         | \$28,227,361 |
| Internal net sales or transfer among geographical areas..... | 4,516,881    | 2,015,941   | 832,719      | 4,810       | (7,370,352)  | —            |
| Total                                                        | 16,064,689   | 4,885,208   | 13,277,565   | 1,370,250   | (7,370,352)  | 28,227,361   |
| Operating income.....                                        | 752,686      | 59,648      | 921,405      | 21,579      | (22,020)     | 1,733,300    |

- \*Notes: 1. Classification of countries or areas is based on a geographical adjacency.  
2. The major countries or areas belonging to classifications other than Japan:  
(1) Europe Hungary, Germany, United Kingdom and France  
(2) Asia India, Indonesia, Thailand and Pakistan  
(3) Other areas United States, Australia, Mexico and Colombia  
3. Classification is counted based on the location of the Company and its consolidated subsidiaries.

## (b) The amount of net sales based on external customers

| Millions of yen |                   |                 |                   |                   |
|-----------------|-------------------|-----------------|-------------------|-------------------|
| 2016            |                   |                 |                   |                   |
|                 | Japan             | India           | Others            | Consolidated      |
| Net sales.....  | <b>¥1,047,883</b> | <b>¥980,288</b> | <b>¥1,152,486</b> | <b>¥3,180,659</b> |

| Millions of yen |                   |                 |                   |                   |
|-----------------|-------------------|-----------------|-------------------|-------------------|
| 2015            |                   |                 |                   |                   |
|                 | Japan             | India           | Others            | Consolidated      |
| Net sales.....  | <b>¥1,094,611</b> | <b>¥814,584</b> | <b>¥1,106,265</b> | <b>¥3,015,461</b> |

| Thousands of US dollars |                    |                    |                     |                     |
|-------------------------|--------------------|--------------------|---------------------|---------------------|
| 2016                    |                    |                    |                     |                     |
|                         | Japan              | India              | Others              | Consolidated        |
| Net sales.....          | <b>\$9,299,642</b> | <b>\$8,699,758</b> | <b>\$10,227,961</b> | <b>\$28,227,361</b> |

**NOTE 19: Significant Subsequent Event**

The Company resolved issuance 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 by a Board of Directors' meeting held on 7 March 2016. All payments were completed on 1 April 2016. The outline of these bonds is as follows:

|                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (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 (887 million US dollars) 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) Coupon                                                                                                           | Zero                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Same as on the left                                                                                                                                                                                                                |
| (6) Closing and issue date                                                                                           | 1 April 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Same as on the left                                                                                                                                                                                                                |
| (7) Redemption price                                                                                                 | 100% of principal amount                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Same as on the left                                                                                                                                                                                                                |
| (8) Redemption at maturity, Early redemption and Cancellation by acquisition                                         | 31 March 2021 by 100% of principal amount<br>Early redemption and cancellation by acquisition by the bonds under certain circumstances are specified in the Information Memorandum.                                                                                                                                                                                                                                                                                                               | 31 March 2023 by 100% of principal amount /<br>Same as on the left                                                                                                                                                                 |
| (9) 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                                                                                                | 4,120.0 yen (36.6 US dollars)                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Same as on the left                                                                                                                                                                                                                |
| iv. Exercise period and Supplementary conditions                                                                     | From 15 April 2016 to 17 March 2021<br>[Automatic-acquisition-upon-exercise clause (subject to the maximum number of shares to be delivered)]<br>Exercising by 31 December 2020<br>[One-time acquisition clause (subject to the maximum number of shares to be delivered)]<br>Giving notice from 31 March 2020 to 16 December 2020<br>[Contingent conversion mechanism (130%)]<br>Until 31 December 2020                                                                                          | From 15 April 2016 to 17 March 2023<br>[Same as on the left]<br>Exercising by 31 December 2022<br>[Same as on the left]<br>Giving notice from 31 March 2022 to 16 December 2022<br>[Same as on the left]<br>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. |                                                                                                                                                                                                                                    |
| (10) Security or guarantee                                                                                           | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                    |
| (11) 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.                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                    |

## Independent Auditor's Report

To the Board of Directors of  
Suzuki Motor Corporation

We have audited the accompanying consolidated financial statements of Suzuki Motor Corporation and its subsidiaries, which comprise the consolidated balance sheet as of 31 March 2016, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, all expressed in Japanese Yen, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

### Opinion

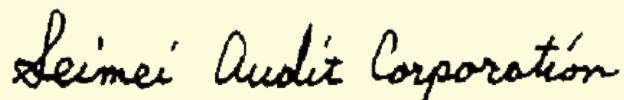
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Suzuki Motor Corporation and its consolidated subsidiaries as of 31 March 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 19 "Significant Subsequent Event" to the consolidated financial statements, the Company resolved issuance 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 by a Board of Directors' meeting held on 7 March 2016. All payments were completed on 1 April 2016.

### Convenience Translation

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



Seimei Audit Corporation  
Tokyo, Japan  
29 June 2016

# Company Outline

|                                  |                                                                                                                                                                                      |
|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1. Company Name</b>           | <b>SUZUKI MOTOR CORPORATION</b>                                                                                                                                                      |
| <b>2. Date of Incorporation</b>  | March 1920      Incorporated as Suzuki Loom Manufacturing Co.<br>June 1954      Name changed to Suzuki Motor Co., Ltd.<br>October 1990      Name changed to Suzuki Motor Corporation |
| <b>3. Head Office</b>            | 300 Takatsuka-cho, Minami-ku, Hamamatsu-shi, Shizuoka 432-8611 Japan<br><b>Website Address</b> : <a href="http://www.globalsuzuki.com">http://www.globalsuzuki.com</a>               |
| <b>4. Main Products</b>          | Automobiles, Motorcycles, Outboard Motors, Motorized Wheelchairs,<br>Electro Senior Vehicles, Industrial Equipment                                                                   |
| <b>5. Fiscal Year-End</b>        | 31 March                                                                                                                                                                             |
| <b>6. Public Accounting Firm</b> | Seimei Audit Corporation                                                                                                                                                             |

## 7. Capital and Shareholders (as of 31 March, 2016)

|                                          |                                                                                                                                                                                      |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Capital                                  | ¥138,014 million                                                                                                                                                                     |
| Total number of authorized shares        | 1,500 million                                                                                                                                                                        |
| Total number of shares issued            | 491,000,000                                                                                                                                                                          |
| Number of shareholders                   | 33,252                                                                                                                                                                               |
| Stock Listing                            | Tokyo Stock Exchange                                                                                                                                                                 |
| Securities Code                          | 7269                                                                                                                                                                                 |
| Ordinary General Meeting of Shareholders | June                                                                                                                                                                                 |
| Record Dates                             | <ul style="list-style-type: none"> <li>• Ordinary General Meeting of Shareholders 31 March</li> <li>• Year-End Dividend 31 March</li> <li>• Interim Dividend 30 September</li> </ul> |
| Shareholders' Register Manager           | Sumitomo Mitsui Trust Bank, Limited<br>1-4-1, Marunouchi, Chiyoda-ku, Tokyo                                                                                                          |

### <Ten Major Shareholders>

| Name of Shareholder                                  | Number of Shares Held<br>(Thousands of Shares) | Shareholding Ratio<br>(%) |
|------------------------------------------------------|------------------------------------------------|---------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 26,216                                         | 5.9                       |
| JP Morgan Chase Bank 380055                          | 21,804                                         | 4.9                       |
| Japan Trustee Services Bank, Ltd. (Trust Account)    | 20,209                                         | 4.6                       |
| Tokio Marine & Nichido Fire Insurance Co., Ltd.      | 17,961                                         | 4.1                       |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.               | 16,000                                         | 3.6                       |
| The Shizuoka Bank, Ltd.                              | 14,500                                         | 3.3                       |
| Resona Bank, Ltd.                                    | 13,000                                         | 2.9                       |
| Sompo Japan Nipponkoa Insurance Inc.                 | 7,761                                          | 1.8                       |
| Nippon Steel & Sumitomo Metal Corporation            | 7,759                                          | 1.8                       |
| Fuji Heavy Industries Ltd.                           | 5,780                                          | 1.3                       |

(Note) \*1. Number of shares less than 1,000 is truncated.

\*2. Percentage of Shareholding is calculated excluding treasury stock (49,748 thousand shares).

## Suzuki Group

Subsidiaries: 136 companies (69 in domestic, 67 in overseas) Affiliates: 33 companies

### (1) Major Domestic Subsidiaries

#### [Manufacturing Subsidiaries]

Suzuki Auto Parts Mfg. Co., Ltd.  
 Snic Co., Ltd.  
 Suzuki Akita Auto Parts Mfg. Co., Ltd.  
 Suzuki Toyama Auto Parts Mfg. Co., Ltd.

#### [Non-Manufacturing Subsidiaries]

Suzuki Transportation & Packing Co., Ltd.  
 Suzuki Business Co., Ltd.  
 Suzuki Engineering Co., Ltd.

#### [Marketing Subsidiaries]

54 directly managed domestic marketing companies

### (2) Major Overseas Subsidiaries

#### [EUROPE]

|                |                                          |
|----------------|------------------------------------------|
| <b>Germany</b> | Suzuki Deutschland GmbH                  |
| <b>Spain</b>   | Suzuki Motor Iberica, S.A.U.             |
| <b>Italy</b>   | Suzuki Italia S.p.A.                     |
| <b>France</b>  | Suzuki France S.A.S.                     |
| <b>Hungary</b> | Magyar Suzuki Corporation Ltd.           |
| <b>UK</b>      | Suzuki GB PLC                            |
| <b>Austria</b> | Suzuki Austria Automobil Handels G.m.b.H |
| <b>Poland</b>  | Suzuki Motor Poland SP.Z.O.O.            |

#### [AMERICA]

|                 |                                             |
|-----------------|---------------------------------------------|
| <b>USA</b>      | Suzuki Motor of America, Inc.               |
| <b>USA</b>      | Suzuki Manufacturing of America Corporation |
| <b>Canada</b>   | Suzuki Canada Inc.                          |
| <b>Mexico</b>   | Suzuki Motor de Mexico S.A. DE C.V.         |
| <b>Colombia</b> | Suzuki Motor de Colombia S.A.               |

#### [ASIA]

|                    |                                           |
|--------------------|-------------------------------------------|
| <b>India</b>       | Maruti Suzuki India Ltd.                  |
| <b>India</b>       | Suzuki Motorcycle India Private Limited   |
| <b>Pakistan</b>    | Pak Suzuki Motor Co., Ltd.                |
| <b>Indonesia</b>   | PT. Suzuki Indomobil Motor                |
| <b>Thailand</b>    | Thai Suzuki Motor Co., Ltd.               |
| <b>Thailand</b>    | Suzuki Motor (Thailand) Co., Ltd.         |
| <b>Philippines</b> | Suzuki Philippines Inc.                   |
| <b>Cambodia</b>    | Cambodia Suzuki Motor Co., Ltd.           |
| <b>China</b>       | Suzuki Motor (China) Investment Co., Ltd. |
| <b>Vietnam</b>     | Vietnam Suzuki Corporation                |
| <b>Taiwan</b>      | Taiwan Suzuki Automobile Corporation      |
| <b>Myanmar</b>     | Suzuki (Myanmar) Motor Co., Ltd.          |

#### [OCEANIA]

|                    |                            |
|--------------------|----------------------------|
| <b>Australia</b>   | Suzuki Australia Pty. Ltd. |
| <b>New Zealand</b> | Suzuki New Zealand Ltd.    |

#### [AFRICA]

|                     |                                      |
|---------------------|--------------------------------------|
| <b>South Africa</b> | Suzuki Auto South Africa (Pty.) Ltd. |
|---------------------|--------------------------------------|

### Marketing Subsidiaries

44 directly managed overseas marketing companies



**Way of Life!**

**SUZUKI MOTOR CORPORATION**

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