# Execute, Deliver and Grow

## Annual Report 2001

For the year ended March 31, 2002

mazda

# Profile

Mazda Motor Corporation, established in 1920 and headquartered in Hiroshima, is one of the leading automobile manufacturers in Japan. Manufacturing operations encompass two plants in Japan and 15 overseas production facilities. Mazda's vehicles are available in over 150 countries and territories around the world.

Fiscal 2001 was a landmark year for Mazda, as we returned to profitability and achieved a record turnaround in our net profit in line with the objectives outlined under the Millennium Plan in November 2000. Through enhancing brand image, streamlining operations and corporate structures, maximizing synergies and empowering leadership, we are ready to move from what has been largely a financial-based recovery to product-led growth.

The entire Mazda group is working hard on the successful launch of our exciting next-generation products, beginning with the all-new Mazda Atenza/Mazda6 and Mazda Demio/Mazda2 models, which fully embody Mazda DNA. Accompanied by a worldwide innovative launch and marketing campaign using our brand message "Zoom-Zoom" (capturing the love of motion experienced as a child), these all-new models truly reflect the fun-to-drive feeling, or "Zoom-Zoom" spirit, of Mazda and Mazda products.

Mazda is on track and totally focused on meeting our performance targets. As we enter a pivotal period of Execution, Delivery and Growth, we will strive to execute flawlessly the commitments made in the Millennium Plan.


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# Financial Highlights

Mazda Motor Corporation and Consolidated Subsidiaries
Years ended March 31, 2002, 2001 and 2000

| | Millions of yen | | | Thousands of U.S. dollars[1] |
|---|---|---|---|---|
| | **2001** March 31, 2002 | 2000 March 31, 2001 | 1999 March 31, 2000 | **2001** March 31, 2002 |
| **For the year:** | | | | |
| Net sales | **¥2,094,914** | ¥2,015,812 | ¥2,161,572 | **$15,751,233** |
| Net income (loss) | **8,830** | (155,243) | 26,155 | **66,391** |
| **At the year-end:** | | | | |
| Total assets | **1,734,895** | 1,743,627 | 1,469,533 | **13,044,323** |
| Shareholders' equity | **172,837** | 158,872 | 245,709 | **1,299,526** |
| | Yen | | | U.S. dollars |
| **Amounts per share of common stock:** | | | | |
| Net income (loss)[2] | **¥ 7.23** | ¥ (126.99) | ¥ 21.39 | **$ 0.05** |
| Cash dividends applicable to the year[3] | **2.00** | – | 2.00 | **0.02** |

Notes:
1. The translation of the Japanese yen amounts into U.S. dollars is presented solely for the convenience of readers, using the prevailing exchange rate at March 31, 2002, of ¥133 to US$1.
2. The computations of net income (loss) per share of common stock are based on the average number of shares outstanding during each fiscal year.
3. Cash dividends per share represent actual amounts applicable to the respective years.

# EXECUTE, DELIVER AND GROW

Fiscal year 2001 was a balanced and very encouraging year for Mazda. We delivered or exceeded all the commitments we laid out in our strategic and operating business strategy, the Millennium Plan, and this resulted in a return to profitability (on both an operating and net basis). Our results were generated by a strong cost reduction performance, the completion of our volume and production targets and good progress on debt reduction. They confirmed that the Millennium Plan is the right strategy and that it is working. Continued implementation through the year of its four key pillars—Reform and Restructuring, Growth, Synergies with Ford and People Development—laid the foundation for sustained, profitable growth in the years ahead.

## Restructuring the Fundamentals of the Mazda Business

In 2000, we reported on the difficult but crucial decisions we had taken to secure the future of the business, including an Early Retirement Special Program. In 2001, we continued to re-engineer the business in Japan to make more efficient and effective use of our outstanding workforce. To align our production capacity with projected sales, we completed, on target, the planned closure of our Ujina 2 plant (announced in late 2000 as part of the Millennium Plan). We also continued to restructure our subsidiary companies.

## Brand and Product-Based Growth

We made excellent progress through the year with the development of our all-new generation of products. Each one will fully embody our redefined brand. The first of the new products, the critically acclaimed Mazda Atenza (launched as the Mazda6 in overseas markets), went smoothly into production in the fourth quarter of the fiscal year.

Our major challenge during the year, however, was that we had no all-new or major-change products. We managed to maintain strong product activity through enhancements to existing vehicles, the launch of a number of special edition models and through innovations in our sales and marketing processes. These included a freshened Premacy in Japan and Europe, a new 3.0l front-wheel-drive Tribute model in Japan along with two new grades of our Demio called Purel and Aeroactive, a new micro-mini vehicle called Spiano and over 25 special versions of existing vehicles. Overseas we introduced the five-door Protegé/Familia in North America, the Premacy in Australia and China, and the Tribute in Europe and Australia.

We also strengthened our sales and distribution networks in major markets around the world.

- In Japan, dealers were profitable and generated positive cash flow for the third year in a row thanks to a number of efficiency initiatives. We expanded our "One Operation" program by implementing the first merger of dealers across prefectures in Kyushu. The "Mazda Excellent Program" was also introduced to evaluate dealer facilities and customer service objectively, leading to enhanced customer satisfaction.
- In Europe, in addition to Germany, Portugal, Spain and Italy, we obtained direct control of distribution in the U.K., France and Switzerland in fiscal 2001 and a 50% share of our distributor in Austria in April 2002. As a result, we gained control of distribution in markets in the region representing more than 80% of our volume.
- In North America, we initiated the "Mazda Elite Program" to raise dealer returns, drive improved customer satisfaction and refocus attention on the Mazda brand among our dualed dealers.

## A Clearer and Stronger Role in the Ford Group

During the year, we continued to deepen and strengthen our co-operative initiatives with Ford Motor Company, which cover R&D, technology sharing, distribution, logistics, other operating areas, and, importantly, people development.

Our new large inline four-cylinder engine family went into production in Hiroshima in January 2002. Mazda is the Center of Excellence within the Ford group for the design and development of this engine family and its technology.

Mazda Atenza/Mazda6 (launched in Japan in May 2002) is the first product developed by Mazda from a front-wheel drive mid-size architecture that will be available for other brands in the Ford group. In addition, Mazda6 production is scheduled to start in North America from October 2002 at our AutoAlliance International facility in Flatrock, Michigan, which is jointly operated with Ford.

Preparation for the production of our new small car for Europe (which will be known as Mazda2) is moving ahead smoothly at Ford's Valencia plant in Spain, with Mazda engineers now working alongside Ford colleagues in Europe. Mazda2 will not only deliver planned benefits to our business structure, including reduced foreign exchange exposure in particular, but will also retain a true Mazda character.

**"Fiscal year 2002, ending March 31, 2003, is the year for Mazda to execute, deliver and grow. We will maintain our momentum and fully implement our Millennium Plan."**

## People Development — A Beacon of Best Practices

In the area of people development, we continued to take significant steps to unleash the full potential of Mazda employees. We completed the Mazda Business Leader Development (MBLD) II. As a result, employees are equipped with a comprehensive understanding of the realities and challenges we still face. The program has also strengthened employee leadership across all levels of the company and will continue into the next fiscal period. In addition, we maintained our focus on motivation and remuneration: We introduced a stock option plan for management level employees as well as the Mazda Flexible Benefit Plan—a cafeteria-style fringe benefit system. We launched a new company-sponsored child day care center; Mazda is currently the only Japanese car manufacturer with such a facility. Finally, we announced the 21st Century Mazda Labor-Management Joint Declaration, confirming the mutual understanding and confidence between labor and management that is essential for our success.

## A Return to Profitability

The business environment for Mazda was extremely challenging during the fiscal year as a result of economic weakness in the global economy, furthered by the September 11 terrorist attacks in the United States.

Despite this, we achieved the best-ever operating and net profit turnaround in Mazda's corporate history, earning ¥28.5 billion on an operating basis.

Mazda's retail sales in a contracting Japanese market totaled 268,000 units, down 12.5% from the previous fiscal year. Our total share was 4.6%, down half a point in line with expectations due to the absence of new models in the face of a marked increase in competitor launches. On the plus side, Mazda's retail sales in the United States were up for the fourth year in a row, while our sales in Canada soared 33%, making Mazda the third largest selling Japanese automobile importer. Mazda Australia achieved record sales, up 24% compared with the previous fiscal year. And in Israel, Mazda maintained our position as the number-one selling brand. We also achieved substantial year-over-year sales gains in China and Taiwan.

On a consolidated basis, net sales were ¥2,094.9 billion, an increase of 3.9% from the previous fiscal year. Net income was ¥8.8 billion. Besides the non-recurrence of the one-time write-off of pension transitional obligations and other restructuring charges in the previous fiscal period, improved performance resulted from aggressive cost reductions, better subsidiary results and favorable exchange rates. 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 year-over-year.

## New-Generation Mazda Cars

Fiscal year 2002 will be a critical year for Mazda as we move from the financial-recovery phase of the Millennium Plan to the product-led growth phase.

Prospects are good. The first of the new-generation products, Mazda Atenza/Mazda6, has won positive customer, media and analyst acclaim since it was first shown at the Tokyo Motor Show in October 2001. Through its three body styles—the 5-door sport, the 4-door sedan and the sport wagon—the Mazda Atenza/Mazda6 exemplifies Mazda's "Zoom-Zoom" promise. Distinctive and athletic styling, superb driving performance, all-new, world-class gasoline and diesel engines, innovative packaging, craftsmanship, safety and environmental performance place this new family of cars at the forefront of the segment. Further, an innovative launch and marketing campaign using the brand message "Zoom-Zoom," which expresses the fun-to-drive experience we have engineered into our products, is being used in markets worldwide.

Following this release, the new Mazda Demio (Mazda2 overseas) represents our brand and product DNA in small car form. The compact, athletic Mazda Demio/Mazda2 aims to redefine its class through a combination of exciting exterior design, high quality and functional, flexible interiors and a spirited driving experience. Powered in Japan by new MZR 1.3 liter and 1.5 liter engines—the second of four new Mazda powertrains—it is offered as an innovative "3-cars-from-1" concept. Three lifestyle versions of the car—called Cozy, SPORT and Casual—target specific customer groups with special features and trims tailored to their needs.

Next in the pipeline is the eagerly awaited Mazda RX-8, scheduled for launch in early fiscal 2003. RX-8 is a sports car like no other, thanks to its genuine styling, handling and driving performance combined with the functionality offered by four full-size seats, the freestyle door system and Mazda's industry-unique new generation rotary engine.

With the rollout of this exciting new lineup, we are quietly confident that Mazda will re-conquer sales, market share and customers, and deliver significant business growth in coming years.

## Execute, Deliver and Grow

Fiscal year 2002, ending March 31, 2003, is the year for Mazda to execute, deliver and grow. We will maintain our momentum and fully implement our Millennium Plan.

We will further improve our cost structure and reduce our net debt. To support the stream of new products, we will continue to strengthen our distribution networks including upgrades and renovations to many outlets in Japan. We will reform subsidiaries to reinforce our financial structure, and we will continue to build up the strength of our people through best practices in our personnel policies, in particular through a third round of MBLD. Early in fiscal 2002, we took measures to strengthen the corporate governance structure of Mazda. Integrity in all the things we do has been and will continue to be a core value at Mazda Motor Corporation.

The operating environment will remain harsh and competition in the market will continue to be fierce worldwide, but we are confident about our strategy, proud of our new products and focused as a Mazda team. We will continue to deliver on our commitments.

Kazuhide Watanabe
Representative Director and
Chairman of the Board

Lewis Booth
Representative Director,
President and CEO

ZOOM-ZOOM

# CAPTURING THE LOVE OF MOTION

The all-new Mazda Atenza/Mazda6 and Mazda Demio/Mazda2 models fully embody our unique Mazda DNA and reflect the Zoom-Zoom spirit. Backed up by the pride and commitment of Mazda people, these two new-generation Mazda cars are perfect examples of what makes our cars truly distinctive. The following special feature illustrates how Mazda people brought the Zoom-Zoom spirit to life in these cars from three distinctive perspectives: model philosophy and packaging, exterior and interior design, and engineering.

# IT STARTS WITH A DREAM

At Mazda, we believe cars are not merely a means of transportation for people and goods. We believe our cars literally take on a life and vitality of their own to deliver an exciting and exhilarating driving experience each and every time you get behind the wheel. Our dream is not only to create top-quality, affordable cars that fit diverse lifestyles but also cars that are fun to drive and a pure delight to own. Mazda brand DNA, defined as "Stylish, Insightful and Spirited," is translated into Mazda products in the form of "Distinctive Design, Exceptional Functionality, Responsive Handling and Performance." These tangible product attributes awaken the senses and allow the Mazda dream to take shape. From the initial concept to the final product, the sight, sound, touch and feel of a Mazda car must transcend expectations and deliver exceptional performance, sparking a sense of anticipation and joy that only gets stronger from the first drive.

The Mazda Atenza/Mazda6 is positioned in an extremely competitive segment. To gain a strong market positioning right from the start, we had to create an all-new midsize family of cars designed to exceed customers' expectations through a combination of driving dynamics, design and package.

With an all-new platform, new powertrain technology and newly designed front and rear suspension, the Mazda Atenza/Mazda6 provides the driver with new levels of driving dynamics with linear steering feel and robust braking capability. We also integrated all of the positive attributes of great midsize cars into this single vehicle with three distinctive body styles—a 5-door hatchback, sedan and station wagon. These attributes are segment-leading comfort, harmony and human factors; performance under all conditions, including bad weather; protective safety features, both active and passive; sound quality, including low interior noise; innovative technology that exceeds customer expectations; and, extraordinary value. The Mazda Atenza/Mazda6 provides true satisfaction and is expected to assert a new style of leadership in the segment.

Mazda is also a pioneer in the compact utility car segment, in which previous versions of Demio have achieved solid success to date. In Japan, this is no easy task, considering that this segment has also become intensely competitive amid numerous product entries.

The all-new Mazda Demio/Mazda2 delivers class-leading driving dynamics in a compact body package that boasts an innovative and multi-purpose interior. Based on exhaustive lifestyle surveys of potential customers, Mazda has come up with a "3-cars-from-1" concept, featuring three individualistic and distinct lifestyle versions: Cozy, SPORT and Casual.

In terms of packaging, we worked hard to create a spacious and easy-to-use interior, including seats that combine superior support with ultimate comfort, precise and well-positioned car electronics, and class-topping audio and navigation systems. Along with these attributes, we incorporated unique model features, for example, an electric "White Canvas Roof" that allows natural light into the cabin for those customers with an open-air lifestyle spirit.

Focusing on design, driving dynamics, packaging and craftsmanship, as well as addressing safety and environmental standards, the all-new Mazda Atenza/Mazda6 and Mazda Demio/Mazda2 represent new global benchmarks in their respective segments.

**"Mazda cars are created for people who love to drive."**

# IT'S SHAPED WITH PASSION

Mazda's new design philosophy is based on the concept of dynamic athleticism. As the physical incarnation of athletic tension or posture in a three-dimensional form, Mazda design expresses dynamic motion or movement even when the car stands still.

This athleticism reflects the Zoom-Zoom spirit—a progressive design with a distinct Mazda look. Elements related to movement such as rhythm, speed and continuity create a dynamic balance. From any side or line of vision, when you look at a Mazda car, there is an unbroken flow and intonation with no beginning or end. This flow creates a feeling of speed and continuity, and fluid styling provides a feeling of rhythm.

Mazda design philosophy is also based on exceptional craftsmanship. Mazda focuses on design details that customers directly see, feel and use. This translates into easy-to-use controls and superb functionality. It also refers to the incorporation of colors, shapes, materials and sound quality that are pleasing to the human senses.

Each of Mazda Atenza/Mazda6's body styles has an athletic stance, the result of an upper body resting on a wider lower body with accented fenders covering the wheels. It is a design unique to Mazda, clearly communicating Mazda's advances in vehicle dynamics, performance and packaging.

Sculpted body surfaces on the Mazda Atenza/Mazda 6 are refined with defined shoulders to emphasize athleticism. The elimination of corners on the vehicle and the design "tension" placed in the center of the hood and around the center of the vehicle—placing the "visual weight" of the car between the front and rear wheels—differentiates the brand among the boxy cars in this segment today. Chrome and other decorative materials were sparingly, yet expertly used as accents on the Mazda Atenza/Mazda 6.

With regard to interior design, the requirements for the Mazda Atenza/Mazda6 were basically the same as for the exterior. However, we wanted to provide the utmost comfort for both driver and passengers. As an example, to convey a fresh, modern ambiance, we used "Revolutionary" and "Integration" as keywords for improving the dashboard area. At the same time, we maintained a high level of space efficiency, while adopting a sporty, athletic appeal.

This dynamic athleticism is also expressed in the Mazda Demio/Mazda2. It is reflected in the car's performance and functionality borne from its advanced hardware and emotionally charged design. The two key elements identified with the car focus on sophisticated driving dynamics and superior interior quality and roominess—key points of Mazda's DNA.

The exterior boldly takes the car's styling into the new millennium. Mazda Demio/Mazda2's majestic front highlights Mazda's newly defined identity, with sharp, up-slanting headlights and the signature 5-point meshed grille boasting a centrally located Mazda emblem. Combined with well-balanced, yet energetic lines, a rear view with a distinctive borderless look and excellent aerodynamics, the all-new model realizes a powerful, athletic stance in a compact body.

The interior of the Mazda Demio/Mazda2 is based on a clean and simple cabin layout styled to replicate the easy-living atmosphere of one's own room. Moreover, by employing leading ergonomic design techniques, the car has achieved best-in-class interior quality in terms of extra spaciousness and easy-handling seat adjustment functions. Other improvements contributing to unparalleled interior space include an innovative T-shaped dashboard, multi-purpose seating arrangement and a variety of storage pockets, as well as elegant panels and superbly coordinated color schemes and trim levels.

"Mazda cars embody athletic grace."

# EUROPE

Concerted efforts progressed toward enhancing Mazda's marketing and sales operations in major European markets in fiscal 2001, and we succeeded in strengthening distribution and sales presence, which will serve as the foundation for future growth in the region.

Total industry sales in Europe remained on par with levels of the previous year, with a slight 0.3% increase to 17,064,000 units. Mazda's retail sales, however, decreased 15.9% to 159,000 units, resulting in a decrease in Mazda's share by 0.3 percentage points to 0.9%. This decline in retail performance reflected industry conditions for limited diesel models and products that were late in their product cycle. Additional factors included foreign currency fluctuations, which in turn contributed to pricing difficulties.

In addition to Germany, Portugal, Spain and Italy, Mazda obtained direct control of distribution in the U.K., France and Switzerland in fiscal 2001, and acquired a 50% equity share in April 2002 of Mazda Austria GmbH, which, in addition to Austria, manages distribution in Hungary, Slovenia, Croatia, Macedonia, Yugoslavia, Bosnia, Romania and Bulgaria. As a result, Mazda obtained more than 80% control of our volume sold in Europe.

By country, Mazda's retail sales increased 25.5% in Spain and 7.5% in Italy, resulting in all-time Mazda volume records. At the same time, sales in the U.K. were up 56.4% since the acquisition. As a whole, these results indicate the strategic and tactical strengthening of sales performance in those markets where Mazda has assumed direct control of distribution. By controlling distribution operations, we can execute cost-efficient and brand-consistent launches and marketing across Europe.

Efforts also focused on strengthening cooperative and coordinated actions with the Ford group. The new Mazda2 will be produced at Ford's Valencia Plant in Almussafes, Spain, starting in early 2003, with an annual production target of 40,000 units. This will enable Mazda to realize an expected reduction in foreign currency exposure and will position Mazda more competitively in Europe. Mazda is also providing Mazda branded financial services to customers in eight locations via the dealer network under the name of Mazda Bank or Mazda Credit. These services are based on those provided by the Ford's wholly owned subsidiary, Ford Motor Credit Company, the world's largest automotive finance company. Our financial services, supported by Ford Credit's proven staff and systems, represent a competitive advantage for Mazda.

Such steps are crucial as we enter an intensive period of product introductions that will underpin significant growth during the next few years. A total of nine new products will be launched in Europe during the next 18 months. The new Mazda6 will include a 2.0 liter DE engine, while the new Mazda2 will be equipped with a 1.4 liter DE engine. The next-generation Common Rail DIDE, a cleaner engine for $CO_2$ reduction, is also under development. The new lineup of appealing models and engines suited to local needs combined with marketing and sales operational improvements are expected to drive sales to expand Mazda's presence in Europe.

1. In delivering "driving pleasures that provide the feel of oneness between car and driver," MX-5 has contributed to enhancing Mazda's brand image throughout the region.

2. Featuring a compact body, spacious interior and superb handling performance, Premacy has received wide customer acclaim in Europe.

3. The MPV, a stylish minivan embodying a range of new ideas, provides customers with a comfortable and quiet traveling environment, while offering stable and responsive handling.

# OTHER REGIONS

In Asia, Mazda's retail sales increased 23.7% to 46,132 units. This was largely attributable to an outstanding performance in China and Taiwan.

In Taiwan, Mazda boosted retail sales 24.9% to 13,061 units. This growth in sales was driven by the successful launch of Premacy and Tribute in April and September 2001, respectively.

In China, we achieved substantial year-over-year retail sales gains of 161.3% to 12,245 units. Mazda started local production of Premacy and 323 at FAW Hainan Motor Co., Ltd. in May of 2001 and July of 2002, respectively. Further, Mazda is currently in the process of developing exclusive dealerships throughout China and plans to increase the number of dealers from 34 at present to 50 by the end of year 2002. The total sales target for this year is set at 20,000 units.

In Oceania, favorable market conditions were reflected by positive results, with Mazda's retail sales up 21.2% to 38,971 units. In Australia, while total industry sales showed a slight decline, Mazda Australia Pty. Ltd. achieved record sales of 34,737 units, up 23.5% year-over-year. By maintaining strong brand recognition, the Tribute contributed to this sales increase.

In the Middle East, Mazda's retail sales dropped 3.5% to 35,520 units, mainly as a result of sluggish sales in Israel, down 29.8% from the previous year amid the escalating conflict with Palestine. However, Mazda maintained our leadership in the Israeli market for the sixth consecutive year, reflected by such honors as the Mazda MPV being awarded the "Best Car in the Minivan Class" and the 323 being selected as the "Best Buy of the Year" by *Auto Magazine*. In addition, Mazda's performance improved significantly in the Gulf Cooperation Council (GCC) nations, up 46.0% to 7,799 units, mainly due to improving local economies and a rise in consumer confidence.

In Africa, Mazda sales maintained the previous year's level, with a 3.4% sales increase in South Africa, Mazda's largest market.

In Latin America, Mazda's retail sales increased 20.6% to 31,127 units, with record sales increases in Colombia, Venezuela, Ecuador and Chile. Mazda achieved a solid performance in Colombia in particular. Sales were up 24.0% to 7,722 units compared to a 9% increase in total industry demand. This was largely attributable to a strong showing of the freshened 323, in which sales rose 39.4% to 5,073 units.

4. Mazda has maintained the largest market share in the Israeli market for the past six consecutive years. The further strengthening of the Mazda brand is anticipated in line with the scheduled completion of on-site premises, including showrooms and parts centers, in August 2003.

5. B-series pickup trucks produced in Thailand at AAT, a joint venture with Ford, are exported to more than 80 countries, excluding North America and Japan.

6. Along with enhancing local production and dealer representation, market presence in China was bolstered by the introduction of Premacy as the first Mazda brand and nameplate during the year, followed by the new 323 in July 2002.

# TECHNOLOGICAL AND ENVIRONMENTAL PROGRESS

## MDI Phase III

Mazda Digital Innovation (MDI) is a cutting-edge information technology system introduced in 1996 that allows Mazda product and manufacturing engineers to design vehicles more efficiently and to simulate manufacturing processes in three dimensions.

During fiscal 2001, Mazda continued implementation of MDI Phase III, targeting a reduction in vehicle development time and improvement in vehicle quality by using 20 additional state-of-the-art testing facilities and advanced virtual-testing simulation. Another key objective is to improve the data-banking of information for joint vehicle development with the Ford group. During the year, Mazda introduced 80% of the physical testing facilities and 50% of the virtual testing simulation planned for Phase III.

With the completion of Phase III, Mazda aims to reduce vehicle development time after styling freeze by 4 months to 14 months for brand new models, while contributing to further reduction of development costs through increased efficiency. This accelerated time-to-market means Mazda can quickly offer products that reflect customer needs. Mazda plans to invest an additional ¥17.5 billion in Phase III, bringing the total investment to ¥41.0 billion since 1996.

1. Phase III of MDI includes advanced virtual-testing simulation, which contributes to a further reduction in vehicle development time and improvement in vehicle quality.

2. The newly developed Three Layer Wet Paint System is a system in which primer, base and clear coatings are applied continuously, and all layers are baked at once in the top coating process. This integrated process enables the reduction of energy consumed in large scale inside the paint booth and oven.

## Environmental Issues

### Developing environment-friendly vehicles

Mazda employs a multi-pronged approach to developing environment-friendly vehicles. In line with our firm belief that further improvements of fuel economy and exhaust emission of powertrains are required for environmental protection, we have made numerous improvements to existing engines, including direct-injection gasoline and diesel engines. The environment-friendly features of the newly developed MZR aluminum inline 4-cylinder I-4 engine and the new-generation RENESIS rotary engine are also the outcome of Mazda's commitment to the environment.

Mazda has also been active in exploring alternative-fuel and clean-energy vehicles. We have participated in the development of fuel-cell technology in an alliance with Ford, DaimlerChrysler and Ballard Power Systems since April 1998, and subsequently began testing of the Premacy FC-EV on public roads. At the Geneva Motor Show in early 2001, Mazda also exhibited the MX SPORT TOURER, featuring a new hybrid four-wheel-drive system consisting of a lightweight, high-power, front-wheel-drive, 2.0-liter Sequential Valve Timing (S-VT) direct-injection gasoline engine and an electrically controlled, rear-wheel-drive electric motor.

3, 4. Mazda has adopted a semi-dry process (photograph No. 4) for almost all areas of machining of the aluminum cylinder block for the engine, resulting in an 84% reduction of lubricant required.

5. Recycling continues to become an issue of increasing importance at Mazda. The new parts shown here have been made using recycled materials from recovered bumpers.

## Aiming to become environment-friendly corporate citizen

All of Mazda's facilities in the Hiroshima area, including our Head Office, Hiroshima Plant and Miyoshi Plant, as well as the AAI Plant in the United States, were awarded ISO 14001 certification in June 2000. This globally recognized Environmental Management System follows the same certification previously awarded to the Hofu Plant and AAT AutoAlliance (Thailand) Company Limited.

Mazda has also made significant progress in the recycling and use of flammable and non-flammable waste from manufacturing and other processes. Plant waste reclamation was reduced from fiscal 1990 levels by 19% at the end of fiscal 2001.

During the year, Mazda successfully developed a new environment-friendly coating technology with solvent-borne paint, which reduces the emission of volatile organic compounds (VOC) to the same level of VOC regulations in Europe, where waterborne paints are mainly used. This technology also achieves reduction of energy ($CO_2$ emission) for production and better coating quality. This Three Layer Wet Paint System is a system which integrates the primer coating process into the top coating process with highly efficient application technology. It reduces the loss of paint and solvent and the energy for the primer coating booth and oven. It has been launched at our Hofu Plant 1 in Yamaguchi Prefecture.

Mazda also started to adopt a semi-dry machining process for almost all areas of aluminum cylinder block machining of the newly developed MZR aluminum inline 4-cylinder 1.3/1.5 engines. As a result, the amount of lubricant required has been reduced by 84% from the conventional production process. The semi-dry machining has enabled Mazda to reduce the environmental impact, including a 75% reduction in the energy used to pump lubricant to the machining line and 80% reduction in the amount of waste lubricant incinerated, while maintaining the same product quality and productivity as the conventional process.

## Recycling

Recycling is another issue being addressed through Mazda's concerted environmental actions. In Japan, the Automobile Recycling Law is expected to take effect from fall 2004. In fiscal 2001, the Company established a Recycle Promotion Office to proactively deal with growing social demands for recycling. In cooperation with other auto manufacturers, Mazda is also seeking to establish an infrastructure to manage recycling measures in compliance with the Fluorocarbons Recovery and Destruction and the Automobile Recycling laws.

Mazda's efforts include a recycling project for damaged bumpers at dealerships, which was expanded nationwide in November 1999. During fiscal 2000 and 2001, Mazda recovered 32,000 and 39,000 bumpers, respectively. Mazda has been reutilizing recycled materials made from recovered bumpers for new parts such as under covers. Furthermore, from February 2001, Mazda has improved recycled material quality by employing an efficient paint removal technology for application on bumper reinforcement parts of the Mazda Familia/323.

1. MPV@Navi Sports is equipped with a DVD car navigation system compatible with the Mazda Telematics driving information services and features aerodynamic parts.

2. Mazda's Hofu Plant in Yamaguchi Prefecture reached a cumulative production volume of 5 million units in January 2002.

3. A special version of the rotary-powered RX-7, Type R Bathurst has the lightest power-weight ratio and is equipped with custom height-adjustable dampers.

# JAPAN

Amid an adverse operating environment, fiscal 2001 was a tough year for Mazda in Japan; however, it was a year in which performance targets were in line with expectations. Domestic industry sales declined 2.6% to 5,819,000 units. Mazda's retail sales in Japan dropped 12.5% to 268,000 units, resulting in a 0.8 percentage point decrease in Mazda's share of the registered vehicle industry to 5.7%. Our total share, including micro-mini vehicles, was 4.6%, down half a percentage point.

Although no all-new or major-change products were introduced during the year, Mazda maintained strong product and marketing activities to sustain sales and volume and to remain competitive in the market, offering our dealers and customers a number of special versions that readily demonstrated added value. Mazda launched 26 special versions of existing product models during the year, among which MPV's special version @Navi Sports and RX-7's Type R Bathurst and Roadster MV-Limited were highly successful.

Our domestic dealers were profitable and generated positive cash flow for the third consecutive year. This reflects our success in strengthening our distribution network, whereby we continued to focus on improving dealers' financial position as well as service efficiency and parts distribution, with our ultimate aim being to enhance customer satisfaction. Within our three dealer channels, we consolidated over 340 dealer outlets, comprising primarily Mazda Autozam outlets, in line with our "One Operation" initiative. We achieved further progress in implementing the "Mazda Excellent Program," an initiative introduced in April 2001 to evaluate dealers based on third-party surveys and existing CS customer questionnaires. Additionally, we improved dealer facilities, including upgrading entrance signs, installing new CI signs, ensuring adequate parking space, instilling cleaning disciplines and introducing attractive vehicle displays. Mazda also implemented CS training for all dealer employees.

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Related marketing and sales initiatives included a nationwide driving caravan program whereby all members of Mazda's sales force test drove the new Mazda Atenza model to experience and share driving dynamics and to promote total alignment of marketing direction.

# NORTH AMERICA

Mazda continued to grow our volume in the U.S. and Canadian markets during fiscal 2001, with retail sales up for the fourth consecutive year in the United States, and sales in Canada jumping 33%, making Mazda the third-largest selling Japanese importer.

Despite an overall decrease of 1.3% in total U.S. light-vehicle sales to 17,122,000 units, Mazda's retail sales increased 5.5% to nearly 270,000 units during 2001. The growth in sales was led by Mazda's Protegé, which recorded a year-over-year increase of more than 25%. Mazda's U.S. market share reached 1.6%, demonstrating positive growth compared to 2000.

In Canada, total industry sales increased 0.7% to 1,597,000 units. Mazda's sales growth of 32.5% far exceeded the industry average, with a record-high retail performance of 69,016 units and gain in market share to 4.3%. As a key component of success, all of Canada's 147 dealers are exclusive, compared with 16% in the U.S. market. Moreover, the Protegé and Protegé5 hit a broader base in the Canadian market, where small cars comprise the largest segment. In this respect, the Protegé ranked as the third best-selling model, and MPV and Tribute also performed well in the small van and compact SUV segments.

Our Zoom-Zoom advertising campaign continues to be well received in the North American market. According to the latest research, our ads have proven extremely effective in hitting target customers, as demonstrated by purchasing intent that is 14 times higher for potential buyers who recall seeing our advertising than for those who do not.

During fiscal 2001, Mazda vehicles were once again recognized for their competitive features. The Protegé was selected as the "2002 Best New Economy Car" by the Automobile Journalists Association of Canada, as well as the "Editor's Choice, Best Economy Car" by *World of Wheels Magazine*. The Protegé5 was awarded *Motoring 2002* magazine's "Economy Car of the Year" and "Best New Economy Car" honors. Additionally, Protegé5 won the comparison test of six small cars conducted by *Car and Driver* magazine in 2002. The Tribute also received high recognition, including the "2002 Best Buy for Compact-Ute" in *Carguide* magazine, the Automobile Journalists Association of Canada's choice for 2001 "Canadian Truck of the Year" and *Automobile Magazine's* Readers' Choice Award for "Best Small Sport Utility Vehicle." Miata was selected as one of *Sport Compact Car's* "Eight Great Rides" and earned "Best Convertible for under $30,000" by Edmunds.com. For 12 consecutive years, the Miata has achieved *Automobile Magazine's* "All-Stars" list.

Mazda will continue to be a significant player and is poised to expand sales in the U.S. and Canadian markets. The Mazda6 sedan—available starting in late 2002—is the first of a series of new Mazda vehicles for North America. Two additional body styles of the Mazda6, a five-door and a sport wagon, will be introduced to American and Canadian consumers during 2003 and 2004. All three models will be assembled at AutoAlliance International, Inc., a Ford-Mazda joint venture, in Flat Rock, Michigan. The introduction of the RX-8 in mid-2003 marks the return of Mazda's legendary rotary engine technology to North America in a four-door, four-seat sports car.

4. The Protegé5 greatly contributed to sales expansion in Canada, where small cars comprise the largest segment.

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6. In 2001, Mazda's road course became Mazda Raceway Laguna Seca. Mazda is the first automaker to be the title sponsor of a major motorsports facility in the United States.

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# EUROPE

Concerted efforts progressed toward enhancing Mazda's marketing and sales operations in major European markets in fiscal 2001, and we succeeded in strengthening distribution and sales presence, which will serve as the foundation for future growth in the region.

Total industry sales in Europe remained on par with levels of the previous year, with a slight 0.3% increase to 17,064,000 units. Mazda's retail sales, however, decreased 15.9% to 159,000 units, resulting in a decrease in Mazda's share by 0.3 percentage points to 0.9%. This decline in retail performance reflected industry conditions for limited diesel models and products that were late in their product cycle. Additional factors included foreign currency fluctuations, which in turn contributed to pricing difficulties.

In addition to Germany, Portugal, Spain and Italy, Mazda obtained direct control of distribution in the U.K., France and Switzerland in fiscal 2001, and acquired a 50% equity share in April 2002 of Mazda Austria GmbH, which, in addition to Austria, manages distribution in Hungary, Slovenia, Croatia, Macedonia, Yugoslavia, Bosnia, Romania and Bulgaria. As a result, Mazda obtained more than 80% control of our volume sold in Europe.

By country, Mazda's retail sales increased 25.5% in Spain and 7.5% in Italy, resulting in all-time Mazda volume records. At the same time, sales in the U.K. were up 56.4% since the acquisition. As a whole, these results indicate the strategic and tactical strengthening of sales performance in those markets where Mazda has assumed direct control of distribution. By controlling distribution operations, we can execute cost-efficient and brand-consistent launches and marketing across Europe.

Efforts also focused on strengthening cooperative and coordinated actions with the Ford group. The new Mazda2 will be produced at Ford's Valencia Plant in Almussafes, Spain, starting in early 2003, with an annual production target of 40,000 units. This will enable Mazda to realize an expected reduction in foreign currency exposure and will position Mazda more competitively in Europe. Mazda is also providing Mazda branded financial services to customers in eight locations via the dealer network under the name of Mazda Bank or Mazda Credit. These services are based on those provided by the Ford's wholly owned subsidiary, Ford Motor Credit Company, the world's largest automotive finance company. Our financial services, supported by Ford Credit's proven staff and systems, represent a competitive advantage for Mazda.

Such steps are crucial as we enter an intensive period of product introductions that will underpin significant growth during the next few years. A total of nine new products will be launched in Europe during the next 18 months. The new Mazda6 will include a 2.0 liter DE engine, while the new Mazda2 will be equipped with a 1.4 liter DE engine. The next-generation Common Rail DIDE, a cleaner engine for $CO_2$ reduction, is also under development. The new lineup of appealing models and engines suited to local needs combined with marketing and sales operational improvements are expected to drive sales to expand Mazda's presence in Europe.

1. In delivering "driving pleasures that provide the feel of oneness between car and driver," MX-5 has contributed to enhancing Mazda's brand image throughout the region.

2. Featuring a compact body, spacious interior and superb handling performance, Premacy has received wide customer acclaim in Europe.

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# OTHER REGIONS

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In Taiwan, Mazda boosted retail sales 24.9% to 13,061 units. This growth in sales was driven by the successful launch of Premacy and Tribute in April and September 2001, respectively.

In China, we achieved substantial year-over-year retail sales gains of 161.3% to 12,245 units. Mazda started local production of Premacy and 323 at FAW Hainan Motor Co., Ltd. in May of 2001 and July of 2002, respectively. Further, Mazda is currently in the process of developing exclusive dealerships throughout China and plans to increase the number of dealers from 34 at present to 50 by the end of year 2002. The total sales target for this year is set at 20,000 units.

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4. Mazda has maintained the largest market share in the Israeli market for the past six consecutive years. The further strengthening of the Mazda brand is anticipated in line with the scheduled completion of on-site premises, including showrooms and parts centers, in August 2003.

5. B-series pickup trucks produced in Thailand at AAT, a joint venture with Ford, are exported to more than 80 countries, excluding North America and Japan.

6. Along with enhancing local production and dealer representation, market presence in China was bolstered by the introduction of Premacy as the first Mazda brand and nameplate during the year, followed by the new 323 in July 2002.

1. MPV@Navi Sports is equipped with a DVD car navigation system compatible with the Mazda Telematics driving information services and features aerodynamic parts.

2. Mazda's Hofu Plant in Yamaguchi Prefecture reached a cumulative production volume of 5 million units in January 2002.

3. A special version of the rotary-powered RX-7, Type R Bathurst has the lightest power-weight ratio and is equipped with custom height-adjustable dampers.

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# TECHNOLOGICAL AND ENVIRONMENTAL PROGRESS

## MDI Phase III

Mazda Digital Innovation (MDI) is a cutting-edge information technology system introduced in 1996 that allows Mazda product and manufacturing engineers to design vehicles more efficiently and to simulate manufacturing processes in three dimensions.

During fiscal 2001, Mazda continued implementation of MDI Phase III, targeting a reduction in vehicle development time and improvement in vehicle quality by using 20 additional state-of-the-art testing facilities and advanced virtual-testing simulation. Another key objective is to improve the data-banking of information for joint vehicle development with the Ford group. During the year, Mazda introduced 80% of the physical testing facilities and 50% of the virtual testing simulation planned for Phase III.

With the completion of Phase III, Mazda aims to reduce vehicle development time after styling freeze by 4 months to 14 months for brand new models, while contributing to further reduction of development costs through increased efficiency. This accelerated time-to-market means Mazda can quickly offer products that reflect customer needs. Mazda plans to invest an additional ¥17.5 billion in Phase III, bringing the total investment to ¥41.0 billion since 1996.

1. Phase III of MDI includes advanced virtual-testing simulation, which contributes to a further reduction in vehicle development time and improvement in vehicle quality.

2. The newly developed Three Layer Wet Paint System is a system in which primer, base and clear coatings are applied continuously, and all layers are baked at once in the top coating process. This integrated process enables the reduction of energy consumed in large scale inside the paint booth and oven.

## Environmental Issues

### Developing environment-friendly vehicles

Mazda employs a multi-pronged approach to developing environment-friendly vehicles. In line with our firm belief that further improvements of fuel economy and exhaust emission of powertrains are required for environmental protection, we have made numerous improvements to existing engines, including direct-injection gasoline and diesel engines. The environment-friendly features of the newly developed MZR aluminum inline 4-cylinder I-4 engine and the new-generation RENESIS rotary engine are also the outcome of Mazda's commitment to the environment.

Mazda has also been active in exploring alternative-fuel and clean-energy vehicles. We have participated in the development of fuel-cell technology in an alliance with Ford, DaimlerChrysler and Ballard Power Systems since April 1998, and subsequently began testing of the Premacy FC-EV on public roads. At the Geneva Motor Show in early 2001, Mazda also exhibited the MX SPORT TOURER, featuring a new hybrid four-wheel-drive system consisting of a lightweight, high-power, front-wheel-drive, 2.0-liter Sequential Valve Timing (S-VT) direct-injection gasoline engine and an electrically controlled, rear-wheel-drive electric motor.

3, 4. Mazda has adopted a semi-dry process (photograph No. 4) for almost all areas of machining of the aluminum cylinder block for the engine, resulting in an 84% reduction of lubricant required.

5. Recycling continues to become an issue of increasing importance at Mazda. The new parts shown here have been made using recycled materials from recovered bumpers.

## Aiming to become environment-friendly corporate citizen

All of Mazda's facilities in the Hiroshima area, including our Head Office, Hiroshima Plant and Miyoshi Plant, as well as the AAI Plant in the United States, were awarded ISO 14001 certification in June 2000. This globally recognized Environmental Management System follows the same certification previously awarded to the Hofu Plant and AAT AutoAlliance (Thailand) Company Limited.

Mazda has also made significant progress in the recycling and use of flammable and non-flammable waste from manufacturing and other processes. Plant waste reclamation was reduced from fiscal 1990 levels by 19% at the end of fiscal 2001.

During the year, Mazda successfully developed a new environment-friendly coating technology with solvent-borne paint, which reduces the emission of volatile organic compounds (VOC) to the same level of VOC regulations in Europe, where waterborne paints are mainly used. This technology also achieves reduction of energy ($CO_2$ emission) for production and better coating quality. This Three Layer Wet Paint System is a system which integrates the primer coating process into the top coating process with highly efficient application technology. It reduces the loss of paint and solvent and the energy for the primer coating booth and oven. It has been launched at our Hofu Plant 1 in Yamaguchi Prefecture.

Mazda also started to adopt a semi-dry machining process for almost all areas of aluminum cylinder block machining of the newly developed MZR aluminum inline 4-cylinder 1.3/1.5 engines. As a result, the amount of lubricant required has been reduced by 84% from the conventional production process. The semi-dry machining has enabled Mazda to reduce the environmental impact, including a 75% reduction in the energy used to pump lubricant to the machining line and 80% reduction in the amount of waste lubricant incinerated, while maintaining the same product quality and productivity as the conventional process.

## Recycling

Recycling is another issue being addressed through Mazda's concerted environmental actions. In Japan, the Automobile Recycling Law is expected to take effect from fall 2004. In fiscal 2001, the Company established a Recycle Promotion Office to proactively deal with growing social demands for recycling. In cooperation with other auto manufacturers, Mazda is also seeking to establish an infrastructure to manage recycling measures in compliance with the Fluorocarbons Recovery and Destruction and the Automobile Recycling laws.

Mazda's efforts include a recycling project for damaged bumpers at dealerships, which was expanded nationwide in November 1999. During fiscal 2000 and 2001, Mazda recovered 32,000 and 39,000 bumpers, respectively. Mazda has been reutilizing recycled materials made from recovered bumpers for new parts such as under covers. Furthermore, from February 2001, Mazda has improved recycled material quality by employing an efficient paint removal technology for application on bumper reinforcement parts of the Mazda Familia/323.

# Consolidated Financial Review

**During fiscal 2001 ended March 31, 2002, Mazda demonstrated that the company was on track, and in some cases, ahead, in delivering the commitments for the year that were outlined in the mid-term Millennium Plan. Financial highlights included:**

* **Consolidated operating income of ¥28.5 billion compared with an operating loss of ¥14.9 billion in fiscal 2000. This was a record year-over-year turnaround for Mazda.**
* **Consolidated net income of ¥8.8 billion compared with a net loss of ¥155.2 billion in fiscal 2000. Besides non-recurrence of pension and other restructuring charges last year, the performance drivers of this significant improvement included material, fixed and other cost reductions, a weaker yen and strong subsidiary results. This was also a record year-over-year turnaround.**
* **Strongly positive consolidated cash flow (operating and investing) of ¥30.6 billion and a reduction in net debt to ¥456.9 billion.**
* **Year-end dividend of ¥2.00 per share for this fiscal year.**

**Business Conditions**

During fiscal 2001, 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. 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 previous fiscal 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 fourth year in a row, while our sales in Canada were up 33%, making Mazda the third largest selling Japanese importer. Mazda Australia achieved record sales, up 24% compared with the prior fiscal year. In Israel, Mazda maintained its position as the number-one selling brand. We also 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 World were partial offsets.

**Consolidated Financial Results**

Mazda's consolidated net sales were ¥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. Net income was ¥8.8 billion. This compares with the commitment of breakeven for fiscal 2001 that Mazda made in the Millennium Plan. 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.

On a geographic basis, net results of operations improved for all regions. Japan, North America and Rest of World were profitable, but Europe recorded a net loss. Even in Europe, however, net loss decreased substantially compared to the previous fiscal year, in large part reflecting early progress from Mazda's strategy to control distribution in our major European markets.

| | Billions of yen | | |
|---|---|---|---|
| | **2001** | 2000 | Better than |
| | **March 31, 2002** | March 31, 2001 | Prior Year |
| Japan | **¥ 2.8** | ¥ (149.6) | ¥ 152.4 |
| North America | **4.5** | (3.1) | 7.6 |
| Europe | **(2.0)** | (4.2) | 2.2 |
| Rest of World | **3.5** | 1.7 | 1.8 |
| Total | **¥ 8.8** | ¥ (155.2) | ¥ 164.0 |

**Consolidated Financial Position and Liquidity**

Mazda's consolidated net debt stood at ¥456.9 billion, down ¥27.7 billion, or 5.7% from the previous fiscal year-end. Consolidated cash flow was ¥30.6 billion, consisting of ¥91.5 billion provided by operating activities and ¥60.9 billion used in investing activities. Management continues to maintain an intense focus on cash flow to further improve the company's financial structure and balance sheet.

| | Billions of yen | | |
|---|---|---|---|
| | **2001** | 2000 | Better/(Worse) than |
| | **March 31, 2002** | March 31, 2001 | Prior Year |
| Cash and cash equivalents | **¥ 229.4** | ¥ 292.6 | ¥ (63.2) |
| Total debt | **686.3** | 777.2 | 90.9 |
| Net debt | **¥ 456.9** | ¥ 484.6 | ¥ 27.7 |
| Net debt-to-equity ratio | 264.3% | 305.1% | 40.8 pts |

Mazda declared a year-end dividend of ¥2.00 per share for fiscal 2001.

**Comparable accounting standard*

# Consolidated Balance Sheets

MAZDA MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2002 and 2001

## *Assets*

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| As of | **March 31, 2002** | March 31, 2001 | **March 31, 2002** |
| **Current assets:** | | | |
| Cash and cash equivalents | **¥ 229,444** | ¥ 292,615 | **$ 1,725,143** |
| Short-term investments | **618** | 2,283 | **4,647** |
| Trade notes and accounts receivable | **113,199** | 125,724 | **851,120** |
| Inventories (Note 5) | **257,073** | 207,098 | **1,932,880** |
| Deferred taxes (Note 13) | **80,403** | 42,785 | **604,534** |
| Other current assets | **49,302** | 42,457 | **370,692** |
| Allowance for doubtful receivables | **(4,896)** | (4,877) | **(36,812)** |
| Total current assets | **725,143** | 708,085 | **5,452,204** |
| **Property, plant and equipment:** | | | |
| Land (Note 6) | **441,150** | 443,874 | **3,316,917** |
| Buildings and structures | **399,592** | 396,401 | **3,004,451** |
| Machinery and equipment | **790,428** | 798,641 | **5,943,068** |
| Tools, furniture, fixtures and other | **305,088** | 318,812 | **2,293,895** |
| Construction in progress | **30,781** | 36,092 | **231,436** |
| | **1,967,039** | 1,993,820 | **14,789,767** |
| Accumulated depreciation | **(1,149,750)** | (1,178,601) | **(8,644,737)** |
| Net property, plant and equipment | **817,289** | 815,219 | **6,145,030** |
| **Intangible assets** | **17,985** | 14,088 | **135,225** |
| **Investments and other assets:** | | | |
| Investment securities: | | | |
| Unconsolidated subsidiaries and affiliated companies | **35,107** | 31,974 | **263,962** |
| Other | **16,452** | 18,937 | **123,699** |
| Long-term loans receivable | **28,009** | 25,795 | **210,594** |
| Deferred taxes (Note 13) | **92,983** | 121,294 | **699,120** |
| Other investments and other assets | **26,963** | 27,806 | **202,729** |
| Allowance for doubtful receivables | **(23,484)** | (18,441) | **(176,571)** |
| Investment valuation allowance | **(1,552)** | (1,130) | **(11,669)** |
| Total investments and other assets | **174,478** | 206,235 | **1,311,864** |
| **Total assets** | **¥ 1,734,895** | ¥ 1,743,627 | **$ 13,044,323** |

See accompanying notes.

## *Liabilities and Shareholders' Equity*

| As of | Millions of yen 2001 March 31, 2002 | Millions of yen 2000 March 31, 2001 | Thousands of U.S. dollars (Note 1) 2001 March 31, 2002 |
|---|---|---|---|
| **Current liabilities:** | | | |
| Short-term debt (Note 7) | **¥ 271,926** | ¥ 344,804 | **$ 2,044,556** |
| Long-term debt due within one year (Note 7) | **65,099** | 65,465 | **489,466** |
| Trade notes and accounts payable | **257,510** | 206,399 | **1,936,165** |
| Accrued expenses | **259,328** | 254,786 | **1,949,835** |
| Reserve for warranty expenses | **15,364** | 15,298 | **115,519** |
| Reserve for loss on restructuring of subsidiaries and affiliates | **4,272** | 4,545 | **32,120** |
| Reserve for loss on guarantees of loans | **–** | 2,140 | **–** |
| Reserve for loss on business restructuring | **–** | 3,011 | **–** |
| Other | **46,547** | 30,961 | **349,977** |
| Total current liabilities | **920,046** | 927,409 | **6,917,638** |
| **Long-term debt due after one year** (Note 7) | **349,293** | 367,023 | **2,626,263** |
| **Deferred tax liability related to land revaluation** (Note 6) | **93,971** | 93,429 | **706,549** |
| **Employees' severance and retirement benefits** (Note 8) | **174,630** | 173,209 | **1,313,008** |
| **Directors' and corporate auditors' retirement benefits** (Note 3) | **1,482** | – | **11,143** |
| **Liabilities from application of equity method** | **5,550** | 8,133 | **41,730** |
| **Other long-term liabilities** | **9,031** | 8,301 | **67,902** |
| **Minority interests in consolidated subsidiaries** | **8,055** | 7,251 | **60,564** |
| **Contingent liabilities** (Note 9) | | | |
| **Shareholders' equity:** | | | |
| Common stock: | | | |
| Authorized: 3,000,000,000 shares | | | |
| Issued: 1,222,496,655 shares in 2001 and 2000 (Note 10) | **120,078** | 120,078 | **902,842** |
| Capital surplus (Note 10) | **104,216** | 104,216 | **783,579** |
| Land revaluation (Note 6) | **125,326** | 124,570 | **942,301** |
| Retained earnings (deficit) | **(128,565)** | (136,639) | **(966,654)** |
| Net unrealized losses on available-for-sale securities (Note 2) | **(28)** | – | **(211)** |
| Foreign currency translation adjustments (Note 2) | **(47,878)** | (53,353) | **(359,985)** |
| Treasury stock (1,230,226 shares in 2001 and 1,332 shares in 2000) | **(312)** | – | **(2,346)** |
| Total shareholders' equity | **172,837** | 158,872 | **1,299,526** |
| **Total liabilities and shareholders' equity** | **¥ 1,734,895** | ¥ 1,743,627 | **$ 13,044,323** |

# Consolidated Statements of Operations

MAZDA MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2002, 2001 and 2000

| | Millions of yen | | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|---|
| | **2001** | 2000 | 1999 | **2001** |
| For the years ended | **March 31, 2002** | March 31, 2001 | March 31, 2000 | **March 31, 2002** |
| **Net sales** | **¥ 2,094,914** | ¥ 2,015,812 | ¥ 2,161,572 | **$ 15,751,233** |
| **Cost and expenses:** | | | | |
| Cost of sales | **1,551,410** | 1,555,130 | 1,628,814 | **11,664,737** |
| Selling, general and administrative expenses | **514,951** | 475,619 | 507,647 | **3,871,812** |
| | **2,066,361** | 2,030,749 | 2,136,461 | **15,536,549** |
| **Operating income (loss)** | **28,553** | (14,937) | 25,111 | **214,684** |
| **Other income (expenses):** | | | | |
| Interest and dividend income | **2,601** | 3,176 | 3,994 | **19,557** |
| Interest expense | **(22,678)** | (25,457) | (28,698) | **(170,511)** |
| Equity in net income of unconsolidated subsidiaries and affiliated companies | **6,303** | 2,356 | 2,016 | **47,391** |
| Other, net (Note 11) | **729** | (207,580) | 20,255 | **5,481** |
| | **(13,045)** | (227,505) | (2,433) | **(98,082)** |
| Income (loss) before income taxes | **15,508** | (242,442) | 22,678 | **116,602** |
| **Income taxes:** (Note 13) | | | | |
| Current | **9,048** | 6,089 | 9,888 | **68,030** |
| Deferred | **(5,016)** | (92,552) | (12,453) | **(37,714)** |
| | **4,032** | (86,463) | (2,565) | **30,316** |
| Income (loss) before minority interests | **11,476** | (155,979) | 25,243 | **86,286** |
| **Minority interests of consolidated subsidiaries** | **(2,646)** | 736 | 912 | **(19,895)** |
| **Net income (loss)** | **¥ 8,830** | ¥ (155,243) | ¥ 26,155 | **$ 66,391** |

| | Yen | | | U.S. dollars (Note 1) |
|---|---|---|---|---|
| **Amounts per share of common stock:** | | | | |
| Net income (loss): | | | | |
| Basic | **¥ 7.23** | ¥ (126.99) | ¥ 21.39 | **$ 0.05** |
| Diluted | **7.23** | – | 21.39 | **0.05** |
| Cash dividends applicable to the year | **2.00** | – | 2.00 | **0.02** |

See accompanying notes.

# Consolidated Statements of Shareholders' Equity

MAZDA MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2002, 2001 and 2000

| | | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Shares of common stock | Common stock | Capital surplus | Land revaluation | Retained earnings (deficit) | Net unrealized losses on available-for-sale securities | Foreign currency translation adjustments | Treasury stock |
| **Balance at March 31, 1999** | 1,222,496,655 | ¥120,078 | ¥104,215 | ¥ – | ¥153,623 | ¥ – | ¥ – | ¥ – |
| Cumulative effects of adopting deferred tax accounting | – | – | – | – | 25,174 | – | – | – |
| Net income | – | – | – | – | 26,155 | – | – | – |
| Increase due to merger with a consolidated subsidiary | – | – | 1 | – | – | – | – | – |
| Cash dividends paid | – | – | – | – | (4,889) | – | – | – |
| Bonuses to directors and corporate auditors | – | – | – | – | (8) | – | – | – |
| Decrease due to newly consolidated subsidiaries and companies newly accounted for by the equity method | – | – | – | – | (178,640) | – | – | – |
| **Balance at March 31, 2000** | 1,222,496,655 | 120,078 | 104,216 | – | 21,415 | – | – | – |
| Net loss | – | – | – | – | (155,243) | – | – | – |
| Cash dividends paid | – | – | – | – | (2,444) | – | – | – |
| Bonuses to directors and corporate auditors | – | – | – | – | (3) | – | – | – |
| Decrease due to newly consolidated subsidiaries and companies newly accounted for by the equity method | – | – | – | – | (364) | – | – | – |
| Land revaluation | – | – | – | 124,570 | – | – | – | – |
| Adjustments from translation of foreign currency financial statements | – | – | – | – | – | – | (53,353) | – |
| **Balance at March 31, 2001** | **1,222,496,655** | **120,078** | **104,216** | **124,570** | **(136,639)** | **–** | **(53,353)** | **–** |
| Net income | **–** | **–** | **–** | **–** | **8,830** | **–** | **–** | **–** |
| Land revaluation | **–** | **–** | **–** | **756** | **(756)** | **–** | **–** | **–** |
| Net unrealized loss on available-for-sale securities | **–** | **–** | **–** | **–** | **–** | **(28)** | **–** | **–** |
| Adjustments from translation of foreign currency financial statements | **–** | **–** | **–** | **–** | **–** | **–** | **5,475** | **–** |
| Treasury stock | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(312)** |
| **Balance at March 31, 2002** | **1,222,496,655** | **¥120,078** | **¥104,216** | **¥125,326** | **¥(128,565)** | **¥ (28)** | **¥ (47,878)** | **¥ (312)** |

| | Thousands of U.S. dollars (Note 1) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Land revaluation | Retained earnings (deficit) | Net unrealized losses on available-for-sale securities | Foreign currency translation adjustments | Treasury stock |
| **Balance at March 31, 2001** | **$ 902,842** | **$783,579** | **$ 936,617** | **$(1,027,361)** | **$ –** | **$ (401,150)** | **$ –** |
| Net income | **–** | **–** | **–** | **66,391** | **–** | **–** | **–** |
| Land revaluation | **–** | **–** | **5,684** | **(5,684)** | **–** | **–** | **–** |
| Net unrealized loss on available-for-sale securities | **–** | **–** | **–** | **–** | **(211)** | **–** | **–** |
| Adjustments from translation of foreign currency financial statements | **–** | **–** | **–** | **–** | **–** | **41,165** | **–** |
| Treasury stock | **–** | **–** | **–** | **–** | **–** | **–** | **(2,346)** |
| **Balance at March 31, 2002** | **$ 902,842** | **$783,579** | **$ 942,301** | **$ (966,654)** | **$ (211)** | **$ (359,985)** | **$ (2,346)** |

See accompanying notes.

# Consolidated Statements of Cash Flows

MAZDA MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2002, 2001 and 2000

| For the years ended | Millions of yen 2001 March 31, 2002 | 2000 March 31, 2001 | 1999 March 31, 2000 | Thousands of U.S. dollars (Note 1) 2001 March 31, 2002 |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Income (loss) before income taxes | **¥ 15,508** | ¥ (242,442) | ¥ 22,678 | **$ 116,602** |
| Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities: | | | | |
| Depreciation and amortization | **44,890** | 49,531 | 51,800 | **337,519** |
| Allowance for doubtful receivables | **3,064** | (9,176) | 6,986 | **23,038** |
| Investment valuation allowance | **996** | (3,697) | 657 | **7,489** |
| Reserve for warranty expenses | **30** | (4,670) | 15,013 | **226** |
| Reserve for loss on guarantees of loans | **–** | 2,140 | – | **–** |
| Reserve for loss on business restructuring | **–** | 3,011 | – | **–** |
| Employees' severance and retirement benefits | **1,681** | 139,810 | (35) | **12,639** |
| Interest and dividend income | **(2,601)** | (3,176) | (3,994) | **(19,557)** |
| Interest expense | **22,678** | 25,457 | 28,698 | **170,511** |
| Equity in net income of unconsolidated subsidiaries and affiliated companies | **(6,303)** | (2,356) | (2,016) | **(47,391)** |
| Loss (gain) on sale of property, plant and equipment, net | **2,972** | 6,038 | (23,303) | **22,346** |
| Gain on sales of investment securities, net | **(2,296)** | (608) | (8,794) | **(17,263)** |
| Loss on liquidation of affiliated companies | **1,495** | 5,335 | 6,523 | **11,241** |
| Decrease in trade notes and accounts receivable | **14,462** | 25,526 | 17,037 | **108,737** |
| Decrease (increase) in inventories | **28,779** | (9,244) | (15,782) | **216,383** |
| Increase in trade notes and accounts payable | **13,031** | 13,942 | 11,779 | **97,977** |
| Accrued severance pay for early retirement | **–** | 45,232 | – | **–** |
| Increase in other current liabilities | **12,836** | 57,259 | 5,249 | **96,511** |
| Other | **12,834** | 14,358 | 30,776 | **96,496** |
| Subtotal | **164,056** | 112,270 | 143,272 | **1,233,504** |
| Interest and dividends received | **3,945** | 4,028 | 5,326 | **29,662** |
| Interest paid | **(22,983)** | (25,767) | (29,010) | **(172,805)** |
| Severance pay for early retirement paid | **(45,232)** | – | – | **(340,090)** |
| Income taxes paid | **(8,274)** | (6,180) | (1,629) | **(62,211)** |
| Net cash provided by operating activities | **91,512** | 84,351 | 117,959 | **688,060** |
| **Cash flows from investing activities:** | | | | |
| Sale of short-term investments | **–** | 1,312 | 21,268 | **–** |
| Purchase of investment securities | **(1,557)** | (2,082) | (17,073) | **(11,707)** |
| Sale of investment securities | **3,978** | 13,327 | 19,024 | **29,910** |
| Purchase of investments in subsidiaries affecting scope of consolidation | **(1,075)** | – | – | **(8,083)** |
| Sale of investments in subsidiaries affecting scope of consolidation | **(110)** | 228 | (11,245) | **(827)** |
| Acquisition of distribution rights | **–** | (7,190) | – | **–** |
| Additions to property, plant and equipment | **(71,712)** | (45,060) | (52,109) | **(539,188)** |
| Proceeds from sale of property, plant and equipment | **15,875** | 16,303 | 67,299 | **119,361** |
| Decrease (increase) in short-term loans receivable | **–** | 1,427 | (2,568) | **–** |
| Long-term loans receivable made | **(4,181)** | (9,613) | (12,393) | **(31,436)** |
| Collections of long-term loans receivable | **1,030** | 1,203 | 5,253 | **7,744** |
| Other | **(3,137)** | (1,949) | (8,777) | **(23,586)** |
| Net cash provided by (used in) investing activities | **(60,889)** | (32,094) | 8,679 | **(457,812)** |
| **Cash flows from financing activities:** | | | | |
| Decrease in short-term debt | **(80,584)** | (37,044) | (162,772) | **(605,895)** |
| Proceeds from long-term debt | **50,984** | 146,828 | 202,379 | **383,338** |
| Repayment of long-term debt | **(67,111)** | (104,172) | (135,674) | **(504,594)** |
| Cash dividends paid | **–** | (2,444) | (4,889) | **–** |
| Other | **(918)** | (197) | (482) | **(6,902)** |
| Net cash provided by (used in) financing activities | **(97,629)** | 2,971 | (101,438) | **(734,053)** |
| **Effect of exchange rate fluctuations on cash and cash equivalents** | **2,411** | 511 | (1,870) | **18,128** |
| **Net increase (decrease) in cash and cash equivalents** | **(64,595)** | 55,739 | 23,330 | **(485,677)** |
| **Cash and cash equivalents at beginning of the year** | **292,615** | 233,593 | 152,761 | **2,200,113** |
| **Increases in cash and cash equivalents due to newly consolidated subsidiaries** | **1,424** | 1,200 | 57,502 | **10,707** |
| **Increases in cash and cash equivalents due to mergers** | **–** | 2,083 | – | **–** |
| **Cash and cash equivalents at end of the year** | **¥ 229,444** | ¥ 292,615 | ¥ 233,593 | **$ 1,725,143** |

See accompanying notes.

# Notes to Consolidated Financial Statements

MAZDA MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES

## 1. Basis of Presenting Consolidated Financial Statements

Mazda Motor Corporation (the "Company") and its consolidated domestic subsidiaries (together the "Domestic Companies") maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2002, which was ¥133 to U.S.$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. Significant Accounting Policies

### Principles of consolidation

The Company prepared the consolidated financial statements for the years ended March 31, 2002, 2001 and 2000 in accordance with the revised Accounting Principles for Consolidated Financial Statements effective from the year ended March 31, 2000.

The accompanying consolidated financial statements include the accounts of the Company and significant companies, over which the Company has power of control through majority voting rights or existence of certain conditions evidencing control by the Company. Investments in non-consolidated subsidiaries and affiliates, over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for on the equity method.

The consolidated financial statements include the accounts of the Company and 83 (82 in the year ended March 31, 2001 and 95 in the year ended March 31, 2000) subsidiaries. In addition, 16 non-consolidated subsidiaries and affiliates (31 in the year ended March 31, 2001 and 71 in the year ended March 31, 2000) are accounted for on the equity method.

The consolidated year-end balance sheet date is March 31. Among the consolidated subsidiaries, 16 companies have a year-end balance sheet date of December 31, which is different from the consolidated balance sheet date. In preparing the consolidated financial statements, the financial statements of these companies with the December 31 year-end balance sheet dates are used. However, adjustments necessary in consolidation are made for material transactions that have occurred between the balance sheet date of these subsidiaries and the consolidated year-end balance sheet date.

### Foreign currency translation

Short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.

Effective April 1, 2000, the Domestic Companies adopted the revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation," issued by the Business Accounting Deliberation Council on October 22, 1999 (the "Revised Accounting Standard"). Under the Revised Accounting Standard, long-term receivables and payables denominated in foreign currencies are also translated into Japanese yen at the year-end rate.

The effect on the consolidated statement of operations of adopting the Revised Accounting Standard was immaterial.

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at year-end rates 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 year.

Due to the adoption of the Revised Accounting Standard, foreign currency translation adjustments have been reported in shareholders' equity (and minority interests), commencing in the year ended March 31, 2001. The prior year's amount, which is included in assets, has not been reclassified.

### Cash and cash equivalents

The Company and its consolidated subsidiaries consider all highly liquid investments with maturities of three months or less at the time of acquisition to be cash equivalents.

### Securities

Effective April 1, 2000, the Domestic Companies adopted 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).

Upon applying the new accounting standard, all companies were required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Under the new accounting standard, trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost. As of March 31, 2002, the Domestic Companies had no trading or held-to-maturity debt securities. Also, the adoption of the standard for stating available-for-sale securities at fair value commenced in the fiscal year ended March 31, 2002. As a result, net unrealized losses on available-for-sale securities were recognized in shareholders' equity in the amount of ¥28 million ($211 thousand) as of March 31, 2002.

In accordance with the Ministerial Ordinance No. 9-3, fair value information on available-for-sale securities is provided as follows for the year ended March 31, 2001. As of March 31, 2001, the aggregate amount of available-for-sale securities, for which fair market values were available, on the balance sheet was ¥4,187 million while the estimated fair value of those securities was ¥4,515 million. Also, the amounts equivalent to net unrealized gains, deferred tax liabilities and minority interests were ¥193 million, ¥137 million and negative ¥2 million, respectively.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as a loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the statement of operations in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

As a result of adopting the new accounting standard for financial instruments, loss before income taxes increased by ¥654 million for the year ended March 31, 2001. Also, based on the examination of the intent of holding each security upon application of the new accounting standard on April 1, 2000, available-for-sale securities maturing within one year from the balance sheet date are included in current assets, and other securities are included in investments and other assets. As a result, at April 1, 2000, securities in current assets decreased by ¥17,982 million and investment securities increased by the same amount compared with what would have been reported under the previous accounting policy.

**Inventories**

Inventories are stated at cost determined principally by the average method.

**Property, plant and equipment**

Property, plant and equipment are stated at cost. Depreciation is computed principally using the declining balance method over the useful lives of the assets determined in accordance with Japanese income tax law. For tools and buildings acquired after March 31, 1998, however, the straight-line method is used.

**Intangible fixed assets**

Intangible fixed assets are amortized principally on a straight-line method over useful lives of the assets determined in accordance with Japanese income tax law.

**Allowance for doubtful receivables**

At March 31, 2000, the allowance for doubtful receivables was determined by aggregating the uncollectible amounts individually estimated for doubtful receivables in addition to the maximum amount deductible under income tax laws. Effective April 1, 2000, the Domestic Companies adopted the new accounting standard for financial instruments and provide for doubtful accounts principally at an amount computed based on past experience plus estimated uncollectible amounts based on the analysis of certain individual doubtful accounts.

**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.

**Reserve for warranty expenses**

In order to match the recognition of after-sales expenses to product (vehicle) sales revenues, an amount estimated based on product warranty provisions and actual costs incurred in the past, taking future prospects into consideration, is recognized.

**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.

**Reserve for loss on guarantees of loans**

Reserve for loss on guarantees of loans provides for losses related to guarantees of loans. The amount is estimated in light of the financial positions and other conditions of the guaranteed companies.

**Reserve for loss on business restructuring**

Reserve for loss on business restructuring provides for losses related to the closure of a plant in accordance with the Company's business restructuring plan. An amount estimated in a reasonable manner for such losses is recognized.

**Employees' severance and retirement benefits**

The Domestic Companies provide three types of post-employment benefit plans, unfunded lump-sum plans, funded contributory pension plans, and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the

level of wages and salaries at the time of retirement or termination, length of service and certain other factors. For the Company, the pension plans cover 50% of total retirement benefits. The Domestic Companies provide defined benefit plans; overseas consolidated subsidiaries provide defined benefit and/or contribution plans.

At March 31, 2000, the Domestic Companies accrued liabilities for lump-sum severance and retirement payments equal to 40% of the amount required had all eligible employees voluntarily terminated their employment at the balance sheet date. The Domestic Companies recognized pension expense when, and to the extent, payments were made to the pension plans.

Effective April 1, 2000, the Domestic Companies adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits," issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard").

Under the New Accounting Standard, the liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Domestic Companies provided for employees' severance and retirement benefits at March 31, 2002 and 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥154,608 million. The net transition obligation is fully recognized in other expenses in the year ended March 31, 2001. Prior service costs are recognized in expenses in equal amounts within the average of the estimated remaining service periods of employees (mainly over 12 years), and actuarial gains and losses are recognized in expenses using a straight-line basis within the average of the estimated remaining service periods (mainly over 13 years) commencing with the following period.

As a result of the adoption of the New Accounting Standard, in the year ended March 31, 2001, severance and retirement benefit expenses increased by ¥144,639 million and loss before income taxes increased by ¥144,808 million compared with what would have been recorded under the previous accounting standard.

**Income taxes**

Through the year ended March 31, 1999, deferred income taxes were recognized only for temporary differences resulting from the elimination of intercompany profits and other consolidation entries and by subsidiaries and affiliates in North America. Commencing in the year ended March 31, 2000, however, accounting for deferred income taxes has been fully adopted in accordance with changes in Japanese accounting standards. The effect of this change was to increase net income for the year ended March 31, 2000 by ¥9,055 million and the ending balance of consolidated retained earnings at March 31, 2000 by ¥32,054 million. Also, deferred tax assets (short-term) increased by ¥13,673 million, deferred tax assets (long-term) increased by ¥19,912 million, and deferred tax liabilities (long-term) increased by ¥141 million.

**Research and development costs**

Through the year ended March 31, 1999, research and development costs were included in manufacturing costs when incurred. However, commencing with the year ended March 31, 2000, these costs have been included in the selling, general and administrative expenses in accordance with the changes in Japanese accounting standards that became effective as of April 1, 1999. For the years ended March 31, 2002, 2001 and 2000, the research and development costs of ¥94,964 million ($714,015 thousand), ¥83,617 million and ¥76,126 million, respectively, were incurred and expensed. As for research and development costs that were included in the manufacturing costs of ending inventory as of March 31, 1999, no adjustment was required under the transitional provisions of the new standard.

**Derivatives and hedge accounting**

The new accounting standard for financial instruments, effective from the year ended March 31, 2001, requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Domestic Companies defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

Also, if interest rate swap contracts 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.

**Leases**

Finance leases which do not transfer ownership and do not have bargain purchase provisions are accounted for in the same manner as operating leases in accordance with generally accepted accounting principles in Japan.

**Amounts per share of common stock**

The computations of net income (loss) per share of common stock are based on the average number of shares outstanding during each fiscal year. Diluted net income per share of common stock is computed based on the average number of shares outstanding during each fiscal year after giving effect to the diluting potential of common shares to be issued upon the conversion of convertible bonds. Dilution information per share for the year ended March 31, 2001 is not presented as a loss was recorded.

Cash dividends per share represent actual amounts applicable to the respective years.

**Reclassifications**

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform with this year's presentation.

## 3. Accounting Changes

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

Through the year ended March 31, 2001, the Company accounted for directors' and corporate auditors' retirement benefits on a cash basis. Commencing in the year ended March 31, 2002, the Company changed its method of accounting for directors' and corporate auditors' retirement benefits from the cash basis to an accrual basis. Under the new accrual method, the Company records the amount that is required by the internal corporate policy at the end of the current fiscal year.

The Company believes that this change provides a better matching of costs and revenues over the period of service.

The portion of the accrual relating to the current fiscal year, amounting to ¥167 million ($1,256 thousand), has been included in selling, general and administrative expenses and the portion relating to the prior periods, amounting to ¥572 million ($4,301 thousand), has been included in other expenses in the current fiscal year.

The effects of this change for the year ended March 31, 2002 were to decrease operating income by ¥167 million ($1,256 thousand) and to decrease income before income taxes by ¥739 million ($5,556 thousand).

Also, the effects of this change on segment information are discussed in Note 16.

**Reserve for warranty expenses**

With regard to the reserve for warranty expenses, in principle, the maximum amount (at the prescribed rate) permitted by Japanese tax law was recognized by the Company through the year ended March 31, 1999. Commencing in the year ended March 31, 2000, however, an amount estimated based on product warranty provisions and actual costs incurred in the past, taking future prospects into consideration, has been recognized. In addition, through the year ended March 31, 1999, North American sales subsidiaries expensed, as incurred, those warranty costs exceeding the liability of the manufacturer. Commencing in the year ended March 31, 2000, however, an amount estimated based on future prospects has been recognized.

These changes have been made as a result of an improvement in the estimation method of future warranty expenses that can now be more rationally estimated to match the recognition of after-sales expenses to product (vehicle) sales revenues.

The effects of these changes for the year ended March 31, 2000 were to increase selling, general and administrative expenses by ¥17,152 million and to decrease operating income and income before income taxes by the same amount.

## 4. Securities

The Company and its consolidated subsidiaries had no trading or held-to-maturity debt securities with available fair values at March 31, 2002 and 2001. Fair value information for available-for-sale securities for the year ended March 31, 2002 is disclosed in the following; such information for the year ended March 31, 2001 is disclosed in Note 2.

Available-for-sale securities that have available market values as of March 31, 2002 were as follows:

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | Acquisition costs | Carrying values | Unrealized gains (losses) | Acquisition costs | Carrying values | Unrealized gains (losses) |
| Stocks | ¥ 2,024 | ¥ 2,116 | ¥ 92 | $ 15,218 | $ 15,910 | $ 692 |
| Bonds | | | | | | |
| Corporate bonds | 1 | 1 | – | 8 | 8 | – |
| Others | 14 | 16 | 2 | 105 | 120 | 15 |
| Others | 1,366 | 1,366 | – | 10,271 | 10,271 | – |
| | ¥ 3,405 | ¥ 3,499 | ¥ 94 | $ 25,602 | $ 26,309 | $ 707 |

Available-for-sale securities with no available fair values as of March 31, 2002 were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | Book value | Book value |
| Non-listed equity securities | ¥ 9,027 | $ 67,872 |

At March 31, 2002, available-for-sale securities with maturities mature as follows:

| | Millions of yen | | Thousands of U.S. dollars | |
|---|---|---|---|---|
| | Within one year | Over one year but within five years | Within one year | Over one year but within five years |
| Bonds | ¥ – | ¥ 1 | $ – | $ 8 |
| Others | 17 | 120 | 128 | 902 |
| | ¥ 17 | ¥ 121 | $ 128 | $ 910 |

Total sales of available-for-sale securities in the year ended March 31, 2002 amounted to ¥1,435 million ($10,789 thousand) and the related gains and losses amounted to ¥868 million ($6,526 thousand) and ¥3 million ($23 thousand), respectively.

Available-for-sale securities with no available fair values as of March 31, 2001 were as follows:

| | Millions of yen |
|---|---|
| | Book value |
| Non-listed equity securities | ¥ 8,999 |

At March 31, 2001, available-for-sale securities with maturities mature as follows:

| | Millions of yen | | |
|---|---|---|---|
| | Within one year | Over one year but within five years | Over five years but within ten years |
| Bonds | ¥ 10 | ¥ 10 | ¥ 4 |
| Others | 9 | 45 | 27 |
| | ¥ 19 | ¥ 55 | ¥ 31 |

Total sales of available-for-sale securities in the year ended March 31, 2001 amounted to ¥10,209 million and the related gains and losses amounted to ¥214 million and ¥3,798 million, respectively.

## 5. Inventories

Inventories at March 31, 2002 and 2001 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| As of | **March 31, 2002** | March 31, 2001 | **March 31, 2002** |
| Finished products | **¥ 220,147** | ¥ 169,788 | **$ 1,655,241** |
| Work in process | **29,172** | 30,642 | **219,338** |
| Raw materials and supplies | **7,754** | 6,668 | **58,301** |
| | **¥ 257,073** | ¥ 207,098 | **$ 1,932,880** |

## 6. Land Revaluation

As of March 31, 2001, in accordance with the Law to Partially Revise the Land Revaluation Law (Law No.19, enacted on March 31, 2001), land owned by the Company for business use was revalued. The unrealized gains on the revaluation are included in shareholders' equity as "Land revaluation," net of deferred taxes. The deferred taxes on the unrealized gains are included in liabilities as "Deferred tax liability related to land revaluation." The land was revalued as of March 31, 2001, as follows:

| | Millions of yen |
|---|---|
| Book value of land for business use before revaluation | ¥ 76,886 |
| Book value of land for business use after revaluation | 294,886 |

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 decrease in the aggregate fair value of the revalued land as of March 31, 2002 from that at the time of revaluation, as stipulated in Article 10 of the Land Revaluation Law, is ¥17,634 million ($132,586 thousand).

## 7. Short-Term Debt and Long-Term Debt

Short-term debt at March 31, 2002, consisted of loans, principally from banks of ¥271,926 million ($2,044,556 thousand). The annual interest rates applicable to short-term debt outstanding at March 31, 2002 and 2001, averaged 1.9% and 2.8%, respectively.

Long-term debt at March 31, 2002 and 2001 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| As of | **March 31, 2002** | March 31, 2001 | **March 31, 2002** |
| Domestic unsecured bonds due serially 2002 through 2005 at rates of 1.7% to 3.0% per annum | **¥ 150,000** | ¥ 120,000 | **$ 1,127,819** |
| Euroyen bonds due serially 2001 through 2002 at a rate of 4.05% per annum | **–** | 30,000 | **–** |
| French franc notes due 2003 at a rate of 5.875% per annum | **11,900** | 11,900 | **89,474** |
| Loans principally from banks and insurance companies: | | | |
| Secured loans, maturing through 2022 | **235,063** | 240,498 | **1,767,391** |
| Unsecured loans, maturing through 2007 | **17,429** | 30,090 | **131,045** |
| | **414,392** | 432,488 | **3,115,729** |
| Amount due within one year | **(65,099)** | (65,465) | **(489,466)** |
| | **¥ 349,293** | ¥ 367,023 | **$ 2,626,263** |

The annual interest rates applicable to secured loans and unsecured loans outstanding averaged 2.0% and 2.1%, respectively, at March 31, 2002, and 2.1% and 2.5%, respectively, at March 31, 2001.

As is customary in Japan, security must be given if requested by a lending bank. Such a bank has the right to offset cash deposited with it against any debt or obligation that becomes due and, in the case of default or certain other specified events, against all debts payable to the bank. The Company has never received any such requests.

The annual maturities of long-term debt at March 31, 2002 were as follows:

| Year ending March 31 | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2003 | ¥ 65,099 | $ 489,466 |
| 2004 | 99,599 | 748,865 |
| 2005 | 112,798 | 848,105 |
| 2006 | 95,246 | 716,135 |
| 2007 | 18,399 | 138,338 |
| Thereafter | 23,251 | 174,820 |
| | ¥ 414,392 | $ 3,115,729 |

The assets pledged as collateral for short-term debt of ¥110,367 million ($829,827 thousand) and long-term debt of ¥235,063 million ($1,767,391 thousand) at March 31, 2002 were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Property, plant and equipment, at net book value | ¥ 477,339 | $ 3,589,015 |
| Other | 4,572 | 34,376 |
| | ¥ 481,911 | $ 3,623,391 |

## 8. Employees' Severance and Retirement Benefits

As explained in Note 2, Significant Accounting Policies, effective April 1, 2000, the Domestic Companies adopted the new accounting standard for employees' severance and retirement benefits, under which the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The liabilities for severance and retirement benefits included in the liability sections of the consolidated balance sheets as of March 31, 2002 and 2001 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| | **March 31, 2002** | March 31, 2001 | **March 31, 2002** |
| Projected benefit obligation | **¥ 530,731** | ¥ 481,087 | **$ 3,990,459** |
| Unrecognized prior service costs | **(2,683)** | (4,490) | **(20,173)** |
| Unrecognized actuarial differences | **(103,717)** | (42,567) | **(779,827)** |
| Less fair value of pension assets | **(249,765)** | (260,877) | **(1,877,932)** |
| Prepaid pension cost | **64** | 56 | **481** |
| Liability for severance and retirement benefits | **¥ 174,630** | ¥ 173,209 | **$ 1,313,008** |

Severance and retirement benefit expenses included in the consolidated statements of operations for the years ended March 31, 2002 and 2001 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| | **March 31, 2002** | March 31, 2001 | **March 31, 2002** |
| Service costs–benefits earned during the year | **¥ 15,087** | ¥ 15,592 | **$ 113,436** |
| Interest cost on projected benefit obligation | **15,767** | 15,696 | **118,549** |
| Expected return on plan assets | **(13,541)** | (15,171) | **(101,812)** |
| Net transition obligation | **–** | 154,608 | **–** |
| Amortization of prior service costs | **333** | 391 | **2,504** |
| Amortization of actuarial differences | **3,355** | – | **25,225** |
| Severance and retirement benefit expenses | **¥ 21,001** | ¥ 171,116 | **$ 157,902** |

The discount rates and the rates of expected return on plan assets used by the Domestic Companies are primarily 3.0% and 5.5% for the year ended March 31, 2002 and 3.5 % and 5.5 % for the year ended March 31, 2001, respectively. The estimated amount of all retirement benefits to be paid at the future retirement dates is allocated equally to each service year using the estimated number of total service years.

## 9. Contingent Liabilities

Contingent liabilities at March 31, 2002 were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Discounted trade notes receivable | ¥ 1,400 | $ 10,526 |
| Factoring of receivables with recourse | 11,864 | 89,203 |
| Guarantees of loans and similar agreements | 24,640 | 185,263 |
| Letters of undertaking to provide guarantees for leases for factory facilities | 34,591 | 260,083 |

## 10. Shareholders' Equity

Under the Commercial Code of Japan, the entire amount of the issue price of shares is required to be accounted for as stated capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as capital surplus.

Effective October 1, 2001, the Japanese Commercial Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and capital surplus equals 25% of common stock. The legal reserve and capital surplus may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and capital surplus remains being equal to or exceeding 25% of common stock, they are available for dividends by the resolution of shareholders' meeting. Legal reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Commercial Code of Japan.

## 11. Other Income (Expenses)

The components of "Other, net" in Other income (expenses) in the statements of operations for the years ended March 31, 2002, 2001 and 2000 were comprised as follows:

| | Millions of yen | | | Thousands of U.S. dollars |
|---|---|---|---|---|
| For the years ended | **2001** **March 31, 2002** | 2000 March 31, 2001 | 1999 March 31, 2000 | **2001** **March 31, 2002** |
| Gain on sale of short-term investments | **¥ –** | ¥ – | ¥ 1,518 | **$ –** |
| Valuation loss on investment securities | **(1,685)** | (2,250) | (696) | **(12,669)** |
| Gain on sale of investment securities, net | **2,296** | 608 | 8,794 | **17,263** |
| Gain (loss) on sale of property, plant and equipment, net | **(2,972)** | (6,038) | 23,303 | **(22,346)** |
| Rental income | **5,584** | 5,979 | 6,166 | **41,985** |
| Past service costs of the pension plan | **–** | – | (3,064) | **–** |
| Restructuring of subsidiaries and affiliates | **(215)** | (5,335) | (6,523) | **(1,617)** |
| Investment valuation allowance | **(514)** | (351) | (657) | **(3,865)** |
| Foreign exchange gain (loss) | **2,285** | 1,476 | (5,011) | **17,180** |
| Provision for loss on guarantees of loans | **–** | (2,140) | – | **–** |
| Net transition obligation of new accounting standard for severance and retirement benefits | **–** | (154,608) | – | **–** |
| Severance pay for early retirement | **–** | (36,608) | – | **–** |
| Loss on business restructuring | **–** | (3,011) | – | **–** |
| Directors' and corporate auditors' severance and retirement benefits for prior periods (Note 3) | **(572)** | – | – | **(4,301)** |
| Other | **(3,478)** | (5,302) | (3,575) | **(26,149)** |
| | **¥ 729** | ¥ (207,580) | ¥ 20,255 | **$ 5,481** |

## 12. Real Estate Trust Contract

In the year ended March 31, 2000, the Company 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 the Company.

The real estate includes an educational facility, a research and development facility, distribution centers, and stores of domestic dealers. The gain on the beneficial ownership transfer of ¥22,799 million was included in other income in the consolidated statement of operations for the year ended March 31, 2000. The cash received from the transfer of ¥38,171 million was included in proceeds from sale of property, plant and equipment in the consolidated statement of cash flows for the year ended March 31, 2000.

In addition, the Company entered a "*Tokumei Kumiai*" agreement with, and made an investment in the transferee. The investment was included in other investments in the consolidated balance sheets as of March 31, 2002 and 2001. The balances of the investment at March 31, 2002 and 2001 were ¥4,504 million ($33,865 thousand) and ¥4,808 million, respectively. The above investment is subordinate to other financial obligations of the transferee.

The term of lease is for five years and one month. The present values of the lease payment obligations unaccrued as of March 31, 2002 and 2001, including an amount equivalent to the prescribed penalties for non-renewal, etc., are included in future minimum lease payments under operating leases as lessee in Note 15.

## 13. Income Taxes

The Domestic Companies are subject to a number of taxes based on income, which in the aggregate resulted in a statutory tax rate of approximately 41.7%. Foreign subsidiaries are subject to income taxes applicable in the countries of domicile.

The effective tax rates reflected in the consolidated statements of operations differ from the statutory tax rate for the following reasons:

| For the years ended | **2001** **March 31, 2002** | 2000 March 31, 2001 | 1999 March 31, 2000 |
|---|---|---|---|
| Statutory tax rate | **41.7%** | 41.7% | 41.7% |
| Equity in net income of unconsolidated subsidiaries and affiliated companies | **(17.0)** | 0.4 | (3.7) |
| Deferred taxes on net operating losses of consolidated subsidiaries and equity method companies | **–** | (7.4) | (52.2) |
| Taxes on retained earnings of subsidiaries in which investments were sold during this period | **6.8** | – | 11.3 |
| Valuation allowances | **(34.3)** | 7.0 | (13.1) |
| Reversal of unrealized profits from intercompany transactions | **19.4** | (3.7) | – |
| Effect of tax rate changes | **–** | – | 5.4 |
| Elimination of dividend income from overseas consolidated subsidiaries | **7.1** | – | – |
| Other | **2.3** | (2.3) | (0.7) |
| Effective tax rate | **26.0%** | 35.7% | (11.3)% |

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:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| As of | **2001** **March 31, 2002** | 2000 March 31, 2001 | **2001** **March 31, 2002** |
| Deferred tax assets: | | | |
| Allowance for doubtful receivables | **¥ 9,056** | ¥ 7,183 | **$ 68,090** |
| Employees' severance and retirement benefits | **67,153** | 66,017 | **504,910** |
| Accrued bonuses and other reserves | **17,362** | 16,786 | **130,541** |
| Inventory valuation | **3,477** | 3,482 | **26,143** |
| Net operating loss carryforwards | **50,590** | 65,129 | **380,376** |
| Other | **63,078** | 52,974 | **474,271** |
| Total gross deferred tax assets | **210,716** | 211,571 | **1,584,331** |
| Less valuation allowance | **(24,530)** | (33,280) | **(184,436)** |
| Total deferred tax assets | **186,186** | 178,291 | **1,399,895** |
| Deferred tax liabilities: | | | |
| Reserves under Special Taxation Measures Law | **(6,940)** | (8,417) | **(52,181)** |
| Other | **(5,977)** | (5,922) | **(44,940)** |
| Total deferred tax liabilities | **(12,917)** | (14,339) | **(97,121)** |
| Net deferred tax assets | **¥ 173,269** | ¥ 163,952 | **$ 1,302,774** |

An insignificant amount of deferred tax liabilities is included in other current and long-term liabilities in the consolidated balance sheets.

## 14. Derivative Financial Instruments and Hedging Transactions

The Company and its consolidated subsidiaries use forward foreign exchange and option contracts and currency swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuations of foreign currency exchange rates. Also, only for the purpose of mitigating future risks of fluctuations of interest rates with respect to borrowings, the Company and its consolidated subsidiaries use interest rate swaps.

Forward foreign currency and currency swap contracts are subject to risks of foreign exchange rate changes. Interest rate swap contracts are subject to risks of interest rate changes.

The policies for derivative transactions of the Company and its consolidated subsidiaries are determined by the Company's president or chief financial officer. Derivative contracts are concluded under the directions of the Company's Financial Services Division in accordance with the established rules of the Company. Derivative transactions are executed and the balances are managed by each individual company; the president of each company is responsible for the inspection. Also, the Company's Financial Services Division is responsible for overall management on a group-wide basis.

The following summarizes hedging derivative financial instruments used by the Company and its consolidated subsidiaries and items hedged:

| Hedging instruments: | Hedged items: |
|---|---|
| Forward foreign exchange and option contracts | Foreign currency trade receivables and trade payables |
| | Future transactions |
| Currency swap contracts | Foreign currency borrowings |
| Interest rate swap contracts | Interest on borrowings |

The following tables summarize market value information as of March 31, 2002 and 2001 of derivative transactions for which hedge accounting has not been applied:

| **2001**<br>**As of March 31, 2002** | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | Contract amount | Estimated fair value | Unrealized gain (loss) | Contract amount | Estimated fair value | Unrealized gain (loss) |
| Forward foreign exchange contracts: | | | | | | |
| Sell: | | | | | | |
| U.S. dollars | **¥ 756** | **¥ 763** | **¥ (7)** | **$ 5,684** | **$ 5,737** | **$ (53)** |
| Canadian dollars | **649** | **653** | **(4)** | **4,880** | **4,910** | **(30)** |
| Australian dollars | **1,003** | **1,035** | **(32)** | **7,541** | **7,782** | **(241)** |
| Euro | **3,735** | **3,755** | **(20)** | **28,083** | **28,233** | **(150)** |
| Other | **779** | **802** | **(23)** | **5,857** | **6,030** | **(173)** |
| | **¥ 6,922** | **¥ 7,008** | **¥ (86)** | **$ 52,045** | **$ 52,692** | **$ (647)** |

Fair values at year end are estimated based on prevailing forward exchange rates at that date.

| | | | | | | |
|---|---|---|---|---|---|---|
| Interest rate swap contracts: | | | | | | |
| Receive floating and pay fixed | **¥ 300** | **¥ (5)** | **¥ (5)** | **$ 2,256** | **$ (38)** | **$ (38)** |

Fair values at year end are estimated based on information provided by financial institutions engaged in the contracts and/or other sources.

| 2000<br>As of March 31, 2001 | Millions of yen | | |
|---|---|---|---|
| | Contract amount | Estimated fair value | Unrealized gain (loss) |
| Forward foreign exchange contracts: | | | |
| Sell: | | | |
| U.S. dollars | ¥ 6,508 | ¥ 7,516 | ¥ (1,008) |
| Canadian dollars | 770 | 784 | (14) |
| Australian dollars | 1,466 | 1,368 | 98 |
| Euro | 2,701 | 2,708 | (7) |
| | ¥ 11,445 | ¥ 12,376 | ¥ (931) |

Fair values at year end are estimated based on prevailing forward exchange rates at that date.

## 15. Leases

(a) As lessee

The equivalents of the acquisition costs, accumulated depreciation and net book values of finance leases accounted for as operating leases as of March 31, 2002 and 2001 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| As of | **March 31, 2002** | March 31, 2001 | **March 31, 2002** |
| Acquisition costs | **¥ 141,399** | ¥ 157,308 | **$ 1,063,150** |
| Accumulated depreciation | **77,127** | 84,100 | **579,902** |
| Net book value | **¥ 64,272** | ¥ 73,208 | **$ 483,248** |

Lease payments under non-capitalized finance leases amounted to ¥23,733 million ($178,444 thousand), ¥25,357 million and ¥27,244 million for the years ended March 31, 2002, 2001 and 2000, respectively.

The equivalents of the related depreciation and interest expenses amounted to ¥19,388 million ($145,774 thousand) and ¥3,070 million ($23,083 thousand) for the year ended March 31, 2002, ¥21,276 million and ¥3,838 million for the year ended March 31, 2001, and ¥22,840 million and ¥4,516 million for the year ended March 31, 2000, respectively.

The present values of future minimum lease payments under non-capitalized finance leases and future minimum lease payments under operating leases as of March 31, 2002 and 2001 were as follows:

| | Millions of yen | | Thousands of U.S. dollars | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|
| | Finance leases | | | Operating leases | | |
| | **2001** | 2000 | **2001** | **2001** | 2000 | **2001** |
| As of | **March 31, 2002** | March 31, 2001 | **March 31, 2002** | **March 31, 2002** | March 31, 2001 | **March 31, 2002** |
| Current portion | **¥ 19,953** | ¥ 21,741 | **$ 150,022** | **¥ 6,420** | ¥ 5,535 | **$ 48,270** |
| Non-current portion | **49,177** | 57,947 | **369,752** | **44,040** | 42,964 | **331,128** |
| | **¥ 69,130** | ¥ 79,688 | **$ 519,774** | **¥ 50,460** | ¥ 48,499 | **$ 379,398** |

(b) As lessor

The acquisition costs, accumulated depreciation and net book values of assets leased under finance leases accounted for as operating leases as of March 31, 2002 and 2001 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| As of | **March 31, 2002** | March 31, 2001 | **March 31, 2002** |
| Acquisition costs for tools, furniture and fixtures | **¥ 5,945** | ¥ 6,201 | **$ 44,699** |
| Accumulated depreciation | **4,199** | 4,457 | **31,571** |
| Net book value | **¥ 1,746** | ¥ 1,744 | **$ 13,128** |

Lease payments received under finance leases, accounted for as operating leases, amounted to ¥1,193 million ($8,970 thousand), ¥1,130 million and ¥1,528 million for the years ended March 31, 2002, 2001 and 2000, respectively.

The related depreciation and the equivalent of interest income amounted to ¥601 million ($4,519 thousand) and ¥86 million ($647 thousand) for the year ended March 31, 2002, ¥566 million and ¥86 million for the year ended March 31, 2001, and ¥883 million and ¥108 million for the year ended March 31, 2000, respectively.

The present values of future minimum lease payments to be received under finance leases and payments to be received under operating leases as of March 31, 2002 and 2001 were as follows:

| | Millions of yen | | Thousands of U.S. dollars | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|
| | Finance leases | | | Operating leases | | |
| | **2001** | 2000 | **2001** | **2001** | 2000 | **2001** |
| As of | **March 31, 2002** | March 31, 2001 | **March 31, 2002** | **March 31, 2002** | March 31, 2001 | **March 31, 2002** |
| Current portion | **¥ 975** | ¥ 794 | **$ 7,331** | **¥ 4,414** | ¥ 4,517 | **$ 33,188** |
| Non-current portion | **1,468** | 1,788 | **11,037** | **5,592** | 5,623 | **42,045** |
| | **¥ 2,443** | ¥ 2,582 | **$ 18,368** | **¥ 10,006** | ¥ 10,140 | **$ 75,233** |

## 16. Segment Information

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 identifiable assets related to this industry have exceeded 90% of the respective consolidated amounts. Accordingly, information by industry segment is not shown.

Net sales, operating income (loss) and identifiable assets by geographic area for the years ended March 31, 2002, 2001 and 2000 were as follows:

| **2001** | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| **For the year ended March 31, 2002** | Japan | North America | Europe | Other areas | Total | Elimination or corporate | Consolidated |
| 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** |

| 2000 | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| For the year ended March 31, 2001 | Japan | North America | Europe | Other areas | Total | Elimination or corporate | Consolidated |
| 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 |

| 1999 | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| For the year ended March 31, 2000 | Japan | North America | Europe | Other areas | Total | Elimination or corporate | Consolidated |
| Net sales: | | | | | | | |
| Outside customers | ¥ 1,311,253 | ¥ 564,985 | ¥ 216,073 | ¥ 69,261 | ¥ 2,161,572 | ¥ – | ¥ 2,161,572 |
| Inter-area | 447,940 | 13,127 | 55 | 12 | 461,134 | (461,134) | – |
| Total | 1,759,193 | 578,112 | 216,128 | 69,273 | 2,622,706 | (461,134) | 2,161,572 |
| Costs and expenses | 1,742,274 | 577,468 | 212,831 | 69,783 | 2,602,356 | (465,895) | 2,136,461 |
| Operating income (loss) | ¥ 16,919 | ¥ 644 | ¥ 3,297 | ¥ (510) | ¥ 20,350 | ¥ 4,761 | ¥ 25,111 |
| Total identifiable assets | ¥ 1,293,509 | ¥ 126,111 | ¥ 70,275 | ¥ 27,675 | ¥ 1,517,570 | ¥ (48,037) | ¥ 1,469,533 |

| **2001** | Thousands of U.S. dollars | | | | | | |
|---|---|---|---|---|---|---|---|
| **For the year ended March 31, 2002** | Japan | North America | Europe | Other areas | Total | Elimination or corporate | Consolidated |
| Net sales: | | | | | | | |
| Outside customers | **$ 8,055,865** | **$5,563,128** | **$1,436,128** | **$ 696,112** | **$ 15,751,233** | **$ –** | **$ 15,751,233** |
| Inter-area | **4,115,293** | **214,083** | **1,594** | **83** | **4,331,053** | **(4,331,053)** | **–** |
| Total | **12,171,158** | **5,777,211** | **1,437,722** | **696,195** | **20,082,286** | **(4,331,053)** | **15,751,233** |
| Costs and expenses | **11,986,451** | **5,715,865** | **1,430,414** | **671,218** | **19,803,948** | **(4,267,399)** | **15,536,549** |
| Operating income (loss) | **$ 184,707** | **$ 61,346** | **$ 7,308** | **$ 24,977** | **$ 278,338** | **$ (63,654)** | **$ 214,684** |
| Total identifiable assets | **$ 11,697,526** | **$1,680,662** | **$ 623,985** | **$ 216,098** | **$ 14,218,271** | **$(1,173,948)** | **$ 13,044,323** |

Included in the elimination or corporate column under assets are foreign currency translation adjustments of ¥61,988 million at March 31, 2000. As discussed in Note 2, starting in the year ended March 31, 2001, the Domestic Companies adopted the Revised Accounting Standard for foreign currency translation. As a result, foreign currency translation adjustments are included in the shareholders' equity section.

As discussed in Note 2, the Domestic Companies adopted the New Accounting Standard for employees' severance and retirement benefits effective the beginning of the year ended March 31, 2001. The effect of this change was to decrease operating expenses of the Japan area by ¥7,449 million and to decrease the operating loss of this area by the same amount.

Also, as discussed in Note 3, the Company changed its method of accounting for directors' and corporate auditors' retirement benefits. The effect of this change on the results of operations for the year ended March 31, 2002 was to increase the operating expenses of the Japan area by ¥167 million ($1,256 thousand) and to decrease the operating income by the same amount.

Also, as discussed in Note 3, the method to estimate warranty expenses was changed effective the beginning of the year ended March 31, 2000. The effect of this change on the results of operations for the year ended March 31, 2000 was to increase the operating expenses of the Japan area by ¥15,131 million and that of the North American area by ¥2,021 million and to decrease the operating incomes of these two areas by the same amounts, respectively.

The principal countries included in the North America, Europe, and Other areas are the United States and Canada, Germany and Belgium, and Australia and Colombia, respectively.

International sales for the years ended March 31, 2002, 2001 and 2000 were as follows:

| **2001** | Millions of yen | | | |
|---|---|---|---|---|
| **For the year ended March 31, 2002** | North America | Europe | Other areas | Total |
| International sales | **¥ 776,889** | **¥ 228,120** | **¥ 278,855** | **¥ 1,283,864** |
| Percentage of consolidated net sales | **37.1%** | **10.9%** | **13.3%** | **61.3%** |

| 2000 | Millions of yen | | | |
|---|---|---|---|---|
| For the year ended March 31, 2001 | North America | Europe | Other areas | Total |
| International sales | ¥ 618,076 | ¥ 236,324 | ¥ 249,444 | ¥ 1,103,844 |
| Percentage of consolidated net sales | 30.7% | 11.7% | 12.4% | 54.8% |

| 1999 | Millions of yen | | | |
|---|---|---|---|---|
| For the year ended March 31, 2000 | North America | Europe | Other areas | Total |
| International sales | ¥ 627,371 | ¥ 341,386 | ¥ 237,355 | ¥ 1,206,112 |
| Percentage of consolidated net sales | 29.0% | 15.8% | 11.0% | 55.8% |

| **2001** | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| **For the year ended March 31, 2002** | North America | Europe | Other areas | Total |
| International sales | **$ 5,841,271** | **$1,715,188** | **$2,096,654** | **$ 9,653,113** |

International sales include exports by the Domestic Companies as well as sales of overseas consolidated subsidiaries outside Japan.

The principal countries included in North America, Europe, and Other areas are the United States and Canada, Germany and England, and Australia, Thailand and Colombia, respectively.

## 17. Related Party Transactions

The Company issued guarantees of loans and letters of undertaking to provide guarantees to certain creditors of AutoAlliance International, Inc. ("AAI"), an affiliate which is accounted for by the equity basis. As of March 31, 2002 and 2001, guarantees of loans and letters of undertaking, included in contingent liabilities, covered ¥48,405 million ($363,947 thousand) and ¥41,867 million, respectively, of AAI's obligations.

In addition, the Company transferred (sold) receivables to Primus Financial Services, Inc., a subsidiary of Ford Motor Company. For the years ended March 31, 2002 and 2001, the transactions amounted to ¥123,825 million ($931,015 thousand) and ¥171,712 million, respectively, in the aggregate. As of March 31, 2002 and 2001, the ending balances of accounts receivable related to the transactions were ¥3,279 million ($24,654 thousand) and ¥6,187 million, respectively. The terms of the transactions are determined on an arm's length basis.

## 18. Subsequent Event

The following appropriation of retained earnings was approved at a shareholders' meeting held on June 25, 2002:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Year-end cash dividends: ¥2.00 ($0.02) per share | ¥ 2,443 | $ 18,368 |

# Report of Independent Certified Public Accountants

To the Shareholders and the Board of Directors of
Mazda Motor Corporation:

We have audited the accompanying consolidated balance sheets of Mazda Motor Corporation (a Japanese corporation) and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2002, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Mazda Motor Corporation and consolidated subsidiaries as of March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2002 in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis during the periods, except for the new accounting policies and changes in accounting policy, with which we concur, as noted in the following paragraphs.

As referred to in Note 3, Mazda Motor Corporation changed its method of accounting for the directors' and corporate auditors' retirement benefits in the year ended March 31, 2002. As referred to in Note 2, in the same year Mazda Motor Corporation and domestic subsidiaries adopted the new Japanese accounting standard for financial instruments with respect to available-for-sale securities.

As explained in Note 2, in the year ended March 31, 2001, Mazda Motor Corporation and domestic subsidiaries prospectively adopted new Japanese accounting standards for foreign currency translation, financial instruments, and employees' severance and retirement benefits.

As explained in Note 2, in the year ended March 31, 2000, Mazda Motor Corporation and domestic subsidiaries prospectively adopted new Japanese accounting standards for consolidation and equity method accounting, income taxes and research and development costs. Also, Mazda Motor Corporation and subsidiaries changed the methods of accounting for the reserve for warranty expenses, effective for the year ended March 31, 2000, as referred to in Note 3.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Hiroshima, Japan
June 25, 2002

Asahi & Co.

# Five-Year Summary

MAZDA MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2002, 2001, 2000, 1999 and 1998

## Consolidated

| | Millions of yen | | | | | Thousands of U.S. dollars[1] |
|---|---|---|---|---|---|---|
| | **2001** March 31, 2002 | 2000 March 31, 2001 | 1999 March 31, 2000 | 1998 March 31, 1999 | 1997 March 31, 1998 | **2001** March 31, 2002 |
| Net sales | **¥ 2,094,914** | ¥ 2,015,812 | ¥ 2,161,572 | ¥ 2,057,097 | ¥ 2,041,428 | **$ 15,751,233** |
| Domestic | **811,050** | 911,968 | 955,460 | 670,254 | 703,758 | **6,098,120** |
| Overseas | **1,283,864** | 1,103,844 | 1,206,112 | 1,386,843 | 1,337,670 | **9,653,113** |
| Net income (loss) | **8,830** | (155,243) | 26,155 | 38,707 | (6,801) | **66,391** |
| Total assets | **1,734,895** | 1,743,627 | 1,469,533 | 1,479,032 | 1,456,368 | **13,044,323** |
| Shareholders' equity | **172,837** | 158,872 | 245,709 | 377,916 | 338,574 | **1,299,526** |
| Capital expenditures[2] | **56,641** | 47,285 | 48,867 | 43,485 | 55,156 | **425,872** |
| Depreciation and amortization | **44,890** | 49,531 | 51,800 | 48,503 | 46,530 | **337,519** |
| Financial debts | **686,318** | 777,292 | 770,610 | 728,718 | 735,555 | **5,160,286** |
| Cash flows[3] | **30,623** | 52,257 | 126,638 | (6,156) | 482 | **230,248** |
| Number of employees | **37,824** | 39,601 | 43,818 | 31,851 | 31,665 | |

| | Yen | | | | | U.S. dollars |
|---|---|---|---|---|---|---|
| Amounts per share of common stock: | | | | | | |
| Net income (loss)[4] | **¥ 7.23** | ¥ (126.99) | ¥ 21.39 | ¥ 31.66 | ¥ (5.56) | **$ 0.05** |
| Cash dividends[5] | **2.00** | **–** | 2.00 | 4.00 | – | **0.02** |

| | Thousands of shares | | | | |
|---|---|---|---|---|---|
| Average number of shares outstanding | **1,221,750** | 1,222,495 | 1,222,494 | 1,222,422 | 1,222,272 |

| | Thousands of units | | | | |
|---|---|---|---|---|---|
| Unit sales | | | | | |
| Domestic | **288** | 334 | 345 | 337 | 345 |
| Overseas | **660** | 630 | 668 | 688 | 670 |
| | **948** | 964 | 1,013 | 1,025 | 1,015 |

## Non-Consolidated

| | Millions of yen | | | | | Thousands of U.S. dollars[1] |
|---|---|---|---|---|---|---|
| | **2001** March 31, 2002 | 2000 March 31, 2001 | 1999 March 31, 2000 | 1998 March 31, 1999 | 1997 March 31, 1998 | **2001** March 31, 2002 |
| Net sales | **¥ 1,364,682** | ¥ 1,322,741 | ¥ 1,466,146 | ¥ 1,454,018 | ¥ 1,512,397 | **$ 10,260,767** |
| Domestic | **561,728** | 639,690 | 651,453 | 603,435 | 631,191 | **4,223,519** |
| Export | **802,954** | 683,051 | 814,693 | 850,583 | 881,206 | **6,037,248** |
| Net income (loss) | **13,260** | (127,590) | 5,139 | 30,529 | 11,513 | **99,699** |
| Total assets | **1,373,144** | 1,428,364 | 1,104,609 | 1,074,946 | 1,014,868 | **10,324,391** |
| Shareholders' equity | **447,406** | 434,513 | 439,978 | 416,367 | 385,733 | **3,363,955** |
| Capital expenditures[2] | **46,808** | 39,940 | 41,526 | 37,446 | 34,156 | **351,940** |
| Depreciation and amortization | **32,242** | 35,038 | 36,356 | 37,308 | 38,002 | **242,421** |
| Financial debts | **433,405** | 456,241 | 401,177 | 423,357 | 394,162 | **3,258,684** |
| Number of employees[6] | **19,948** | 20,705 | 23,549 | 24,076 | 23,873 | |

| | Yen | | | | | U.S. dollars |
|---|---|---|---|---|---|---|
| Amounts per share of common stock: | | | | | | |
| Net income (loss)[4] | **¥ 10.85** | ¥ (104.36) | ¥ 4.20 | ¥ 24.97 | ¥ 9.42 | **$ 0.08** |
| Cash dividends[5] | **2.00** | – | 2.00 | 4.00 | – | **0.02** |

Notes:
1. The translation of the Japanese yen amounts into U.S. dollars is presented solely for the convenience of readers, using the prevailing exchange rate at March 31, 2002, of ¥133 to US$1.
2. Capital expenditures are calculated on an accrual basis.
3. Cash flows represent net of cash flows from operating activities and those from investing activities.
4. The computations of net income (loss) per share of common stock are based on the average number of shares outstanding during each fiscal year.
5. Cash dividends per share represent actual amounts applicable to the respective years.
6. The number of employees includes those employees who are being dispatched to subsidiaries, affiliates, and other organizations.

# Board of Directors, Auditors and Executive Officers

(As of September 1, 2002)

## Directors and Auditors

**Representative Director and Chairman of the Board**
Kazuhide Watanabe (1)

**Representative Directors**
Lewis Booth (2)
Hisakazu Imaki (3)
Robert L. Shanks (4)

**Directors**
David G. Thomas (5)
Mutsumi Fujiwara (6)
Takashi Yamanouchi (7)
Kei Kado (8)
Ryoichi Hasegawa (9)

**Corporate Auditors (Full time)**
Toshiki Sakata
Teruhiro Shimono
Kazumi Ikeda

**Corporate Auditors**
Takaharu Dohi
Kenichi Komatsu

## Executive Officers

**President and CEO**
Lewis Booth*

**Executive Vice President and Chief Engineering & Manufacturing Officer**
Hisakazu Imaki*
R&D, Production, Quality Assurance and Business Logistics

**Senior Managing Executive Officer and CFO**
Robert L. Shanks*
Corporate Strategy and Subsidiary & Affiliated Companies

**Senior Managing Executive Officers**
David G. Thomas*
Marketing, Sales and Customer Service

Mutsumi Fujiwara*
Purchasing

Takashi Yamanouchi*
Secretariat, Personnel & Human Development, Internal Auditing and Mazda Hospital

Kei Kado*
Technical Research Center, Quality Assurance and Six Sigma

Ryoichi Hasegawa*
IT Solution, e-Business, General Affairs, Legal Affairs, Risk Management and Osaka Branch; Assistant to the CFO

**Managing Executive Officers**
Gideon Wolthers
Corporate Planning and Cost Planning; General Manager, Corporate Planning Div.

Tsuneo Matsubara
Overseas Sales

Kenichi Yamamoto
Domestic Marketing, Domestic Sales and Domestic Customer Service

Hitoshi Inoue
R&D Technical Administration; Assistant to Chief Engineering & Manufacturing Officer

Joseph Bakaj
Design and Product Development

Fumiaki Inami
Product Strategy and Cost Innovation Strategy

Shigeharu Hiraiwa
Corporate Communications & Liaison; General Manager, Corporate Communications & Liaison Div.

**Executive Officers**
Masaharu Yamaki
Manufacturing and Business Logistics

Masazumi Wakayama
General Manager, Domestic Marketing Div.

Akira Marumoto
European R&D and Production Operations

Keishi Egawa
General Manager, General Affairs Dept.

Masaki Kanda
General Manager, Personnel & Human Development Div.

Hiroshi Hosaka
General Manager, Domestic Sales Div.

Nobuhide Inamoto
General Manager, Production Engineering Div.

Kiyoshi Ozaki
Financial Services and Domestic Dealer Financial Administration; General Manager, Financial Services Div.

Charles R. Hughes
North American Operations

Stephen T. Odell
European Operations

Toshihide Saeki
President, AutoAlliance (Thailand) Co., Ltd.

Hiroshi Kamiya
General Manager, Hiroshima Plant

Kazuhiko Tanaka
General Manager, Purchasing Div.

Toru Oka
Executive Vice President, AutoAlliance International, Inc.

Nobuhiro Hayama
General Manager, Powertrain Development Div.

Satoshi Tachikake
General Manager, Hofu Plant

Jeffrey H. Guyton
General Manager, Cost Planning Div.

Terry L. Moore
General Manager, Customer Service Div.

Note: Mark of "*" stands for the Executive Officers who also hold the post of Director.

# Corporate Data

(As of March 31, 2002)

**FOUNDED** 1920

**COMMON STOCK**

| | |
|---|---|
| Par Value: | ¥50 |
| Authorized: | 3,000,000,000 shares |
| Issued: | 1,222,496,655 shares |
| Capital: | ¥120,078 million |
| Number of Shareholders: | 54,887 |
| Listings: | Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo stock exchanges |
| Transfer Agent: | The Sumitomo Trust & Banking Co., Ltd. 5-33, Kitahama 4-chome, Chuo-ku Osaka 540-8639, Japan |
| Independent Certified Public Accountants: | Asahi & Co. |

**NUMBER OF EMPLOYEES** 19,948

**OFFICES**

| | |
|---|---|
| Head Office: | 3-1 Shinchi, Fuchu-cho, Aki-gun Hiroshima 730-8670, Japan Phone: +81 (82) 282-1111 Fax: +81 (82) 287-5190 +81 (82) 287-5192 |
| Tokyo Office: | 1-1-7 Uchisaiwai-cho, Chiyoda-ku Tokyo 100-0011, Japan Phone: +81 (3) 3508-5055 |
| Osaka Branch: | Umeda Sky Building, Tower East 1-1-88-800, Oyodonaka, Kita-ku Osaka 531-6008, Japan Phone: +81 (6) 6440-5811 |

**PRINCIPAL SUBSIDIARIES AND AFFILIATES**

Mazda Motor of America, Inc.
Mazda Motors (Deutchland) GmbH
Mazda Canada Inc.
Mazda Australia Pty. Ltd.
Mazda Motor Logistics Europe N.V.
Mazda Motor Europe GmbH
Mazda Autozam Inc.
Tokai Mazda Hanbai Co., Ltd.
Mazda Enfini Tokyo Co., Ltd.
Kanto Mazda Co., Ltd.
Mazda Parts Kanto Co., Ltd.
Mazda Chuhan Co., Ltd.
Mazda Rental & Leasing System Corporation
Kurashiki Kako Co., Ltd.
Malox Co., Ltd.
Toyo Advanced Technologies Co., Ltd.
AutoAlliance International, Inc.*
AutoAlliance (Thailand) Company Limited*
*Affiliated

**SALES AND SERVICE NETWORK**

Domestic: Approximately 430 dealers and 1,300 sales and service outlets
Overseas: Approximately 150 distributors and 5,000 sales and service outlets in more than 150 destinations

**PLANTS**

| | Land area ($m^2$) | Products |
|---|---|---|
| Hiroshima | 2,178,000 | Passenger cars and commercial vehicles |
| Hofu | | |
| Nishinoura | 792,000 | Passenger cars |
| Nakanoseki | 537,000 | Transmissions |
| Miyoshi | 1,667,000 | Diesel engines |

**PRINCIPAL OVERSEAS ASSEMBLY OPERATIONS**

(As of March 31, 2002)*

| Country | Assembler | Mazda vehicles assembled |
|---|---|---|
| U.S.A. | AutoAlliance International, Inc. | 626 |
| Thailand | AutoAlliance (Thailand) Company Limited | 323, B-Series |
| South Africa | Ford Motor Company of Southern Africa | 323, B-Series, E-Series |
| Colombia | Compañía Colombiana Automotriz S.A. | 323, 626, B-Series, T-Series |
| Zimbabwe | Willowvale Mazda Motor Industries (PVT) Ltd. | 323, 626, B-Series, T-Series |

*Overseas assembly operations are located in 15 countries.

**FOR FURTHER INFORMATION**

Japan
PR Planning Department
Corporate Communications & Liaison Division
Mazda Motor Corporation
Hiroshima: 3-1 Shinchi, Fuchu-cho, Aki-gun
Hiroshima 730-8670, Japan
Phone: +81 (82) 282-5253
Fax: +81 (82) 287-5225
Tokyo: 1-1-7 Uchisaiwai-cho
Chiyoda-ku, Tokyo 100-0011, Japan
Phone: +81 (3) 3508-5056
Fax: +81 (3) 3508-5094

North America
Mazda Information Bureau
10 Corporate Park Suite 200 Irvine, CA 92606, U.S.A.
Phone: +1 (949) 223-2300
Fax: +1 (949) 752-2130

Europe
Mazda Motor Europe GmbH
Hitdorferstrasse 73 D-51371 Leverkusen Germany
Phone: +49/ 2173-943-854
Fax: +49/ 2173-943-853

Australia
National Public Relations Department
Mazda Australia Pty. Ltd.
37 Lorimer Street, Southbank, Victoria 3006, Australia
Phone: +61 (3) 9698-5910
Fax: +61 (3) 9699-7223

Mazda Web Site Address
http://www.mazda.co.jp

**Mazda Motor Corporation**

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