

# Consolidated Financial Results for FY2001

(April 1, 2001 through March 31, 2002)

May 15, 2002

## Mazda Motor Corporation

Code No: 7261 Listed in : Tokyo, Osaka, Nagoya, Fukuoka and Sapporo Stock Exchanges

Headquartered in: Hiroshima-prefecture

(URL <http://www.mazda.co.jp>)

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Meeting of the Board of Directors for Consolidated Account Settlement: May 15, 2002

Adoption of the United States Generally Accepted Accounting Principles: Not Adopted

### 1. Consolidated Financial Highlights (April 1, 2001 through March 31, 2002)

#### (1) Consolidated Financial Results

(in Japanese yen rounded to millions, except amounts per share)

	Sales		Operating Income/(Loss)		Ordinary Income/(Loss)	
	million yen	%	million yen	%	million yen	%
FY2001	2,094,914	3.9	28,553	-	19,221	-
FY2000	2,015,812	(6.7)	(14,937)	-	(29,770)	-

	Net Income/(Loss)		Net Income/(Loss)	Net Income/(Loss)	Return on Equity	Ordinary Income	Ordinary Income
	million yen	%	per Share	per Share (Diluted)	%	to Total Assets	to Sales
FY2001	8,830	-	7.23	-	5.3	1.1	0.9
FY2000	(155,243)	-	(126.99)	-	(76.7)	(1.9)	(1.5)

Notes: ① Equity in net income of unconsolidated subsidiaries and affiliates accounted for by the equity method:

FY2001 6,303 million yen  
FY2000 2,356 million yen

② Average no. of shares of common stock issued (on a consolidated basis):

FY2001 1,221,749,932 shares  
FY2000 1,222,494,579 shares

③ Accounting change: Yes.

④ Changes in sales, operating income, ordinary income, and net income from the previous period are shown in percentage.

#### (2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Equity Ratio	Equity per Share
	million yen	million yen	%	Yen
FY2001	1,734,895	172,837	10.0	141.52
FY2000	1,743,627	158,872	9.1	129.96

Notes: No. of shares of common stock issued as of year end (on a consolidated basis):  
FY2001 1,221,266,429 shares  
FY2000 1,222,495,323 shares

#### (3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Ending Cash & Cash Equivalents
	million yen	million yen	million yen	million yen
FY2001	91,512	(60,889)	(97,629)	229,444
FY2000	84,351	(32,094)	2,971	292,615

#### (4) Scope of Consolidation and Equity Method

Consolidated subsidiaries 83 companies  
Non-consolidated subsidiaries accounted for by the equity method 0 companies  
Affiliates accounted for by the equity method 16 companies

#### (5) Changes in Scope of Consolidation and Equity Method

Consolidation (Addition) 13 companies Equity method (Addition) 0 companies  
(Exclusion) 12 companies (Exclusion) 15 companies

### 2. FY2002 Consolidated Financial Forecast (April 1, 2002 through March 31, 2003)

	Net Sales	Ordinary Income/(Loss)	Net Income/(Loss)
	million yen	million yen	million yen
First Half	1,130,000	3,000	2,000
Full Year	2,250,000	37,000	20,000

Reference: Net income per share for the full year 16.38 yen

The financial projection is the judgement of our management based on the information presently available. By nature, such financial projection is subject to uncertainty and a risk. Therefore, we advise against making an investment decision by solely relying on this projection. Variables that could affect the actual financial results include, but are not limited to, economic environments related to our business areas and fluctuations in yen-to-dollar and other exchange rates. For further information on the above financial projection, please refer to page 6 of Supplementary Information.

## Supplementary Information

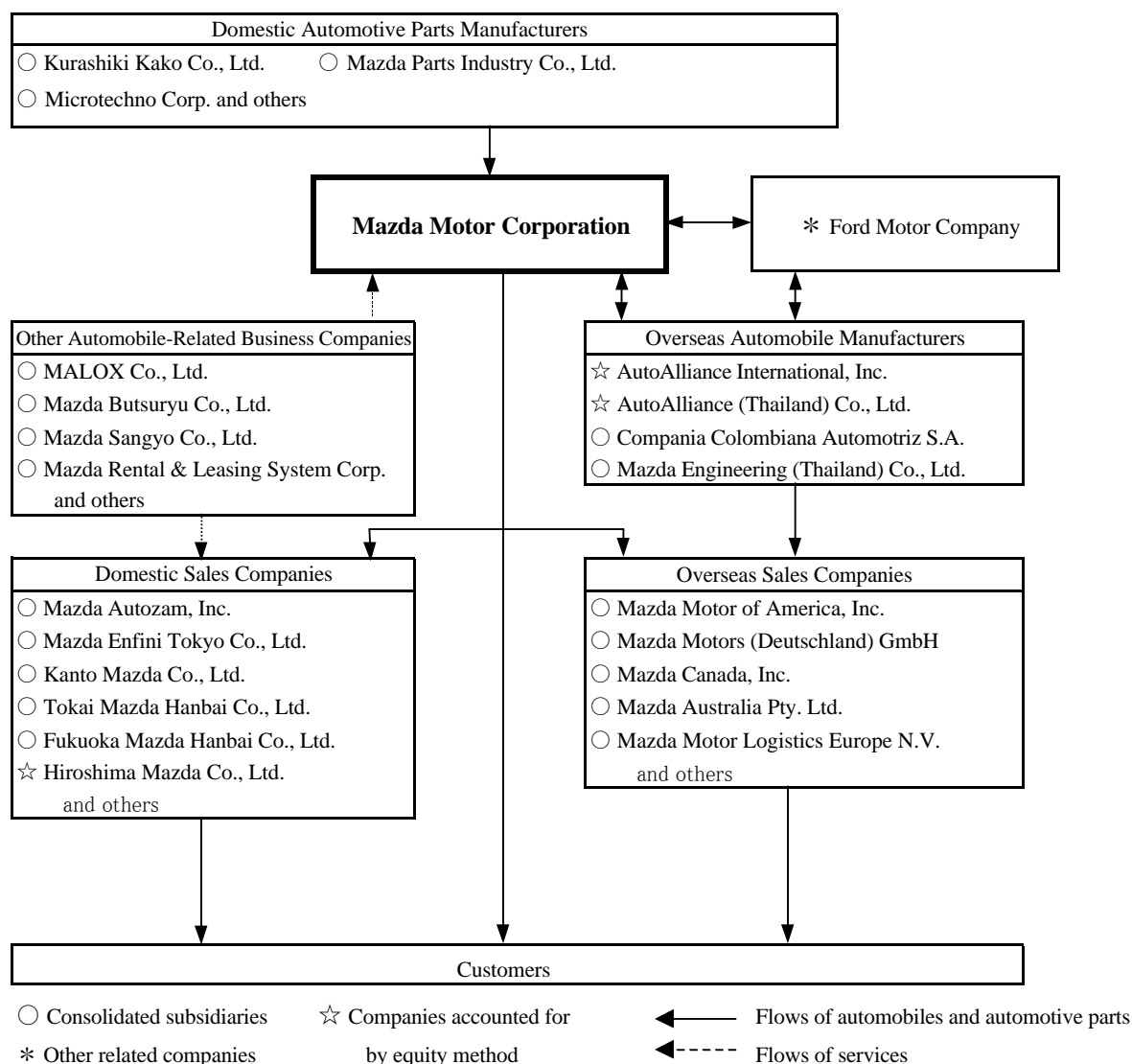
### **1. Mazda Group of Companies**

Mazda group of companies consists of Mazda Motor Corporation, 83 consolidated subsidiaries and 16 equity method-applied companies and is mainly engaged in the manufacturing and sales of automobiles and automotive parts as well as in other automobile-related businesses.

In Japan, Mazda Motor Corporation manufactures automobiles. Mazda Motor Corporation, Kurashiki Kako Co., Ltd. and other companies manufacture automotive parts. In overseas, AutoAlliance International, Inc. and other companies manufacture automobiles and automotive parts. The automobiles and automotive parts manufactured by our group of companies are sold to customers by our sales companies. In Japan, Mazda Autozam, Inc., Mazda Enfini Tokyo Co., Ltd. and other companies sell our automobiles and automotive parts to customers. To certain corporate customers, Mazda Motor Corporation directly sells our automobiles. In overseas, Mazda Motor of America, Inc., Mazda Motors (Deutschland) GmbH and other companies sell our automobiles and automotive parts to customers.

In addition, Mazda Motor Corporation, having an equity relationship with Ford Motor Company, has expanded its relationship with Ford to a strategic cooperative relationship on a global scale.

The following diagram approximately illustrates the roles of Mazda Motor Corporation and its main related companies in conducting the group's business:



Note: None of the consolidated subsidiaries is listed at a stock exchange in Japan.

## **2. Management Policy**

### **1) Our Corporate Vision, Mission and Value**

At Mazda Motor Corporation, our corporate vision is as follows: “To create new value, excite and delight our customers through the best automotive products and services.” We believe that achieving this vision will lead to increased shareholder value and enhance the value of association with the corporation for our employees, our suppliers, the communities in which we operate, and other stakeholders.

Based on this vision, our corporate mission is as follows: “With passion, pride and speed, we actively communicate with our customers to deliver insightful automotive products and services that exceed their expectations.”

Under this mission, we are working to create the following three types of values:

- a) We value integrity, customer focus, creativity, and efficient and nimble actions. We respect highly motivated people and team spirit.
- b) We positively support actions to improve the environment, safety and society in general.
- c) Guided by these values, we expect to provide superior rewards to all people associated with Mazda.

### **2) Our Policy on Distribution of Earnings**

Our policy on distribution of earnings is to declare dividends by carefully considering each fiscal year’s financial results and business environment. Our intent is to provide our stockholders with dividends on a stable basis. Our policy on earnings retained in the company is to utilize the financial resources to enhance our business competitiveness, e.g., capital investments in facilities and equipment and investments in research and development.

### **3) Our Mid-Term Plan**

Mazda demonstrated during Fiscal Year 2001 that the Company is on track in delivering the commitments that were laid out in the Millennium Plan in November 2000. The Millennium Plan is Mazda’s strategic and operating roadmap to sustained, profitable growth in the years ahead. It contains four pillars -- Growth, Reform and Restructuring, Synergies With Ford, and People Development.

#### **a) Brand- and Product-Based Growth**

Fiscal Year 2001 was a year of transition and preparation for the substantial revenue and volume growth that is expected over the Plan period (through Fiscal Year 2004). During the year, development of major new products to be introduced over the next couple of years progressed and remained on track. The first of these next-generation entries, the exciting, mid-size Mazda Atenza (Mazda6 in overseas markets) entered production in the 4<sup>th</sup> Quarter of the fiscal year.

Although no all-new or major-change products were introduced during the year, Mazda maintained strong product activity during the year by implementing several product enhancements for existing models, as well

as introducing a large number of special version models, supported by innovative sales and marketing initiatives. We introduced a freshened Premacy in Japan and Europe, adding a 2-liter DOHC engine and other improvements in exterior appearance, interior features, handling, performance, and safety. In Japan, other product actions included a new 3.0-liter front-wheel-drive model for the Tribute SUV, two new grades for Demio called Purel and Aeroactive targeted at young female and male customers respectively, the introduction of a new micro mini-vehicle called Spiano, and more than 25 special versions for existing models. Outside Japan, we introduced the 5-door model of the Protégé (Familia in Japan) in North America; the Premacy and Tribute in Australia; the Tribute in Europe; and the Premacy in China.

We also continued to implement initiatives to improve our distribution networks in Japan and abroad. In the Japanese market, our domestic dealers were profitable and generated strongly positive cash flow for the 3<sup>rd</sup> consecutive year. We also expanded our One Operation initiative by implementing the first merger of dealers across prefectures in Kyushu. In Europe, we assumed control of distribution in France, the U.K., and Switzerland; we assumed a 50% share of our distributor in Austria in April 2002. With these actions, Mazda now controls distribution in markets that represent more than 80% of our volume sold in Europe.

**b) Restructuring Actions to Further Improve the Fundamentals of Mazda**

In the area of Reform and Restructuring, we continued to implement new process re-engineering initiatives in Japan to more efficiently and effectively use our outstanding workforce following the Early Retirement Special Program at the end of the last fiscal year. We also completed the planned closure of our Ujina 2 assembly plant to align facility capacity to projected sales performance. And we also progressed the ongoing restructuring of our subsidiary companies.

**c) Clarification and Strengthening of Mazda's Role in Ford Group**

In terms of Synergy with Ford, we commenced production of the new large I4 engine family in Hiroshima. We also continued to make progress on the establishment of production of our next-generation B Car at Ford's plant in Valencia, Spain in early 2003.

**d) Enabling Our People**

People Development initiatives to fully unleash the potential of our employees were accelerated through: the second round of the Mazda Business Leader Development (MBLD) education program; approval of a stock option plan for management-level employees; the introduction of the "Mazda Flexible Benefit Plan" -- a new, cafeteria-style fringe benefit plan; the establishment of a Company Day Care Center (the only company-sponsored child day care center by a domestic automotive manufacturer in Japan); and the announcement of the 21st Century Mazda Labor-Management Joint Declaration, confirming the mutual understanding and confidence required between labor and management to succeed in the new century.

The Millennium Plan establishes external metrics that we will use to track our performance. Among the metrics, we are targeting to achieve a 3% net return on sales and a 6% net return on assets by Fiscal Year 2004, as well as a 50% net-debt equity ratio and a prime credit rating.

#### 4) Our Challenges

The near-term external environment will be mixed. The U.S. and Europe appear to be recovering from the slowdown in economic growth they experienced last year. In Japan, on the other hand, there is little evidence to indicate that the economy will recover strongly in the near future, particularly as much-needed structural reform has yet to occur.

Turning to the automotive industry, competition will continue to be fierce worldwide. We expect our competitors to continue to aggressively introduce new products, many with enhanced value, and to maintain high levels of marketing expense.

Fiscal Year 2002 will be a critical year for Mazda as we move from what has been largely a financially based recovery to one that is product-centered, highlighted by the initial rollout of our next-generation products which fully embody the Mazda brand DNA. In February 2002, the all-new Mazda Atenza/Mazda6 went into full production at Hofu Plant No.2. The Atenza, which is equipped with the all-new, world-class large I4 engine, is designed to become the world's benchmark for its segment in terms of dynamic performance, styling, packaging, and quality. It goes on sale in Japan this spring. Atenza will be followed by the introduction in late summer of an all-new small car which will bring new excitement to one of the largest and most competitive segments in Japan.

Supporting these new products is an innovative launch and marketing campaign, called Zoom-Zoom, that is being used in markets worldwide. At the same time, we are strengthening further our distribution networks, including upgrades and renovations in Japan to many of our sales and service outlets.

We will continue to have a laser-like focus on improving further our cost structure and reducing our net debt, while continuing to provide for a competitive flow of exciting, new products. We will make additional strides in reforming our subsidiaries to realize a more robust financial structure for the Mazda group. We also will aggressively continue to pursue the adoption and incorporation of e-business tools in all areas of our business.

We will continue to promote our strategic relationship with Ford. We will continue to lead the development of new technologies and derivatives for the large I4 engine family, and we will work closely with Ford as it adopts our front-wheel-drive mid-sized vehicle technologies.

Lastly, we will further enhance our People Development initiatives, including the third round of MBLD, as well as continuing the renovation of our personnel policies and practices.

We have identified Fiscal Year 2002 as a year of Execution, Delivery, and Growth. As we enter this exciting and important period of our Company's history, we will strive to execute flawlessly the commitments made in our Millennium Plan.

## **5) Measures Regarding the Infrastructure of Management Organization of Our Company (Improvement of Corporate Governance)**

We have been carrying out several measures regarding the management organization of our company in order to encourage the improvement of corporate governance by avoiding holding the ordinary shareholders' meeting on the same date as other companies and making timely disclosures to shareholders and investors by affirmative IR activities.

We have decided to introduce the Executive Officer System after the ordinary shareholders' meeting to be held in June 2002. It aims at further improvement of management efficiency by diminishing the size of the board, reviewing the structure and administration of the current board and having sufficient deliberation and quick decision-making as well as transparency in management by separating the execution and supervision of business.

This year we will establish a Management Advisory Committee consisting of outside experts, reflecting a wide range of opinions from a broad, global perspective including opinions from those with prominent expertise and a high level of specialization in their fields.

## **3. Financial Results, Position and Projection**

### **1) Financial Results and Position**

During Fiscal Year 2001 (April 1, 2001 through March 31, 2002), the Japanese economy was mired in its third recession of the last decade, while the world economy was relatively weak. The terrorist attacks in the U.S. in September provided further shock and destabilized an already weak economic environment.

In Japan, automotive sales, including micro-mini vehicles, totaled 5.82 million units, down 2.6% from the previous fiscal term. In the U.S., industry sales were 16.93 million units (calendar year basis), down 1.5% from the previous year, whereas industry sales in Western Europe were 17.06 million units, up slightly.

In the fiscal year, Mazda's retail sales in the Japanese market totaled 268,000 units, down 12.5% from the prior year, reflecting the absence of any all-new product launches in the face of intense competitive activity. Our share of the registered vehicle industry was 5.7%, down 0.8 points from a year ago. Our total share, including micro-mini vehicles, was 4.6%, down half a point.

In the U.S., Mazda's retail sales were up for the 4<sup>th</sup> year in a row, while our sales in Canada were up 33%, making Mazda the 3<sup>rd</sup> largest selling Japanese importer after Toyota and Honda. Mazda Australia achieved record sales, up 24% compared with the prior year. In Israel, Mazda maintained its position as the number-one selling brand. And we achieved substantial year-over-year sales gains in China and Taiwan.

Consolidated wholesales in the year totaled 948,000 units, down 1.6%, reflecting declines in Japan and Europe. Higher sales in North America and Rest of the World were partial offsets.

Turning to financial results, consolidated sales revenue was ¥2,094.9 billion, up 3.9% from the previous fiscal term. Operating income was ¥28.5 billion, ¥43.4 billion better than a year ago. Ordinary income was ¥19.2 billion, ¥48.9 billion better than a year ago. Net income was ¥8.8 billion. This compares with the projection of breakeven that we made in May 2001. Besides the non-recurrence of the one-time write-off of pension transitional obligations and other restructuring charges last year, the improved performance resulted from aggressive cost reductions, favorable exchange rates, and better subsidiary results.

Consolidated cash flow (operating and investing activities) was ¥30.6 billion, reflecting our continued focus on improving Mazda's financial structure. Net debt (the balance of interest-bearing debt minus cash and cash equivalents) was ¥456.9 billion, down ¥27.7 billion from the end of the prior fiscal year.

Turning to dividends, we are declaring a year-end dividend of ¥2 per share for this fiscal year.

## 2) Financial Projection

The economic outlook will be mixed with the U.S. and Europe starting to recover from last year's slowdown while we expect Japan to show little signs of recovery. Competitors are expected to introduce a large number of new models, many of which will offer enhanced value, and to market all of their models aggressively.

For Mazda, Fiscal Year 2002 (from April 1, 2002 to March 31, 2003) will be a year of Execution, Delivery, and Growth, highlighted by the introduction of two all-new, next-generation products, the Mazda Atenza/Mazda6 and a new small car, as well as the start of production of the revolutionary four-door sports car, RX-8.

Our projection of financial results for Fiscal Year 2002 is as follows<sup>1</sup>. The following projections reflect a yen exchange rate versus the U.S. dollar of ¥125 and ¥115 versus the Euro.

### Consolidated

Wholesales	1,001 thousand units	(up 5.5% compared to the prior year)
Sales revenue	2,250.0 billion	(up 7.4% compared to the prior year)
Ordinary income	37.0 billion	
Net income	20.0 billion	
Cash flow (operating and investing)	40.0 billion	

### Unconsolidated

Wholesales	865 thousand units	(up 5.4% compared to the prior year)
Sales revenue	1,500.0 billion	(up 9.9% compared to the prior year)
Ordinary income	25.0 billion	
Net income	16.0 billion	
Cash flow (operating and investing)	10.0 billion	

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<sup>1</sup> The financial projection is the judgement of our management based on the information presently available. By nature, such financial projection is subject to uncertainty and a risk. Therefore, we advise against making an investment decision by solely relying on this projection. Variables that could affect the actual financial results include, but are not limited to, economic environments related to our business areas and fluctuations in yen-to-dollar and other exchange rates.

## 4. Consolidated Financial Statements

### (1) Consolidated Statement of Operations

For the Years Ended March 31, 2002 and 2001

		(in millions of yen)		
		FY2001	FY2000	Increase/ (Decrease)
		(Apr. 2001 - Mar. 2002)	(Apr. 2000 - Mar. 2001)	
Net sales	1	2,094,914	2,015,812	79,102
Costs of sales	2	1,551,410	1,555,130	(3,720)
Gross profit on sales	3	543,504	460,682	82,822
Selling, general and administrative expenses	4	514,951	475,619	39,332
<b>Operating income/(loss)</b>	5	<b>28,553</b>	(14,937)	43,490
Non-operating income				
Interest and dividend income	6	2,601	3,176	(575)
Equity in net income of unconsolidated subsidiaries and affiliates	7	6,303	2,356	3,947
Other	8	12,178	12,013	165
Total	9	21,082	17,545	3,537
Non-operating expenses				
Interest expense	10	22,678	25,457	(2,779)
Other	11	7,736	6,921	815
Total	12	30,414	32,378	(1,964)
<b>Ordinary income/(loss)</b>	13	<b>19,221</b>	(29,770)	48,991
Extraordinary profits				
Profit on sale of tangible fixed assets	14	1,781	1,809	(28)
Profit on sale of investment securities	15	2,575	4,504	(1,929)
Reversal of reserve for loss on restructuring of subsidiaries and affiliates	16	1,280	-	1,280
Other	17	890	391	499
Total	18	6,526	6,704	(178)
Extraordinary losses				
Loss on retirement and sale of tangible fixed assets	19	4,753	7,847	(3,094)
Loss on sale of investment securities	20	279	3,896	(3,617)
Valuation loss on investment securities	21	1,685	2,250	(565)
Accrual for directors' and corporate auditors' retirement benefits	22	572	-	572
Loss on restructuring of subsidiaries and affiliates	23	1,495	5,335	(3,840)
Investment valuation allowance	24	514	351	163
Provision for loss on guarantees of loans	25	-	2,140	(2,140)
Net transition obligation of new accounting standard for severance and retirement benefits	26	-	154,608	(154,608)
Severance pay for early retirement	27	-	36,608	(36,608)
Loss on business restructuring	28	-	3,011	(3,011)
Other	29	941	3,330	(2,389)
Total	30	10,239	219,376	(209,137)
<b>Income/(loss) before income taxes</b>	31	<b>15,508</b>	(242,442)	257,950
Income taxes				
Current	32	9,048	6,089	2,959
Deferred	33	(5,016)	(92,552)	87,536
Minority interests of consolidated subsidiaries	34	2,646	(736)	3,382
<b>Net income/(loss)</b>	35	<b>8,830</b>	(155,243)	164,073



**(2) Consolidated Balance Sheet**  
**As of March 31, 2002 and 2001**

		(in millions of yen)		
		FY2001	FY2000	Increase/ (Decrease)
		(Mar. 31, 2002)	(Mar. 31, 2001)	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and time deposits	1	228,679	294,891	(66,212)
Trade notes and accounts receivable	2	113,199	125,724	(12,525)
Inventories	3	257,073	207,098	49,975
Deferred taxes	4	80,403	42,785	37,618
Other	5	50,685	42,464	8,221
Allowance for doubtful receivables	6	(4,896)	(4,877)	(19)
Total current assets	7	725,143	708,085	17,058
<b>Fixed Assets:</b>				
Tangible fixed assets:				
Buildings and structures	8	152,630	158,539	(5,909)
Machinery and vehicles	9	145,400	130,829	14,571
Land	10	441,150	443,874	(2,724)
Construction in progress	11	30,781	36,092	(5,311)
Other	12	47,328	45,885	1,443
Total tangible fixed assets	13	817,289	815,219	2,070
Intangible fixed assets	14	17,985	14,088	3,897
Investments and other fixed assets:				
Investment securities	15	46,371	45,229	1,142
Long-term loans receivable	16	28,009	25,795	2,214
Deferred taxes	17	92,983	121,294	(28,311)
Other	18	32,136	33,455	(1,319)
Allowance for doubtful receivables	19	(23,484)	(18,441)	(5,043)
Investment valuation allowance	20	(1,552)	(1,130)	(422)
Total investments and other fixed assets	21	174,463	206,202	(31,739)
Total fixed assets	22	1,009,737	1,035,509	(25,772)
<b>Deferred assets</b>	23	15	33	(18)
<b>Total Assets</b>	24	1,734,895	1,743,627	(8,732)

		(in millions of yen)		
		FY2001	FY2000	Increase/ (Decrease)
		(Mar. 31, 2002)	(Mar. 31, 2001)	
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Trade notes and accounts payable	1	257,510	206,399	51,111
Short-term loans payable	2	271,926	344,804	(72,878)
Long-term loans payable due within one year	3	40,099	35,465	4,634
Bonds due within one year	4	25,000	30,000	(5,000)
Other accounts payable	5	129,581	123,249	6,332
Accrued expenses	6	129,747	131,537	(1,790)
Reserve for warranty expenses	7	15,364	15,298	66
Reserve for loss on restructuring of subsidiaries and affiliates	8	4,272	4,545	(273)
Reserve for loss on guarantees of loans	9	—	2,140	(2,140)
Reserve for loss on business restructuring	10	—	3,011	(3,011)
Other	11	46,547	30,961	15,586
Total current liabilities	12	<u>920,046</u>	<u>927,409</u>	<u>(7,363)</u>
<b>Fixed Liabilities</b>				
Bonds	13	136,900	131,900	5,000
Long-term loans payable	14	212,393	235,123	(22,730)
Deferred tax liability related to land revaluation	15	93,971	93,429	542
Employees' severance and retirement benefits	16	174,630	173,209	1,421
Directors' and corporate auditors' retirement benefits	17	1,482	—	1,482
Liabilities from application of equity method	18	5,550	8,133	(2,583)
Other	19	9,031	8,301	730
Total fixed liabilities	20	<u>633,957</u>	<u>650,095</u>	<u>(16,138)</u>
Total Liabilities	21	<u>1,554,003</u>	<u>1,577,504</u>	<u>(23,501)</u>
<b>Minority Interests in Consolidated Subsidiaries</b>	22	<b>8,055</b>	7,251	804
<b>SHAREHOLDERS' EQUITY</b>				
Common stock	23	120,078	120,078	—
Capital surplus	24	104,216	104,216	—
Land revaluation	25	125,326	124,570	756
Retained earnings/(deficit)	26	(128,565)	(136,639)	8,074
Net unrealized loss on available-for-sale securities	27	(28)	—	(28)
Foreign currency translation adjustments	28	(47,878)	(53,353)	5,475
Treasury stock	29	(312)	(0)	(312)
Total shareholders' equity	30	<u>172,837</u>	<u>158,872</u>	<u>13,965</u>
<b>Total Liabilities and Shareholders' Equity</b>	31	<u>1,734,895</u>	<u>1,743,627</u>	<u>(8,732)</u>

Starting in this fiscal year, reserve for employees' bonuses are included in accrued expenses. For consistency, therefore, the prior period's statement has been reclassified.

**(3) Consolidated Statement of Retained Earnings****For the Years Ended March 31, 2002 and 2001**

		(in millions of yen)	
		<b>FY2001</b>	<b>FY2000</b>
		<u>(Apr. 2001 - Mar. 2002)</u>	<u>(Apr. 2000 - Mar. 2001)</u>
Balance at the beginning of the period	1	(136,639)	21,415
Increases due to:			
Reversal of land revaluation	2	(756)	—
Decreases due to:			
Dividends	3	—	2,444
Bonuses to directors and corporate auditors	4	—	3
Inclusion of newly consolidated subsidiaries and companies newly accounted for by the equity method	5	—	364
Total	6	—	2,811
Net income/(loss)	7	<b>8,830</b>	(155,243)
Balance at the end of the period	8	<b>(128,565)</b>	(136,639)

**(4) Consolidated Statement of Cash Flows**

For the Years Ended March 31, 2002 and 2001

		(in millions of yen)	
		FY2001	FY2000
		(Apr. 2001 - Mar. 2002)	(Apr. 2000 - Mar. 2001)
<b>Cash flows from operating activities:</b>			
Income/(loss) before income taxes	1	15,508	(242,442)
Adjustments to reconcile income/(loss) before income taxes to net cash provided by operating activities:			
Depreciation and amortization	2	44,890	49,531
Allowance for doubtful receivables	3	3,064	(9,176)
Investment valuation allowance	4	996	(3,697)
Reserve for warranty expenses	5	30	(4,670)
Reserve for loss on guarantees of loans	6	—	2,140
Reserve for loss on business restructuring	7	—	3,011
Reserve for retirement allowances	8	—	(33,353)
Employees' severance and retirement benefits	9	1,681	173,163
Interest and dividend income	10	(2,601)	(3,176)
Interest expense	11	22,678	25,457
Equity in net income of unconsolidated subsidiaries and affiliates	12	(6,303)	(2,356)
Loss/(gain) on sale of fixed assets	13	2,972	6,038
Loss/(gain) on sale of investment securities	14	(2,296)	(608)
Loss on restructuring of subsidiaries and affiliates	15	1,495	5,335
Decrease/(increase) in trade notes and accounts receivable	16	14,462	25,526
Decrease/(increase) in inventories	17	28,779	(9,244)
Increase/(decrease) in trade notes and accounts payable	18	13,031	13,942
Accrued severance pay for early retirement	19	—	45,232
Increase/(decrease) in other current liabilities	20	12,836	57,259
Other	21	12,834	14,358
Subtotal	22	164,056	112,270
Interest and dividends received	23	3,945	4,028
Interest paid	24	(22,983)	(25,767)
Severance pay for early retirement paid	25	(45,232)	—
Income taxes paid	26	(8,274)	(6,180)
<b>Net cash provided by operating activities</b>	27	91,512	84,351
<b>Cash flows from investing activities:</b>			
Sale of marketable securities	28	—	1,312
Purchase of investment securities	29	(1,557)	(2,082)
Sale of investment securities	30	3,978	13,327
Purchase of investments in subsidiaries affecting scope of consolidation	31	(1,075)	—
Sale of investments in subsidiaries affecting scope of consolidation	32	(110)	228
Acquisition of distribution rights	33	—	(7,190)
Acquisition of tangible fixed assets	34	(71,712)	(45,060)
Proceeds from sale of tangible fixed assets	35	15,875	16,303
Decrease/(increase) in short-term loans receivable	36	—	1,427
Long-term loans made	37	(4,181)	(9,613)
Collections of long-term loans receivable	38	1,030	1,203
Other	39	(3,137)	(1,949)
<b>Net cash used in investing activities</b>	40	(60,889)	(32,094)
<b>Cash flows from financing activities:</b>			
Increase/(decrease) in short-term loans payable	41	(80,584)	(37,044)
Proceeds from long-term loans payable	42	20,984	96,828
Repayment of long-term loans payable	43	(37,111)	(49,172)
Proceeds from issuance of bonds	44	30,000	50,000
Redemption of bonds	45	(30,000)	(55,000)
Cash dividends paid	46	—	(2,444)
Other	47	(918)	(197)
<b>Net cash provided by/(used in) financing activities</b>	48	(97,629)	2,971
<b>Effects of exchange rate fluctuations on cash and cash equivalents</b>	49	2,411	511
<b>Net increase/(decrease) in cash and cash equivalents</b>	50	(64,595)	55,739
<b>Cash and cash equivalents at beginning of the period</b>	51	292,615	233,593
<b>Increase in cash and cash equivalents due to newly consolidated subsidiaries</b>	52	1,424	1,200
<b>Increase in cash and cash equivalents due to mergers</b>	53	—	2,083
<b>Cash and cash equivalents at end of the period</b>	54	229,444	292,615

## **Notes to Consolidated Financial Statements**

### **1. Consolidation Scope and Application of Equity Method**

1) Consolidated Subsidiaries	83	
Overseas	16	Mazda Motor of America, Inc., Mazda Motors (Deutschland) GmbH and 14 others
Domestic	67	43 dealers and 24 others
2) Equity Method-Applied Companies	16	
Overseas	2	AutoAlliance International, Inc. and AutoAlliance (Thailand) Co., Ltd.
Domestic	14	6 dealers, 3 automotive parts sales companies, and 5 others

### **2. Changes in Consolidation Scope and Application of Equity Method**

1) Consolidated Subsidiaries		
Newly added:	13	
Overseas	3	Mazda Automobiles France S.A.S., Mazda Motors UK Limited and Mazda (Suisse) S.A.
Domestic	10	Mazda Motor International Co., Ltd. and 9 automotive parts sales companies
Excluded:	12	
Domestic	12	Mazda Seiki Co., Ltd., Mazda Sunmech Co., Ltd. Nanjo Sobi Kogyo Co., Ltd.(sold), and 9 dealers (merged)
2) Equity Method-Applied Companies		
Excluded:	15	
Domestic	15	Hiroshima Aluminum Industry Co., Ltd., YUMEX Corporation, Nishikawa Kasei Co., Ltd. (sold), AUTOZAM Nishikyushu Co., Ltd. (liquidated), and 11 automotive parts sales companies (merged and reclassified into consolidated subsidiary category)

### **3. Accounting Periods of Consolidated Subsidiaries**

The annual consolidated balance sheet date is March 31. Among the consolidated subsidiaries, 16 companies (including Mazda Motor of America, Inc.) have an annual balance sheet date different from the annual consolidated balance sheet date, all of which are December 31.

In preparing the annual consolidated financial statements, the financial statements of each of these companies were used. However, adjustments necessary in consolidation were made for material transactions that occurred between the annual balance sheet date of the above subsidiaries and the annual consolidated balance sheet date.

### **4. Accounting Policies**

#### 1) Valuation Standards and Methods of Significant Assets

##### a) Securities

##### Available-for-sale securities

##### With available fair value:

Stated at fair value estimated based on quoted market prices at the balance sheet date, with unrealized gains and losses excluded from income and reported in a separate component of shareholders' equity net of tax. The bases of cost are on a historical cost basis based on a moving-average method.

##### Without available fair value:

Stated at moving-average cost

##### b) Derivative instruments:

Fair value method

##### c) Inventories

Mainly a historical cost basis based on an average method

## 2) Depreciation and Amortization Methods of Significant Fixed Assets

### a) Tangible Fixed Assets

Mainly declining balance method, except for buildings (excluding fixtures) acquired on or after April 1, 1998 and tools that are accounted for by straight-line method. Useful life and residual value are estimated by a method equivalent to the provisions of the Corporate Tax Law.

### b) Intangible Fixed Assets

Straight-line method with periods of useful life estimated by a method equivalent to the provisions of the Corporate Tax Law. Software for internal use is amortized on a straight-line basis over the period of internal use, i.e., 5 years.

## 3) Standards for Recognition of Reserves and Allowances

### a) Reserve for warranty expenses

Reserve for warranty expenses provides for after-sales expenses of products (vehicles). The amount is estimated per product warranty provisions and actual costs incurred in the past, taking future prospects into consideration.

### b) Reserve for loss on restructuring of subsidiaries and affiliates

Reserve for loss on restructuring of subsidiaries and affiliates provides for losses related to restructuring of subsidiaries and affiliates. The amount is estimated in light of the financial positions and other conditions of the subsidiaries and affiliates.

### c) Employees' severance and retirement benefits

Employees' severance and retirement benefits provide for the costs of severance and retirement benefits to employees. The amount is recognized based on the estimated amount of liabilities for severance and retirement benefits and the estimated fair value of the pension plan assets at the end of the current year. The recognition of prior service cost is deferred on a straight-line basis over a period equal to or less than the average remaining service period of employees at the time such cost is incurred (mainly 12 years). The recognition of actuarial differences is also deferred on a straight-line basis over a period equal to or less than the average remaining service period of employees at the time such gains or losses are realized (mainly 13 years). The amortization of net gains or losses starts from the fiscal year immediately following the year in which such gains or losses are realized.

### d) Directors' and corporate auditors' retirement benefits

Directors' and corporate auditors' retirement benefits provide for the payment of retirement benefits to directors and corporate auditors. The equivalent of the amount that would be required by the internal corporate policy if all the directors and corporate auditors retired at the end of this period is recognized.

### e) Allowance for doubtful receivables

Allowance for doubtful receivables provides for the losses from bad debt. The amount estimated to be uncollectible is recognized. For receivables at an ordinary risk, the amount is estimated based on the past default ratio. For receivables at a high risk and receivables from debtors under bankruptcy proceedings, the amount is estimated based on the financial standing of the debtor.

### f) Investment valuation allowance

Investment valuation allowance provides for losses from investments. The amount is estimated in light of the financial standings of the investee companies.

## 4) Accounting policies of foreign consolidated subsidiaries

Among the foreign consolidated subsidiaries, Compania Colombiana Automotriz S.A. prepares its financial statements based on the accounting principles generally accepted in Colombia to reflect adjustments for the country's inflationary economy and changing prices.

5) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rate on the year end; gains and losses in foreign currency translation are included in the income of the current period. Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the rates on the ends of the subsidiaries' accounting periods except for shareholders' equity accounts, which are translated at the historical rates. Income statements of consolidated overseas subsidiaries are translated at average rates of the subsidiaries' accounting periods, with the translation differences prorated and included in the shareholders' equity as foreign currency translation adjustments and minority interests.

6) Accounting for Leases

Lease transactions other than those finance leases with an unconditional title transfer clause are accounted for by the method equivalent to rental transactions.

7) Accounting for Hedging Activities

Full-deferral hedge accounting is mainly applied. However, certain hedging instruments, such as a forward exchange contract designated as hedging a foreign-currency-denominated receivable or payable, are translated into yen at the fixed exchange rate stipulated in the contract. Also, for certain interest swap contracts that are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

8) Accounting for Consumption Taxes

Tax-excluding method

**5. Cash and Cash Equivalents in the Consolidated Statement of Cash Flows**

Cash and cash equivalents consist of cash on hand, bank deposits that can be readily withdrawn, and short-term, highly liquid investments with maturities of three months or less at the time of acquisition that present insignificant risk of changes in value.

**Accounting Change**

**Directors' and corporate auditors' retirement benefits**

Until the year ended March 31, 2001, Mazda Motor Corporation (the "Company") accounted for directors' and corporate auditors' retirement benefits on a cash basis. Starting in this year, however, the Company changed its method of accounting for directors' and corporate auditors' retirement benefits from a cash basis to an accrual basis. In the new accrual method, the equivalent of the amount that would be required by the internal corporate policy if all the directors and corporate auditors retired at the end of this year is recognized.

The Company believes that this change provides a better matching of costs and revenues over the period of service and results in an improvement in the financial condition in light of the increasing trend in accounting practice to accrue the costs of retirement benefits to directors and corporate auditors.

The portion of the accrual relating to the current period, i.e., 167 million yen, has been included in selling, general and administrative expenses; the remaining portion relating to the prior periods, i.e., 572 million yen, has been included in extraordinary losses.

The effects of this change were to decrease operating income and ordinary income by 167 million yen and to decrease income before income taxes by 739 million yen.

## **Change in Presentation**

### **Consolidated Balance Sheet**

Until the prior period, Other Accounts Payable were included in the Other category of Current Liabilities. Starting in this period, however, Other Accounts Payable are separately presented for clarity.

## **Additional Information**

### **1. Securities**

Starting in this period, available-for-sale securities that have a market value are accounted for in accordance with the new Japanese accounting standard for financial instruments (“Opinion Concerning Establishment of Accounting Standard for Financial Instruments” issued by the Business Accounting Deliberation Council on January 22, 1999). As a result, net unrealized loss on available-for-sale securities has been recognized for the amount of 28 million yen.

### **2. Real Estate Trust Contract**

In September of 1999, Mazda Motor Corporation entered into a real estate trust contract. The beneficial ownership of property was transferred to a third party, and the real estate was leased back to Mazda. The real estate includes an educational facility, a research and development facility, distribution centers, and stores of domestic dealers. In addition, Mazda entered a “*Tokumei Kumiai*” agreement with, and made an investment in the transferee. The balance of the investment of 4,504 million yen is included in the Other category of the Investment and Other Fixed Assets.



## Footnotes

(in millions of yen)

	FY2001 (Apr. 2001 - Mar. 2002)	FY2000 (Apr. 2000 - Mar. 2001)
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### Consolidated Balance Sheet

1. Accumulated depreciation on tangible fixed assets	1,149,750	1,178,601
2. In FY2000, in accordance with the Law to Partially Revise the Land Revaluation Law (Law No. 19, enacted on March 31, 2001), land owned by Mazda for business uses was revalued. The unrealized gains on the revaluation are included in the shareholders' equity as "Land Revaluation" for the amount net of deferred taxes. The deferred taxes on the unrealized gains are included in the liabilities as "Deferred Tax Liability Related to Land Revaluation".		
Timing of revaluation: As of March 31, 2001		
Method of revaluation:		
The fair value of land is determined based on official notice prices that are assessed and published by the Commissioner of the National Tax Administration, as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Article 119 of 1998 Cabinet Order, promulgated on March 31, 1998). Reasonable adjustments, including those for the timing of assessment, are made to the official notice prices.		
The amount of difference between the aggregate fair value of the revalued land as of the end of this period and that at the time of revaluation as stipulated in Article 10 of the Land Revaluation Law is 17,634 million yen.		
3. Assets offered as collateral and collateralized loans		
Assets offered as collateral	481,911	474,738
Collateralized loans	345,430	361,378
4. Contingent liabilities for guarantee and similar agreements	59,231	58,947
5. Notes and other receivables discounted		
Discounted notes receivable	1,400	2,782
Endorsed notes receivable	-	13
Factoring of receivables with recourse	11,864	10,666
6. Accounting for notes payable and receivable matured on the balance sheet date		
Maturing notes payable and receivable are removed from the corresponding asset and liability accounts on the day the notes are actually settled. In both the present and prior years, those notes matured on the balance sheet dates have been included in the corresponding accounts on the balance sheets, as both the balance sheet days were holidays and financial institutions were off.		
Notes receivable	997	1,178
Notes payable	978	887

### Consolidated Statement of Operations

The aggregate amounts of research and development expenses	94,964	83,617
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### Consolidated Statement of Cash Flows

Reconciliation of cash and time deposits in the consolidated balance sheet to cash and cash equivalents in the consolidated statement of cash flows		
Cash and time deposits	228,679	294,891
Time deposits with original maturities of 3 months or longer	(601)	(2,276)
Short-term investments in securities with an original maturity of 3 months or less	1,366	-
Cash and cash equivalents	229,444	292,615

## Leases

(in millions of yen)

<b>FY2001</b>	<b>FY2000</b>
<b>(Apr. 2001 - Mar. 2002)</b>	<b>(Apr. 2000 - Mar. 2001)</b>

### **1. Finance lease transactions other than those with an unconditional title transfer clause to lessee**

#### **(Lessees)**

1) Equivalent of acquisition costs	141,399	157,308
Equivalent of accumulated depreciation	77,127	84,100
Equivalent of net book value as of balance sheet date	64,272	73,208
2) Future minimum lease payments as of balance sheet date (due within 1 year)	69,130 (19,953)	79,688 (21,741)
3) Lease fees paid for this fiscal year	23,733	25,357
Equivalent of depreciation	19,388	21,276
Equivalent of interest	3,070	3,838
4) Depreciation of leased assets is calculated at 100% of acquisition costs or up to the contracted residual value for the assets, using the straight-line method over the lease term.		
5) Interest included in lease fees is computed as a difference between total lease fees and acquisition costs of the leased assets. This amount is allocated to each fiscal period by interest method.		

#### **(Lessors)**

1) Acquisition costs	5,945	6,201
Accumulated depreciation	4,199	4,457
Net book value as of balance sheet date	1,746	1,744
2) Future minimum lease payments to be received as of balance sheet date (due within 1 year)	2,443 (975)	2,582 (794)
3) Lease fees received for this fiscal year	1,193	1,130
Depreciation	601	566
Equivalent of interest	86	86
4) Interest included in lease fees is computed as a difference between total lease fees and acquisition costs of the leased assets. This amount is allocated to each fiscal period by interest method.		

### **2. Operating lease transactions**

#### **(Lessees)**

Future minimum lease payments as of balance sheet date (due within 1 year)	50,460 (6,420)	48,499 (5,535)
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#### **(Lessors)**

Future minimum lease payments to be received as of balance sheet date (due within 1 year)	10,006 (4,414)	10,140 (4,517)
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## Fair Value Information of Securities

### FY2001 (As of March 31, 2002)

1. **Held-to-maturity debt securities that have a market value**

None.

2. **Available-for-sale securities that have a market value**

(in millions of yen)

	Acquisition cost	Balance sheet amount	Unrealized gain/loss
a) Stocks	2,024	2,116	92
b) Bonds			
Corporate bonds	1	1	-
Others	14	16	2
c) Others	1,366	1,366	-
Total	3,405	3,499	94

3. **Available-for-sale securities that have been sold during this fiscal year**

(in millions of yen)

Amount sold	Gain	Loss
1,435	868	3

4. **Securities that are not valued at fair value**

(in millions of yen)

	Balance sheet amount
a) Held-to-maturity debt securities	-
b) Available-for-sale securities	
Unlisted stocks (excluding those traded over-the-counter)	9,027

5. **Redemption schedule (after the balance sheet date) of available-for-sale securities that have a maturity**

(in millions of yen)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Debt securities				
Corporate bonds	-	1	-	-
Others	17	120	-	-
Total	17	121	-	-

### FY2000 (As of March 31, 2001)

1. **Held-to-maturity debt securities that have a market value**

None.

2. **Available-for-sale securities that have a market value**

Fair value information is omitted in accordance with the Ministerial Ordinance No. 9-3, promulgated in 2000.

3. **Available-for-sale securities that have been sold during this fiscal year**

(in millions of yen)

Amount sold	Gain	Loss
10,209	214	3,798

4. **Securities that are not valued at fair value**

(in millions of yen)

	Balance sheet amount
a) Debt securities held for their maturities	-
b) Available-for-sale securities	
Unlisted stocks (excluding those traded over-the-counter)	8,999

5. **Redemption schedule (after the balance sheet date) of available-for-sale securities that have a maturity**

(in millions of yen)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Debt securities				
Corporate bonds	10	10	4	-
Others	9	45	27	-
Total	19	55	31	-

## Derivative Transactions

The following tables summarize fair value information of derivative transactions for which hedge accounting has not been applied:

### 1. Currency-related transactions

(in millions of yen)

Forward foreign exchange contracts:	FY2001 (March 31, 2002)				FY2000 (March 31, 2001)			
	Contract amount	Over 1 year	Estimated fair value	Recognized gain/(loss)	Contract amount	Over 1 year	Estimated fair value	Recognized gain/(loss)
Sell:								
U.S. dollars	756	-	763	(7)	6,508	-	7,516	(1,008)
Canadian dollars	649	-	653	(4)	770	-	784	(14)
Australian dollars	1,003	-	1,035	(32)	1,466	-	1,368	98
Euro	3,735	-	3,755	(20)	2,701	-	2,708	(7)
Others	779	-	802	(23)	-	-	-	-
Total	6,922	-	7,008	(86)	11,445	-	12,376	(931)

Notes: 1) Fair values at the end of each accounting period are estimated based on prevailing forward exchange rates at that date.

2) Derivative contracts that are accounted for by hedge accounting are excluded.

### 2. Interest rate-related transactions

(in millions of yen)

Interest rate swap contracts:	FY2001 (March 31, 2002)				FY2000 (March 31, 2001)			
	Contract amount	Over 1 year	Estimated fair value	Recognized gain/(loss)	Contract amount	Over 1 year	Estimated fair value	Recognized gain/(loss)
Receive/floating and pay/fixed	300	-	(5)	(5)	-	-	-	-
Total	300	-	(5)	(5)	-	-	-	-

Notes: 1) Fair values at the end of each accounting period are estimated based on information provided by financial institutions engaged in the contracts and other sources.

2) Derivative contracts that are accounted for by hedge accounting are excluded.

## Employees' Severance and Retirement Benefits

### FY2001 (March 31, 2002)

#### 1. Overview of Employees' Severance and Retirement Benefits

Mazda Motor Corporation and its domestic consolidated subsidiaries have various combinations of employer-sponsored pension plans and/or severance pay plans, all of which are defined benefit plans. In addition, certain overseas consolidated subsidiaries have defined benefit plans and/or defined contribution plans.

#### 2. Liability for Severance and Retirement Benefits (as of March 31, 2002)

(in millions of yen)

	FY2001 (March 31, 2002)
Projected benefit obligation	(530,731)
Fair value of pension plan assets	249,765
Subtotal	(280,966)
Unrecognized:	
Transition obligation	-
Actuarial differences	103,717
Prior service cost	2,683
Total	(174,566)
Prepaid pension cost	64
Liability for severance and retirement benefits	(174,630)

Notes:

- 1) The above amounts include those ascribed to the portions of certain employer-sponsored pension plans that partially substitute the national pension plan.
- 2) Certain consolidated subsidiaries estimate their liability for severance and retirement benefits by a "simplified" method.

#### 3. Severance and Retirement Benefit Expenses (from April 1, 2001 to March 31, 2002)

(in millions of yen)

	FY2001 (April 2001-March 2002)
Service costs--benefits earned during the year	15,087
Interest cost on projected benefit obligation	15,767
Expected return on pension plan assets	(13,541)
Net transition obligation	-
Amortization of actuarial differences	3,355
Amortization of prior service costs	333
Severance and retirement benefit expenses	21,001

Notes:

- 1) Employees' contributions to employer-sponsored pension plans are excluded from the expenses.
- 2) The severance and retirement benefit expenses of those consolidated subsidiaries using the "simplified" method of estimation are included in the service costs.

#### 4. Assumptions

	FY2001 (April 2001-March 2002)
Inter-period allocation method for estimated severance and retirement benefits	Allocated proportionally based on years worked
Discount rate	Primarily 3.0%
Expected return on pension plan assets	Primarily 5.5%
Amortization period of prior service cost	Primarily 12 years
Amortization period of actuarial differences	Primarily 13 years

## Employees' Severance and Retirement Benefits

### FY2000 (March 31, 2001)

#### 1. Overview of Employees' Severance and Retirement Benefits

Mazda Motor Corporation and its domestic consolidated subsidiaries have various combinations of employer-sponsored pension plans and/or severance pay plans, all of which are defined benefit plans. In addition, certain overseas consolidated subsidiaries have defined benefit plans and/or defined contribution plans.

#### 2. Liability for Severance and Retirement Benefits (as of March 31, 2001)

(in millions of yen)

	FY2000 (March 31, 2001)
Projected benefit obligation	(481,087)
Fair value of pension plan assets	260,877
Subtotal	(220,210)
Unrecognized:	
Transition obligation	-
Actuarial differences	42,567
Prior service cost	4,490
Total	(173,153)
Prepaid pension cost	56
Liability for severance and retirement benefits	(173,209)

Notes:

- 1) The above amounts include those ascribed to the portions of certain employer-sponsored pension plans that partially substitute the national pension plan.
- 2) In the consolidated balance sheet, the amount of severance pay for Early Retirement Special Program, i.e., 45,232 million yen, is not included in the "Employees' Severance and Retirement Benefits", but included in the "Other Accounts Payable" category of the current liabilities.
- 3) Certain consolidated subsidiaries estimate their liability for severance and retirement benefits by a "simplified" method.

#### 3. Severance and Retirement Benefit Expenses (from April 1, 2000 to March 31, 2001)

(in millions of yen)

	FY2000 (April 2000-March 2001)
Service costs--benefits earned during the year	15,592
Interest cost on projected benefit obligation	15,696
Expected return on pension plan assets	(15,171)
Net transition obligation	154,608
Amortization of prior service costs	391
Severance and retirement benefit expenses	171,116

Notes:

- 1) In addition to the retirement benefit expenses, an amount of 36,608 million yen is included in extraordinary loss for the severance pay under Early Retirement Special Program.
- 2) Employees' contributions to employer-sponsored pension plans are excluded from the expenses.
- 3) The severance and retirement benefit expenses of those consolidated subsidiaries using the "simplified" method of estimation are included in the service costs.

#### 4. Assumptions

	FY2000 (April 2000-March 2001)
Inter-period allocation method for estimated severance and retirement benefits	Allocated proportionally based on years worked
Discount rate	Primarily 3.5%
Expected return on pension plan assets	Primarily 5.5%
Amortization period of prior service cost	Primarily 12 years
Amortization period of actuarial differences	Primarily 13 years
Amortization period of net transition obligation	1 year

## Income Taxes

1. Deferred tax assets and liabilities reflect the estimated tax effects of accumulated temporary differences between assets and liabilities for financial accounting purposes and those for tax purposes. The significant components of deferred tax assets and liabilities at March 31, 2002 and 2001 were as follows:

	(in millions of yen)	
	FY2001	FY2000
	(March 31, 2002)	(March 31, 2001)
<b>Deferred tax assets</b>		
Allowance for doubtful receivables	9,056	7,183
Employees' severance and retirement benefits	67,153	66,017
Accrued bonuses and other reserves	17,362	16,786
Inventory valuation	3,477	3,482
Net operating loss carryforwards	50,590	65,129
Other	63,078	52,974
Total gross deferred tax assets	<u>210,716</u>	<u>211,571</u>
Less: valuation allowance	<u>(24,530)</u>	<u>(33,280)</u>
Net deferred tax assets	186,186	178,291
 <b>Deferred tax liabilities</b>		
Reserves under Special Taxation Measures Law	(6,940)	(8,417)
Other	(5,977)	(5,922)
Deferred tax liabilities	<u>(12,917)</u>	<u>(14,339)</u>
Net deferred tax assets	<u>173,269</u>	<u>163,952</u>

### **Deferred tax liability related to land revaluation**

Deferred tax liability related to land revaluation	(93,971)	(93,429)
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The net deferred tax assets and deferred tax liability related to land revaluation are included in the following accounts in the consolidated balance sheet:

Current assets--Deferred tax assets	80,403	42,785
Fixed assets--Deferred tax assets	92,983	121,294
Current liabilities--Other	(23)	(51)
Fixed liabilities--Other	(94)	(76)
Fixed liabilities--Deferred tax liability related to land revaluation	(93,971)	(93,429)

2. The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2002 and 2001 differ from the statutory tax rate for the following reasons:

	FY2001	FY2000
	(March 31, 2002)	(March 31, 2001)
Statutory tax rate	41.7 %	41.7 %
Equity in net income of unconsolidated subsidiaries and affiliated companies	(17.0)	0.4
Recognition of deferred taxes on net operating losses of consolidated subsidiaries and equity method-applied companies		(7.4)
Valuation allowances	(34.3)	7.0
Reversal of unrealized profits from intercompany transactions	19.4	(3.7)
Elimination of dividend income from overseas consolidated subsidiaries	7.1	
Taxes on retained earnings of subsidiaries in which investments were sold during the period	6.8	
Other	2.3	(2.3)
Effective tax rate	<u>26.0</u>	<u>35.7</u>

## Segment Information

### 1. Information by Industry Segment

The company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of passenger and commercial vehicles. Net sales, operating income (loss) and assets related to this industry have exceeded 90% of the respective consolidated amounts. Accordingly, information by industry segment is not shown.

### 2. Information by Geographic Areas

FY2001 (Year ended March 31, 2002)	(in millions of yen)						Consolidated
	Japan	North America	Europe	Other areas	Total	Elimination or corporate	
Net sales:							
Outside Customers	1,071,430	739,896	191,005	92,583	2,094,914	-	2,094,914
Inter-area	547,334	28,473	212	11	576,030	(576,030)	-
Total	1,618,764	768,369	191,217	92,594	2,670,944	(576,030)	2,094,914
Costs and expenses	1,594,198	760,210	190,245	89,272	2,633,925	(567,564)	2,066,361
Operating income (loss)	24,566	8,159	972	3,322	37,019	(8,466)	28,553
Total identifiable assets	1,555,771	223,528	82,990	28,741	1,891,030	(156,135)	1,734,895

Notes:

1) Method of segmentation and principal countries or regions belonging to each segment

a) Method: Segmentation by geographic adjacency

b) Principal countries or regions belonging to each segment

North America: U.S.A. and Canada

Europe: Germany and Belgium

Other areas: Australia and Colombia

2) As discussed in the Accounting Change of the Notes to the Consolidated Financial Statements, starting in FY2001, Mazda has changed its method of accounting for directors' and corporate auditors' retirement benefits.

The effect of this change to the Japanese segment is to increase operating expenses by 167 million yen and to decrease operating income by the same amount.

FY2000 (Year ended March 31, 2001)	(in millions of yen)						Consolidated
	Japan	North America	Europe	Other areas	Total	Elimination or corporate	
Net sales:							
Outside Customers	1,195,609	580,767	168,957	70,479	2,015,812	-	2,015,812
Inter-area	393,783	10,321	725	13	404,842	(404,842)	-
Total	1,589,392	591,088	169,682	70,492	2,420,654	(404,842)	2,015,812
Costs and expenses	1,603,048	595,180	170,653	69,709	2,438,590	(407,841)	2,030,749
Operating income (loss)	(13,656)	(4,092)	(971)	783	(17,936)	2,999	(14,937)
Total identifiable assets	1,614,139	151,935	65,806	24,706	1,856,586	(112,959)	1,743,627

Notes:

1) Method of segmentation and principal countries or regions belonging to each segment

a) Method: Segmentation by geographic adjacency

b) Principal countries or regions belonging to each segment

North America: U.S.A. and Canada

Europe: Germany and Belgium

Other areas: Australia and Colombia



### 3. Overseas Sales

<b>FY2001</b> (Year ended March 31, 2002)	(in millions of yen)			
	North America	Europe	Other areas	Total
Overseas sales	776,889	228,120	278,855	1,283,864
Consolidated sales	-	-	-	2,094,914
Percentage of overseas sales to consolidated sales	37.1%	10.9%	13.3%	61.3%

<b>FY2000</b> (Year ended March 31, 2001)	(in millions of yen)			
	North America	Europe	Other areas	Total
Overseas sales	618,076	236,324	249,444	1,103,844
Consolidated sales	-	-	-	2,015,812
Percentage of overseas sales to consolidated sales	30.7%	11.7%	12.4%	54.8%

Notes:

- 1) Overseas sales include exports by Mazda Motor Corporation and its domestic consolidated subsidiaries as well as sales (other than exports to Japan) by overseas consolidated subsidiaries.
- 2) Method of segmentation and principal countries or regions belonging to each segment
  - a) Method: Segmentation by geographic adjacency
  - b) Principal countries or regions belonging to each segment
 

North America:	U.S.A. and Canada
Europe:	Germany and England
Other areas:	Australia, Thailand and Colombia

## Related Party Transactions

### FY2001 (Year ended March 31, 2002)

#### 1. Directors and Major Individual Stockholders

Party Type	Director	Director
Party Name	Kazuhide Watanabe	Takashi Yamanouchi
Line of Business	Representative Director and Chairman of the Board, Mazda Motor Corporation Chairman, The Mazda Foundation	Senior Managing Director of the Board, Mazda Motor Corporation Chairman, Mazda Health Insurance Society
% of Voting Stock Held	0.0% (direct)	0.0% (direct)
Detail of Transaction	Mazda Motor Corp. donated funds to The Mazda Foundation.	Mazda Motor Corp. subcontracted legally-required and other physical examination services for the employees to Mazda Health Insurance Society.
Transaction amount	50 million yen	119 million yen
Account Title	-	-
Ending Balance	-	-

Notes:

- 1) These transactions are so-called related party transactions for a third party.

#### 2. Subsidiaries and Other Similar Parties

Party Type	Affiliate	
Party Name	AutoAlliance International, Inc. (AAI)	
Address	Flat Rock, Michigan, USA	
Capital	US\$760,000 thousand	
Line of Business	Manufacturing and sales of automobiles	
% of Voting Stock Held	50.0% (direct)	
	By Mazda's directors	2 persons
	By Mazda's employees	-
	By transfer from Mazda	1 person
	Concurrent board appointment	
	Business relation	AAI manufactures and sells Mazda-brand products.
Nature of Relation		
Detail of Transaction	Mazda Motor Corp. issued letters of undertaking to AAI's creditors for its loans.	
Transaction amount	48,405 million yen	
Account Title	-	
Ending Balance	-	

Note:

Letters of undertaking are issued by taking the financial positions and other conditions of the guarantee companies into consideration.

#### 3) Subsidiaries of the Common Parent or a Common Superior Affiliate

Party Type	Subsidiary of a common superior affiliate	
Party Name	Primus Financial Services Inc.	
Address	Chuo-Ku, Osaka	
Capital	2,600 million yen	
Line of Business	Automotive related finance and lease services	
% of Voting Stock Held	0% (Subsidiary of Ford Motor Company)	
	By Mazda's directors	1 person
	By Mazda's employees	-
	By transfer from Mazda	-
	Concurrent board appointment	
	Business relation	Mazda's receivables are transferred (sold) to Primus.
Nature of Relation		
Detail of Transaction	Mazda's receivables are transferred (sold) to Primus.	
Transaction amount	123,825 million yen	
Account Title	Other Accounts Receivable	
Ending Balance	3,279 million yen	

Notes:

- 1) The transaction amount and ending balance do not include consumption taxes.
- 2) The terms of the transaction as well as the policy to determine the terms of the transaction are determined in a manner equivalent to those for a transaction with an unrelated third party by taking market interest rates into consideration.

## 5. Production and Sales Information

### 1. Production Volume

Type	FY 2001 (April 2001 to March 2002)	FY 2000 (April 2000 to March 2001)	Increase/ (Decrease)
	units	units	units
Passenger cars	661,274	659,918	1,356
Trucks	68,677	78,025	(9,348)
Vehicles Total	729,951	737,943	(7,992)

Note: Production volume figures do not include those Mazda-brand vehicles produced by the following joint venture assembly plants with Ford (that are accounted for by the equity method):

	FY2001	FY2000	Increase/ (Decrease)
AutoAlliance International, Inc.	46,705 units	68,203 units	(21,498) units
AutoAlliance (Thailand) Co., Ltd.	27,129 units	30,515 units	(3,386) units

### 2. Sales Volume and Revenue

Type	FY 2001 (April 2001 to March 2002)		FY 2000 (April 2000 to March 2001)		Increase/ (Decrease)	
	Volume	Revenue	Volume	Revenue	Volume	Revenue
	units	million yen	units	million yen	units	million yen
Vehicles	948,442	1,483,159	963,991	1,355,752	(15,549)	127,407
Knockdown Parts (Overseas)	—	59,650	—	59,513	—	137
Parts	—	147,950	—	203,042	—	(55,092)
Others	—	404,155	—	397,505	—	6,650
Total	—	2,094,914	—	2,015,812	—	79,102

#### < Sales Volume by Market >

Type	FY 2001 (April 2001 to March 2002)	FY 2000 (April 2000 to March 2001)	Increase/ Decrease
	units	units	units
Japan	288,213	333,803	(45,590)
North America	346,943	299,655	47,288
Europe	150,406	175,421	(25,015)
Others	162,880	155,112	7,768
Overseas Total	660,229	630,188	30,041
Total	948,442	963,991	(15,549)

# Five Year Financial Summary (Consolidated)

May. 15, 2002  
Mazda Motor Corporation

## Upper left: Unconsolidated

(in 100 millions of yen)  
(in thousands of units)

		FY1998 (Apr.98-Mar.99)		FY1999 (Apr.99-Mar.00)		FY2000 (Apr.00-Mar.01)		FY2001 (Apr.01-Mar.02)		FY2002 (Apr.02-Mar.03) Projection		
Domestic	1	6,034	(4.4)	6,514	8.0	6,396	(1.8)	5,617	(12.2)	6,300	12.2	
		6,702	(4.8)	9,554	42.6	9,120	(4.6)	8,110	(11.1)	8,219	1.3	
Overseas	2	8,505	(3.5)	8,146	(4.2)	6,830	(16.2)	8,029	17.6	8,700	8.3	
		13,868	3.7	12,061	(13.0)	11,038	(8.5)	12,839	16.3	14,281	11.2	
Net sales	3	14,540	(3.9)	14,661	0.8	13,227	(9.8)	13,646	3.2	15,000	9.9	
		20,570	0.8	21,615	5.1	20,158	(6.7)	20,949	3.9	22,500	7.4	
Operating income/(loss)	4	556	78.2	130	(76.5)	(313)	-	260	-	280	7.4	
		625	88.2	251	(59.8)	(149)	-	285	-	510	78.6	
Ordinary income/(loss)	5	497	91.8	77	(84.5)	(323)	-	283	-	250	(11.8)	
		469	409.9	61	(86.8)	(297)	-	192	-	370	92.5	
Income/(loss) before tax	6	305	164.6	87	(71.5)	(2,186)	-	201	-	250	24.4	
		235	-	226	(3.5)	(2,424)	-	155	-	330	112.8	
Net income/(loss)	7	305	165.2	51	(83.2)	(1,275)	-	132	-	160	20.7	
		387	-	261	(32.4)	(1,552)	-	88	-	200	126.5	
Operating income/(loss) by geographic area	Japan	605		169		(136)		245		366		
	North America	31		6		(41)		82		32		
	Europe	54		33		(10)		10		79		
	Other	(6)		(5)		8		33		45		
Capital investment	9	374		415		399		468		420		
		434		488		472		566		480		
Depreciation and amortization	10	373		363		350		322		260		
		485		518		495		448		380		
R & D cost	11	828		670		685		633		770		
		854		761		836		949		960		
Total assets	12	10,749		11,046		14,283		13,731		14,000		
		14,790		14,695		17,436		17,348		16,700		
Net worth	13	4,163		4,399		4,345		4,474		4,602		
		3,779		2,457		1,588		1,728		1,861		
Financial debts	14	4,233		4,011		4,562		4,334		4,273		
		7,287		7,706		7,772		6,863		6,346		
Net financial debts	15	3,101		2,340		2,305		2,800		2,732		
		5,759		5,370		4,846		4,569		4,052		
Cash flow	16	(401)		760		59		(491)		100		
		-		2,750	*1	522		306		400		
Performance of operation	17							Back in the black for the fiscal period		Sales:Increase Net Income:Increase		
Domestic	18	337	(2.4)	344	2.4	337	(2.1)	287	(14.9)	319	11.1	
		337	(2.4)	345	2.5	334	(3.4)	288	(13.7)	319	10.7	
North America	19	119	(13.3)	177	48.7	178	0.7	226	26.9	189	(16.5)	
		261	4.1	297	13.8	300	1.0	347	15.8	323	(6.9)	
Europe	20	272	23.8	236	(13.4)	158	(32.9)	151	(4.9)	191	26.9	
		268	17.9	241	(10.2)	175	(27.1)	150	(14.3)	188	25.0	
Other	21	155	(22.3)	122	(21.4)	154	25.6	157	2.5	166	5.9	
		159	(17.0)	130	(18.6)	155	19.4	163	5.0	171	5.0	
Overseas	22	546	(1.9)	535	(2.1)	490	(8.4)	534	9.0	546	2.3	
		688	2.8	668	(3.0)	630	(5.6)	660	4.8	682	3.3	
Sales volume	23	883	(2.1)	879	(0.4)	827	(5.9)	821	(0.8)	865	5.4	
		1,025	1.0	1,013	(1.2)	964	(4.8)	948	(1.6)	1,001	5.5	
Retail volume	Share Domestic	24	5.4%	5.5%		5.1%		4.6%		5.2%		
	USA *2	25	314	(2.2)	323	2.8	307	(5.2)	268	(12.5)	296	10.3
	Europe *2	26	241	8.4	244	1.3	256	4.8	270	5.5	260	(3.6)
		237	13.1	241	1.7	211	(12.6)	165	(21.9)	181	10.0	

Note: \*1 Consolidated cash flow of positive ¥275 billion includes debt reduction(¥148.4 billion) from divestiture of equity in subsidiaries.

\*2 Retail volumes of USA and Europe are of calendar year basis.