Consolidated Financial Results for FY2000
(April 1, 1999 through March 31, 2000)

May 26, 2000

Mazda Motor Corporation
Code No: 7261 Listed in : Tokyo, Osaka, Nagoya, Fukuoka, Kyoto and Sapporo Stock Exchanges
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Meeting of the Board of Directors for Consolidated Account Settlement: May 26, 2000

1. Consolidated Financial Highlights (April 1, 1999 through March 31, 2000)

(1) Consolidated Financial Results

[Amounts less than one million yen are omitted.]

	Sales		Operating Income		Ordinary Income	
	Mil.Yen	%	Mil.Yen	%	Mil.Yen	%
FY2000	2,161,572	5.1	25,111	(59.8)	6,188	(86.8)
FY1999	2,057,097	0.8	62,510	88.2	46,962	409.9

	Net Income		Net Income per Share	Net Income per Share (Diluted)	Return on Equity	Ordinary Income to Total Assets	Ordinary Income to Sales
	Mil.Yen	%	Yen	Yen	%	%	%
FY2000	26,155	(32.4)	21.39	—	8.4	0.4	0.3
FY1999	38,707	—	31.66	—	10.8	3.2	2.3

Notes:

① Net income from equity method: FY2000 2,016 million yen
FY1999 (140) million yen

② Fair value information of marketable securities, etc.: (4,364) million yen
Fair value information of derivative financial instruments: 853 million yen

③ Accounting changes: Yes

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

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Equity Ratio	Equity per Share
	Mil.Yen	Mil.Yen	%	Yen
FY2000	1,469,533	245,709	16.7	200.98
FY1999	1,479,032	377,916	25.6	309.13

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Ending Cash & Cash Equivalents
	Mil.Yen	Mil.Yen	Mil.Yen	Mil.Yen
FY2000	117,959	8,679	(101,438)	233,593

(4) Scope of Consolidation and Equity Method

Consolidated subsidiaries 95 companies
Non-consolidated subsidiaries under the equity method 42 companies
Affiliates under the equity method 29 companies

(5) Changes in Scope of Consolidation and Equity Method

Consolidation (Addition) 81 companies Equity method (Addition) 59 companies
(Exclusion) 3 companies (Exclusion) 13 companies

2. FY2001 Consolidated Financial Forecast (April 1, 2000 through March 31, 2001)

	Sales	Ordinary Income	Net Income
	Mil.Yen	Mil.Yen	Mil.Yen
First Half	1,020,000	(22,000)	(12,000)
Full Year	2,280,000	15,500	12,500

Reference: Net income per share (full year) 10.22 Yen

Supplementary Information

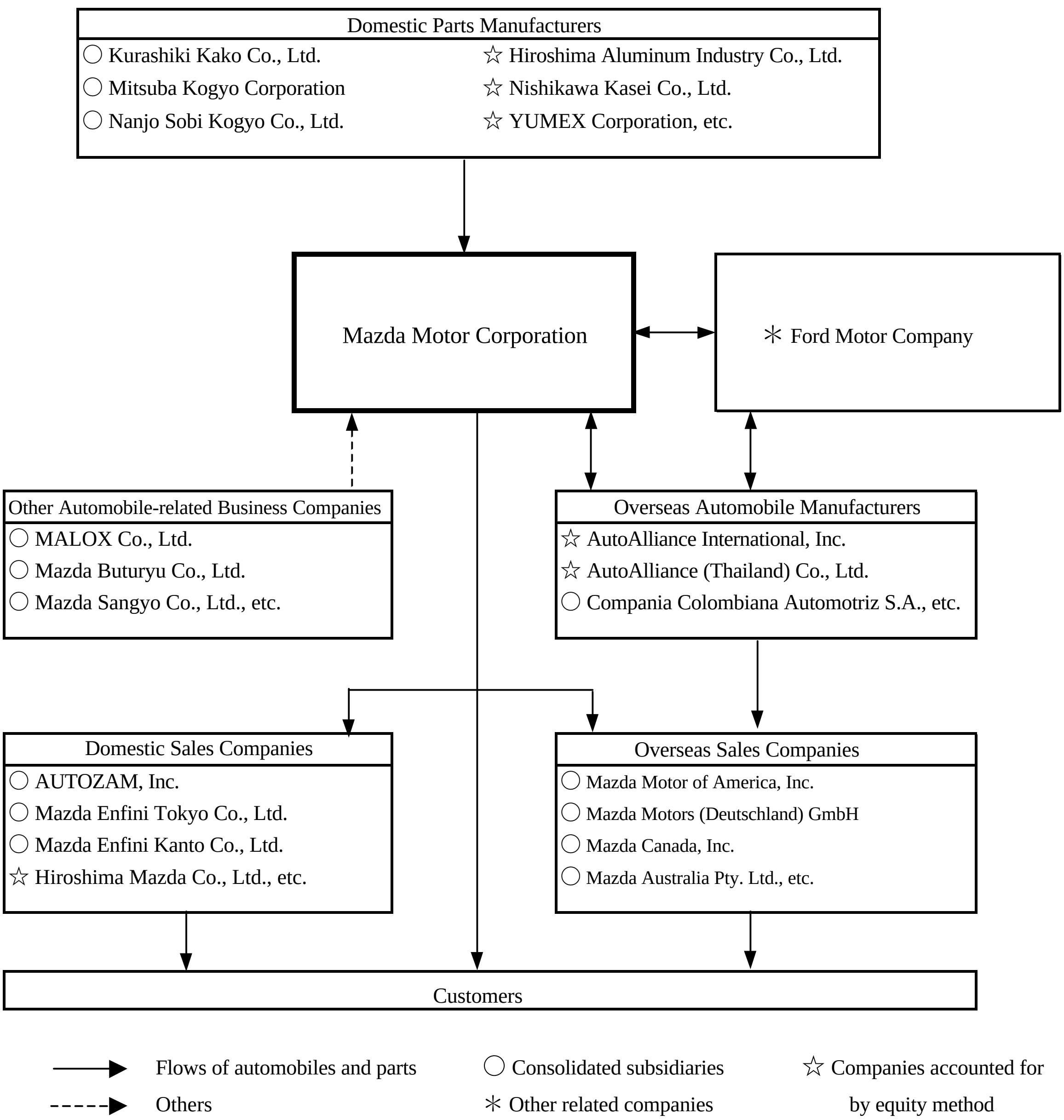
1. Mazda Group of Companies

Mazda group of companies consists of 95 consolidated subsidiaries and 71 equity method applied companies and is mainly engaged in the manufacturing and sales of automobiles and automotive parts as well as other automobile-related businesses.

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

In addition, Mazda Motor Corporation has developed a strategic cooperative relationship on a global scale with its equity collaboration partner, Ford Motor Company.

The following diagram approximately illustrates the roles of Mazda Motor Corporation and main related companies in conducting our business:



2. Management Policy

1) Our Corporate Vision, Mission and Value

At Mazda Motor Corporation, we have established a new corporate vision: "To create new value, excite and delight customers through the best automotive products and services." We believe that achieving this vision will lead to increased shareholder value. We also believe that it will increase the value of association with the corporation to the team of our employees.

Based on this vision, we have established a new corporate mission: "With passion, pride and speed, we actively communicate with our customers to deliver insightful automotive products and services that exceed their expectations."

Under this mission, we work hard to create the following three types of value:

a) We value integrity, customer focus, creativity, efficient and nimble actions and respect highly motivated people and team spirit.

b) We positively support environmental matters, safety and society.

c) Guided by these values, we provide superior rewards to all people associated with Mazda.

2) Our Policy on Distribution of Earnings

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

3) Our Challenges

We expect to be confronted with harsh business environment, including a continued strong Japanese yen and intensified competition in both domestic and overseas markets. Under this harsh business environment, we will continue our efforts to develop vehicles and services that deliver Mazda's brand promise – stylish, insightful, and spirited. By focusing on every element of our business from the perspective of the customer, we will further strengthen our customer orientation.

We also will continue to improve the capability of Mazda's sales network worldwide and implement innovative sales and marketing strategies. In addition, we will continue to work to establish a solid financial structure by reducing exchange-rate risk, further reducing costs, and generating strong, positive cash flow.

With regard to our efforts toward the environment, Mazda's Hofu Plant was recently awarded ISO 14001 (commonly known as environmental ISO) certification. We plan to earn the same certification for all facilities in the Hiroshima district, including our Head Office, Hiroshima Plant, and Miyoshi Plant.

We will strengthen further our global partnership with Ford during the year. We will produce the new SUV "Tribute" at the Hofu Plant in the latter half of 2000, following the commencement of production of Tribute at Ford's U.S. plant in Kansas City. We plan to commence production in the latter half of 2001 at our Hiroshima Plant of a new, global I-4 engine, which we are jointly developing with Ford. Based on such initiatives, the two companies will achieve effective utilization of shared resources and greater economies of scale in all areas, starting with various research and development activities such as safety and environmental technology, as well as procurement, production, the development of new markets and distribution, among others. In addition, the development of each company as a source of supply for the other will further strengthen Mazda's business foundation.

Fiscal Year 2001 will be a very challenging and competitive year. Through the above actions and other initiatives, management will strive to consolidate parent company gains made over the past several years and improve the financial performance of subsidiaries and domestic dealers. A strong positive cash flow and further substantial debt reduction continue to be a key management priority.

3. Financial Results and Projection

1) Financial Results[1]

During this fiscal year, the Japanese economy remained weak despite several economic stimulus packages implemented by the government, suffering two quarters of minus GDP growth in the second and third quarter of the fiscal year. The U.S. and European economics, on the other hand, remained strong, and the economies of Asia generally began to recover.

Mazda continued our drive to improve customer satisfaction in all facets of planning, design, development, production, public relations, and sales and service. We actively promoted developing our brand management on a global scale, using the unified slogan "New Ideas That Stir Your Emotions." This exemplifies our focus on our customers in all company activities, aiming at the delivery of products and services that exceed customer expectations.

In the Japanese market, we greatly improved the financial health of our domestic dealers through initiatives to rationalize and improve efficiency, including the One Operation program. Additionally, for companies that fall under the consolidated accounting system, we accelerated actions to increase efficiency, including the consolidation and improvement in indirect work functions.

In the U.S. market, in order to further strengthen our sales and marketing efforts, our company's subsidiary, Mazda Motor of America, Inc., obtained distribution rights in the Great Lakes region, enabling us to manage and operate a uniform sales network throughout the U.S. In Europe, to further increase market share, we established a wholly owned distributor in Italy and Spain. In Asia, we increased our equity participation in a distributor in Thailand as an initial step to strengthen our sales network. These and other activities represent efforts at improving our sales operations and restructuring our distribution structure in major overseas markets.

In Thailand, AutoAlliance (Thailand) Company Limited, our joint venture assembly plant with Ford, began production of the Mazda 323 in January 2000 for sale in the domestic market, in addition to the existing production of a one-ton pickup truck.

[1] In this fiscal year, we increased the number of subsidiaries and affiliates included in our consolidation scope from the prior year's 42 to 166. As a result, the comparison of this year's financial results to prior year's is omitted.

Turning to financial results, we recorded consolidated sales revenue of ¥2,161.5 billion and net income of ¥26.1 billion. This ¥26.1 billion consolidated net income is the fourth highest since 1985.

The consolidated net income of ¥26.1 billion reflected the following results by geographic areas: Japan a profit of ¥26.9 billion, North America a profit of ¥7.3 billion, Europe a profit of ¥0.1 billion, and the rest of the World a loss of ¥8.2 billion. In Japan, sharp appreciation of Japanese yen (¥74.7 billion) and a one-time change in accounting for warranty expense (¥15.1 billion) reduced net income. The impact of these changes was largely offset by vehicle and fixed cost reductions (¥46.8 billion), sale of assets (¥24.8 billion) and a substantial improvement in the financial performance of domestic dealers and subsidiaries (¥5.6 billion).

In North America and Europe combined, we recorded a net income of ¥7.4 billion. The decline from the prior year (¥14.5 billion) primarily reflected a stronger yen and competitive market pressures. For the rest of the world, Mazda recorded a net loss of ¥8.2 billion. The loss (mainly in Thailand and Colombia) reflected a stronger yen, a competitive market environment, lower sales due to a major economic downturn in Colombia, and a loss on sale of equity in a Malaysian joint venture.

Consolidated cash flow was a record positive ¥275.0 billion (including debt reduction from divestiture of equity in subsidiaries). This substantial achievement reflected improvements in corporate financial structure through consolidation and sale of subsidiaries, disposal of assets and strong operating cash flow. As a result, consolidated net interest-bearing debt was reduced by 35.3% to ¥537.0 billion at comparable accounting standards compared with the prior year.

Turning to this year’s dividends, we are declaring a year-end dividend of ¥2 per share for Fiscal Year 2000.

2. Financial Projection

Despite the national government's various economic stimulus packages, economic indicators do not support strong and sustainable economic growth. We are projecting Japanese vehicle industry sales of 6 million units, up 2% from the prior year. As for the rest of the world, economic performance should remain strong in the United States and Europe and support continuing high vehicle industry sale.

In this intensely competitive market environment, Mazda will strive to increase market share through new product introduction and further strengthening of customer satisfaction and its brand image. Vehicle cost reductions and further improvements in the financial performance of domestic dealers and subsidiaries will partially offset the impact of a continuing strong yen and non-recurring restructuring gains in the prior year.

Under these conditions, we project the financial results of Fiscal Year 2001 (for the period from April 1, 2000 to March 31, 2001) as follows[2]:

Consolidated:

Sales volume	1,102 thousand units	(up 8.8% compared to the prior year)
Sales revenue	¥2,280.0 billion	(up 5.5% compared to the prior year)
Ordinary income	¥15.5 billion	(up 150.5% compared to the prior year)
Net income	¥12.5 billion	(down 52.2% compared to the prior year)
Cash flow	Positive ¥90.0 billion	

Non-consolidated

Sales volume	947 thousand units	(up 7.7% compared to the prior year)
Sales revenue	¥1,540.0 billion	(up 5.0% compared to the prior year)
Ordinary income	¥3.5 billion	(down 54.8% compared to the prior year)
Net income	¥2.5 billion	(down 51.4% compared to the prior year)
Cash flow	Positive ¥54.0 billion	

Turning to dividends, we project a term-end dividend of ¥2 per share. Also, regarding foreign exchange rates, we project the following rates: US$1.00 to ¥109 and DM1.00 to ¥54.

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

4. Consolidated Financial Statements

(1) Consolidated Statement of Income

(in millions of yen)

Account Title		FY2000 (Apr.1999 - Mar.2000)	FY1999 (Apr.1998 - Mar.1999)
Sales	1	2,161,572	2,057,097
Costs of sales	2	1,628,814	1,554,517
Gross profit on sales	3	532,758	502,580
Selling, general and administrative expenses	4	507,647	440,070
Operating income	5	25,111	62,510
Non-operating revenues			
Interest and dividends income	6	3,994	7,050
Profit on sale of stocks	7	1,518	1,506
Net income from equity method	8	2,016	—
Others	9	16,935	12,501
Total	10	24,463	21,057
Non-operating expenses			
Interest expense	11	28,698	27,307
Net loss from equity method	12	—	140
Others	13	14,688	9,157
Total	14	43,386	36,605
Ordinary income	15	6,188	46,962
Extraordinary profits			
Profit on sale of fixed assets	16	29,821	5,567
Profit on sale of investment securities	17	13,660	9,037
Others	18	565	—
Total	19	44,046	14,605
Extraordinary losses			
Loss on retirement of fixed assets	20	6,518	4,205
Prior service costs relating to the pension plan	21	3,064	3,101
Devaluation of marketable securities	22	—	12,552
Loss on sale of investment securities	23	4,866	1,825
Devaluation of investment securities	24	696	8,948
Loss on liquidation of affiliates	25	6,523	7,432
Investment valuation allowance	26	657	—
Others	27	5,232	—
Total	28	27,556	38,063
Income before income taxes	29	22,678	23,503
Income taxes (Corporation, inhabitant and enterprise):			
Current	30	9,888	2,049
Deferred	31	(12,453)	(18,294)
Minority interest in net income of consolidated subsidiaries	32	(add) 912	(deduct) 1,041
Net income	33	26,155	38,707

1. Fractions less than 1 million yen are omitted.
2. Starting this fiscal period to end March 31, 2000, research and development costs are included in the selling, general and administrative expenses. For comparison purposes, therefore, the prior period's statement was reclassified to include research and development costs into selling, general and administrative expenses.

(2) Consolidated Balance Sheet

(in millions of yen)

Account Title		FY2000 (March 31, 2000)	FY1999 (March 31, 1999)
ASSETS			
Current Assets:			
Cash and time deposits	1	236,746	153,150
Trade notes and accounts receivable	2	160,044	303,428
Marketable securities	3	19,663	33,109
Inventories	4	179,982	153,716
Deferred tax assets	5	35,520	12,604
Others	6	42,843	47,242
Bad debt reserve	7	(8,546)	(4,952)
Total current assets	8	666,252	698,298
Fixed Assets:			
Tangible fixed assets:			
Buildings and structures	9	167,901	135,380
Machinery and vehicles	10	138,394	123,449
Land	11	233,324	114,912
Construction in progress	12	27,119	41,197
Others	13	49,571	52,169
Total tangible fixed assets	14	616,309	467,110
Intangible fixed assets:	15	11,196	7,057
Investments and other fixed assets:			
Investments in securities	16	44,590	62,635
Long-term loans receivable	17	27,080	176,638
Deferred tax assets	18	33,747	13,477
Others	19	36,667	30,999
Bad debt reserve	20	(23,515)	(28,999)
Investment valuation allowance	21	(4,827)	—
Total investments and other fixed assets	22	113,742	254,750
Total fixed assets	23	741,247	728,918
Deferred assets	24	46	46
Foreign currency translation adjustments	25	61,988	51,769
Total Assets	26	1,469,533	1,479,032

1. Fractions less than 1 million yen are omitted.
2. Starting this fiscal period to end March 31, 2000, costs of computer software for internal use are included in the intangible fixed assets. For comparison purposes, therefore, the prior period's statement was reclassified to include costs of computer software for internal use in the intangible fixed assets.

(in millions of yen)

Account Title		FY2000 (March 31, 2000)	FY1999 (March 31, 1999)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Trade notes and accounts payable	1	195,835	165,225
Short-term loans payable	2	376,597	380,663
Long-term loans payable due within one year	3	28,808	29,029
Commercial paper	4	—	50,000
Bonds due within one year	5	55,000	30,000
Accrued expenses	6	61,185	61,674
Reserve for employees' bonuses	7	24,028	17,979
Reserve for warranty claims	8	19,968	5,143
Others	9	86,624	70,942
Total current liabilities	10	848,045	810,655
Fixed Liabilities:			
Bonds	11	111,900	146,900
Long-term loans payable	12	198,305	92,125
Reserve for retirement allowances	13	33,353	26,309
Consolidation adjustment	14	118	2,236
Liabilities from application of equity method	15	13,122	—
Others	16	7,319	8,114
Total fixed liabilities	17	364,117	275,686
Total Liabilities	18	1,212,162	1,086,342
Minority Interests	19	11,662	14,774
SHAREHOLDERS' EQUITY			
Capital stock	20	120,078	120,078
Legal capital surplus	21	104,216	104,215
Retained earnings	22	21,415	153,622
Total shareholders' equity	23	245,709	377,916
Total Liabilities, Minority Interests and Shareholders' Equity	24	1,469,533	1,479,032

1. Fractions less than 1 million yen are omitted.

(3) Consolidated Statement of Retained Earnings

(in millions of yen)

Account Title		FY2000 (Apr.1999 - Mar.2000)	FY1999 (Apr.1998 - Mar.1999)
Balance at the beginning of the period	1	153,622	114,385
Adjustments for cumulative tax effects from prior periods	2	25,174	—
Increases due to:			
A merger between a consolidated subsidiary and an equity method company	3	—	541
Decreases due to:			
Dividends	4	4,889	—
Bonuses to directors and statutory auditors	5	7	11
Inclusion of new consolidated subsidiaries and equity method companies into consolidation scope	6	178,640	—
Total	7	183,537	11
Net income	8	26,155	38,707
Balance at the end of the period	9	21,415	153,622

1. Fractions less than 1 million yen are omitted.

(4) Consolidated Statement of Cash Flows

(in millions of yen)

Account Title		FY2000 Apr.1999 - Mar.2000
Cash flows from operating activities:		
Income before income taxes	1	22,678
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation/amortization	2	51,800
Increase in bad debt reserve	3	6,986
Increase in investment valuation allowance	4	657
Increase in reserve for warranty claims	5	15,013
Increase in reserve for retirement allowances	6	(35)
Net income form equity method	7	(2,016)
Interest receivable and dividends receivable	8	(3,994)
Interest payable	9	28,698
Profit/loss on sale of fixed assets	10	(23,303)
Profit/loss on sale of investment securities	11	(8,794)
Loss on liquidation of affiliates	12	6,523
Increase/decrease in trade notes and accounts receivable	13	17,037
Increase/decrease in inventory	14	(15,782)
Increase/decrease in trade notes and accounts payable	15	11,779
Other	16	36,025
Subtotal	17	143,272
Interest received and dividends received	18	5,326
Interest paid	19	(29,010)
Income taxes paid	20	(1,629)
Net cash provided by operating activities	21	117,959
Cash flows from investing activities:		
Net increase/decrease in marketable securities	22	21,268
Net increase/decrease in investments in securities	23	1,951
Sale of subsidiaries to affect consolidation scope	24	(11,245)
Acquisition of tangible fixed assets	25	(52,109)
Proceeds from sale of fixed assets	26	67,299
Net increase/decrease in short-term loans receivable	27	(2,568)
Net increase/decrease in long-term loans receivable	28	(7,140)
Other	29	(8,777)
Net cash provided by investing activities	30	8,679
Cash flows from financing activities:		
Net increase/decrease in short-term loans payable	31	(162,772)
Proceeds from long-term loans payable	32	182,379
Repayment of long-term loans payable	33	(105,674)
Proceeds from issuance of bonds	34	20,000
Redemption of bonds	35	(30,000)
Payment of dividends	36	(4,889)
Other	37	(482)
Net cash used by financing activities	38	(101,438)
Effects of exchange rate fluctuations on cash and cash equivalents	39	(1,871)
Net increase/decrease in cash and cash equivalents	40	23,329
Cash and cash equivalents at beginning of the year	41	152,761
Increases in cash and cash equivalents due to expansion of consolidation scope	42	57,502
Cash and cash equivalents at end of the year	43	233,593

1. Fractions less than 1 million yen are omitted.

Notes to Consolidated Financial Statements

1. Consolidation Scope and Application of Equity Method

	Overseas	11	Mazda Motor of America, Inc. and others
	Domestic	84	61 dealers and 23 others
Sub-total consolidated subsidiaries		95	
	Overseas	2	AutoAlliance International, Inc. and AutoAlliance (Thailand) Co., Ltd.
	Domestic	69	35 AUTOZAM distributors, 19 automotive parts distributors, 5 dealers and 10 others
Sub-total equity method companies		71	
Total		166	

2. Changes in Consolidation Scope and Application of Equity Method

(Consolidated Subsidiaries)

	Overseas	4	Mazda Motor de Portugal, Lda. and 3 others
	Domestic	77	62 dealers and 15 others
Total newly added		81	
	Overseas	—	
	Domestic	3	Mazda Credit Corp. and 2 others (sold or merged)
Total excluded		3	

(Equity Method Companies)

	Overseas	—	
	Domestic	59	35 AUTOZAM distributors, 17 automotive parts distributors, 4 dealers and 3 others
Total newly added		59	
	Overseas	—	
	Domestic	13	9 reclassified into consolidated subsidiary category and 4 sold or merged
Total excluded		13	

3. Accounting Periods of Consolidated Subsidiaries

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

Mazda Motors of New Zealand Ltd. (MMNZ), which initially became a consolidated subsidiary in this fiscal period, changed its annual balance sheet date from March 31 to December 31. Consequently, MMNZ's financial results reflected in the consolidated financial statements are for the 9 month period from April 1, 1999 to December 31, 1999. In addition, Mazda Rental & Leasing System Corporation changed its annual balance sheet date from December 31 to March 31 and Mazda Chuhan Co., Ltd. from February 28 to March 31. Consequently, these two companies' financial results reflected in the consolidated financial statements are for the immediately past 15 month period and 13 month period, respectively. The impacts of these changes on the consolidated financial statements are not material.

In preparing the consolidated financial statements, the financial statements of each of these companies were used. However, adjustments necessary in consolidation were made for material transactions that occurred between the balance sheet date of the above 12 companies and the consolidated balance sheet date.

4. Accounting Policies

1) Valuation Standards and Methods of Assets

a) Marketable Securities and Investments in Securities

Mainly historical cost basis based on moving average method

b) Inventories

Mainly historical cost basis based on average method

2) Depreciation and Amortization Methods of Fixed Assets

a) Tangible Fixed Assets

Mainly declining balance method per corporate tax law, except for certain buildings and tools acquired on or after April 1, 1998 that are accounted for by straight-line method

b) Intangible Fixed Assets

Mainly straight-line method for the period of internal benefits (5 years)

3) Standards for Recognition of Reserves

a) Reserve for Employees' Bonuses

Reserve for employees' bonuses provides for the payment of bonuses to employees. The amount estimated to be charged in the current consolidated fiscal year is recognized.

b) Reserve for Warranty Claims

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

c) Reserve for retirement allowances

Reserve for retirement allowances provides for the payment of retirement allowances to employees. The equivalent of 40% of the amount that would be required if all the employees voluntarily retired at the end of the fiscal year is recognized.

d) Bad debt reserve

Bad debt reserve provides for writing off bad debts. The maximum amount allowed by corporate tax law (at the prescribed rate) is recognized while taking it into consideration the financial standings of the debtors.

e) Investment valuation allowance

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

4) Accounting Policies of Foreign Consolidated Subsidiaries

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

5) Accounting for Leases

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

6) Accounting for Consumption Taxes

Tax-excluding method

5. Valuation of Assets and Liabilities of Consolidated Subsidiaries

Assets and liabilities of consolidated subsidiaries are valued at fair value for their entireties.

6. Amortization of Consolidation Adjustments

Consolidation adjustments are amortized on a straight-line basis over a period during which each investment is expected to generate benefits.

7. Appropriation of Retained Earnings

The consolidated statement of retained earnings was prepared based on the appropriation of retained earnings of Mazda Motor Corporation and those of its consolidated subsidiaries that had been officially finalized by the consolidated balance sheet date.

8. Cash and Cash Equivalents in the Consolidated Statement of Cash Flows

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

<u>Accounting Changes</u>

With regard to reserve for warranty claims, the maximum amount allowed by the corporation tax law (legal ratio) had been recognized until the prior period. Starting this period, however, an amount estimated based on product warranty provisions and actual costs incurred in the past, taking future prospects into consideration, is recognized. In addition, until the prior period, a North American sales subsidiary used to expense, as incurred, those warranty costs beyond the liability of the manufacturer. Staring this period, however, an amount estimated based on future prospects is recognized. The effects of these changes were to increase selling, general and administrative expenses by 17,152 million yen and to decrease operating income, ordinary income and income before income taxes by the same amount. In addition, the effects of these changes on segments are presented in the segment information section.

Additional Information

1. Until the prior period, research and development costs had been included in manufacturing costs when incurred. However, starting this period, these costs are included in the selling, general and administrative expenses per "The Guideline for Accounting Standard Regarding Research and Development Costs and Software" (the Japanese Institute of Certified Public Accountants—Accounting System Committee Report No.12). As a result, research and development costs of 76,126 million yen are included in this period's selling, general and administrative expenses. As for those research and development costs that had been included in manufacturing costs until the prior period and that had been included in the ending inventory as of March 31, 1999, the previous accounting standard is continuously used per the interim measure of the guideline.

2. In accounting for the costs of computer software for internal use, the accounting method that had been used in the prior periods is continuously used in this period per the interim measure of Accounting System Committee Report No. 12. However, in accordance with the Report, computer software, which had been included in other category of investments and other fixed assets, is included in intangible fixed assets, starting this period. Computer software is amortized by straight-line method over the period of internal use benefits, i.e., five years.

3. In this period, real estate trust contracts were concluded for educational facilities, research and development facilities, distribution centers, and twenty five stores of domestic dealers. The beneficiary ownership of the real estate was transferred to a third party to be leased back. Profit on the transfer, i.e., 22,799 million yen, were recognized in extraordinary profit as profit on sale of fixed assets. Furthermore, anonymous union contract was concluded with transferees, and anonymous union investments that amounted to 5,169 million yen were included in other category of the investments and other fixed assets.

4. Until the prior period, accounting for deferred income taxes was adapted only for the eliminated unrealized profit in inventory in consolidation and by subsidiaries and affiliates in North America. However, starting in this fiscal year, accounting for deferred income taxes was fully adapted to be consistent with changes in accounting standards. The effect of this change was to increase net income by 9,055 million yen and the ending balance of consolidated retained earnings by 32,054 million yen. Also, deferred tax assets (short-term) increased by 13,673 million yen, deferred tax assets (long-term) increased by 19,912 million yen, and deferred tax liabilities (long-term) increased by 141 million yen

Footnotes

1. Notes and other receivables discounted

Discounted notes receivable	5,599	million yen
Endorsed notes receivable	179	
Factoring of receivables with recourse	17,967	

2. Accumulated depreciation on tangible fixed assets	1,202,904	million yen

3. Assets offered as collateral and collateralized loans

Assets offered as collateral	334,036	million yen
Collateralized loans		
Short-term loans	112,999	million yen
Long-term loans (including those due within one year)	191,252	

4. Contingent liabilities for guaranty	14,619	million yen
Letters of awareness and similar agreements	49,009	

5. Reconciliation of cash and time deposits in the balance sheet to cash and cash equivalents in the consolidated statement of cash flows (as of March 31, 2000)

Cash and time deposits	236,746	million yen
Time deposits with an original maturity of longer than 3 months	(3,453)	
Short-term marketable securities with an original maturity of 3 months or less	300	
Cash and cash equivalents	233,593	

6. Leases

Finance lease transactions other than those with unconditional title transfer clause to lessee

(Lessees)

1) Equivalent of acquisition costs	167,451	million yen
Equivalent of accumulated depreciation	82,671	
Equivalent of net book value	84,779	
2) Balance of future lease payments at this fiscal year end	91,263	
[due within 1 year]	[22,836]	
3) Lease fees paid for this fiscal year	27,244	
Equivalent of depreciation	22,840	
Equivalent of interest	4,516	

4) Depreciation of leased assets is calculated at 100% of acquisition costs or up to the contracted residual value for the assets, using the straight-line method over the lease term.

5) Interest included in lease fees is computed as difference between total lease fees and acquisition cost of the leased assets. This amount is allocated to each fiscal period by interest method.

(Lessors)

1) Equivalent of acquisition costs	6,201	million yen
Equivalent of accumulated depreciation	4,505	
Equivalent of net book value	1,696	
2) Balance of future lease payments to be received at this fiscal year end	2,498	
[due within 1 year]	[964]	
3) Lease fees received for this fiscal year	1,528	
Equivalent of depreciation	883	
Equivalent of interest	108	

4) Interest included in lease fees is computed as difference between total lease fees and acquisition cost of the leased assets. This amount is allocated to each fiscal period by interest method.

Operating lease transactions

(Lessees)

Balance of future lease payments at this fiscal year end	37,367	million yen
[due within 1 year]	[3,208]	

(Lessors)

Balance of future lease payments to be received at this fiscal year end	10,585	million yen
[due within 1 year]	[4,830]	

5. Segment Information

1) Information by business segment

Information by business segment is omitted since businesses other automobile-related are immaterial. The sales, operating income (or loss), and assets of the automotive segment exceed 90% of the total sales, total operating income (or loss), and total assets of all the segments, respectively.

2) Information by geographic area

FY2000 (Apr.'99〜Mar.'00)

	Domestic	North America	Europe	Other areas	Total	Total company or elimination	Consoli -dation
I. Sales and operating income	¥ Mil.	¥ Mil.	¥ Mil.	¥ Mil.	¥ Mil.	¥ Mil.	¥ Mil.
Sales							
(1)Sales to outside customers	1,311,253	564,985	216,073	69,261	2,161,572	—	2,161,572
(2)Inter-segment sales	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
Operating expense	1,742,274	577,468	212,831	69,783	2,602,356	(465,895)	2,136,461
Operating income	16,919	644	3,297	(510)	20,350	4,761	25,111
II. Assets	1,293,509	126,111	70,275	27,675	1,517,570	(48,037)	1,469,533

FY1999 (Apr.'98〜Mar.'99)

	Domestic	North America	Europe	Other areas	Total	Total company or elimination	Consoli -dation
I. Sales and operating income	¥ Mil.	¥ Mil.	¥ Mil.	¥ Mil.	¥ Mil.	¥ Mil.	¥ Mil.
Sales							
(1)Sales to outside customers	1,114,891	616,610	238,139	87,457	2,057,097	—	2,057,097
(2)Inter-segment sales	413,310	15,129	86	—	428,525	(428,525)	—
Total	1,528,201	631,739	238,225	87,457	2,485,622	(428,525)	2,057,097
Operating expense	1,467,711	628,614	232,821	88,081	2,417,227	(422,640)	1,994,587
Operating income	60,490	3,125	5,404	(624)	68,395	(5,885)	62,510
II. Assets	1,259,690	140,813	92,375	29,740	1,522,618	(43,586)	1,479,032

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

(1) Method ··· segmentation by geographic adjacency

(2) Principal countries or regions belonging to each segment

North America ··· U.S.A., Canada
Europe ············ Germany, Belgium
Other areas········· Australia, Colombia

2. Amount of total company assets included in "Total company or elimination" is 61,988 million yen in FY2000 and 51,769 million yen in FY1999, which are foreign currency translation adjustments.

3. As discussed in the accounting change section of the notes to the consolidated financial statements, the method to estimate warranty expenses was changed effective the beginning of this accounting period. The effect of this change was to increase the operating expense of the domestic segment by 15,131 million yen and that of the North American segment by 2,021 million yen and to decrease the operating income of each of these two segments by the same amounts.

4. Fractions less than 1 million yen are omitted

3) Overseas sales

FY2000 (Apr.'99〜Mar.'00)

	North America	Europe	Other areas	Total
	¥ Mil.	¥ Mil.	¥ Mil.	¥ Mil.
Ⅰ. Overseas sales	627,371	341,386	237,355	1,206,112
Ⅱ. Consolidated sales	—	—	—	2,161,572
	%	%	%	%
Ⅲ. Overseas sales ratio	29.0	15.8	11.0	55.8

FY1999 (Apr.'98〜Mar.'99)

	North America	Europe	Other areas	Total
	¥ Mil.	¥ Mil.	¥ Mil.	¥ Mil.
Ⅰ. Overseas sales	698,160	415,470	273,213	1,386,843
Ⅱ. Consolidated sales	—	—	—	2,057,097
	%	%	%	%
Ⅲ. Overseas sales ratio	33.9	20.2	13.3	67.4

(Note) 1. Overseas sales are total amount of the export sales of Mazda Motor Corporation and domestic consolidated subsidiaries, and the sales of overseas consolidated subsidiaries.

2. Method of segmentation and principal countries or regions belonging to each segment
   (1) Method ··· segmentation by geographic adjacency
   (2) Principal countries or regions belonging to each segment
      North America ··· U.S.A., Canada
      Europe ············ Germany, United Kingdom
      Other areas········· Australia, Thailand, Colombia

3. The fractions less than 1 million yen are omitted.

6. Production and Sales Information

(1) Production Volume

Type	FY 2000 (Apr.1999 to Mar.2000)	FY 1999 (Apr.1998 to Mar.1999)
	units	units
Passenger cars	726,855	707,593
Trucks	78,036	110,883
Vehicles Total	804,891	818,476

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

	FY2000	FY1999
AutoAlliance International, Inc.	90,935 units	103,896 units
AutoAlliance (Thailand) Co., Ltd.	24,009 units	2,663 units

(2) Sales Volume and Revenue

Type	FY2000 (Apr.1999 to Mar.2000)		FY1999 (Apr.1998 to Mar.1999)	
	Volume	Revenue	Volume	Revenue
	units	million yen	units	million yen
Vehicles	1,012,682	1,430,204	1,024,927	1,513,954
Knockdown Parts (Overseas)	—	59,324	—	51,613
Parts	—	228,816	—	275,477
Others	—	443,226	—	216,051
Total	—	2,161,572	—	2,057,097

＜Sales Volume by market＞

Type	FY2000 (Apr.1999 to Mar.2000)	FY1999 (Apr.1998 to Mar.1999)
	units	units
Japan	345,410	336,843
North America	296,637	260,627
Europe	240,756	267,995
Others	129,879	159,462
Overseas Total	667,272	688,084
Total	1,012,682	1,024,927

7. Fair Value Information of Marketable Securities, etc.

(in millions of yen)

Description	FY2000 (March 31, 2000) Amount on balance sheet	Fair value	Unrealized gain/loss
(1) Current assets			
Stocks	17,946	13,644	(4,301)
Bonds	4	3	(1)
Others	33	22	(11)
Sub-total	17,983	13,669	(4,313)
(2) Fixed assets			
Stocks	1,136	1,085	(51)
Bonds	25	25	-
Sub-total	1,161	1,110	(51)
Total	19,144	14,779	(4,364)

(Footnotes)

1. Calculation basis for market value, etc.
   a. Listed securities: the closing price of mainly the Tokyo Stock Exchange
   b. Over-the-counter securities: prices announced by the Security Business Association, etc.
   c. Unlisted beneficiary certificates of stock investment funds: standard prices

2. The balance sheet amounts of the securities excluded from the above information:

(in millions of yen)

		Mar. 31, 2000
Current assets:	• Bonds	1,334
Fixed assets:	• unlisted stocks excluding over-the-counter securities	44,437

8. Notional Amount and Fair Value Information of Derivative Financial Instruments

(1) Currency

Forward exchange contract (other than market transactions) (in millions of yen)

		March 31, 2000			
		Notional Amount		Fair Value	Unrealized Gain/Loss
			over 1 year		
Selling:	US$	12,177	-	11,832	344
	Can$	13,476	-	12,927	549
	Aus$	108	-	107	-
Buying:	DM	387	-	340	(46)
	Aus$	132	-	134	1
Total		-	-	-	849

Notes: 1) Market values at year end are calculated based on prevailing forward exchange rates at that date.
2) Those derivative contracts that are held for the purpose of hedging the risks of existing monetary assets and liabilities denominated in a foreign currency and already reflected in the balance sheet are excluded per accounting standard for transactions denominated in a foreign currency.

(2) Interest Rate

Interest rate swap (other than market transactions) (in millions of yen)

	March 31, 2000			
	Notional Amount		Fair Value	Unrealized Gain/Loss
		over 1 year		
Fixed payment-variable receipt	400	400	3	3
Total	400	400	3	3

Note: Fair value is estimated based on the information provided by the financial institution engaged in the transaction.

9. Related Party Transactions

1) Directors and Major Individual Stockholders

Party Type	Director and his family and relatives
Party Name	Mamoru Takebayashi
Line of Business	Representative Director and Chairman of the Board, Mazda Motor Corporation Chairman, The Mazda Foundation
% of Voting Stock Held	0.0% (direct)
Detail of Transaction	Mazda Motor Corp. donated funds to the Mazda Foundation. (*1)
Amount	60 million yen
Account Title	Non-operating expense
Ending Balance	-

(*1) This transaction by the related party is one for a third party.

2) Subsidiaries and Other Similar Parties

Party Type	Affiliate
Party Name	AutoAlliance International, Inc. (AAI)
Address	Flat Rock, Michigan, USA
Capital	US$760,000 thousand
Line of Business	Manufacturing and sales of automobiles
% of Voting Stock Held	50.0% (direct)
By Mazda's directors	2 persons
By Mazda's employees	1 person
By transfer from Mazda	-
Concurrent board appointment	
Business relation	Mazda to sell products to AAI
Nature of Relation	
Detail of Transaction	Mazda Motor Corp. issued letters of awareness to AAI's creditors for its loans.
Amount	36,959 million yen
Account Title	-
Ending Balance	-

3) Subsidiaries of a Common Parent or Superior Affiliate

Party Type	Subsidiary of a common superior affiliate	Subsidiary of a common superior affiliate
Party Name	Primus Financial Services Inc.(*1)	Visteon International Holdings, Inc.
Address	Osaka-city, Osaka-prefecture	Dearborn, Michigan, USA
Capital	2,600 million yen	US$403,385 thousand
Line of Business	Automotive related finance and lease services	Manufacturing and sales of automotive parts
% of Voting Stock Held	0% (Subsidiary of Ford Motor Company)	0% (Subsidiary of Ford Motor Company)
By Mazda's directors	1 person	-
By Mazda's employees	-	-
By transfer from Mazda	-	-
Concurrent board appointment		
Business relation	-	-
Nature of Relation		
Detail of Transaction	Mazda Motor Corp. sold its subsidiary's shares to Primus.	Mazda Motor Corp. sold its affiliate's shares to Visteon.
Amount	3,231 million yen extra-ordinary profit 8,000 million yen total transaction amount	490 million yen extra-ordinary profit 1,050 million yen total transaction amount
Account Title	Extra-ordinary profit	Extra-ordinary profit
Ending Balance	-	-

(*1) Mazda sold the shares of its subsidiary, Mazda Credit Corporation, to Ford Credit Japan, Inc. Subsequently, Ford Credit Japan, Inc. changed its corporate name to Primus Financial Services, Inc., and then Mazda Credit Corporation was merged into Primus.

Five Year Financial Summary (Reference)

May 26, 2000

1. Consolidated

Mazda Motor Corporation

Upper left: Non-consolidated

(in 100 millions of yen) (in thousands of units)		FY1997/3 (FY131)		FY1998/3 (FY132)		FY1999/3 (FY133)		FY2000/3 (FY134)		FY2001/3 (FY135) Projection	
Domestic	1	6,736 7,499	△8.3 △8.2	6,311 7,037	△6.3 △6.2	6,034 6,702	△4.4 △4.8	6,514 9,554	+8.0 +42.6	7,300 10,500	+12.1 +9.9
Overseas	2	7,531 11,442	+6.2 +11.6	8,812 13,376	+17.0 +16.9	8,505 13,868	△3.5 +3.7	8,146 12,061	△4.2 △13.0	8,100 12,300	△0.6 +2.0
Sales	3	14,268 18,941	△1.1 +2.8	15,123 20,414	+6.0 +7.8	14,540 20,570	△3.9 +0.8	14,661 21,615	+0.8 +5.1	15,400 22,800	+5.0 +5.5
Operating income	4	△53 0	- -	312 332	- -	556 625	+78.2 +88.2	130 251	△76.5 △59.8	50 365	△61.7 +45.4
Ordinary income	5	139 △87	- -	259 +92	+86.7 -	497 469	+91.8 +409.9	77 61	△84.5 △86.8	35 155	△54.8 +150.5
Net income	6	61 △175	- -	115 △68	+88.4 -	305 +387	+165.2 -	51 261	△83.2 △32.4	25 125	△51.4 △52.2
Mazda	7	61		115		305		51		25	
Other		△40		△16		△93		218		124	
Net income by geographic area: Japan		21		99		212		269		149	
North America		△198		△100		191		73		△32	
Europe		△17		△31		26		1		△3	
Other		19		△36		△42		△82		11	
Capital investment	8	215 272		341 551		374 434		415 488		460 540	
Depreciation and amortization	9	434 509		380 465		373 485		363 518		360 500	
R & D cost	10	588 600		700 714		828 854		670 761		760 810	
Total assets	11	9,970 14,174		10,148 14,563		10,749 14,790		11,046 14,695		10,800 13,950	
Net worth	12	3,742 3,444		3,857 3,385		4,163 3,779		4,399 2,457		4,400 1,975	
Financial debts	13	3,980 6,994		3,941 7,355		4,233 7,287		4,011 7,706		3,417 6,444	
Net financial debts	14	3,036 5,756		2,699 5,802		3,101 5,759		2,340 5,370		1,800 4,504	
Performance of operation	15							Sales increased; net income decreased. Net income increased under comparable conso. scope.		Sales to increase Net income to decrease	
Domestic	16	377 377	△3.5 △3.5	345 345	△8.5 △8.5	337 337	△2.4 △2.4	344 345	+2.3 +2.4	376 376	+9.1 +9.0
North America	17	116 256		137 250		119 261		177 297		186 328	
Europe	18	169 204		220 227		272 268		236 241		238 246	
Other	19	181 178		200 193		155 159		122 130		147 152	
Overseas	20	466 638	+9.0 +22.5	557 670	+19.5 +5.0	546 688	△1.9 +2.7	535 668	△2.1 △3.0	571 726	+6.7 +8.7
Sales volume	21	843 1,015	+3.0 +11.3	902 1,015	+7.0 -	883 1,025	△2.1 +1.0	879 1,013	△0.5 △1.2	947 1,102	+7.7 +8.8
Retail volume: Share Domestic	22	4.8% 354	△0.7	5.1% 322	△9.1	5.4% 314	△2.2	5.5% 323	+2.8	5.7% 343	+6.1
USA(*1)	23	238	△16.0	222	△6.9	241	+8.4	244	+1.3	281	+15.3
Europe(*1)	24	191	+7.0	210	+9.8	237	+13.1	241	+1.7	231	+1.8

(*1) Retail volumes of USA and Europe are of calendar year basis.

Note: Accounting standard for the classification of enterprise tax was changed as of FY133.
Accordingly, statements of FY132 and earlier were reclassified for consistency.

Consolidated Financial Summary--New Consolidation Scope Comparison

(For reference purposes, prior period statements were reclassified for FY134's new consolidation scope.)

Ⅰ． Consolidated Profit / Loss

(100 Mils.Yen)

		1999 Mar. （１３３FY Actual）	1999 Mar. （New Scope Basis）	2000 Mar. （１３４FY Result）	Var. （vs.. New Scope）
Sales	1	20,570	23,168	21,615	△1,553
Operating income	2	625	626	251	△375
Ordinary income	3	469	404	61	△343
Net income	4	387	14	261	247

Ⅱ． Consolidated Balance Sheet

(100 Mils.Yen)

		1999 Mar. （１３３FY Actual）	1999 Apr.1	2000 Mar. （１３４FY Result）	Var. （vs.. 1999 Apr.1）
Current Assets:					
Cash & time deposits	5	1,531	2,205	2,367	162
Trade notes and accounts receivables	6	3,034	3,249	1,600	△1,649
Marketable securities	7	331	332	197	△135
Inventories	8	1,537	1,858	1,800	△58
Deferred tax assets	9	126	313	355	42
Others	10	473	606	429	△177
Bad debt reserve	11	△49	△170	△85	85
Total current assets	12	6,983	8,393	6,663	△1,730
Fixed Assets:					
Tangible fixed assets	13	4,671	6,789	6,163	△626
Investments in securities	14	626	431	446	15
Long-term loans receivable	15	1,766	288	271	△17
Deferred tax assets	16	135	233	337	104
Others	17	381	643	478	△165
Bad debt reserves/Invest valuation	18	△290	△285	△283	2
Total fixed assets	19	7,289	8,099	7,412	△687
Foreign currency translation adj.	20	518	541	620	79
Total assets	21	14,790	17,033	14,695	△2,338

Current Liabilities:					
Trade notes and accounts payable	22	1,652	1,921	1,958	37
Short-term loans & Bonds	23	4,896	7,713	4,604	△3,109
Accrued expenses	24	617	696	612	△84
Reserve for bonuses	25	180	253	240	△13
Reserve for warranty claims	26	51	52	200	148
Others	27	710	862	866	4
Total current liabilities	28	8,106	11,497	8,480	△3,017
Fixed Liabilities					
Long-term Loans & bonds	29	2,390	2,676	3,102	426
Retirement Allowance	30	263	333	334	1
Others	31	104	147	205	58
Total fixed liabilities	32	2,757	3,156	3,641	485
Total liabilities	33	10,863	14,653	12,121	△2,532
Minority Interests	34	148	136	117	△19
Shareholders' Equity					
Capital stock	35	1,201	1,201	1,201	—
Legal capital surplus	36	1,042	1,042	1,042	—
Retained earnings	37	1,536	1	214	213
Total S/H's equity	38	3,779	2,244	2,457	213
Total liabilities, minority interests, and S/E	39	14,790	17,033	14,695	△2,338

Note: In FY134, the consolidation scope was expanded per the changes in Japanese financial accounting standard on consolidation. Therefore, the prior period's statements were reclassified for the new expanded consolidation scope for comparison purposes. The reclassified statements of the prior period are non-audited.