

Consolidated Financial Review

Fiscal year 2000, ended March 31, 2001, was notable for the major restructuring actions taken in the year associated with the launch of Mazda's mid-term Millennium Plan. Financial highlights included:

- * Consolidated operating loss of ¥14.9 billion compared with an operating profit of ¥25.1 billion in fiscal 1999.
- * Consolidated net loss of ¥155.2 billion, compared with net income of ¥26.1 billion in fiscal 1999. The loss included restructuring initiatives totaling ¥39.6 billion and full write-off of a transitional pension shortfall of ¥154.6 billion.
- * Revaluation of unconsolidated land holdings, improving net worth after tax by ¥124.5 billion (no impact on profits).
- * Strongly positive consolidated cash flow (operating and investing) of ¥52.2 billion and a reduction in net debt to ¥484.6 billion.

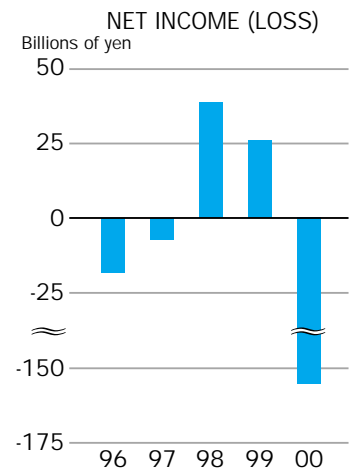
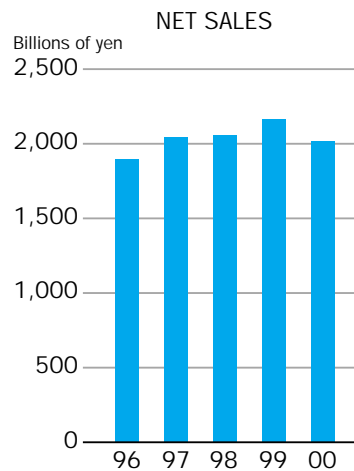
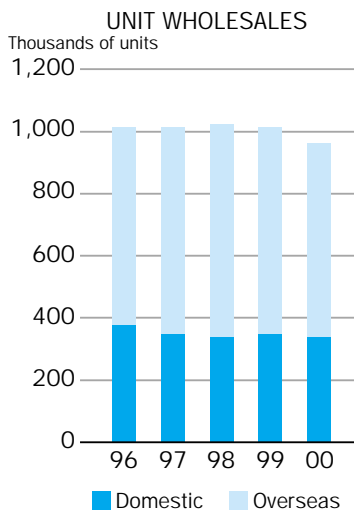
Business Conditions

Business conditions worldwide were mixed, with continued weakness in the Japanese economy and growth in most major overseas markets. The U.S. economy, however, began to show signs of a slowdown near the end of the period.

Automotive sales in Japan increased for the second consecutive year to 5.97 million units, up 1.6% from the previous year despite a 2.5% reduction in sales of micro-mini vehicles. Mazda's market share was 5.1%, down 0.4 points from the prior year, reflecting slower sales of carryover models.

Industry sales were at a record level in the United States and continued to be strong in Canada. Mazda's market share in the United States was 1.5%, reflecting the strong start for the new Tribute SUV. Sales in Canada were up 26.1%, and share was 3.3%, up 0.6 points. This was Mazda's best performance since 1994 and reflected continued success of the Protegé, new MPV, and introduction of Tribute. In Western Europe, industry sales were strong, although down slightly from the prior year. Mazda's share was 1.2%, down 0.1 points from the prior year reflecting difficult competitive conditions exacerbated by a strong yen.

Automotive sales increased in Asia and Australia as economic conditions improved. In Australia, Mazda market share was 3.5%, up 0.1 points from the prior year. In South America, results for the major markets were mixed.



Consolidated Financial Results

Mazda's consolidated net loss of ¥155.2 billion reflected deterioration of ¥132.7 billion at the parent company and ¥48.6 billion at subsidiaries and in consolidation adjustments. Mazda's results included 113 subsidiaries and affiliates compared with 166 the year before.

The decline in net income reflected mainly the one-time pension write-off plus restructuring measures, particularly reserves for an early retirement special program in Japan. Results also were unfavorably impacted by the continued strength of the yen, especially against European currencies, as well as lower wholesale sales in most major markets. Partial offsets were a continued success in reducing costs and improved results at our subsidiaries in Thailand and Colombia. Our domestic dealers were profitable for the second consecutive year and generated strong positive cash flow, demonstrating the continued progress of our restructuring initiatives to strengthen distribution in Japan.

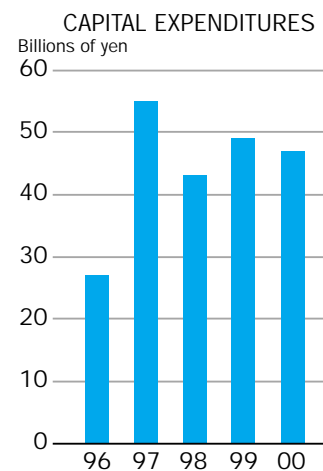
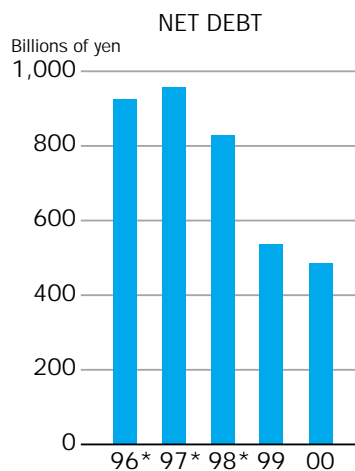
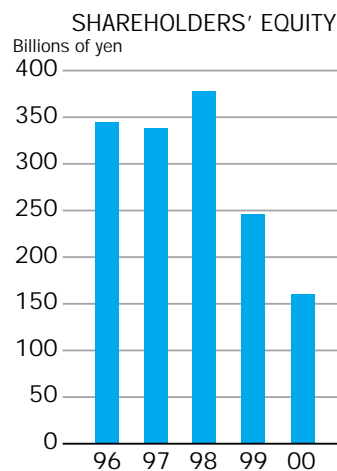
On a geographic basis, net income declined for all regions except Rest of World. The declines were generally attributable to lower sales and, in the case of North American and European subsidiaries, the strong yen.

Consolidated Financial Position and Liquidity

Mazda's consolidated net debt stood at ¥484.6 billion, down ¥52.4 billion or 9.7% from the prior period end and down over 50% since fiscal 1995 at comparable consolidated reporting standards. Consolidated cash flow was ¥52.2 billion, comprised of ¥84.3 billion from operating activities and ¥32.1 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		
	2000 March 31, 2001	1999 March 31, 2000	Change from Prior Year
Japan	¥ (149.6)	¥ 26.9	¥ (176.5)
North America	(3.1)	7.3	(10.4)
Europe	(4.2)	0.1	(4.3)
Rest of World	1.7	(8.2)	9.9
Total	¥ (155.2)	¥ 26.1	¥ (181.3)

	Billions of yen		
	2000 March 31, 2001	1999 March 31, 2000	Change from Prior Year
Cash and cash equivalents	¥ 292.6	¥ 233.6	¥ 59.0
Total debt	<u>777.2</u>	<u>770.6</u>	<u>6.6</u>
Net debt	¥ <u>484.6</u>	¥ <u>537.0</u>	¥ (52.4)
Net debt-to-equity ratio	305.1%	218.6%	86.5pts



*Comparable accounting standard

Consolidated Balance Sheets

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

Assets

	As of	Millions of yen		Thousands of U.S. dollars (Note 1)
		2000 March 31, 2001	1999 March 31, 2000	2000 March 31, 2001
Current assets:				
Cash and cash equivalents	¥	292,615	¥ 233,593	\$ 2,359,799
Short-term investments		2,283	22,816	18,411
Trade notes and accounts receivable		125,724	160,044	1,013,903
Inventories (Note 5)		207,098	179,982	1,670,145
Deferred taxes (Note 13)		42,785	35,520	345,040
Other current assets		42,457	42,843	342,395
Allowance for doubtful receivables		(4,877)	(8,546)	(39,330)
Total current assets		708,085	666,252	5,710,363
Property, plant and equipment:				
Land (Note 6)		443,874	233,324	3,579,629
Buildings and structures		396,401	406,046	3,196,782
Machinery and equipment		798,641	815,443	6,440,653
Tools, furniture, fixtures and other		318,812	337,281	2,571,065
Construction in progress		36,092	27,119	291,065
		1,993,820	1,819,213	16,079,194
Accumulated depreciation		(1,178,601)	(1,202,904)	(9,504,847)
Net property, plant and equipment		815,219	616,309	6,574,347
Intangible assets		14,088	11,196	113,613
Investments and other assets:				
Investment securities:				
Unconsolidated subsidiaries and affiliated companies		31,974	31,465	257,855
Other		18,937	19,189	152,718
Long-term loans receivable		25,795	27,080	208,024
Deferred taxes (Note 13)		121,294	33,747	978,177
Other investments and other assets		27,806	30,649	224,242
Allowance for doubtful receivables		(18,441)	(23,515)	(148,718)
Investment valuation allowance		(1,130)	(4,827)	(9,113)
Total investments and other assets		206,235	113,788	1,663,185
Foreign currency translation adjustments (Note 2)		-	61,988	-
Total assets		¥ 1,743,627	¥ 1,469,533	\$ 14,061,508

See accompanying notes.

Liabilities and Shareholders' Equity

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
	As of March 31, 2001	March 31, 2000	March 31, 2001
Current liabilities:			
Short-term debt (Note 7)	¥ 344,804	¥ 376,597	\$ 2,780,678
Long-term debt due within one year (Note 7)	65,465	83,808	527,944
Trade notes and accounts payable	206,399	195,835	1,664,508
Accrued expenses	176,374	71,187	1,422,371
Reserve for warranty expenses (Note 3)	15,298	19,968	123,371
Reserve for loss on restructuring of subsidiaries and affiliates	4,545	–	36,653
Reserve for loss on guarantees of loans	2,140	–	17,258
Reserve for loss on business restructuring	3,011	–	24,282
Other	109,373	100,650	882,040
Total current liabilities	927,409	848,045	7,479,105
Long-term debt due after one year (Note 7)	367,023	310,205	2,959,863
Deferred tax liability related to land revaluation (Note 6)	93,429	–	753,459
Employees' severance and retirement benefits (Notes 2 & 8)	173,209	33,353	1,396,847
Liabilities from application of equity method	8,133	13,122	65,589
Other long-term liabilities	8,301	7,437	66,943
Minority interests in consolidated subsidiaries	7,251	11,662	58,476
Contingent liabilities (Note 9)			
Shareholders' equity:			
Common stock, par value ¥50 per share:			
Authorized: 3,000,000,000 shares			
Issued: 1,222,496,655 shares in 2000 and 1999 (Note 10)	120,078	120,078	968,371
Capital surplus (Note 10)	104,216	104,216	840,451
Land revaluation (Note 6)	124,570	–	1,004,597
Retained earnings (deficit)	(136,639)	21,415	(1,101,927)
Foreign currency translation adjustments (Note 2)	(53,353)	–	(430,266)
Total shareholders' equity	158,872	245,709	1,281,226
Total liabilities and shareholders' equity	¥ 1,743,627	¥ 1,469,533	\$ 14,061,508

Consolidated Statements of Operations

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

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2000 March 31, 2001	1999 March 31, 2000	1998 March 31, 1999	2000 March 31, 2001
For the years ended				
Net sales	¥ 2,015,812	¥ 2,161,572	¥ 2,057,097	\$ 16,256,548
Cost and expenses:				
Cost of sales	1,555,130	1,628,814	1,554,517	12,541,371
Selling, general and administrative expenses	475,619	507,647	440,070	3,835,637
	2,030,749	2,136,461	1,994,587	16,377,008
Operating income (loss)	(14,937)	25,111	62,510	(120,460)
Other income (expenses):				
Interest and dividend income	3,176	3,994	7,049	25,613
Interest expense	(25,457)	(28,698)	(27,363)	(205,298)
Equity in net income (loss) of unconsolidated subsidiaries and affiliated companies	2,356	2,016	(140)	19,000
Other, net (Note 11)	(207,580)	20,255	(18,553)	(1,674,032)
	(227,505)	(2,433)	(39,007)	(1,834,717)
Income (loss) before income taxes	(242,442)	22,678	23,503	(1,955,177)
Income taxes: (Note 13)				
Current	6,089	9,888	2,049	49,105
Deferred	(92,552)	(12,453)	(18,294)	(746,387)
	(86,463)	(2,565)	(16,245)	(697,282)
Income (loss) before minority interests	(155,979)	25,243	39,748	(1,257,895)
Minority interests of consolidated subsidiaries	736	912	(1,041)	5,935
Net income (loss)	¥ (155,243)	¥ 26,155	¥ 38,707	\$ (1,251,960)
		Yen		U.S. dollars (Note 1)
Amounts per share of common stock:				
Net income (loss):				
Basic	¥ (126.99)	¥ 21.39	¥ 31.66	\$ (1.024)
Diluted	-	21.39	31.66	-
Cash dividends applicable to the year	-	2.00	4.00	-

See accompanying notes.

Consolidated Statements of Shareholders' Equity

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

	Millions of yen					
	Shares of common stock	Common stock	Capital surplus	Land revaluation	Retained earnings (deficit)	Foreign currency translation adjustments
Balance at March 31, 1998	1,222,273,377	¥ 120,026	¥ 104,163	¥ -	¥ 114,385	¥ -
Net income	-	-	-	-	38,707	-
Bonuses to directors and corporate auditors	-	-	-	-	(11)	-
Increase due to merger of a consolidated subsidiary and a company accounted for by the equity method	-	-	-	-	542	-
Common stock issued upon conversion of convertible bonds	223,278	52	52	-	-	-
Balance at March 31, 1999	1,222,496,655	120,078	104,215	-	153,623	-
Cumulative effect 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)

	Thousands of U.S. dollars (Note 1)				
	Common stock	Capital surplus	Land revaluation	Retained earnings (deficit)	Foreign currency translation adjustments
Balance at March 31, 2000	\$ 968,371	\$ 840,451	\$ -	\$ 172,702	\$ -
Net loss	-	-	-	(1,251,960)	-
Cash dividends paid	-	-	-	(19,710)	-
Bonuses to directors and corporate auditors	-	-	-	(24)	-
Decrease due to newly consolidated subsidiaries and companies newly accounted for by the equity method	-	-	-	(2,935)	-
Land revaluation	-	-	1,004,597	-	-
Adjustments from translation of foreign currency financial statements	-	-	-	-	(430,266)
Balance at March 31, 2001	\$ 968,371	\$ 840,451	\$ 1,004,597	\$ (1,101,927)	\$ (430,266)

See accompanying notes.

Consolidated Statements of Cash Flows

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

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2000		1999	2000
	For the years ended March 31, 2001	March 31, 2000	March 31, 1999	March 31, 2001
Cash flows from operating activities:				
Income (loss) before income taxes	¥ (242,442)	¥ 22,678	¥ 23,503	\$ (1,955,177)
Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities:				
Depreciation and amortization	49,531	51,800	48,503	399,444
Allowance for doubtful receivables	(9,176)	6,986	9,470	(74,000)
Investment valuation allowance	(3,697)	657	-	(29,815)
Reserve for warranty expenses	(4,670)	15,013	(591)	(37,661)
Reserve for loss on guarantees of loans	2,140	-	-	17,258
Reserve for loss on business restructuring	3,011	-	-	24,282
Employees' severance and retirement benefits	139,810	(35)	180	1,127,500
Interest and dividend income	(3,176)	(3,994)	(7,049)	(25,613)
Interest expense	25,457	28,698	27,363	205,298
Equity in net loss (income) of unconsolidated subsidiaries and affiliated companies	(2,356)	(2,016)	140	(19,000)
Loss (gain) on sale of property, plant and equipment, net	6,038	(23,303)	(1,362)	48,694
Valuation loss on short-term investments	-	-	12,552	-
Gain on sales of investment securities, net	(608)	(8,794)	(7,212)	(4,903)
Loss on liquidation of affiliated companies	5,335	6,523	7,432	43,024
Decrease in trade notes and accounts receivable	25,526	17,037	45,756	205,855
Decrease (increase) in inventories	(9,244)	(15,782)	25,883	(74,548)
Increase (decrease) in trade notes and accounts payable	13,942	11,779	(10,367)	112,435
Accrued severance pay for early retirement	45,232	-	-	364,774
Increase in other current liabilities	57,259	5,249	15,508	461,766
Other	14,358	30,776	4,355	115,790
Subtotal	112,270	143,272	194,064	905,403
Interest and dividends received	4,028	5,326	7,025	32,484
Interest paid	(25,767)	(29,010)	(26,906)	(207,798)
Income taxes paid	(6,180)	(1,629)	(437)	(49,839)
Net cash provided by operating activities	84,351	117,959	173,746	680,250
Cash flows from investing activities:				
Sale of short-term investments	1,312	21,268	8,674	10,580
Purchase of investment securities	(2,082)	(17,073)	(9,159)	(16,790)
Sale of investment securities	13,327	19,024	14,110	107,476
Sale of investment in subsidiaries affecting scope of consolidation	228	(11,245)	-	1,839
Acquisition of distribution rights	(7,190)	-	-	(57,984)
Additions to property, plant and equipment	(45,060)	(52,109)	(48,517)	(363,387)
Proceeds from sale of property, plant and equipment	16,303	67,299	17,967	131,476
Decrease (increase) in short-term loans receivable	1,427	(2,568)	(6,305)	11,508
Long-term loans made	(9,613)	(12,393)	(150,010)	(77,524)
Collections of long-term loans receivable	1,203	5,253	799	9,701
Other	(1,949)	(8,777)	(7,461)	(15,718)
Net cash provided by (used in) investing activities	(32,094)	8,679	(179,902)	(258,823)
Cash flows from financing activities:				
Increase (decrease) in short-term debt	(37,044)	(162,772)	80,519	(298,742)
Proceeds from long-term debt	146,828	202,379	57,803	1,184,097
Repayment of long-term debt	(104,172)	(135,674)	(133,134)	(840,097)
Cash dividends paid	(2,444)	(4,889)	-	(19,710)
Other	(197)	(482)	(89)	(1,588)
Net cash provided by (used in) financing activities	2,971	(101,438)	5,099	23,960
Effect of exchange rate fluctuations on cash and cash equivalents	511	(1,870)	(1,522)	4,121
Net increase (decrease) in cash and cash equivalents	55,739	23,330	(2,579)	449,508
Cash and cash equivalents at beginning of the year	233,593	152,761	155,340	1,883,815
Increases in cash and cash equivalents due to newly consolidated subsidiaries	1,200	57,502	-	9,678
Increases in cash and cash equivalents due to mergers	2,083	-	-	16,798
Cash and cash equivalents at end of the year	¥ 292,615	¥ 233,593	¥ 152,761	\$ 2,359,799

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 maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), which are different from the accounting and disclosure requirements of International Accounting Standards. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company which were prepared in accordance with Japanese GAAP and were filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statements of cash flows for the year ended March 31, 1999 and statements of shareholders' equity for the three years ended March 31, 2001, 2000 and 1999 have been prepared for the purpose of inclusion in the accompanying consolidated financial statements, although such statements were not required for domestic purposes and were not filed with the regulatory authorities.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the readers, using the prevailing exchange rate at March 31, 2001, which was ¥124 to US\$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, 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 for the years ended March 31, 2001 and 2000 include the accounts of the Company and significant companies, over which the Company has power of control through majority voting right 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 82 (95 in the year ended March 31, 2000 and 17 in the year ended March 31, 1999) subsidiaries. In addition, 31 non-consolidated subsidiaries and affiliates (71 in the year ended March 31, 2000 and 25 in the year ended March 31, 1999) are accounted for on the equity method.

Foreign currency translation

Short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. Prior to April 1, 2000, long-term receivables and payables denominated in foreign currencies were translated at historical rates.

Effective April 1, 2000, the Company and its consolidated subsidiaries (the "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, the Company and its domestic subsidiaries report foreign currency translation adjustments in shareholders' equity (and minority interests). The prior year's amount, which is included in assets, has not been reclassified.

Cash and cash equivalents

The Company considers all highly liquid investments with maturities of three months or less at the time of acquisition to be cash equivalents.

Securities

Prior to April 1, 2000, securities of the Companies were mainly stated at moving-average cost.

Effective April 1, 2000, the 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 are 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 to be stated at fair market value. Unrealized gains and unrealized losses on these securities are to be 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, 2001, the Companies had no trading and held-to-maturity debt securities. Also, the adoption of the standard for stating available-for-sale securities at fair value will start in the fiscal year ending March 31, 2002.

In accordance with the Ministerial Ordinance No. 9-3, fair value information on available-for-sale securities is provided as follows. 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 (\$33,766 thousand) while the estimated fair value of those securities was ¥4,515 million (\$36,411 thousand). Also, the amounts equivalent to net unrealized gains, deferred tax liabilities and minority interests were ¥193 million (\$1,556 thousand), ¥137 million (\$1,105 thousand) and negative ¥2 million (\$16 thousand), 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 (\$5,274 thousand). 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 is stated at cost. Depreciation is computed principally using the declining balance method over the useful lives of the assets. 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.

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 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 accounts.

Investment valuation allowance

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

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. The amount, estimated in a reasonable manner, for such losses is recognized.

Employees' severance and retirement benefits

The Companies provide three types of post-employment benefit plans, unfunded lump-sum payment 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 Company and its consolidated domestic subsidiaries provide defined benefit plans; overseas consolidated subsidiaries provide defined benefit and/or contribution plans.

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

Effective April 1, 2000, the 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 Companies provided for employees' severance and retirement benefits at March 31, 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

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 (\$1,246,839 thousand). The net transition obligation is fully recognized in other expenses in the current fiscal year. Prior service costs are recognized in expenses in equal amounts over 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 over 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 (\$1,166,444 thousand) and loss before income taxes increased by ¥144,808 million (\$1,167,806 thousand) compared with what would have been recorded under the previous accounting standard.

For the first half of the year ended March 31, 2001, the recognition of the net transition obligation was deferred on a straight-line basis over 15 years. Accordingly, the amount estimated to be incurred as of the end of the first-half period was recognized in non-operating expense. For the full-year period, however, the entire net transition obligation was recognized in other expenses (Note 11).

Out of the employees of the Company that were on the payroll as of the beginning of the year ended March 31, 2001, a large number of employees (2,210 employees) terminated their employment with the Company through its Early Retirement Special Program in the second-half period. In light of this, the Company elected to immediately recognize the entire net transition obligation.

The results of operations for the first half of this fiscal year would have been different if the net transition obligation had been immediately recognized in the first half in the same manner as at the year end. Considering what the results of operations for the first half would have been if the net transition obligation had been immediately recognized, severance and retirement benefit expenses were reported smaller by ¥147,386 million and loss before income taxes smaller by ¥147,386 million.

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 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, 2001 and 2000, the research and development costs of ¥83,617 million (\$674,331 thousand) 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 is 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 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

Financial 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. Diluted net loss 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 March 31, 2000 and 1999 consolidated financial statements have been reclassified to conform with the March 31, 2001 presentation.

3. Accounting Change – 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 Companies have no trading or held-to-maturity debt securities with available fair values at March 31, 2001. Fair value information for available-for-sale securities is disclosed in Note 2.

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

	Millions of yen Book value	Thousands of U.S. dollars Book value
Non-listed equity securities	¥ 8,999	\$ 72,573

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	Over five years but within ten years	Within one year	Over one year but within five years	Over five years but within ten years
Available-for-sale securities:						
Bonds	¥ 10	¥ 10	¥ 4	\$ 81	\$ 81	\$ 32
Others	9	45	27	72	363	218
	¥ 19	¥ 55	¥ 31	\$ 153	\$ 444	\$ 250

Total sales of available-for-sale securities sold in the year ended March 31, 2001 amounted to ¥10,209 million (\$82,331 thousand) and the related gains and losses amounted to ¥214 million (\$1,726 thousand) and ¥3,798 million (\$30,629 thousand), respectively.

At March 31, 2000, book values, market values and net unrealized gains (losses) of marketable securities were as follows:

	Millions of yen		
	Book value	Market value	Unrealized gains (losses)
Short-term investments:			
Shares	¥ 17,946	¥ 13,644	¥ (4,302)
Other	37	25	(12)
	17,983	13,669	(4,314)
Investment securities:			
Shares	1,136	1,085	(51)
Other	25	25	-
	1,161	1,110	(51)
	¥ 19,144	¥ 14,779	¥ (4,365)

5. Inventories

Inventories at March 31, 2001 and 2000 were as follows:

As of	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
	March 31, 2001	March 31, 2000	March 31, 2001
Finished products	¥ 169,788	¥ 149,805	\$ 1,369,258
Work in process	30,642	23,656	247,113
Raw materials and supplies	6,668	6,521	53,774
	¥ 207,098	¥ 179,982	\$ 1,670,145

6. Land Revaluation

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	Thousands of U.S. dollars
Book value of land for business use before revaluation	¥ 76,886	\$ 620,048
Book value of land for business use after revaluation	294,886	2,378,113

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.

7. Short-Term Debt and Long-Term Debt

Short-term debt at March 31, 2001, consisted of loans, principally from banks of ¥344,804 million (\$2,780,678 thousand). The annual interest rates applicable to short-term debt outstanding at March 31, 2001 and 2000, averaged 2.8% and 2.6%, respectively.

Long-term debt at March 31, 2001 and 2000 consisted of the following:

As of	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
	March 31, 2001	March 31, 2000	March 31, 2001
Domestic unsecured bonds due serially 2001 through 2005 at rates of 1.9% to 3.0% per annum	¥ 120,000	¥ 75,000	\$ 967,742
Euroyen bonds due serially 2000 through 2002 at rates of 4.05% to 5.5% per annum	30,000	70,000	241,936
Floating rate Euroyen notes due 2000	-	10,000	-
French franc mortgage bonds due 2003 at a rate of 5.875% per annum	11,900	11,900	95,968
Loans principally from banks and insurance companies:			
Secured loans, maturing through 2022	240,498	194,257	1,939,500
Unsecured loans, maturing through 2007	30,090	32,856	242,661
	432,488	394,013	3,487,807
Amount due within one year	(65,465)	(83,808)	(527,944)
	¥ 367,023	¥ 310,205	\$ 2,959,863

The annual interest rates applicable to secured loans and unsecured loans outstanding averaged 2.1% and 2.5%, respectively, at March 31, 2001, and 2.2% and 2.7%, respectively, at March 31, 2000.

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, 2001 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2002	¥ 65,465	\$ 527,944
2003	63,439	511,605
2004	95,392	769,290
2005	108,828	877,645
2006	62,239	501,928
Thereafter	37,125	299,395
	¥ 432,488	\$ 3,487,807

The assets pledged as collateral for short-term debt of ¥120,880 million (\$974,839 thousand) and long-term debt of ¥240,498 million (\$1,939,500 thousand) at March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, at net book value	¥ 466,711	\$ 3,763,798
Other	8,027	64,734
	¥ 474,738	\$ 3,828,532

8. Employees' Severance and Retirement Benefits

As explained in Note 2. Significant Accounting Policies, effective April 1, 2000, the 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 liability for severance and retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2001 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligation	¥ 481,087	\$ 3,879,734
Unrecognized prior service costs	(4,490)	(36,210)
Unrecognized actuarial differences	(42,567)	(343,282)
Less fair value of pension assets	(260,877)	(2,103,847)
Prepaid pension cost	56	452
Liability for severance and retirement benefits	¥ 173,209	\$ 1,396,847

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

	Millions of yen	Thousands of U.S. dollars
Service costs—benefits earned during the year	¥ 15,592	\$ 125,742
Interest cost on projected benefit obligation	15,696	126,581
Expected return on plan assets	(15,171)	(122,347)
Net transition obligation	154,608	1,246,839
Amortization of prior service costs	391	3,153
Severance and retirement benefit expenses	¥ 171,116	\$ 1,379,968

The discount rate and the rate of expected return on plan assets used by the Companies are primarily 3.5% and 5.5%, respectively. The estimated amount of all retirement benefits to be paid at 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, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Discounted trade notes receivable	¥ 2,782	\$ 22,435
Endorsed notes receivable	13	105
Factoring of receivables with recourse	10,666	86,016
Guarantees of loans	8,487	68,444
Letters of awareness and letters of undertaking to provide guarantees	13,976	112,710
Letters of undertaking to provide guarantees for leases for factory facilities	36,484	294,226

10. Common Stock

In accordance with the Commercial Code of Japan, certain issues of shares of common stock, including conversion of convertible bonds, are required to be credited to common stock to the extent of the greater of par value or 50% of the proceeds by resolution of the Board of Directors. The remaining amounts are credited to capital surplus.

The Company had no convertible bonds outstanding at March 31, 2001.

11. Other Income (Expenses)

The components of "Other, net" in Other income (expenses) in the statements of operations for the years ended March 31, 2001, 2000 and 1999 were comprised as follows:

For the years ended	Millions of yen			Thousands of U.S. dollars
	2000 March 31, 2001	1999 March 31, 2000	1998 March 31, 1999	2000 March 31, 2001
Valuation loss on short-term investments	¥ -	¥ -	¥ (12,552)	\$ -
Gain on sale of short-term investments	-	1,518	1,506	-
Valuation loss on investment securities	(2,250)	(696)	(8,948)	(18,145)
Gain on sale of investment securities, net	608	8,794	7,212	4,903
Gain (loss) on sale of property, plant and equipment, net	(6,038)	23,303	1,362	(48,693)
Rental income	5,979	6,166	6,090	48,218
Past service costs of the pension plan	-	(3,064)	(3,101)	-
Restructuring of subsidiaries and affiliates	(5,335)	(6,523)	(7,432)	(43,024)
Investment valuation allowance	(351)	(657)	-	(2,831)
Foreign exchange gain (loss)	1,476	(5,011)	(1,412)	11,903
Provision for loss on guarantees of loans	(2,140)	-	-	(17,258)
Net transition obligation of new accounting standard for severance and retirement benefits	(154,608)	-	-	(1,246,839)
Severance pay for early retirement	(36,608)	-	-	(295,226)
Loss on business restructuring	(3,011)	-	-	(24,282)
Other	(5,302)	(3,575)	(1,278)	(42,758)
	¥ (207,580)	¥ 20,255	¥ (18,553)	\$ (1,674,032)

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 flow 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, 2001 and 2000. The balances of the investment at March 31, 2001 and 2000 were ¥4,808 million (\$38,774 thousand) and ¥5,169 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, 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 Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate resulted in a statutory tax rate of approximately 41.7% for the years ended March 31, 2001 and 2000. Foreign subsidiaries are subject to income taxes applicable in the countries of domicile.

The effective tax rates reflected in the consolidated statements of operations for the years ended March 31, 2001 and 2000 differ from statutory tax rate for the following reasons:

	For the years ended	2000	1999
		March 31, 2001	March 31, 2000
Statutory tax rate		41.7%	41.7%
Equity in net income of unconsolidated subsidiaries and affiliated companies		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		-	11.3
Valuation allowances		7.0	(13.1)
Reversal of unrealized profits from intercompany transactions		(3.7)	-
Effect of tax rate changes		-	5.4
Other		(2.3)	(0.7)
Effective tax rate		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, 2001 and 2000 were as follows:

	As of	Millions of yen		Thousands of U.S. dollars
		2000 March 31, 2001	1999 March 31, 2000	2000 March 31, 2001
Deferred tax assets:				
Allowance for doubtful receivables	¥	7,183	¥ 11,110	\$ 57,927
Employees' severance and retirement benefits		66,017	-	532,395
Accrued bonuses and other reserves		16,786	13,352	135,371
Inventory valuation		3,482	11,903	28,081
Investment valuation allowance		-	17,915	-
Net operating loss carryforwards		65,129	38,580	525,234
Other		52,974	41,525	427,210
Total gross deferred tax assets		211,571	134,385	1,706,218
Less valuation allowance		(33,280)	(40,985)	(268,387)
Net deferred tax assets		178,291	93,400	1,437,831
Deferred tax liabilities:				
Reserves under Special Taxation Measures Law		(8,417)	(13,066)	(67,879)
Other		(5,922)	(11,208)	(47,758)
Deferred tax liabilities		(14,339)	(24,274)	(115,637)
Net deferred tax assets		¥ 163,952	¥ 69,126	\$ 1,322,194

For the fiscal year ended March 31, 2000, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities changed from the prior year's 47.4% to 41.7%. The effect of this change in the statutory tax rate was to decrease deferred tax assets (net of deferred tax liabilities) by ¥1,223 million and increase income tax expense for the year ended March 31, 2000 by the same amount.

14. Derivative Financial Instruments and Hedging Transactions

The Companies 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 Companies 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 Companies 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 Companies and items hedged:

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

The following table summarizes market value information as of March 31, 2001 of derivative transactions for which hedge accounting has not been applied:

	Millions of yen			Thousands of U.S. dollars		
	Contract amount	Estimated fair value	Recognized gain (loss)	Contract amount	Estimated fair value	Recognized gain (loss)
Forward foreign exchange contracts:						
Sell:						
U.S. dollars	¥ 6,508	¥ 7,516	¥ (1,008)	\$ 52,484	\$ 60,613	\$ (8,129)
Canadian dollars	770	784	(14)	6,210	6,323	(113)
Australian dollars	1,466	1,368	98	11,822	11,032	790
Euro	2,701	2,708	(7)	21,782	21,838	(56)
	¥ 11,445	¥ 12,376	¥ (931)	\$ 92,298	\$ 99,806	\$ (7,508)

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

At March 31, 2000, the Companies had outstanding forward exchange contracts to sell foreign currencies for amounts of ¥12,177 million for U.S. dollars, ¥13,476 million for Canadian dollars and ¥108 million for Australian dollars and to buy foreign currencies for amounts of ¥387 million for Deutsche marks and ¥132 million for Australian dollars. The unrealized gain on these contracts was ¥849 million, using the prevailing forward exchange rates on that date.

In addition, at March 31, 2000, the Companies had outstanding interest rate swaps (receive/floating and pay/fixed) for a notional amount of ¥400 million. The unrealized gain on these contracts was ¥3 million on that date.

15. Leases

(a) As lessee

Lease payments under non-capitalized finance leases amounted to ¥25,357 million (\$204,492 thousand), ¥27,244 million and ¥23,994 million for the years ended March 31, 2001, 2000 and 1999, 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, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	Finance leases		2000 March 31, 2001	Operating leases		2000 March 31, 2001
	2000 March 31, 2001	1999 March 31, 2000		2000 March 31, 2001	1999 March 31, 2000	
As of						
Current portion	¥ 21,741	¥ 22,837	\$ 175,331	¥ 5,535	¥ 3,209	\$ 44,637
Non-current portion	57,947	68,426	467,314	42,964	34,158	346,484
	¥ 79,688	¥ 91,263	\$ 642,645	¥ 48,499	¥ 37,367	\$ 391,121

(b) As lessor

Lease payments received under finance leases, accounted for as operating leases, amounted to ¥1,130 million (\$9,113 thousand), ¥1,528 million and ¥1,323 million for the years ended March 31, 2001, 2000 and 1999, 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, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	Finance leases		2000 March 31, 2001	Operating leases		2000 March 31, 2001
	2000 March 31, 2001	1999 March 31, 2000		2000 March 31, 2001	1999 March 31, 2000	
As of						
Current portion	¥ 794	¥ 964	\$ 6,403	¥ 4,517	¥ 4,830	\$ 36,427
Non-current portion	1,788	1,534	14,419	5,623	5,755	45,347
	¥ 2,582	¥ 2,498	\$ 20,822	¥ 10,140	¥ 10,585	\$ 81,774

16. Segment Information

The Companies 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, 2001, 2000 and 1999 were as follows:

2000 For the year ended March 31, 2001	Millions of yen						Consolidated
	Japan	North America	Europe	Other areas	Total	Elimination or corporate	
Net sales:							
Outside customers	¥ 1,195,609	¥ 580,767	¥ 168,957	¥ 70,479	¥ 2,015,812	¥ -	¥ 2,015,812
Inter-area	393,783	10,321	725	13	404,842	(404,842)	-
Total	1,589,392	591,088	169,682	70,492	2,420,654	(404,842)	2,015,812
Costs and expenses	1,603,048	595,180	170,653	69,709	2,438,590	(407,841)	2,030,749
Operating income (loss)	¥ (13,656)	¥ (4,092)	¥ (971)	¥ 783	¥ (17,936)	¥ 2,999	¥ (14,937)
Total identifiable assets	¥ 1,614,139	¥ 151,935	¥ 65,806	¥ 24,706	¥ 1,856,586	¥ (112,959)	¥ 1,743,627

1999 For the year ended March 31, 2000	Millions of yen						Consolidated
	Japan	North America	Europe	Other areas	Total	Elimination or corporate	
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

1998 For the year ended March 31, 1999	Millions of yen						Consolidated
	Japan	North America	Europe	Other areas	Total	Elimination or corporate	
Net sales:							
Outside customers	¥ 1,114,891	¥ 616,610	¥ 238,139	¥ 87,457	¥ 2,057,097	¥ -	¥ 2,057,097
Inter-area	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
Costs and expenses	1,467,711	628,614	232,821	88,081	2,417,227	(422,640)	1,994,587
Operating income (loss)	¥ 60,490	¥ 3,125	¥ 5,404	¥ (624)	¥ 68,395	¥ (5,885)	¥ 62,510
Total identifiable assets	¥ 1,259,690	¥ 140,813	¥ 92,375	¥ 29,740	¥ 1,522,618	¥ (43,586)	¥ 1,479,032

2000 For the year ended March 31, 2001	Thousands of U.S. dollars						Consolidated
	Japan	North America	Europe	Other areas	Total	Elimination or corporate	
Net sales:							
Outside customers	\$ 9,642,008	\$ 4,683,605	\$ 1,362,556	\$ 568,379	\$ 16,256,548	\$ -	\$ 16,256,548
Inter-area	3,175,669	83,234	5,847	105	3,264,855	(3,264,855)	-
Total	12,817,677	4,766,839	1,368,403	568,484	19,521,403	(3,264,855)	16,256,548
Costs and expenses	12,927,806	4,799,839	1,376,234	562,169	19,666,048	(3,289,040)	16,377,008
Operating income (loss)	\$ (110,129)	\$ (33,000)	\$ (7,831)	\$ 6,315	\$ (144,645)	\$ 24,185	\$ (120,460)
Total identifiable assets	\$ 13,017,250	\$ 1,225,282	\$ 530,694	\$ 199,242	\$ 14,972,468	\$ (910,960)	\$ 14,061,508

Included in the elimination or corporate column under assets are foreign currency translation adjustments of ¥61,988 million and ¥51,769 million at March 31, 2000 and 1999, respectively. As discussed in Note 2, starting in the year ended March 31, 2001, the 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 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 segment by ¥7,449 million (\$60,073 thousand) and to decrease the operating loss of this segment 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 segment by ¥15,131 million and that of the North American segment by ¥2,021 million and to decrease the operating incomes of these two segments by the same amounts, respectively.

International sales of the Companies for the years ended March 31, 2001, 2000 and 1999 were as follows:

2000 For the year ended March 31, 2001		Millions of yen			
		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 For the year ended March 31, 2000		Millions of yen			
		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%
1998 For the year ended March 31, 1999		Millions of yen			
		North America	Europe	Other areas	Total
International sales		¥ 698,160	¥ 415,470	¥ 273,213	¥ 1,386,843
Percentage of consolidated net sales		33.9%	20.2%	13.3%	67.4%
2000 For the year ended March 31, 2001		Thousands of U.S. dollars			
		North America	Europe	Other areas	Total
International sales		\$ 4,984,484	\$ 1,905,839	\$ 2,011,645	\$ 8,901,968

International sales include exports by the Company and its domestic consolidated subsidiaries as well as sales of overseas consolidated subsidiaries outside Japan.

17. Related Party Transactions

The Company issued 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, 2001, the letters of undertaking, included in contingent liabilities, covered ¥41,867 million (\$337,637 thousand) of AAI's obligations.

In addition, the Company transferred (sold) receivables to Primus Financial Services, Inc., a subsidiary of Ford Motor Company. For the year ended March 31, 2001, the transactions amounted to ¥171,712 million (\$1,384,774 thousand) in the aggregate. As of March 31, 2001, the ending balance of accounts receivable related to the transactions was ¥6,187 million (\$49,895 thousand). The terms of the transactions are determined on an arm's length basis.

18. Subsequent Event

The Board of Directors of the Company resolved on April 27, 2001 to issue notes and bonds of up to ¥70,000 million from May to July 2001. The Company issued domestic unsecured bonds of ¥30,000 million bearing interest of 1.7% on June 25, 2001. The bonds will mature in 2005.

Report of Independent Certified Public Accountants



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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 subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2001, 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 subsidiaries as of March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2001 in conformity with accounting principles generally accepted in Japan applied on a consistent basis during the periods, except for the new accounting policies and change in accounting policy, with which we concur, as noted in the following paragraphs.

As explained in Note 2, in the year ended March 31, 2001, Mazda Motor Corporation and 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 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 April 1, 1999, 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 26, 2001

Asahi & Co.

(Member Firm of Andersen Worldwide SC)

Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying consolidated financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

Five-Year Summary

MAZDA MOTOR CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2001, 2000, 1999, 1998 and 1997

Consolidated

	Millions of yen					Thousands of U.S. dollars ¹
	2000	1999	1998	1997	1996	2000
	March 31, 2001	March 31, 2000	March 31, 1999	March 31, 1998	March 31, 1997	March 31, 2001
Net sales	¥ 2,015,812	¥ 2,161,572	¥ 2,057,097	¥ 2,041,428	¥ 1,894,200	\$ 16,256,548
Domestic	911,968	955,460	670,254	703,758	749,908	7,354,580
Overseas	1,103,844	1,206,112	1,386,843	1,337,670	1,144,292	8,901,968
Net income (loss)	(155,243)	26,155	38,707	(6,801)	(17,548)	(1,251,960)
Total assets	1,743,627	1,469,533	1,479,032	1,456,368	1,417,407	14,061,508
Shareholders' equity	158,872	245,709	377,916	338,574	344,479	1,281,226
Capital expenditures ²	47,285	48,867	43,485	55,156	27,298	381,331
Depreciation and amortization	49,531	51,800	48,503	46,530	50,948	399,444
Financial debts	777,292	770,610	728,718	735,555	699,497	6,268,484
Cash flows ³	52,257	126,638	(6,156)	482	27,571	421,427
Number of employees	39,601	43,818	31,851	31,665	32,919	

Amounts per share of common stock:	Yen					U.S. dollars
	2000	1999	1998	1997	1996	2000
Net income (loss) ⁴	¥ (126.99)	¥ 21.39	¥ 31.66	¥ (5.56)	¥ (14.62)	\$ (1.024)
Cash dividends ⁵	-	2.00	4.00	-	-	-

	Thousands of shares				
Shares outstanding at year-end	1,222,497	1,222,497	1,222,497	1,222,273	1,222,273

Unit sales	Thousands of units				
	2000	1999	1998	1997	1996
Domestic	334	345	337	345	377
Overseas	630	668	688	670	638
	964	1,013	1,025	1,015	1,015

Non-Consolidated

	Millions of yen					Thousands of U.S. dollars ¹
	2000	1999	1998	1997	1996	2000
	March 31, 2001	March 31, 2000	March 31, 1999	March 31, 1998	March 31, 1997	March 31, 2001
Net sales	¥ 1,322,741	¥ 1,466,146	¥ 1,454,018	¥ 1,512,397	¥ 1,426,803	\$ 10,667,266
Domestic	639,690	651,453	603,435	631,191	673,675	5,158,790
Export	683,051	814,693	850,583	881,206	753,128	5,508,476
Net income (loss)	(127,590)	5,139	30,529	11,513	6,111	(1,028,952)
Total assets	1,428,364	1,104,609	1,074,946	1,014,868	997,094	11,519,065
Shareholders' equity	434,513	439,978	416,367	385,733	374,220	3,504,137
Capital expenditures ²	39,940	41,526	37,446	34,156	21,555	322,097
Depreciation and amortization	35,038	36,356	37,308	38,002	43,452	282,565
Financial debts	456,241	401,177	423,357	394,162	398,003	3,679,363
Number of employees ⁶	20,705	23,549	24,076	23,873	24,891	

Amounts per share of common stock:	Yen					U.S. dollars
	2000	1999	1998	1997	1996	2000
Net income (loss) ⁴	¥ (104.36)	¥ 4.20	¥ 24.97	¥ 9.42	¥ 5.09	\$ (0.842)
Cash dividends ⁵	-	2.00	4.00	-	-	-

Notes:

- 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, 2001, of ¥124 to US\$1.
- Capital expenditures are calculated on an accrual basis.
- Cash flows represent net of cash flows from operating activities and those from investing activities.
- The computations of net income (loss) per share of common stock are based on the average number of shares outstanding during each fiscal year.
- Cash dividends per share represent actual amounts applicable to the respective years.
- The number of employees includes those employees who are being dispatched to subsidiaries, affiliates, and other organizations.