



# ANNUAL REPORT 2016

YEAR ENDED MARCH 31, 2016



*zoom-zoom*

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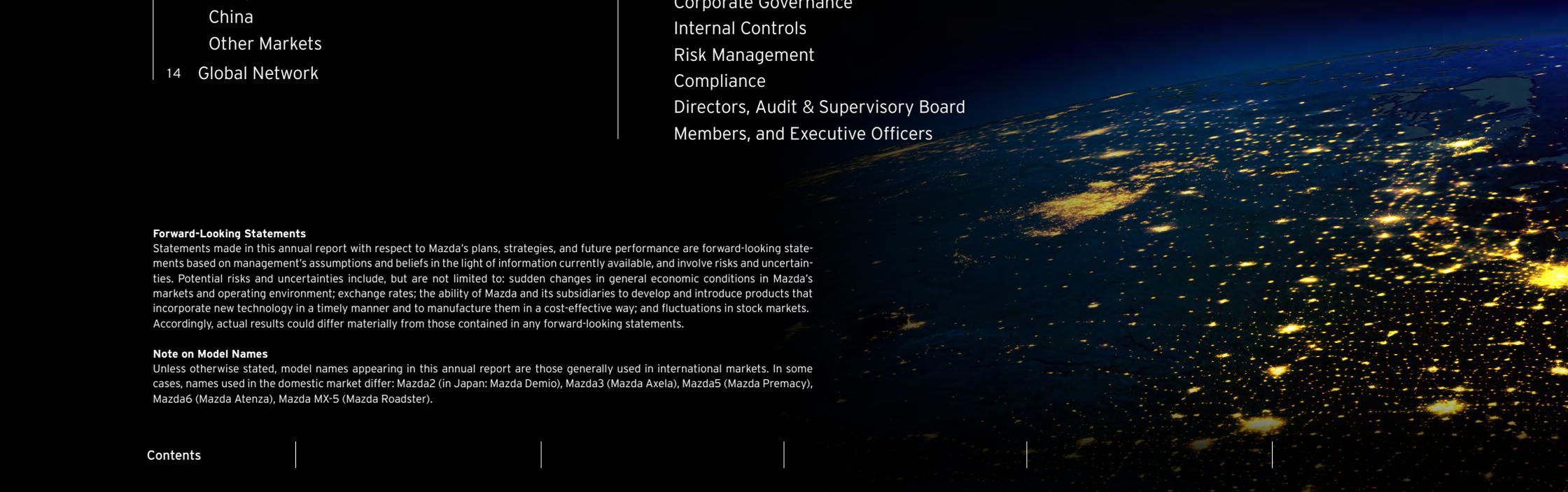
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### Forward-Looking Statements

Statements made in this annual report with respect to Mazda's plans, strategies, and future performance are forward-looking statements based on management's assumptions and beliefs in the light of information currently available, and involve risks and uncertainties. Potential risks and uncertainties include, but are not limited to: sudden changes in general economic conditions in Mazda's markets and operating environment; exchange rates; the ability of Mazda and its subsidiaries to develop and introduce products that incorporate new technology in a timely manner and to manufacture them in a cost-effective way; and fluctuations in stock markets. Accordingly, actual results could differ materially from those contained in any forward-looking statements.

### Note on Model Names

Unless otherwise stated, model names appearing in this annual report are those generally used in international markets. In some cases, names used in the domestic market differ: Mazda2 (in Japan: Mazda Demio), Mazda3 (Mazda Axela), Mazda5 (Mazda Premacy), Mazda6 (Mazda Atenza), Mazda MX-5 (Mazda Roadster).



## Corporate Profile

Since its establishment in 1920, Mazda has continued to be an automobile manufacturer that embodies the spirit of “never stop challenging.”

In 2007, Mazda formulated “Sustainable Zoom-Zoom,” a long-term vision for technological development that declares the Company’s initiatives toward the achievement of a sustainable future.

Based on this long-term vision, our revolutionary SKYACTIV TECHNOLOGY combines the harmonious integration of new dimensions in driving pleasure and outstanding environmental and safety performance.

The new generation of Mazda products featuring KODO design, which breathes life into cars, and SKYACTIV TECHNOLOGY have proven very popular since their launches both in Japan and overseas.

In addition, we are making efforts in Monotsukuri Innovation in order to realize high levels of diversity, which enhances the competitive edge of our products, and commonality, which boosts the efficiency of mass production.

In doing so, we are achieving both enhanced performance and improved costs.

With our Structural Reform Stage 2 medium-term business plan, which starts from the March 2017 fiscal year, we will make efforts to achieve qualitative business growth and further improve brand value in order to realize sustainable growth.

Going forward, we will improve brand value through the provision of “attractive products and services unique to Mazda,” while making efforts toward the realization of a sustainable future for both people and cars.



## To Shareholders and Investors



I would first like to express my gratitude for the ongoing support of our shareholders and investors, and all other stakeholders involved with the Mazda Group, including customers, suppliers, and local communities.

During the March 2016 fiscal year, we were able to achieve steady growth, as we leveraged SKYACTIV TECHNOLOGY in the pursuit of structural reform to increase our brand value by providing unique, attractive products and services.

Under the Structural Reform Stage 2 medium-term business plan, which begins with the March 2017 fiscal year, we are working toward continuous future growth by offering attractive products that deliver both driving pleasure and outstanding environmental and safety performance as well as the further enhancement of brand value through qualitative growth in all areas of our business, including product development and manufacturing quality, sales quality, and financial soundness.

Our management targets for the March 2019 fiscal year, the final year under the plan, are for global sales volume of 1.65 million units, an operating income ratio of at least 7%, an equity ratio of at least 45%, and a dividend payout ratio of at least 20%. Along with strengthening our financial base, we will work for steady increases in returns to shareholders.

I would like to ask all shareholders and investors for your further support going forward.

August 2016

Masamichi Kogai  
Representative Director,  
President and CEO

## Message from President and CEO

### Results Summary and Forecast

During the March 2016 fiscal year, we began the global rollout, starting with Japan, of the new Mazda MX-5 (Japanese name: Mazda Roadster), which incorporates both SKYACTIV TECHNOLOGY and KODO design in the pursuit of *Jinba-ittai*, or “horse and rider as one,” enjoyment. The new MX-5 has won more than 60 awards in Japan and around the world, including the 2015-2016 Car of the Year Japan and the 2016 World Car of the Year, making us very happy to have so many people recognize the type of vehicle engineering for which we aim. We also unveiled the three-row crossover SUV Mazda CX-9, featuring a newly developed 2.5-liter direct-injection turbo-charged gasoline engine, SKYACTIV-G 2.5T, which went on sale in North America in May 2016. We are strengthening our new-generation product lineup with the aim of continuous and even greater growth. In terms of manufacturing, with the goal of establishing a structure for the timely and stable supply of compact SUVs, the market for which continues to grow globally, we began production of the Mazda CX-3 in Thailand from October 2015. In addition, we have commenced mass production of SKYACTIV engines there as well.

With regard to business results, in addition to the global launch of new models such as the CX-3 and the new MX-5, updated versions of the Mazda6 (Japanese name: Mazda Atenza) and the CX-5 recorded strong sales, and as a result global sales volume grew 9.8% from the previous year, to 1,534,000 units. Net sales

### Consolidated Results and Forecast

(Fiscal years ended March 31)

	2015		2016		2017	
	Result	Increase / (Decrease)	Result	Increase / (Decrease)	Forecast	Increase / (Decrease)
Global sales volume (Thousands of units)	1,397	+66	<b>1,534</b>	<b>+137</b>	1,550	+16
Net sales (Billions of yen)	3,033.9	+341.7	<b>3,406.6</b>	<b>+372.7</b>	3,280.0	(126.6)
Operating income (Billions of yen)	202.9	+20.8	<b>226.8</b>	<b>+23.9</b>	170.0	(56.8)
Net income attributable to owners of the parent (Billions of yen)	158.8	+23.1	<b>134.4</b>	<b>(24.4)</b>	115.0	(19.4)

rose ¥372.7 billion, to ¥3,406.6 billion, and operating income grew ¥23.9 billion, to ¥226.8 billion. With extraordinary losses including the recording of a reserve for product warranties, net income attributable to owners of the parent declined ¥24.4 billion, to ¥134.4 billion.

We expect uncertain conditions to continue during the March 2017 fiscal year from changes in the external environment, with political and economic factors in the markets of major countries affecting automotive demand, and from drastic fluctuations in financial markets, including foreign exchange rates. Nevertheless, we are aiming for continued growth in sales volume and are forecasting a 1.0% increase in global sales volume, to 1,550,000 units, from the introduction of the CX-9 and other new models, and the rollout of other updated models, including the updated Mazda6 and CX-5, which have had strong receptions. Our financial forecasts are for net sales of ¥3,280.0

billion, with operating income of ¥170.0 billion and net income attributable to owners of the parent of ¥115.0 billion. With new models including the CX-9 and the introduction of updated models contributing to sales volume and raising profitability, as well as cost reductions for new models through Monotsukuri Innovation and cost development at overseas plants, we will reduce controllable costs in areas other than investments for future growth such as development expenses. We anticipate a major negative impact from the yen's appreciation but will strive to address this in all areas of development, production, sales, and finances.

### Returns to shareholders

We endeavor to pay a stable dividend with steady increases, based on a comprehensive assessment of financial results for the fiscal year, the business environment, and our financial position. For the March

## Message from President and CEO

2016 fiscal year, we paid a full-year dividend of ¥30 per share, consisting of a ¥15 per share interim dividend and a ¥15 per share year-end dividend. We plan to raise the dividend by ¥5 per share for the March 2017 fiscal year, to ¥35 per share, consisting of a ¥15 per share interim dividend and a ¥20 per share year-end dividend.

### Structural Reform Plan

The Structural Reform Plan medium-term business plan was formulated in February 2012 to address an increasingly challenging external environment. The plan set four major initiatives, which we have steadily pursued, making solid progress with structural reforms leveraging SKYACTIV TECHNOLOGY.

The first major initiative was business innovation through SKYACTIV TECHNOLOGY, and in this regard we have progressed on plan with the introduction of new models, bringing the percentage of SKYACTIV-



equipped vehicles sold to 86%. Both SKYACTIV products and KODO design have been highly recognized in Japan and overseas, and they have enabled us to achieve growth in global sales volume while maintaining our right-price sales policy.

In terms of the second initiative—accelerate further cost improvement through Monotsukuri Innovation—we have enhanced our product strength while making major improvements in the efficiency of development spending and capital investment, through manufacturing that faithfully reproduces designs and the development and use of designer colors such as “Soul Red” and “Machine Gray.” These moves have reduced costs while also contributing to brand value enhancement.

With regard to the third initiative of establishing a global production footprint, the Mexico plant that commenced operations in January 2014 has expanded the number of models produced as planned, including the Mazda3, the Mazda2, and compact cars for Toyota. The powertrain plant in Thailand has also begun producing SKYACTIV engines in addition to automatic transmissions. As a result, our overseas production ratio has risen to around 40%, contributing to our global supply capacity and our resistance to exchange rate movements.

We are promoting global alliances, the fourth initiative, by pursuing optimal and complementary tie-up strategies by product, technology, and region, including the commencement of production and supply to Toyota from our plant in Mexico and to Fiat Chrysler Automobiles from our Hiroshima plant. After

gaining deeper mutual understanding through the task force that handled the operational tie-up with Toyota, which was concluded and announced in May 2015, we are making steady progress in exploring a broader range of areas for cooperation with a medium-to-long-term time frame.

### Structural Reform Stage 2

Under the Structural Reform Plan, we were able to achieve a certain level of success toward the realization of a stable earnings structure, including substantial progress in major initiatives in the areas of products, sales, manufacturing, and alliances, while investing for future growth. Nevertheless, there is still room for further improvement in each of these areas, and we believe we need to strengthen these initiatives further. We have therefore formulated Structural Reform Stage 2, a medium-term business plan that begins with the March 2017 fiscal year and seeks to increase brand value through qualitative business growth for continuous growth in the future.

In the area of products and development, we will introduce six new models (including one derivative model) that provide driving pleasure and outstanding environmental and safety performance. We will also continue to advance our new-generation product lineup with updated models featuring the latest designs and technologies, and we aim to expand our lineup of crossover models, which are registering growth in demand globally, to step up sales volume and raise profitability. Our technological development

## Message from President and CEO

## Structural Reform Stage 2

## Structural reform as a way toward qualitative business growth and improved brand value

Product and R&D	<ul style="list-style-type: none"> <li>• Continuous evolution of new-generation products</li> <li>• Develop and introduce next-generation technologies and models</li> </ul>
Brand and Sales	<ul style="list-style-type: none"> <li>• Drive reforms at sales frontline to ensure penetration of sales strategy</li> <li>• Improve customers' ownership experience</li> </ul>
Global production	<ul style="list-style-type: none"> <li>• Accelerate cost improvements through global deployment of Monotsukuri Innovation</li> <li>• Support sales growth by maximizing plant utilization</li> </ul>
Strengthen financial structure	<ul style="list-style-type: none"> <li>• Establish strong financial structure</li> <li>• Raise dividend payout ratio</li> </ul>

## Target for March 2019 fiscal year (Foreign exchange rate assumptions: ¥120 / USD, ¥130 / euro)

Global sales volume	Operating income ratio	Equity ratio	Dividend payout ratio
<b>1.65</b> million units	<b>7%</b> or more	<b>45%</b> or more	<b>20%</b> or more

for these next-generation models will emphasize environmental performance and safety, including compliance with increasingly strict environmental and other regulations in various countries.

In the area of brand and sales, we will strengthen sales with a full lineup of SKYACTIV-equipped vehicles. We will also roll out and instill our right-price sales policy globally to sell vehicles without relying on incentives and increase retention (the ratio of customers who replace their Mazda vehicle with another Mazda vehicle) by improving the residual value of vehicles. Moreover, we will pursue sales frontline

innovation with an emphasis on customer care and improving customers' brand experience with the aim of becoming a brand that creates special bonds with customers.

In terms of manufacturing, we are accelerating cost reductions by expanding the scope of Monotsukuri Innovation, which produced significant results at domestic production sites, to all production sites around the world. We are also working to maximize manufacturing efficiency at major production sites and strengthening the production structure that will facilitate mutually complementary production

between production sites in Japan and overseas, to accommodate increased sales of SKYACTIV-equipped vehicles. Going forward, we will implement initiatives that will allow us to raise the percentage of crossover models, sales of which are expected to grow, to 50% of production volume, and increase global sales volume to 1.65 million units.

In terms of finances, we will strengthen our financial base by generating stable profits and cash flow and increasing equity by increasing brand value through steady growth in sales volume and qualitative business growth.

Based on our long-term vision for technology development, which has a basic policy of providing all customers who purchase Mazda vehicles with driving pleasure as well as outstanding environmental and safety performance, we will contribute to a sustainable society through technological innovation in the areas of the environment and safety.

We will also continue to engage in timely and appropriate information disclosure and constructive dialogue with shareholders and investors through shareholders' meetings, business presentations, and quarterly earnings announcements, while at the same time emphasizing corporate governance as an important management issue for continuous growth and the enhancement of corporate value over the medium-to-long term.

Going forward, we will make every effort to ensure that the Mazda Group is a company that has the full trust of all stakeholders.

## Interview with the Executive Vice President

# Working toward qualitative business growth and brand value enhancement with the aim of stable, sustainable growth

**Q1** Mazda's SKYACTIV TECHNOLOGY is highly acclaimed, but high-efficiency internal combustion engines play a central role in this technology suite. What is your thinking with regard to the move to electric vehicles?

Our basic policy is to meet each country's respective environmental regulations by further enhancing the performance of highly efficient internal combustion engines and other SKYACTIV technologies and pursuing a Building-Block Strategy that introduces electric devices in stages.

As we faced the need to meet increasingly strict environmental regulations worldwide, we compiled the issues that needed to be addressed and decided to move forward by dramatically improving the base technologies that determine a car's basic performance, such as the engine and transmission. In consideration of our strengths as a medium-sized automaker and to make the most of our limited resources, we narrowed our focus and developed the innovative base technologies known as SKYACTIV TECHNOLOGY. Going forward, our basic policy is to meet each country's respective environmental regulations by further enhancing the performance of highly efficient internal combustion engines and other SKYACTIV technologies and pursuing a Building-Block Strategy that introduces electric devices in stages.

At the same time, we need to introduce electric vehicles to meet structural requirements, including ZEV\* regulations in the United States, and we are moving forward with the development of electric vehicle technology. In our development, we will work to reduce costs and ensure quality by cooperating with business partners and research institutions while developing proprietary core integrated control systems. We are also considering the use of the "range extender," or the engine that exclusively generates electric power, to increase driving range and make such vehicles more useful for customers.

\* A zero emission vehicle (ZEV) refers to an electric or fuel cell vehicle that does not emit any exhaust gases. California's ZEV regulations stipulate that for automakers with sales in the state of a certain number of vehicles, a certain percentage of those vehicles must be ZEV vehicles.

**Q2** What approach is Mazda taking toward automated driving?

**We are developing human-oriented automated driving technologies based on a strategy of automated driving technologies that continue to provide driving pleasure.**

With regard to automated driving, we are responding to customer needs through the continuous evolution of our i-ACTIVSENSE advanced safety technologies. Mazda believes that above all else, driving an automobile should be human-oriented, and that the act of driving should provide a feeling of *Jinba-ittai* and driving pleasure. However,

**Akira Marumoto**  
Representative Director and  
Executive Vice President



there is a need for automated driving systems that keep passengers, as well as people and property around the vehicle, out of harm's way in an emergency. Mazda's research and development into automated driving is based on technology true to our ideals, and involves a person driving in normal situations but with the automated driving system taking over in emergencies to avert danger. Specifically, during normal driving, the vehicle monitors the driving environment and the driver's movements, posture, pupils, heart rate, and emotions. It is constantly operating as if driving the car, is ready to take over at any time, and provides appropriate information and warnings to support the driver as necessary. For example, if the system detects that for a health-related reason the driver cannot drive properly, it would take control of the vehicle, automatically contact an outside party, and prevent an accident by driving the car to an appropriate place where it will not be a danger to people or the surroundings.

Our aim is to contribute to a society in which all customers who purchase Mazda vehicles can experience the pleasure of driving and lead fuller lives.

Interview with the Executive Vice President

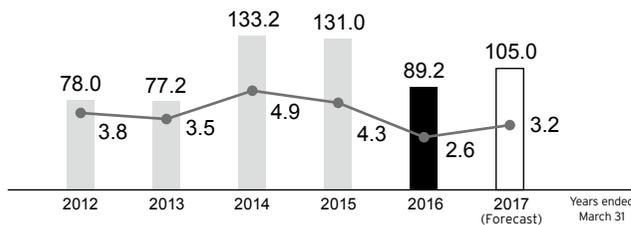
**Q3** What is your basic policy and future direction for capital investment and investment in research and development?

During the period covered by Structural Reform Stage 2, we will maximize manufacturing efficiency at our main production centers to achieve a global sales volume of 1.65 million units without constructing new factories. In addition, to meet various countries' increasingly strict regulations going forward, our research and development will emphasize environmental performance and safety.

Our baseline for the aggregate amount of capital investment during the period covered by Structural Reform Stage 2 is 3.5% of net sales. We will also implement a variety of measures at production centers to maximize

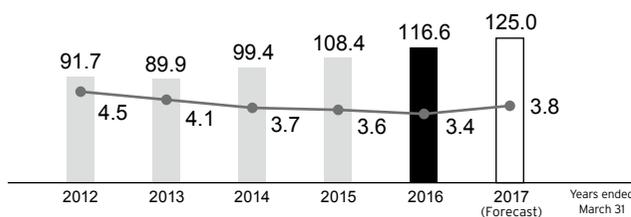
**Capital Expenditures / Ratio of Net Sales**

■ Capital Expenditures (Billions of yen) ● Ratio of Net Sales (%)



**Research and Development Costs / Ratio of Net Sales**

■ Research and Development Costs (Billions of yen) ● Ratio of Net Sales (%)



manufacturing efficiency. Specifically, we will strengthen a “swing” production structure that allows for mutually complementary manufacturing between our plants in Japan, Thailand, and Mexico. We will also enhance manufacturing efficiency by maximizing capacity utilization at each plant. With crossover models expected to grow as a portion of the overall sales mix, we will increase our flexibility to switch between the production of passenger vehicles and crossover models in Japan, and step up production capacity for the CX-3 in Thailand and the CX-5 in Malaysia, raising production capacity for crossover models to 50% of total capacity. For further sales volume growth from the March 2020 fiscal year, we will determine additional investment in production capacity with proper timing.

Our baseline for investment in research and development is 4.0% of net sales, and including compliance with increasingly strict regulations in various countries, we are strengthening our future-oriented research and development. The SKYACTIV GEN2 models introduced during the period covered by Structural Reform Stage 2 will provide customers with even greater environmental and safety performance and *Jinba-ittai* than our current new-generation products, which are highly acclaimed around the world. We are also updating our SKYACTIV models to quickly incorporate the latest designs, technologies, and features in an effort to increase both sales volumes and profitability.

**Q4** How will you prioritize the use of cash flow during the period covered by Structural Reform Stage 2?

**We will strengthen the financial base for stable, continuous growth and raise the dividend in stages.**

Under the Structural Reform Plan, we achieved a certain degree of stability in our earnings structure. Under Structural Reform Stage 2, we plan to maintain sales volume

growth while promoting right-price sales and increasing cost efficiency globally to generate stable cash flows.

Our basic financial strategy is to build up the financial base for stable, continuous growth with the aim of an equity ratio of at least 45% by the March 2019 fiscal year. At the same time, we will raise the dividend in stages and are aiming for a payout ratio of at least 20% by the March 2019 fiscal year. We will carefully consider the balance among strengthening the financial base, returns to shareholders, and investment for future growth, and we intend to raise our investment in research and development and capital investment, including compliance with increasingly strict environmental and safety regulations.

**Q5** Would you like to say anything in conclusion?

During the period covered by Structural Reform Stage 2, we will work toward qualitative business growth and brand value enhancement and to generate stable profits and cash flow. In addition, we aim to maximize shareholder value through the further enhancement of a management base to support stable, continuous growth, including building a strong financial base, diversifying and cultivating human resources, and promoting prompt decision making.

August 2016

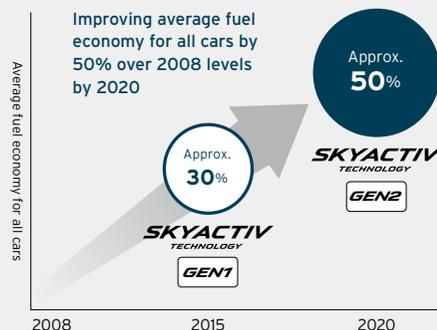
Akira Marumoto  
Representative Director and  
Executive Vice President

## Structural Reform Stage 2

In order to realize further growth in the future, Mazda has formulated the medium-term business plan Structural Reform Stage 2, covering the period from the March 2017 to the March 2019 fiscal years. By engaging in the main initiatives of this plan, Mazda is working to realize qualitative business growth and accelerate the improvement of its brand value.

### Product and R&D

- ▶ Launch six new car lines (including one derivative model) that offer driving pleasure and outstanding environmental and safety performance
- ▶ Introduce the latest design, technology, and equipment to all updated models. Achieve sustainable volume growth and reduce incentives by continuously enhancing SKYACTIV models
- ▶ Improve net revenue (transaction price) and profitability by expanding the CX-series lineup
- ▶ Develop and introduce SKYACTIV GEN2 models
- ▶ Evolve i-ACTIVSENSE advanced safety technologies



### Global sales and network enhancement

- ▶ Enhance sales with full lineup of SKYACTIV models
- ▶ Improve net revenue, residual value, and customer retention by ensuring good penetration of the right-price sales policy globally
  - Educate the sales frontline globally about our products and technologies through programs such as Driving Academy
- ▶ Promote reforms at sales frontline focused on customer care improvement and initiatives for better customer brand experience
  - Increase customer participation and interactive events
  - Expand new generation stores globally
- ▶ Enhance sales initiatives focused on improving customer retention
  - Improve retention of SKYACTIV model customers by enhancing trade cycle management
- ▶ Stepped approach for dealer network reinforcement / reorganization



New generation store

### Global production and cost improvement

- ▶ Deploy Monotsukuri Innovation globally to accelerate cost improvements
  - Monotsukuri Innovation developed in Japan will be deployed around the globe
- ▶ Maximize production efficiency at key sites to support volume growth to 1.65 million units without building new plants
  - Global swing production enables plants to supplement each other
  - Improve production flexibility between passenger car and crossovers

#### Initiatives to Maximize Production Efficiency

Japan	Hofu	• Start CX-3 production in second half of March 2017 fiscal year
	Ujina	• Expand production capacity of CX-5 and CX-9
Overseas	MMVO (Mexico)	• Swing production of Mazda3 from Hofu and full utilization
	Others	• Expand production capacity in Thailand (CX-3) and Malaysia (CX-5)

### Strengthen financial base

- ▶ Generate stable profit and cash flow by improving brand value through steadily increased sales and qualitative business growth
  - Strengthen financial base (improve equity and reduce net debt)
  - Improve payout ratio; maintain and enhance capital efficiency
  - Promote R&D and capital investment for the future

Target for March 2019 fiscal year (Foreign exchange rate assumptions: ¥120 / USD, ¥130 / euro)

Equity ratio	Dividend payout ratio	ROE
<b>45% or more</b>	<b>20% or more</b>	<b>13%~15% or more</b>

## Major Product Lineup

### **Mazda2**

(Japanese name: Demio)

Global sales volume  
**183,000**

Sales markets **J N E C O**  
Production bases **J N O**



**SKYACTIV**  
TECHNOLOGY

### **Mazda3**

(Japanese name: Axela)

Global sales volume  
**457,000**

Sales markets **J N E C O**  
Production bases **J N C O**



**SKYACTIV**  
TECHNOLOGY

### **Mazda6**

(Japanese name: Atenza)

Global sales volume  
**208,000**

Sales markets **J N E C O**  
Production bases **J E C O**



**SKYACTIV**  
TECHNOLOGY

### **Mazda CX-3**

Global sales volume  
**117,000**

Sales markets **J N E O**  
Production bases **J O**



**SKYACTIV**  
TECHNOLOGY

### **Mazda CX-5**

Global sales volume  
**369,000**

Sales markets **J N E C O**  
Production bases **J E C O**



**SKYACTIV**  
TECHNOLOGY

### **Mazda MX-5**

(Japanese name: Roadster)

Global sales volume  
**34,000**

Sales markets **J N E O**  
Production bases **J**



**SKYACTIV**  
TECHNOLOGY

### **Mazda5**

(Japanese name: Premacy)

Global sales volume  
**23,000**

Sales markets **J N E C O**  
Production bases **J O**



**SKYACTIV**  
TECHNOLOGY

### **Mazda CX-9**

Global sales volume  
**31,000**

Sales markets **N E C O**  
Production bases **J**



**SKYACTIV**  
TECHNOLOGY

### **Mazda BT-50**

Global sales volume  
**45,000**

Sales markets **O**  
Production bases **O**



Sales markets and production bases: **J** Japan **N** North America **E** Europe **C** China **O** Other markets

\*1 Global sales volume is for the March 2016 fiscal year; sales markets and production bases are as of March 31, 2016.

\*2 Vehicle specifications differ by market.

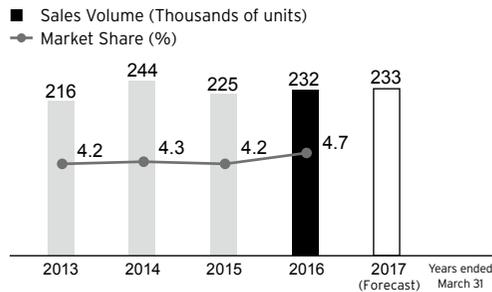
## Review by Market

### Japan



Mazda6

#### Sales Volume



#### Overview of March 2016 Fiscal Year Results

Total demand in the Japanese market declined for the second consecutive year, by 7%, to 4.94 million units.

Despite this decline in demand, Mazda's sales volume rose 3% from the previous year, to 232,000 units, backed by solid sales of the Mazda Demio combined with the introduction of the new Mazda Roadster and a full-year contribution from the Mazda CX-3. Mazda's market share grew 0.5 percentage point, to 4.7%.

In developing the new Mazda Roadster, Mazda's goal was to deliver pure *Jinba-ittai* driving fun, and development engineers went to great lengths to appeal, on a deeper level, to the senses and the sensations through which people enjoy cars. The new Roadster was hereby highly valued and won the 2015-2016 Car of the Year award as well as the 2016 World Car of the Year and World Car Design of the Year awards at the World Car Awards.

In addition, the CX-3, introduced in February 2015, resulted in steady sales as a model chosen by customers who have never previously purchased a Mazda brand vehicle. The CX-3 received a favorable response for its sophisticated design and was selected as one of the three finalists for the 2016 World Car Design of the Year.

Updated models of the CX-3 and Demio were introduced in December 2015 and January 2016, respectively, leading to solid sales. Mazda introduces updated models for further evolution in pursuit of a car's ideal design, without waiting for full model changes, so that models with the latest designs and technologies are always on display in its showrooms.

#### March 2017 Fiscal Year Forecast

Although the effect of new models introduced during the March 2016 fiscal year will come to an end, Mazda is projecting sales volume to be on par with that of the previous fiscal year, at

233,000 units, due to the introduction of models equipped with G-Vectoring Control, the first round of technology for SKYACTIV-VEHICLE DYNAMICS, a series of new-generation vehicle motion control technologies. Meanwhile, in regard to the rush in demand anticipated to occur through the second half of the fiscal year due to the increase in the consumption tax, the delay in raising the tax is expected to affect Mazda's sales plans.

Mazda will conduct a variety of activities during the March 2017 fiscal year to become the "only one" brand that can provide brightness in customers' lives through their car experience and create deep ties with customers. While for new customers, appealing Mazda's concept of Monotsukuri and its identity based on our new-generation product lineup, for existing customers, we will maintain and strengthen activities focusing on our relationships with customers through an even higher level of customer care.

#### FOCUS Working to Enhance Brand Value

In May 2016, Mazda received the Grand Prize at the 8th Japan Marketing Awards, sponsored by the Japan Marketing Association and supported by the Ministry of Economy, Trade and Industry. The main reasons for winning this prize were our promotional theme of "driving pleasure" that integrates Monotsukuri with marketing activities. In addition, our products containing particular thoughts about vehicle manufacturing received high appraisals from consumers thanks to the high degree of sensitivity.

In addition to brand communication, we are working to enable customers to experience the Mazda brand more directly, while strengthening hands-on events including activities utilizing our first directly operated showroom, Mazda Brand Space Osaka, which opened in January 2016. These events facilitate proactive communication and represent an opportunity for development staff and other Mazda employees to convey the concepts that go into Mazda's automobiles directly to customers.

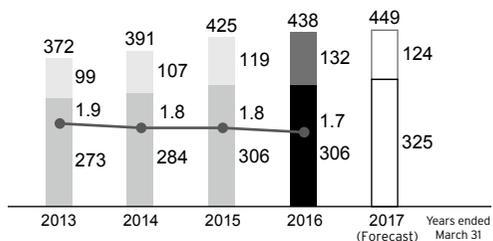
## North America



New CX-9

### Sales Volume

- Sales Volume in United States (Thousands of units)
- Sales Volume in Canada and Other Markets (Thousands of units)
- Market Share in United States (%)



\*1 *Light-Duty Automotive Technology, Carbon Dioxide Emissions, and Fuel Economy Trends*: An annual report published by the EPA since 1975, which summarizes the fuel economy trends of new passenger vehicles and light trucks.

\*2 *Manufacturer Adjusted Fuel Economy*: The average fuel economy of all vehicles sold by a manufacturer over a one-year period. In the *Light-Duty Automotive Technology, Carbon Dioxide Emissions, and Fuel Economy Trends* report, the EPA uses adjusted combined city and highway fuel economy figures for each model by model year, and the average is weighted for sales volume.

### Overview of March 2016 Fiscal Year Results

Total demand in the United States rose 5% from the previous year, to 17.6 million units, for the sixth consecutive year of growth since the March 2011 fiscal year following the decline in the wake of the 2008 global financial crisis. In Canada, year-on-year increases have continued since the March 2011 fiscal year, and in the March 2016 fiscal year total demand rose 4%, to 1.93 million units.

Mazda's sales volume in North America grew 3% from the previous year, to 438,000 units. In the United States, sales volume was 306,000 units, which was flat with the previous year, with controlled fleet sales as well as growth in retail sales. The updated Mazda CX-5 maintained strong retail sales, and full-scale sales of the CX-3 and the new Mazda MX-5 contributed as well. In Canada, sales of the CX-5 grew, and although the CX-3, introduced in May 2015, contributed to sales volume, an increasingly competitive environment led to lower sales volume for the Mazda3, and overall sales volume decreased 0.8%, to 71,000 units. As in the United States, we continue to focus on business growth led by retail sales, with limited fleet sales. In Mexico, Mazda's sales volume grew 30%, to 59,000 units, and our market share rose to 4.2% from 3.8%, for record results in both sales volume and market share. In addition to the locally manufactured Mazda3 and Mazda2, the CX-3 contributed to the increase in sales volume.

The U.S. Environmental Protection Agency (EPA)'s *Light-Duty Automotive Technology, Carbon Dioxide Emissions, and Fuel Economy Trends* report,\*<sup>1</sup> released in December 2015, listed Mazda's 2014 model year as having the highest overall Manufacturer Adjusted Fuel Economy,\*<sup>2</sup> giving Mazda the No. 1 ranking for the third year in a row. Mazda's overall average fuel economy for the 2014 model year was 29.4 miles per gallon (mpg), a 1.3 mpg improvement from the previous model year.

### March 2017 Fiscal Year Forecast

Demand is expected to remain high in the United States, underpinned by a robust economy. Accordingly, Mazda is projecting a 3% increase in sales volume, to 449,000 units, in the North American market. This includes 6% growth in the United States, to 325,000 units, with continued right-price sales of main models including the CX-5 and Mazda3 at the previous year's level, plus growth from a full-year contribution from the CX-3 and the launch of the new Mazda CX-9. In Canada, with the launch of the new CX-9 we are forecasting a 3% rise, to 73,000 units, but with the remarkable worsening of the exchange rate with Mexico, we are expecting an 18% decline in that market, to 48,000 units.

#### FOCUS Working to Enhance Brand Value

We are pursuing sales reforms in North America to provide high-quality customer care, raise the level of customer retention, and establish a brand presence. We are working to appeal to customers based on our brand and product value by setting up a training structure that enables cascade of the brand value management and penetration of the concepts of *Jinba-ittai* from distributors to dealers.

We are also focusing on enriching customers' car experiences by providing thorough explanations of the special features of our products and technologies at showrooms and offering test-drive opportunities, as well as creating additional customer experiences through occasions for interaction among customers and between customers and Mazda at motor shows and fan events.



Global Mazda MX-5 Cup

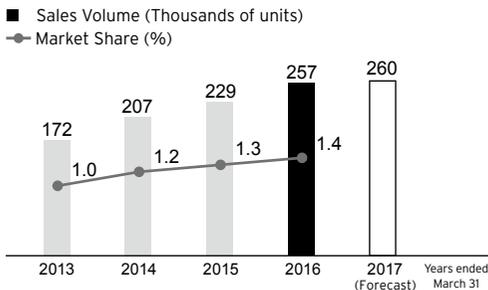
Review by Market

# Europe



Mazda2

### Sales Volume



## Overview of March 2016 Fiscal Year Results

Total demand in Europe rose 4% from the previous year, to 18.67 million units. With a full-year contribution from the Mazda2, combined with launches of the CX-3 and new MX-5, Mazda’s sales volume grew 12%, to 257,000 units. Excluding Russia, where demand remains sluggish, solid sales continued from the previous fiscal year, with sales volume increasing 27%, to 232,000 units, significantly outpacing the market’s growth. In Germany, the full-scale introduction of the Mazda2, combined with new model launches including the CX-3 and new MX-5, led to a 17% increase in sales volume, to 60,000 units, and amid a backdrop of marginal market growth, our market share increased. In the United Kingdom, sales volume outpaced the market’s 6% growth, with a 20% increase, to 48,000 units. In Russia, however, due to a major drop in total demand, and as a result of price increases in response to the ruble’s depreciation, sales volume decreased 47%, to 25,000 units.

Sales of the CX-3, which began full scale in June 2015, surpassed our initial first-year projection. In Germany, in the SUV category at the Design Trophy 2015 awards sponsored by the influential automotive magazine *Auto Zeitung*, the CX-3 was selected by readers as the most beautifully designed SUV. The model was also recognized with an award for outstanding design quality at the Red Dot Award: Product Design 2015 awards, one of the world’s most prestigious design awards.



CX-3

## March 2017 Fiscal Year Forecast

Total demand in the European market is expected to grow 2%, to 18.97 million units. With the full-scale introduction of the 1.5-liter diesel engine Mazda3, combined with growth from other model updates, Mazda is projecting a 1% increase in sales volume, to 260,000 units. This includes assumptions of roughly flat sales volume in Germany and the United Kingdom. In Russia, given the uncertain outlook from the continued weak economy and the drop in the ruble’s value, we are forecasting a 15% decline, to 21,000 units.

### FOCUS Working to Enhance Brand Value

Mazda Motor Europe has formulated a “Blueprint (Standards of Conduct Based on Brand Value)” to provide customers with a customer experience that is highly correlated to the Mazda brand. A “Challenger@retail” program is currently being implemented to instill Blueprint at approximately 1,600 dealerships across Europe, and all of the roughly 10,000 employees at these dealerships are scheduled to complete this program by June 2017.

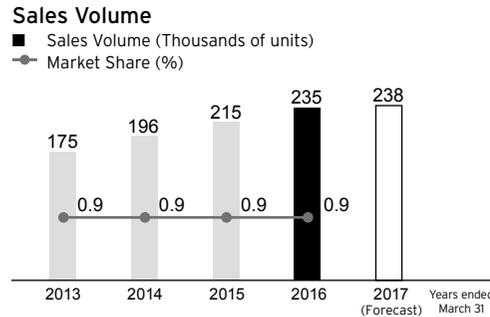
Our ongoing program to renovate the interiors and exteriors of dealer showrooms in Europe, to reflect the Mazda brand more effectively, had reached approximately 70% of all European showrooms as of the end of the March 2016 fiscal year, and we plan to cover the remainder by the end of the March 2017 fiscal year.

Review by Market

### China



New CX-4



#### Overview of March 2016 Fiscal Year Results

In China, although the market environment weakened during the first half of the year because of an economic slowdown and a drop in stock prices, tax reductions on small passenger vehicles with engine displacements of 1.6 liters or smaller led to a 5% increase in total demand for the full year, to 24.97 million units. Mazda's sales volume grew 10%, to 235,000 units, with the tax cut leading to strong sales of the Mazda3 Axela, as well as with contributions from the updated CX-5 and from the Mazda6 Atenza.

The number of dealerships in China stood at 468 as of March 31, 2016, an increase of 13 from the end of the previous fiscal year. We will continue to strengthen our network by opening new showrooms while also reinforcing the earnings base at existing showrooms.

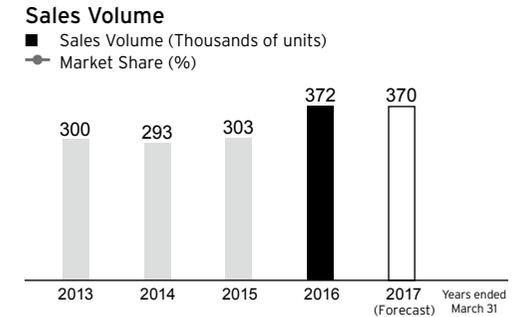
#### March 2017 Fiscal Year Forecast

Despite tax reductions and other government economic stimulus measures, the same level of growth that resulted when similar measures were implemented in 2009 cannot be expected, and there are also concerns that total demand may fall after the expiry of the tax reductions from January 2017. Against this backdrop, Mazda is projecting a roughly flat sales volume of 238,000 units. We expect to maintain the previous year's level of strong sales of the three SKYACTIV-equipped models - the Mazda6 Atenza, the Mazda3 Axela, and the CX-5 - along with a contribution from the new Mazda CX-4 crossover SUV launched in June 2016.

### Other Markets



CX-5



**Australia** Although total demand in the March 2016 fiscal year rose 3%, to 1.16 million units, Mazda continued to post strong sales, with 15% growth in sales volume, to 116,000 units, and an increase in market share to 10% from 9%. This growth was driven by the launches of the CX-3 and new MX-5, as well as with the CX-5 maintaining its lead in sales volume for the sector for the sixteenth consecutive quarter since its full-scale launch in the first quarter of 2012.

We are projecting a 2% increase in the March 2017 fiscal year, to 118,000 units, with market share remaining flat at 10%, stemming from strong sales of the CX-3 and CX-5 combined with the introduction of the new CX-9.

**ASEAN** Mazda's sales volume in the ASEAN market rose 32% in the March 2016 fiscal year, to 101,000 units, surpassing 100,000 units for the second time and the first time since the March 2013 fiscal year. In Thailand, despite a third consecutive year of lower total demand, Mazda's sales volume grew 23%, to 42,000 units, with contributions from the fully remodeled Mazda2 introduced in January 2015 and the CX-3, newly launched in November 2015. In addition, record sales volumes were recorded in Malaysia, Vietnam, the Philippines, Singapore, and Cambodia.

For the March 2017 fiscal year, we are projecting a 5% increase, to 106,000 units, mainly from continued market growth in Vietnam and an anticipated increase in issuances of Certificates of Entitlement for purchasing vehicles in Singapore.

Mazda's overall sales volumes in other markets, including Australia and ASEAN, rose 23% in the March 2016 fiscal year, to 372,000 units. We are projecting a 1% decline in the March 2017 fiscal year, to 370,000 units.

# Global Network

## 25 Changan Mazda Automobile



**Location:** Nanjing, China  
**Production capacity:** 220,000 units per year  
**Models in production:** Mazda3, CX-5

## 8 Hiroshima Plant



**Location:** Aki-gun, Hiroshima, Japan  
**Production capacity:** 515,000 units per year  
**Main models in production:** CX-3, CX-5, CX-9, Roadster, Premacy, Biante, Bongo, Sports car for Fiat Chrysler Automobiles

## 9 Hofu Plant



**Location:** Hofu, Yamaguchi, Japan  
**Production capacity:** 481,000 units per year  
**Models in production:** Demio, Axela, Atenza

## 29 AutoAlliance (Thailand)

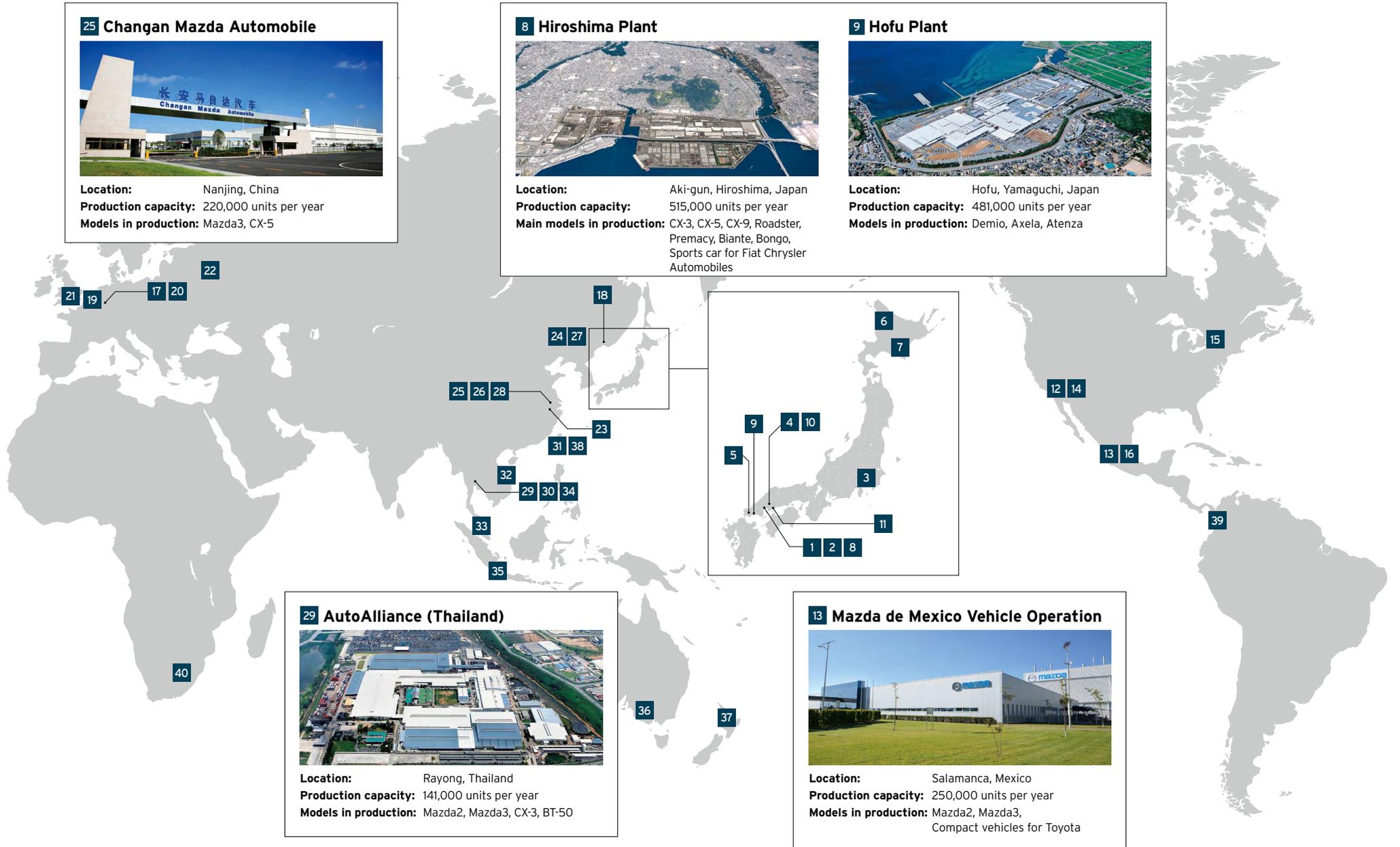


**Location:** Rayong, Thailand  
**Production capacity:** 141,000 units per year  
**Models in production:** Mazda2, Mazda3, CX-3, BT-50

## 13 Mazda de Mexico Vehicle Operation



**Location:** Salamanca, Mexico  
**Production capacity:** 250,000 units per year  
**Models in production:** Mazda2, Mazda3, Compact vehicles for Toyota



Global Network

Major Facilities

Japan (Number of dealerships: 1,004)

Headquarters	1	Headquarters	
	2	Headquarters R&D Divisions	
	3	Mazda R&D Center (Yokohama)	
	R&D	4	Miyoshi Proving Ground
		5	Mine Proving Ground
		6	Hokkaido Kenbuchi Proving Ground
		7	Hokkaido Nakasatsunai Proving Ground
Production facilities	8	Hiroshima Plant	
	9	Hofu Plant	
	10	Miyoshi Plant	
	11	Press Kogyo Onomichi Plant*1	

North America (Number of dealerships: 849)

Regional headquarters / R&D	12	Mazda North American Operations
Production facilities	13	Mazda de Mexico Vehicle Operation
	14	Mazda Motor of America
Distributors	15	Mazda Canada
	16	Mazda de Mexico Sales & Commercial Operation

Europe (Number of dealerships: 1,738)

Regional headquarters / R&D	17	Mazda Motor Europe / European R&D Centre
Production facilities	18	Mazda Sollers Manufacturing Rus
Logistics / Sales	19	Mazda Motor Logistics Europe
	20	Mazda Motors (Deutschland)
Distributors	21	Mazda Motors UK
	22	Mazda Motor Russia
	19 others in major markets	

China (Number of dealerships: 468)

Regional headquarters / R&D	23	Mazda Motor (China) (MCO) / MCO China Engineering Support Center
	24	FAW Car*1
Production facilities	25	Changan Mazda Automobile (Nanjing Company)
	26	Changan Ford Mazda Engine
Distributors	27	FAW Mazda Motor Sales
	28	Changan Mazda Automobile Sales

Asia, Oceania (Number of dealerships: 557)

Production facilities	29	AutoAlliance (Thailand)
	30	Mazda Powertrain Manufacturing (Thailand)
	31	Ford Lio Ho Motor*1*2
	32	Vina Mazda Automobile Manufacturing*1
	33	Mazda Malaysia
Distributors	34	Mazda Sales (Thailand)
	35	PT. Mazda Motor Indonesia
	36	Mazda Australia
	37	Mazda Motors of New Zealand
	38	Mazda Motor Taiwan

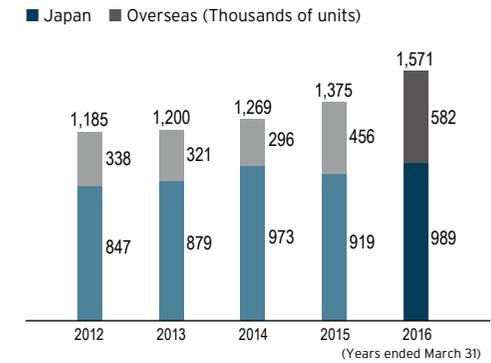
Central and South America, Middle East, Africa (Number of dealerships: 623)

Distributors	39	Mazda De Colombia
	40	Mazda Southern Africa

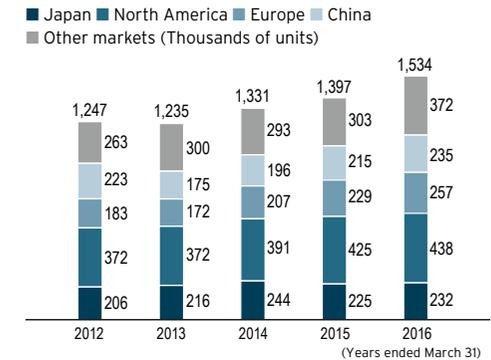
\*1 Consignment production facilities  
 \*2 Production of Mazda vehicles ended in May 2016

(As of March 31, 2016)

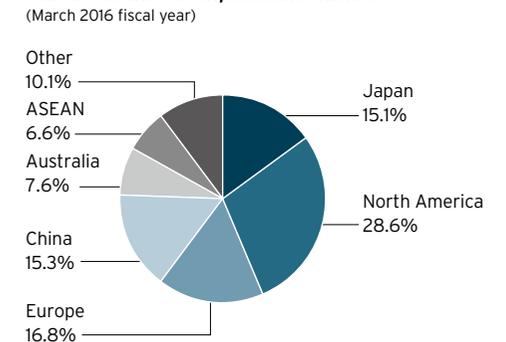
Trends in Production Volume



Sales Trends by Major Markets



Sales Volume Composition Ratios

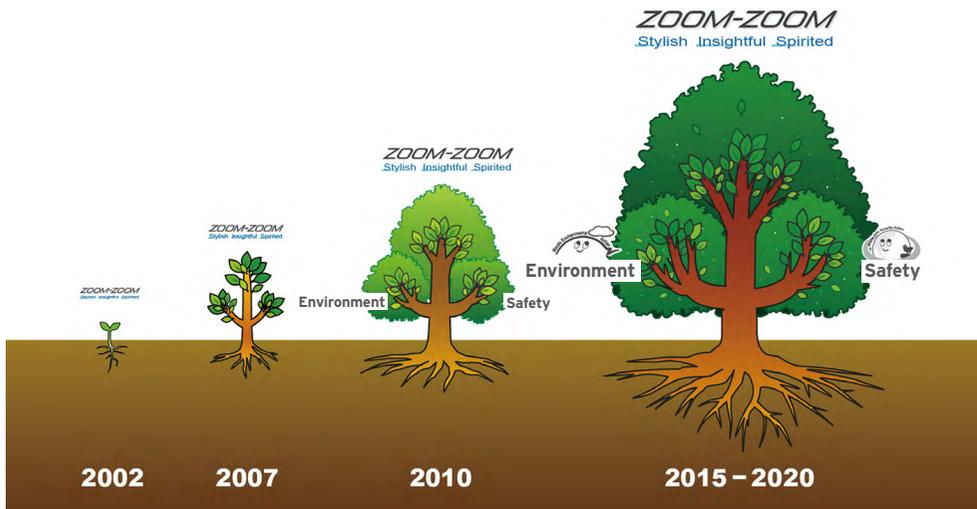


# Long-Term Vision for Technology Development

## “Sustainable Zoom-Zoom”

### Provide All Customers Who Purchase Mazda Vehicles with Driving Pleasure as Well as Outstanding Environmental and Safety Performance

In March 2007, Mazda announced its long-term vision for technology development: “Sustainable Zoom-Zoom.” The basic policy of the vision is to “provide all customers who purchase Mazda vehicles with driving pleasure as well as outstanding environmental and safety performance.” This vision commits Mazda to making vehicles that always excite and that embody a “Zoom-Zoom” feeling, meaning they look inviting to drive, are fun to drive, and make you want to drive them again, helping to achieve an exciting, sustainable future for vehicles, people, and the Earth.



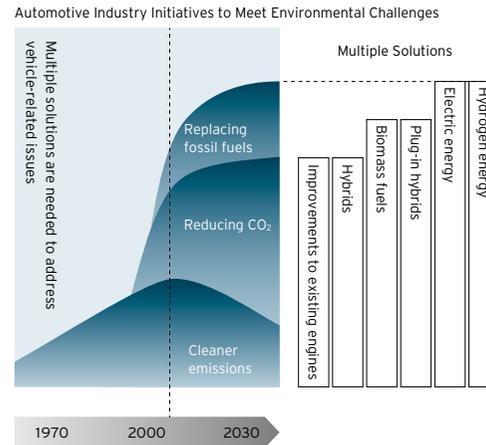
#### Zoom-Zoom Tree

The “Zoom-Zoom Tree” embodies the “Zoom-Zoom” concept and its spread throughout society. The tree absorbs the ONE MAZDA\* corporate culture as nutrients through firmly planted roots. As it continues to grow, the left branch represents the environment, the right branch represents safety, and the treetop embodies the “Zoom-Zoom” concept.

\* One of the seven principles of the Mazda Way. The Mazda Way is a fundamental approach to work that is shared and valued by everyone in the Mazda Group.

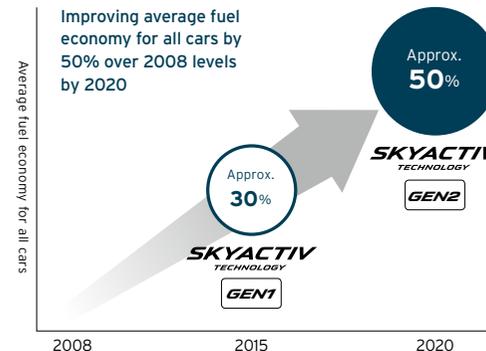
## Basic Approach to the Environment

As vehicle ownership continues to expand around the world, automobile manufacturers must redouble their efforts to achieve cleaner exhaust emissions, improve fuel economy in order to cut CO<sub>2</sub> emissions, and help reduce the world’s dependence on increasingly scarce fossil fuels. Mazda considers it necessary to develop a multi-solution approach to automobile-related environmental issues that takes into account various factors, such as regional characteristics, vehicle characteristics, and types of fuel.



## Improving the Fuel Economy of Mazda Vehicles 50% by 2020

Based on the Sustainable Zoom-Zoom long-term vision for technology, Mazda cuts CO<sub>2</sub> emissions through improved fuel economy and provides all customers who purchase Mazda vehicles with driving pleasure and outstanding environmental performance. In April 2015, Mazda has set a goal of raising the average fuel economy of Mazda vehicles sold worldwide by 2020 by 50% compared with 2008 levels.



# SKYACTIV TECHNOLOGY

Mazda has made dramatic improvements to the base technologies for a car's basic performance—including to the engine, transmission, body, and chassis.

## SKYACTIV-G

A new-generation highly efficient direct-injection gasoline engine that achieves the world's highest gasoline engine compression ratio of 14.0:1\*1



### Features

- The world's first gasoline engine for mass production vehicles to achieve a high compression ratio of 14.0:1
- Significantly improved engine efficiency thanks to the high compression combustion, resulting in 15% increases in fuel efficiency and torque
- Improved everyday driving thanks to increased torque at low-to-mid-engine speeds
- A 4-2-1 exhaust system, cavity pistons, multihole injectors, and other innovations enable the high compression ratio

Lineup: 1.3L, 1.5L, 2.0L, 2.5L, 2.5 Turbo

## SKYACTIV-DRIVE

A new-generation highly efficient automatic transmission that achieves excellent torque transfer efficiency through a wider lock-up range and features the best attributes of all transmission types



### Features

- Combines all the advantages of conventional automatic transmissions, continuously variable transmissions, and dual clutch transmissions
- A dramatically widened lock-up range improves torque transfer efficiency and realizes a direct driving feel that is equivalent to a manual transmission
- A 4% to 7% percent improvement in fuel economy compared to the current transmission

## SKYACTIV-CHASSIS

In pursuit of the "oneness between car and driver" achieved in the MX-5, this light-weight chassis has improved comfort and security, while at the same time delivering Mazda's hallmark fun-to-drive feel.



### Features

- Suspension and steering functions have been thoroughly revised to achieve the "driving pleasure of oneness between car and driver"
- Driving quality has been raised to new levels through improvements to comfort and security
- Newly developed front and rear suspension systems and electric power steering. Functional improvements are combined with reduced weight. The entire chassis is 14%\*2 lighter than the previous model

## SKYACTIV-D

With the world's lowest diesel-engine compression ratio, this clean, highly efficient diesel engine will comply with strict exhaust gas regulations globally without the aid of expensive NOx (nitrogen oxides) aftertreatment systems\*1



### Features

- 20% better fuel efficiency thanks to the low compression ratio of 14.0:1
- A highly efficient turbocharger realizes smooth and linear response from low-to-high engine speeds, and greatly increases low- and high-end torque (up to the 5,200 rpm rev limit)
- Complies with global emissions regulations (Euro6 in Europe and the Post New Long-Term Regulations in Japan), without expensive NOx aftertreatment

Lineup: 1.5L, 2.2L

## SKYACTIV-MT

A new-generation manual transmission with a light shift feel, compact size, and significantly reduced weight



### Features

- A light and crisp shift feel like that of a sports car
- Compact size and reduced weight

## SKYACTIV-BODY

Excellent rigidity supporting Mazda's fun-to-drive feel, with a lightweight body to achieve outstanding crash safety performance.



### Features

- High rigidity and lightness (8% lighter, 30% more rigid)
- Crash safety performance that meets the top criteria for crash safety assessments in all markets (US-NCAP, Euro-NCAP, IIHS, JNCAP, etc.)

\*1 As of November 2012, based on Mazda data. Compression ratio, fuel economy, and torque vary according to market, car line, and transmission.

\*2 Figures are for a CD-segment car (Mazda6 class)

SKYACTIV TECHNOLOGY

**SKYACTIV-G 2.5T**

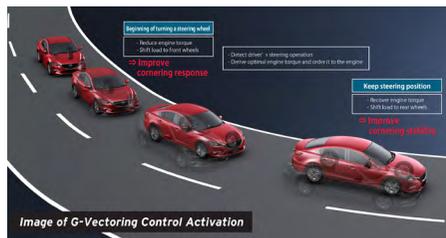


Mazda has enhanced its SKYACTIV-G engine series with the newly developed top-tier SKYACTIV-G 2.5T. This 2.5-liter direct-injection turbocharged gasoline engine powers the all-new CX-9 midsize three-row crossover SUV, which was launched starting in North America in May 2016. In addition to being developed through improvements to the naturally aspirated SKYACTIV-G 2.5, which is featured in the Mazda6, SKYACTIV-G 2.5T delivers exceptional catalog and real-world fuel economy. Moreover, the engine realizes excellent response without turbo lag\*1 as well as linear and powerful acceleration in the low-to-mid-rpm range, in which CX-9 drivers spend over 90% of their driving time.\*2 SKYACTIV-G 2.5T's maximum torque is 310 ft-lb, which is on par with a naturally aspirated 4-liter gasoline engine.

\*1 A delay in acceleration response common in turbocharged engines due to the time required for the compressor to take effect.

\*2 As of November 2015. Based on Mazda's in-house investigation.

**G-VECTORIZING CONTROL**



Mazda has developed G-Vectoring Control (GVC), the first round of technology for SKYACTIV-VEHICLE DYNAMICS, a series of new-generation vehicle motion control technologies. The Company plans to gradually introduce GVC in all new-generation models, starting with the updated Mazda3, which went on sale in Japan in July 2016.

GVC was developed based on Mazda's human-centered development philosophy and the novel idea of using the engine to enhance chassis performance. GVC represents a form of control technology that provides integrated control of lateral and longitudinal acceleration forces, which have until now been controlled separately, by altering engine torque in accordance with the driver's steering. In this way, GVC optimizes the vertical load on each wheel, thereby realizing smooth and efficient vehicle motion.\*3

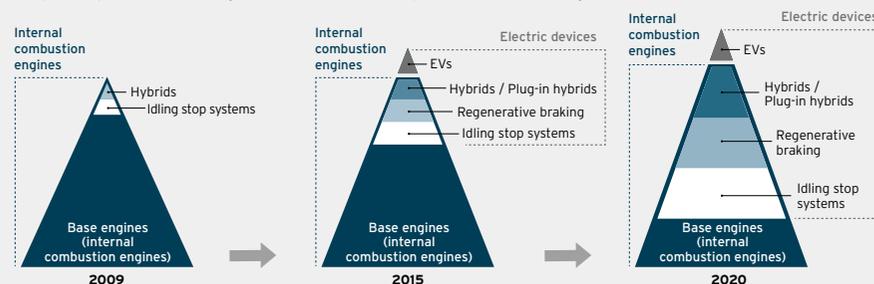
\*3 As of June 2016 (production models, based on Mazda's research)

**Building-Block Strategy**

As a result of having made dramatic improvements to the base technologies for a car's basic performance—including to the engine, transmission, body, and chassis—we are pursuing a Building-Block Strategy of gradually adding electric devices, such as regenerative braking and hybrid systems. Our approach is to effectively reduce CO<sub>2</sub> emissions by providing all customers with driving pleasure and outstanding environmental and safety performance, rather than to rely heavily on a subset of environmentally friendly vehicles.

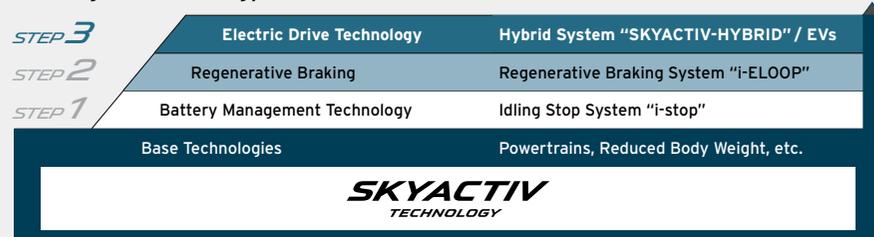
Mazda's revolutionary base technology, SKYACTIV TECHNOLOGY, is improving the car's powertrain efficiency, such as the basic performance of the engine and transmission, and bringing about profound improvements in such areas as vehicle weight reduction and aerodynamics. Based on a Building-Block Strategy, base technologies and electric device technologies are combined in the following three steps.

**Anticipated Expansion in Adoption of Environmental Technologies (Through 2020)**  
Graphic representation of global market share of powertrain technologies



- Introduction of hybrid technology and idling stop technology
- Expanded use of electric device technologies and increased introduction of electric vehicles (EVs)
- Stricter fuel economy standards globally
- Need for big boost in energy efficiency
- Expanded adoption of electric device technologies

**Building-Block Strategy**



## Design

### Design That Breathes Life into the Car

A car isn't simply a mass of metal.

Mazda believes it's more like a living creature.

Creating an emotional bond between a driver and their car comparable with the relationship between horse and rider.

That's the ultimate goal of Mazda's "Soul of Motion" design.

Used on all SKYACTIV-equipped models from the CX-5 onward, KODO design has played an important role in Mazda becoming a brand that has a special bond with its customers.



### Mazda's "Soul of Motion" design embodies the dynamic beauty of life

The power and elegance of a wild animal in the instant when it pounces on its prey. That's the essence of the ultimate Motion Form envisioned by Mazda.

We want a car to be more than metal; something that exudes the vitality of a living being.

Cars which evoke the tension that presages movement, imbued with the warmth of a creature with a beating heart and blood in its veins. That's the inspiration behind the "Soul of Motion" design.



New-generation lineup designed under the KODO design theme.

### Mazda Design has been globally acclaimed

#### The Mazda MX-5 Wins World Car Design of the Year

The MX-5 has won the 2016 World Car of the Year award and has also been named World Car Design of the Year award at the World Car Awards. It is the first time in the history of the awards that a single model has taken both titles. The CX-3 was selected as one of the three finalists for the World Car Design of the Year. Mazda Design has been globally acclaimed, as we have continually refined the beauty of forms of our new-generation lineup under the KODO design theme, which aims to bring cars to life.



#### Mazda RX-VISION Named Most Beautiful Concept Car

Mazda RX-VISION was named the "Most Beautiful Concept Car of the Year" in an award ceremony at the 31st Festival Automobile International held in Paris, France. A front-engine, rear-wheel drive sports car with KODO design-based proportions only Mazda could envision, the model is powered by the next-generation SKYACTIV-R rotary engine and represents the Company's vision of the future.



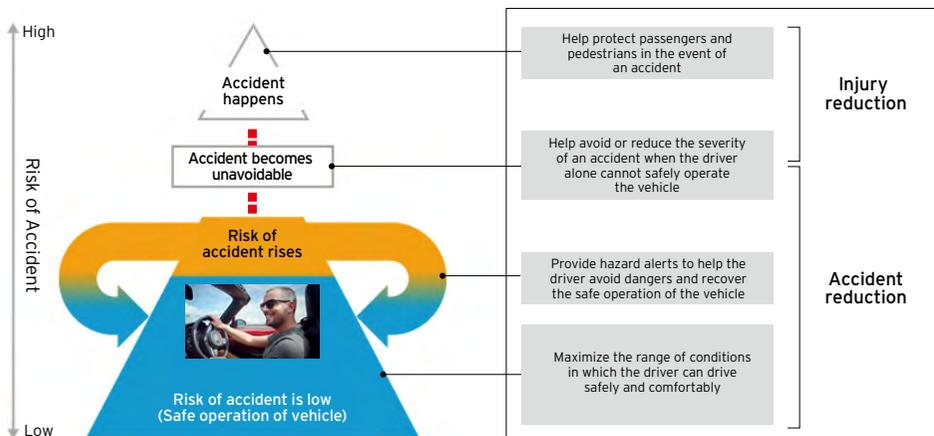
# Safety Technologies

## MAZDA PROACTIVE SAFETY

### Mazda's objective for safety performance

Mazda's safety philosophy, which guides the research and development of safety technologies, is based on understanding, respecting, and trusting the driver.

To drive safely, it is essential to recognize potential hazards, exercise good judgment, and operate the vehicle in an appropriate fashion. Mazda aims to support these essential functions so that drivers can drive safely and with peace of mind, despite changing driving conditions. Since drivers are human beings, and human beings are fallible, Mazda offers a range of technologies which help to prevent or reduce the damage resulting from an accident.



What Mazda's safety technologies aim to provide

### CHECK The CX-3 Earns the JNCAP Five-Star Award with Highest Score in Safety

The new comprehensive safety performance evaluation in the Japan New Car Assessment Program (JNCAP)\* consists of a five-stage evaluation of various aspects of a vehicle's safety performance, including passenger and pedestrian protection during a collision. In the March 2016 fiscal year, the CX-3, which utilizes the lightweight and high-rigidity body SKYACTIV-BODY, received the five-star award with the highest score out of 11 different types of vehicles from all brands and classes that underwent the safety performance evaluation. Mazda received the same award for the CX-5 in the March 2013 fiscal year, the Atenza in the March 2014 fiscal year, and the Demio and the Axela in the March 2015 fiscal year, all of which completed the evaluation with high scores. In this way, all of Mazda's new-generation products that utilize the SKYACTIV-BODY are realizing a high level of safety performance, regardless of class.

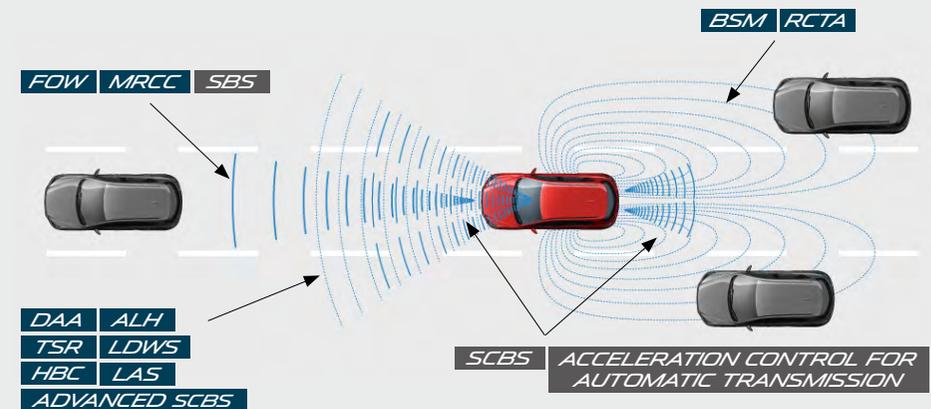


\* The Japan New Car Assessment Program (JNCAP) is a vehicle safety performance evaluation started in the March 1996 fiscal year by the Ministry of Land, Infrastructure, Transport and Tourism and the National Agency for Automotive Safety and Victims' Aid for promoting the spread of safe automobiles. JNCAP evaluates various aspects regarding the safety performance of vehicles currently on the market, including performance during a collision, performance in protecting pedestrians, and brake performance. In addition, JNCAP has been disclosing the results of evaluations on preventative safety performance from the March 2015 fiscal year.

## i-ACTIVSENSE

### Mazda's Approach to Safety Technologies – Supporting the Driver

Mazda's i-ACTIVSENSE is an umbrella term covering a series of advanced safety technologies which make use of detection devices, such as milliwave radars and cameras. They include active safety technologies that support safe driving by helping the driver to recognize potential hazards and pre-crash safety technologies which help to avert collisions or reduce their severity in situations where they cannot be avoided.



#### Active Safety Technologies (Helping prevent accidents from occurring)

- Advanced Blind Spot Monitoring (BSM)
- Rear Cross-Traffic Alert (RCTA)
- Driver Attention Alert (DAA)
- Traffic Sign Recognition (TSR)
- Adaptive Front-Lighting System (AFS)
- High-Beam Control System (HBC)
- Adaptive LED Headlights (ALH)
- Forward Obstruction Warning (FOW)
- Lane Departure Warning System (LDWS)
- Lane-Keep Assist System (LAS)
- Mazda Radar Cruise Control (MRCC)

#### Pre-Crash Safety Technologies (Reducing the risk of an accident)

- Smart Brake Support (SBS)
- Smart City Brake Support (SCBS) Driving / Reversing
- Advanced Smart City Brake Support (ADVANCED SCBS)
- Acceleration Control for Automatic Transmission Driving / Reversing

Please refer to Mazda's website for detailed explanations of each technology:  
<http://www.mazda.com/en/innovation/technology/safety/i-activesense/>

Safety Technologies

The ideal driving environment

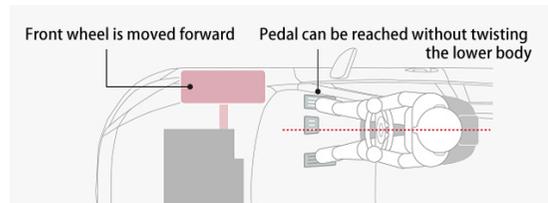
Mazda helps drivers drive safely by offering an ideal driving environment and stable handling.

Achieving the Ideal Driving Position

When designing the layout of our vehicles, we start with the human being and place essentials, such as the steering wheel, accelerator, and brake pedal, where they are easy to operate in a way that feels natural. This approach also makes driving safer and more enjoyable. All Mazda vehicles aim to provide *Jinba-ittai*, or "horse and rider as one," driving and correct driving position forms the very foundation of achieving this feeling of unity. That's why this "human-centered" philosophy is at the root of every layout and design decision we make.

The accelerator is located precisely where the driver's foot will reach naturally, without the need to offset or twist the lower body. To make this possible, the front wheelhouse has been moved forward on all new and redesigned models since the CX-5, a change that reflects Mazda's commitment to designing its vehicles around the human beings that use them. The adjustment range for the seats and steering wheel is determined in order to have as many drivers as possible to achieve their ideal driving position regardless of different body size or dispersion of Eye-Line Zone.

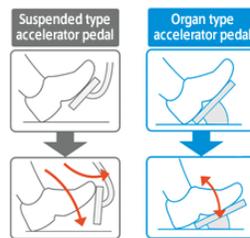
Position of front wheel allows the ideal pedal layout



Organ-Type Accelerator Pedal

With an organ-type accelerator pedal, the driver's heel is placed on the floor, and the driver's foot and the pedal follow the same trajectory. This makes accelerator pedal control easier because the heel position is stabilized.

The accelerator pedal is positioned where the driver's foot naturally rests while sitting in the seat. This reduces both driving fatigue and the chances of the driver stepping on the wrong pedal when reacting quickly.



Heads-Up Cockpit

Aiming at helping the driver concentrate on driving safely in a correct posture while dealing with many kinds of information, this Human Machine Interface concept has achieved minimum visual distraction and posture change.

- Simple cockpit with information sorted and placed in different zones
- A 7-inch center display installed on the dashboard, enabling the driver to view it without lowering his/her eyes ①
- Commander control pursuing operation that does not require a visible check of the driver's hand movements ②
- Active driving display to present vehicle speed, navigation route, and other information as an image in front of the meter hood ③
- A voice-recognition system to control the functions by voice is also available



① Center Display



② Commander Control

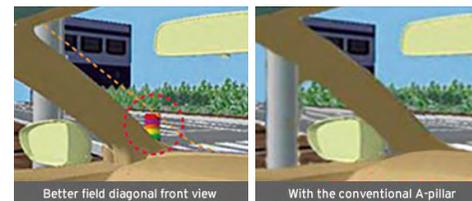


③ Active Driving Display

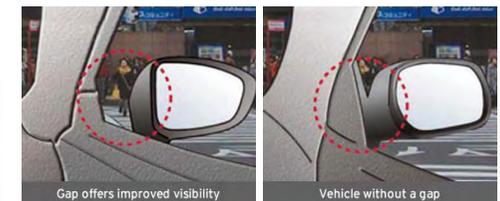
Improved Forward Visibility

By positioning the A-pillar further rearward than most common cars, Mazda offers the driver a wider field of forward visibility. Safe driving is further supported by a gap between the A-pillar and door mirror large enough to enable objects positioned low down to be seen easily from either the driver's seat or the passenger's seat.

Comparison of diagonal front view with different A-pillar shapes



Comparison of different door mirror mounting positions

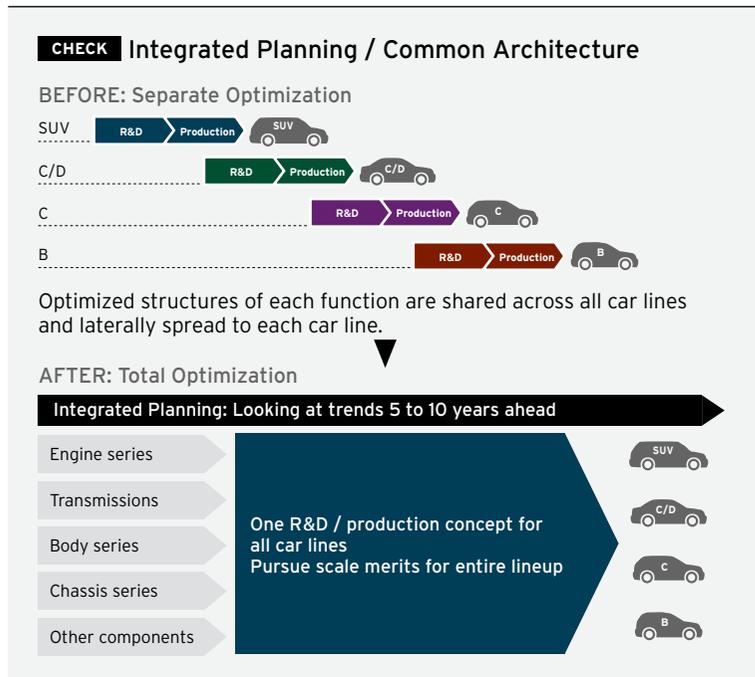


# Monotsukuri Innovation

Efforts to realize high levels of diversity, which enhances the competitive edge of our products, and commonality, which boosts the efficiency of mass production

Looking five to 10 years into the future, we have implemented Monotsukuri Innovation for efficiently developing and manufacturing products, making possible common development methods and manufacturing processes by using integrated planning for models to be introduced in the future, spanning market segments and model classes.

Optimized structures of each function are shared across all car lines and laterally spread to each car line based on the integrated planning. A flexible production system is used to produce products engineered based on a common architecture concept in a highly efficient and flexible way. We are aiming to raise operational efficiency through building a flexible production process that can handle changes in volumes and can quickly introduce new models with a minimum of investment.



Monotsukuri Innovation enabled Mazda to make more competitive products while improving costs

- Design intent faithfully reproduces in mass-production vehicles
- Development and application of designer colors Soul Red and Machine Gray contribute to enhancing brand value

**CHECK New Design Color: Machine Gray**

Under the idea that color is one of the elements of form, Mazda has been focusing its efforts on developing colors, such as Soul Red, and coating technologies that accentuate the subtle yet dynamic surfacing of KODO design. The new design color Machine Gray, which is slated to be used for new model CX-9 and MX-5 RF, was developed to express the beauty of a machine's strength and precision. With strong contrast between light and shadow and a sleek, high-density finish, Machine Gray gives the impression that the vehicle's body has been sculpted from a solid steel ingot. As a color that complements the KODO design, Machine Gray is contributing to improvements in brand value.

MX-5 RF

Through Monotsukuri Innovation, our new products since the CX-5 and SKYACTIV TECHNOLOGY have achieved improved efficiency in terms of both product development and manufacturing facility investment as well as significant improvements in vehicle costs.

	Performance	Improve Cost / Efficiency
<b>R&amp;D efficiency</b>		30% or more
<b>Investment in production facilities</b>	SKYACTIV-G/D Vehicle	70% or more 20% or more
<b>Cost improvement</b>	Vehicle (excluding additional equipment) SKYACTIV-D SKYACTIV-G SKYACTIV-DRIVE	100kg or more weight reduction (equivalent to 5% fuel economy improvement) 20% better fuel economy, Euro6 compliance 15% better fuel economy and torque, possible to comply with Euro6 4%-7% better fuel economy, direct feeling improvement
		20% or more → 30% (target) Better than previous engine Better than previous direct injection engine Same as previous transmission

## Global deployment of Monotsukuri Innovation

Monotsukuri Innovation has yielded significant results at our domestic production sites (our "mother plants"), and going forward we will expand this to include overseas production sites and our supply chain to achieve high-quality, highly efficient, and flexible production and improve the cost structure on a global basis. We also intend to increase flexibility in our production of sedans and SUVs to maximize production capacity at our major production sites.

As we pursue these initiatives, global human resource development will play a major role. Our aim is to create an environment and structure in which employees who understand and share the Mazda vision are able to stand out and play a role at overseas production sites.



Mexico Plant



### Co-Creation and Problem-Solving in the Development of the Mazda MX-5

Mazda's globally recognized SKYACTIV TECHNOLOGY and new-generation vehicles were born from the Companywide process innovation program Monotsukuri Innovation to achieve the Sustainable Zoom-Zoom long-term vision for technology development, which was formulated in 2007, and provide all customers who purchase Mazda vehicles with driving pleasure as well as outstanding environmental and safety performance.

Monotsukuri Innovation involves the efficient development and manufacturing of diverse product models based on the concepts of common architecture and flexible production, with planning that looks at the models to be introduced 10 years in the future, transcending class and segment. This approach is further strengthening our corporate culture to fully utilize co-creation activities for Companywide streamlining to achieve customer value and drastically increase our product competitiveness and development efficiency.

In this section, we introduce co-creation activities from the development of the fourth-generation Mazda MX-5, the sixth model in our new-generation lineup and winner of more than 60 awards, including the 2016 World Car of the Year, and the ability of workers in the field to identify and solve problems that underpin these activities.





# Using KODO Design to Make Products More Like “Works of Art”

## Co-Creation by Design and Manufacturing Divisions

The MX-5’s beautiful design has led to the model receiving numerous awards for superior automobile design. In this section, we introduce the co-creation that unfolded without compromise among engineers to incorporate this complicated, beautiful design into the form of an automobile.

According to Chief Designer Masashi Nakayama: “When we explained to the related departments the design we were seeking to develop, we repeatedly asked for their support, because we knew that it would be extremely challenging to achieve. A car’s design is not created by designers – it is engineering in and of itself, and I believe it expresses the Company’s technological capabilities and engineering determination.”

With the new MX-5, we sought to reduce the weight of the vehicle to achieve the responsive drive that is characteristic of a sports car, and one way we were able to reduce the weight from the previous model was to replace steel materials with aluminum. This was the first time Mazda used aluminum for a front fender. Aluminum is less flexible than steel, making cracks more likely during press molding, and after molding there is a strong tendency for it to return to its original shape, which made it technologically very difficult to use aluminum for the new MX-5’s three-dimensional front fender.

In addition, aluminum is more expensive than steel, so the issue was how to improve the functionality with a lighter weight and greater cost efficiency.

Would efficient mass production of this beautiful shape that the design team had created be possible? Press production technology engineer Nobuaki Goto says:

“I was involved from the very early stages of development to understand the intention of each shape. Talking directly with the designers makes it possible to create a detailed image for the reproduction process. In addition, by incorporating manufacturing technologies from the initial development stage, we were able to propose a vehicle structure that could be manufactured efficiently while maintaining high quality, as well as achieve both vehicle performance and efficient production. Mazda as a whole is able to resolve issues that one division cannot resolve on its own.”

While production technology engineers carry out sophisticated digital analysis, highly skilled “artisans” on the manufacturing floor work to improve techniques



**Masashi Nakayama**

Chief Designer of the new fourth-generation MX-5



**Nobuaki Goto**

Press production technology engineer



**Masanori Yonemura**

Press manufacturing technology engineer

for accurately reproducing designs as products. Press manufacturing technology engineer Masanori Yonemura, who creates quality products on the manufacturing floor, notes, “By creating shapes as required by designs that integrate craftsmanship with digital technologies, pressed components become works of art. This is my goal.”

To mass-produce the front fender of the new MX-5 with its beautiful curves, sophisticated simulations incorporating design, development, and manufacturing were carried out repeatedly with many minute adjustments, and through this process of trial and error the



technology was created to achieve a three-dimensional form befitting a sports car.

One of the major changes made on the manufacturing line was to alter the form of procurement for aluminum from the previous sheets to coils. Also, by bringing the aluminum cutting process in-house and setting up a sophisticated cutting line prior to the pressing of the front fenders, we were able to increase yields\*1 15%.

With regard to the aluminum cutting line, capital expenditure was kept to a minimum by remodeling the previous steel cutting line so that it could handle both steel and aluminum. Some of the many difficult issues stemming from the different properties of steel and aluminum that needed to be resolved when carrying out this line remodeling were that aluminum is softer

and scratches more easily than steel, it is not magnetic, and more shavings are created when cutting, making it more difficult to maintain molds. These issues were overcome through workplace knowledge and ingenuity, and the line remodeling was successful.

As a result, lightweight fenders that improve vehicle performance were created in a cost-efficient manner. The success achieved in the new MX-5 is applied to other models and contributes to making Mazda's entire lineup more lightweight.

\*1 The ratio of material that actually becomes product. A higher yield means lower costs and also helps to reduce the energy used in recycling the unused portion.



Checking the quality of a pressed aluminum front fender

#### CLOSE UP

### Maintaining press molds

#### Mazda's "artisan skills" create forms that are filled with KODO design's sense of vitality in units of 1/1,000th of a millimeter



Work related to restoring the shape of a molded product

#### Kimio Dojo

Artisan for press mold maintenance

In order to create an automobile that conveys the rich expressions and strong vitality that can only be found in living things, Mazda's KODO design is insistent on artistic forms that can only be created by human beings.

Pressing based on very minute calculations and using highly precise molds is indispensable in creating forms full of vitality developed by designers and engineers from various areas and using these forms to produce piece-by-piece body parts that achieve the desired form.

With the shape of press-molded body parts such as front fenders, a difference of only 1/1,000th of a millimeter caused by the wear from abrasion with the aluminum, steel, or other material being pressed can directly affect the beauty or quality of the body.

When these minute changes are detected in a mold, various tools are used to produce the desired shape. This is the job of Kimio Dojo, the on-site staff member responsible for press mold maintenance.

To reproduce the highly precise, flowing shape of KODO design, which consists of continuous curves, the final step of mold maintenance is performed by sight and touch alone. The delicate skill of a worker surpasses the ability of high-precision measuring equipment. Dojo notes:

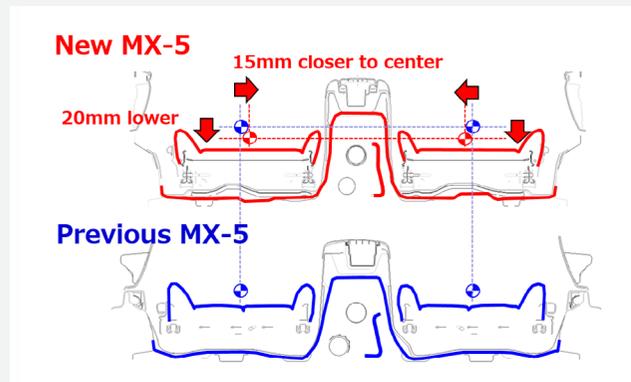
"KODO design involves sharp contrasts of light and shadows, with an uninterrupted flow of beautiful reflections of scenery. To continue to preserve this design, therefore, I strive to maintain continuous, completely fluid, beautiful curves, without any compromise."



# A Transmission That Embodies *Jinba-ittai* Co-Creation by Development and Manufacturing Divisions

The new MX-5 maintains the fun, responsive drive of previous models, but it adds a new dimension of evolution that is winning praise from customers around the world. To create *Jinba-ittai* or “horse and rider as one” that expresses the MX-5 feel, a new six-gear, front-engine rear-wheel-drive SKYACTIV-MT (manual transmission) was developed, and the allocation of functions among its structural components was revised from scratch. This section introduces the co-creation of a lightweight, compact, and highly efficient transmission that preserves the MX-5’s traditionally crisp shifting.

The new MX-5 was designed with the frame as a package around the occupants to give a strong sense of oneness with the car and the driver a feeling that he or she is controlling the car by will alone. To position the driver at the center of the car and closer to the road, the occupants are 15 millimeters closer to the center



Positioning the occupants closer to the center of the vehicle than in the previous model meant that the space for the transmission in the new MX-5 is significantly reduced

and 20 millimeters lower than in the previous model. To achieve an ideal driving position, the transmission needed to be small and structurally simple to fit into a limited space. The layout of the various elements in the car was extremely difficult to design; the position of the clutch pedal could not be off by even a few millimeters, with the seat layout as close to the center as possible, and the parking brake lever and steering wheel were also positioned to achieve driving pleasure.

Katsuaki Nobukawa of the Powertrain Development Division recalls:

“No one involved in the development would give in easily on what they considered to be ideal for the technological area for which they were responsible. This was not because of the engineers’ egos – it was more of a sense of responsibility as a parent giving birth to the new MX-5. Heated discussions continued for several days, with people making such comments



**Katsuaki Nobukawa**  
Drivetrain development engineer



**Kouji Furutani**  
Die-cast process production technology engineer



**Hirokazu Oishi**  
Die-cast mold production technology engineer

as “giving up that one millimeter means it won’t be an ideal MX-5.” Everyone racked their brains trying to come up with better solutions, and they changed their minds countless times. It was that intense.”

After numerous, repeated analyses, the development team came up with the idea of a revolutionary transmission case. Instead of using the traditional concept of uniform thickness, the minimum-required thickness in terms of strength, rigidity, and NVH\*2 performance was used in a three-dimensional allocation of the necessary thickness in each place, and by not building the exterior rib used to maintain rigidity in conventional transmissions, the team aimed for a



Uniform thickness (4.5mm)

Cross-section of the manual transmission case in the previous model, which used a conventional uniform thickness (4.5mm)



Minimum thickness (2.5mm)

Cross-section of the new MX-5's manual transmission case, which uses a three-dimensional thickness allocation (2.5mm-8.0mm in this view) for a minimum thickness needed for each section, to achieve a lightweight, slim body shape while maintaining rigidity

highly rigid, slim body shape. After overcoming these conditions and pursuing an ideal shape, the solution was derived.

\*2 NVH: A standard used to estimate the comfort of an automobile, standing for noise, vibration, and harshness.

At the same time, this idea posed a major challenge for the production technology teams involved in mass production, including their planning and designing of the manufacturing process for the new vehicle. The previous production method was based on the concept of a uniform thickness for the entire transmission case, for ease of production and to ensure quality. The development proposal based on the idea of using the minimum-required thickness in each place was therefore a major change from the previous method, which made it extremely difficult to ensure product quality and performance.

Kouji Furutani and Hirokazu Oishi of the division in charge of casting and mold technology thoroughly analyzed the diagram drawn up by the development division to achieve a *Jinba-ittai* drive that would surpass customer expectations, and they made a number of proposals based on Mazda's proprietary die cast technology.\*3 They commented:

"Monotsukuri Innovation aims to offer customers more value and reduce costs at the same time. To reproduce the complicated shape of the transmission case accurately, our mission was to enhance functionality by drastically raising the machining accuracy in the manufacturing process, while providing customers with reliable product quality at an affordable price."

By having the development and manufacturing divisions work closely together from the early stages of the design process, we were able to make a high-quality, thin transmission case that is lightweight, rigid, and compact, at a lower cost.

With the entire Company working as one to deliver a *Jinba-ittai* sense of driving pleasure to customers, we developed a new transmission that is the industry's lightest in its class.

\*3 A casting technology that combines a proprietary highly rigid mold based on a high-speed, powerful vacuum die cast, with cooling technologies, sensing technologies, and on-site maintenance, which makes the consistent production of thin, stable shapes possible.

Nobukawa, Furutani, and Oishi comment, "This transmission case was only a start. Production and development will continue to work together to pursue performance and eliminate waste to achieve even lighter and higher-quality products."

#### CLOSE UP *Jinba-ittai* Academy

### Global co-creation activity to convey driving pleasure to customers

The *Jinba-ittai* Academy is a training program launched in the March 2014 fiscal year to cultivate human resources who are able to convey driving pleasure to customers. Led by instructors with specialist knowledge in the field of driving, the program adopts a hands-on test drive style using Mazda and competitors' vehicles. Originally started in Japan, we began rolling out this program globally in the March 2016 fiscal year, with participants now comprising not only Mazda employees but also overseas sales staff members.

As a Group-wide co-creation activity, all persons involved with Mazda vehicles, from manufacturing to showrooms, work to deliver to customers the driving pleasure that is the value that Mazda creates.



*Jinba-ittai* Academy for sales staff in Chile

# Mazda CSR

## Corporate Vision\*1

We love cars and want people to enjoy fulfilling lives through cars.

We envision cars existing sustainably with the earth and society, and we will continue to tackle challenges with creative ideas.

1. Brighten people's lives through car ownership.
2. Offer cars that are sustainable with the earth and society to more people.
3. Embrace challenges and seek to master the Doh ("Way" or "Path") of creativity.



## Basic Approach

Mazda aims to achieve its Corporate Vision through the actions of each individual, based on the Mazda Way. While striving to meet the requests and expectations of all of Mazda's stakeholders, all employees pursue CSR initiatives in the course of their daily business activities. In this way, Mazda contributes to the development of a sustainable society.

\*1 Mazda revised its Corporate Vision in April 2015, with the following objectives, aiming to be recognized as a company gaining sincere trust of its stakeholders.

- Clarify the attributes of the Mazda brand, and make concerted efforts across the Mazda Group to realize the Corporate Vision.
- Promote the Group-wide dialogue process to share, understand, and agree the goal of the Corporate Vision through continuous, thorough discussions.
- Closely link the Corporate Vision to our daily business activities.

\*2 The seven principles shared by all Mazda Group employees in the execution of their everyday work: integrity, basics / flawless execution, continuous *kaizen* (improvement), challenger spirit, self-initiative, *tomoiku* (mutual growth / success), ONE MAZDA.

For specific Mazda CSR activities, please see the *Mazda Sustainability Report 2016*.

<http://www.mazda.com/en/csr/download/>

## Areas of CSR Initiatives

Referencing the Charter of Corporate Behavior issued by the Japan Business Federation (Nippon Keidanren), etc., Mazda classifies and evaluates its CSR initiatives. The areas of CSR initiatives are periodically reviewed and revised in the light of issues in the business activities of the automotive industry and Mazda, as well as social issues to which stakeholders attach particular importance. The most recent review was made in July 2016, by which the Company defined the following as the key areas of its CSR initiatives: Customer Satisfaction, Quality, Safety, Environment, Respect for People, and Social Contributions.

## CSR Promotion Organization

Each department carries out its operations based on goals and plans formulated with an understanding of the policies and guidelines determined by the CSR Management Strategy Committee, which the president chairs, and in cooperation with other Group companies. In the March 2016 fiscal year, the Board of Directors held discussions on issues concerning sustainability.

## Review and Identification of Key Areas of CSR Initiatives (Materiality)

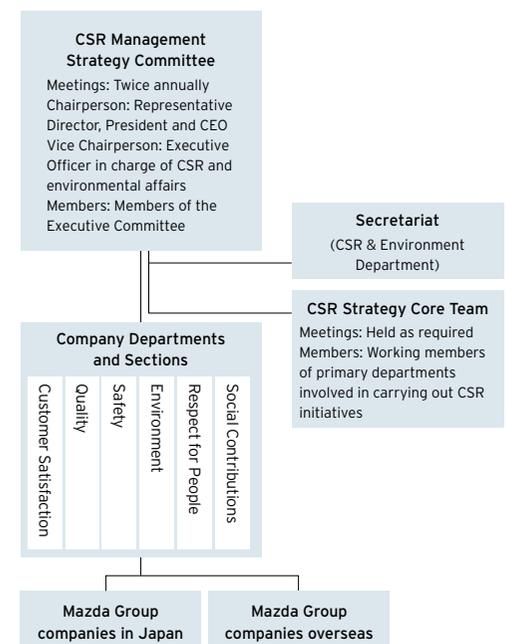
Based on the GRI Sustainability Reporting Guidelines Version 4 (G4)\*3, starting in the March 2014 fiscal year, Mazda has been implementing the four-phase process (Step 1 – Step 4) to identify the key areas of its CSR initiatives (materiality), reviewing the social issues that the Company should address.

In identifying materiality, Mazda reflected the external opinions of experts and various other stakeholders, while taking into account internal opinions both from management and relevant divisions. As a result, in July 2016 the CSR Management Strategy Committee approved the new materiality, and the information is disclosed in *Mazda Sustainability Report 2016* in accordance with the Core option of the G4 guidelines. During the materiality-identifying process, Mazda has also referenced the Sustainable Development Goals (SDGs)\*4 adopted by the United Nations. In the future, Mazda will continue to review materiality on a regular basis, while being conscious to various issues inside and outside the Company.

\*3 GRI: The Global Reporting Initiative, which provides the guidelines for CSR information disclosure

\*4 Announced in September 2015. SDGs call on United Nations member nations to mobilize efforts to achieve sustainable development by accomplishing such targets as ending poverty and hunger, ensuring access to affordable and clean energy, combating climate change, and promoting peaceful and inclusive societies between 2015 and 2030. SDGs comprise 17 goals with 169 targets.

## Organization



Mazda CSR

Process of Reviewing and Identifying Key Areas of CSR Initiatives (Materiality)

**STEP 1** Extraction of social issues

Extract aspects of greatest importance from among the 46 specific standard disclosure aspects specified in the G4 guidelines, from the following perspectives, and clarify the scope of expected impact (boundary) of each aspect.

- Social issues in the business activities of the automotive industry and Mazda
- Social issues to which stakeholders attach particular importance or that have substantive influence when stakeholders evaluate Mazda

**STEP 2** Prioritization (Conduct interviews with external experts)

Evaluate the importance of the social issues extracted in Step 1, grade them and show the graded scores by mapping according to the following two axes, to identify the aspects with greatest importance (the status was reported to CSR Management Strategy Committee.)

- Horizontal axis: Significance of Mazda Group impacts (graded by Mazda's relevant divisions, from such viewpoints as the possibilities for existing risks and opportunities at Mazda, and the significance of their impact)
- Vertical axis: Influence on stakeholders (graded by external experts, from such viewpoints as the relationship with the business activities of the automotive industry and Mazda, and of the possibilities for having impact)

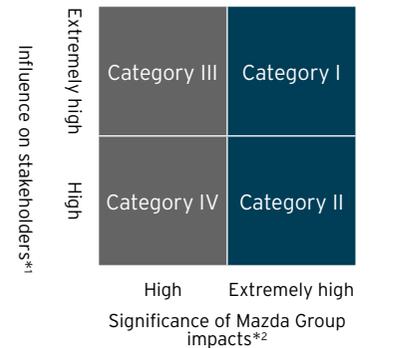
**STEP 3** Validation

Reconfirm the validation of the boundaries of aspects identified in Step 2 based on the business plan, etc. The CSR Management Strategy Committee approved the validation in July 2016.

**STEP 4** Disclosure of identification results and development of PDCA cycle (disclosed in *Mazda Sustainability Report 2016*)

Disclose the materiality aspects identified in Steps 1-3 and the management reporting results (Mazda disclosed them for the first time in the *Mazda Sustainability Report 2016*). Continuously collect the opinions of stakeholders inside and outside the Company and carry out periodic reviews to develop the PDCA (plan-do-check-act) process.

Mazda Group's Key Areas of CSR Initiatives (Materiality) (As of July 2016)



- Where significance of Mazda Group impact is extremely high
- Where significance of Mazda Group impact is high

\*1 Expectation to Mazda Group and automotive industry

\*2 Risk and opportunity for Mazda

Materiality items (As of July 2016)

Category	Items*	
I	(Economic)	Indirect Economic Impacts
	(Environmental)	Energy
	(Environmental)	Water Source in Community
	(Environmental)	Emissions
	(Environmental)	Effluents and Waste
	(Environmental)	Products and Services
	(Labor practices)	Occupational Health and Safety
	(Labor practices)	Diversity and Equal Opportunity
	(Consumer issues)	Customer Health and Safety
II	(Economic)	Economic Performance
	(Environmental)	Transport
	(Labor practices)	Employment
	(Labor practices)	Training and Education
III	(Economic)	Market Presence
	(Environmental)	Materials
	(Environmental)	Supplier Environmental Assessment
	(Labor practices)	Supplier Assessment for Labor Practices
	(Social)	Social Community
	(Social)	Supplier Assessment for Impacts on Society
	(Consumer issues)	Product and Service Labeling
IV	(Consumer issues)	Compliance of product area
	(Economic)	Purchasing practices
	(Environmental)	Compliance of Environmental area
	(Labor practices)	Labor/Management Relations
	(Labor practices)	Equal Remuneration for Women and Men
	(Human rights)	Forced or Compulsory Labor
	(Human rights)	Assessment
	(Social)	Anti-corruption
	(Social)	Compliance of social area
(Consumer issues)	Marketing Communications	
(Consumer issues)	Customer Privacy	

\* The item in each category is listed in G4 guidelines order.

**CHECK** External Evaluations of CSR (As of June 1, 2016)

Mazda identifies key external ratings and evaluations both from within Japan and overseas. By analyzing the results, Mazda evaluates its own initiatives. Mazda continuously makes active efforts to disclose information by responding to both domestic and global surveys and evaluations, such as those by socially responsible investment (SRI) and environment, social, and governance (ESG) rating organizations.

• **Inclusion in the FTSE4Good Index series since March 2011.**

An SRI index developed by the FTSE Group, a fully-owned subsidiary of the London Stock Exchange.

• **Inclusion in the STOXX Global ESG Leaders Index since September 2013.**

STOXX is a global-index-development company located in Switzerland. Mazda is also selected in the sub-index of social criteria in "STOXX Global ESG Social Leaders."

• **Inclusion in the Ethibel EXCELLENCE Investment Register since October 1, 2013.**

Forum ETHIBEL is a Belgium-based non-profit organization that promotes socially responsible investment (SRI) and CSR in Europe.

• **Inclusion in the MSCI Global Sustainability Index since June 1, 2015.**

An SRI index developed by MSCI (Morgan Stanley Capital International). The indexes include companies with high ESG rating in their industry sectors.

• **Inclusion in the Morningstar Socially Responsible Investment Index (MS-SRI) since January 2008.**

The first SRI index developed in Japan.

• **In the CDP Japan 500 Climate Change Report 2015, Mazda's carbon disclosure score was 98 (out of 100), with its performance score rated in Band B.**

On behalf of 822 institutional investors with assets of US\$95 trillion the CDP organization conducts research and discloses information to better understand the risks and opportunities posed by climate change.

# Business Management System

## Corporate Governance

Mazda is enhancing its corporate governance by working to increase management transparency and expedite decision making. The Company respects the intent of the Corporate Governance Code set by Tokyo Stock Exchange and shall implement its all principles.

## Basic Views on Corporate Governance

While working to build a good relationship with its stakeholders, including shareholders, customers, suppliers, the local community, and its employees, the Company shall strive to sustain growth and enhance its corporate value over the medium and long terms through transparent, fair, prompt and decisive decision making and to continue to enhance its corporate governance in line with the following basic philosophy.

- i. The Company shall ensure that the rights of shareholders are effectively secured, create an environment in which their rights can be properly exercised, and ensure shareholders' equality.
- ii. The Company shall foster a corporate culture and climate that respect stakeholders' rights and status and sound business ethics and have a dialogue and collaborate with stakeholders appropriately.
- iii. The Company will disclose information appropriately based on laws and regulations and take the initiative to provide other information as well based on laws and regulations.
- iv. Based on its fiduciary responsibility and accountability to shareholders, the Company's Board of Directors shall lay out a broad direction for corporate strategy, establish an environment that will support appropriate risk-taking, and exercise highly effective supervision over the management team from their independent and objective stance.
- v. The Company shall engage in constructive dialogue with shareholders and take a proper interest in their interests and concerns while endeavoring to explain the Company's management policies in a clear manner and gain shareholders' understanding.

Please refer to the "Corporate Governance Report" for policies and details on Mazda's initiatives regarding the Corporate Governance Code.  
<http://www.mazda.com/en/investors/library/governance/>

## Overview of the Corporate Governance Structure

Format	Company with Audit & Supervisory Board
Number of directors	10
Number of outside corporate directors	2
Term of directors	2 years
Incentives for directors	Short-term incentives: Earnings-based compensation Medium-to-long-term incentives: Compensation in the form of stock options
Individual disclosure of director compensation	No
Number of Audit & Supervisory Board members	5
Number of outside Audit & Supervisory Board members	3
Independent officers (filed with Tokyo Stock Exchange)	5 (2 outside directors, 3 outside auditors)
Procedures in appointing and determining remuneration of the officers	Officer Lineup Advisory Committee Officer Remuneration Advisory Committee
Accounting auditor	KPMG AZSA LLC
Adoption of executive officer system	Yes

### **CHECK** Main Initiatives since the March 2016 Fiscal Year

#### Officer Lineup Advisory Committee and Officer Remuneration Advisory Committee

Establishment of Officer Lineup Advisory Committee and Officer Remuneration Advisory Committee with outside directors servicing as committee chair in order to reinforce the supervisory functions of the Board of Directors and further improve management transparency

#### Stock Options as Compensation

Introduction of stock options as compensation to the Company's inside directors in order to have them share the risks and benefits of stock price fluctuations with stockholders and to further enhance their desire to contribute to boosting share prices and increasing corporate value over the medium and long terms

#### Analysis and Evaluation of Board of Director Effectiveness

Analysis and evaluation of the Board of Directors in order to steadily promote efforts to further improve the Board's effectiveness

**Business Management System**

**1 Board of Directors**

Mazda's Board of Directors decides on the execution of important Company operations and oversees the execution of operations by individual directors. The Board is made up of 10 directors, two of whom are highly independent outside directors. The outside corporate directors are expected to help strengthen the auditing functions of the Board of Directors and further boost the transparency of management by offering advice on Mazda's management activities based on their knowledge, experience, and insights, and by taking part in the decision making process.

**2 Audit & Supervisory Board**

The Company's Audit & Supervisory Board has five members, including two full-time and three outside Audit & Supervisory Board members. Audit & Supervisory Board members audit the directors in the performance of their duties as per an annual audit plan formulated by the Audit & Supervisory Board. The Audit & Supervisory Board possesses knowledge based on the unique expertise of its members, and each outside Audit & Supervisory Board member has a substantial amount of knowledge related to finance and accounting. Aside from attendance at the Board of Directors' meetings, the Audit & Supervisory Board members attend management meetings, etc.

**3 Executive Officers**

The Company has introduced an executive officer system. By separating execution and management, the effectiveness of the oversight of the Board of Directors is enhanced, and decision making is speeded up through expanded debate by the Board of Directors and by delegating authority to executive officers. In this way, the Company is working to further managerial efficiency.

**4 Internal Auditing Departments**

In an effort to contribute to sound and efficient management, the internal auditing department audits the appropriateness of the business activities of the Company or its Group companies. It also audits the appropriateness and effectiveness of internal control.

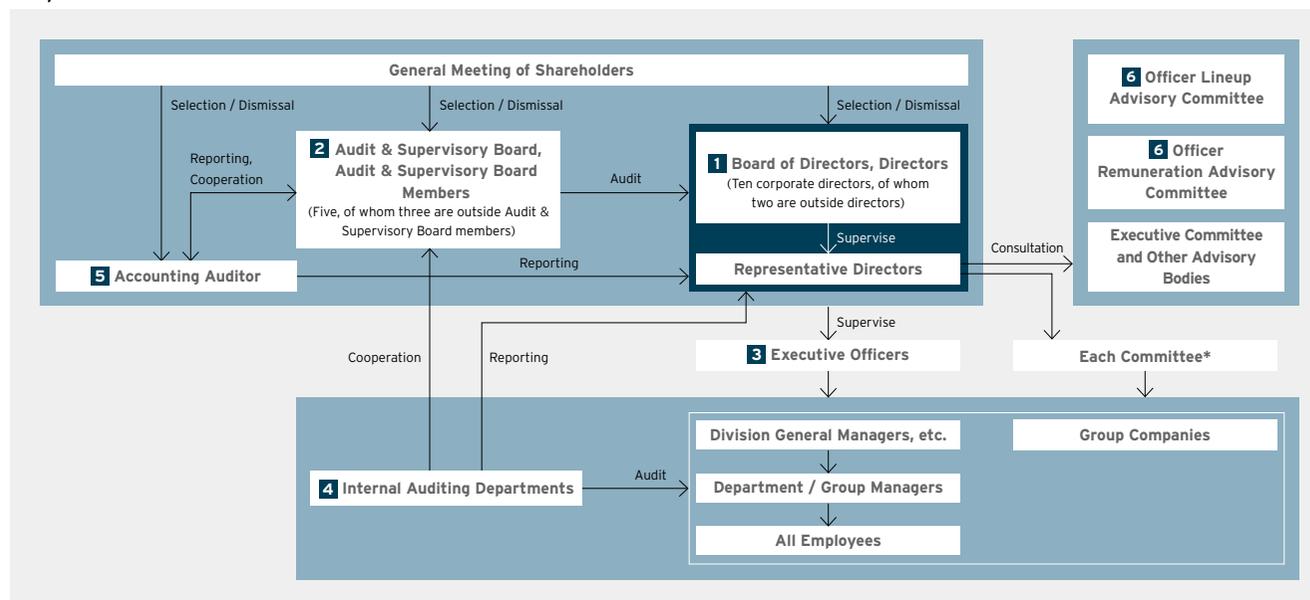
**5 Accounting Auditor**

Accounting audits are conducted by KPMG AZSA LLC, with whom the Company has concluded an audit contract. The certified public accountants who conducted the Company's accounting audits have been working on the Company's audits for less than seven years. Those assisting with the Company's accounting audits include 18 certified public accountants, one public accountant with U.S. certification, and eight others, three of whom have passed the certified public accountant examination.

**6 Officer Lineup Advisory Committee and Officer Remuneration Advisory Committee**

For nominating and appointing candidates for director, Audit & Supervisory Board member, or executive officer, the Company has established an Officer Lineup Advisory Committee to discuss the makeup of the officer lineup and policies for the development and selection of candidates. For determining the remuneration of directors and executive officers, the Company has established an Officer Remuneration Advisory Committee to discuss remuneration policy and a structure and process based on the policy to enable the Company's continued growth and to enhance its corporate value over the medium and long terms. The Officer Lineup Advisory Committee consists of eight inside directors and two outside directors, and the Officer Remuneration Advisory Committee comprises three inside directors and two outside directors. Both committees are advisory bodies to the president and are chaired by an outside director.

**Corporate Governance Framework**



\* Company-wide Safety and Health Committee Meeting, Quality Committee Meeting, Risk Compliance Committee, Human Rights Committee, Security and Export Control Committee, etc.

## Business Management System

### Efforts to Increase Transparency and Fairness of the Process for Nominating and Appointing Directors

In order to enhance the transparency, fairness, and objectivity of the process for nominating and appointing officers (candidates for director, Audit & Supervisory Board member, or executive officer), the Company has established an Officer Lineup Advisory Committee made up of all directors and with an outside director as chair to serve as an advisory body to the president and offer advice on the makeup of the officer lineup and on policies on the training and selection of candidates. Based on the committee's advice, the president submits to the Board proposals on the nomination and appointment of corporate officers.

When nominating and appointing officers, under the basic premise that they are healthy both physically and mentally, the Company shall consider whether they have the proper attitude to fulfill the mandate of shareholders, customers, and other stakeholders, high ethical standards, the ability to take action, leadership qualities, and the experience and ability to carry out their duties as well as their professional and personal achievements. Candidates for director must have exceptional character, insight, ability, and a wealth of experience. The overall structure and balance of the Board must also be considered.

The Company shall confirm that, in addition to the above, candidates for outside director and outside Audit & Supervisory Board member meet the Company's requirements for independence and have the time and energy necessary to properly fulfill their roles and responsibilities.

The reasons for the appointment of the directors and Audit & Supervisory Board members are described in the Notice of the Ordinary General Meeting of Shareholders.

### Policy on the Training of Directors and Audit & Supervisory Board Members

When directors or Audit & Supervisory Board members assume their posts, the Company shall hold training for them to ensure that they can fulfill their respective roles and responsibilities. Even after they assume their posts, the Company shall provide them with opportunities to undergo training in corporate governance, internal control, compliance, and other areas, as necessary.

In addition to the above, outside directors and outside Audit & Supervisory Board members shall be given opportunities to learn more about the nature and status of the Company's business, such as tours of dealerships and plants, participation in events, and meetings with executive officers.

### Supporting System for Outside Directors and/or Audit & Supervisory Board Members

The Company provides explanations of matters to be brought before the Board of Directors as necessary so that outside officers can freely state their opinions at Board meetings and so that

outside directors can easily participate in decision making. The Company also arranges for outside officers to interview executive officers and provides opportunities for them to inspect facilities and participate in events both inside and outside the Company.

Full-time Audit & Supervisory Board members offer observations based on information they have acquired or opinions they have formed through their attendance at important internal meetings or through their audit activities. The departments concerned work together to provide information based on the opinions of the outside officers and to support them.

### Outside Directors and Outside Audit & Supervisory Board Members

Outside corporate director	Professional background	Reasons for assignment	Attendance at Board of Directors' meetings (Number of meetings attended / Total number of meetings)	
			Board of Directors' meetings	Audit and Supervisory Board meetings
Ichiro Sakai	Attorney at law	Based on his years of experience and knowledge of the legal profession, Mr. Sakai provides advice regarding the Company's management, plays a supervisory role with respect to the Board of Directors, and further enhances management transparency.	15/15	
Kazuaki Jono	Local government	Based on his years of experience and knowledge of local government, including the executive position of vice governor of Hiroshima Prefecture and other important posts, Mr. Jono provides advice regarding the Company's management, plays a supervisory role with respect to the Board of Directors, and further enhances management transparency.	12/12	
Outside Audit & Supervisory Board member	Professional background	Reasons for assignment	Attendance at meetings (Number of meetings attended / Total number of meetings)	
			Board of Directors' meetings	Audit and Supervisory Board meetings
Isao Akaoka	Academic	Based on his experience as a university administrator and experience and knowledge as a university professor of management studies, Mr. Akaoka brings an outside perspective to auditing activities.	14/15	15/16
Masahide Hirasawa	Unrelated company	Based on his years of experience and knowledge as a management executive of a company in an industry other than the automotive industry, Mr. Hirasawa brings an outside perspective to auditing activities.	13/15	14/16
Takao Hotta	Unrelated company	Based on his abundant experience with various companies and government agencies, such as the Ministry of Finance, and broad-based knowledge as a management executive, Mr. Hotta brings an outside perspective to auditing activities.	15/15	16/16

\*1 The attendance at Board of Directors' meetings and Audit and Supervisory Board meetings in March 2016 fiscal year is shown. Kazuaki Jono's attendance record covers the period after he assumed his post as an outside director on June 23, 2015.

\*2 In light of the high degree of independence of the Company's outside directors and outside Audit & Supervisory Board members, the Company has notified the Tokyo Stock Exchange that all five individuals are designated as independent directors.

## Business Management System

## Efforts to Increase Transparency and Fairness of the Process for Determining Compensation of Directors

### Basic Policy on Director Compensation

In order to further enhance the transparency, fairness, and objectivity of the process for determining the remuneration of directors and executive officers, the Company has established an Officer Remuneration Advisory Committee made up of representative and outside directors and with an outside director to serve as chair of the meetings. Remuneration policy and a structure and process based on the policy will be decided, taking into account the advice of the committee in order to enable the Company's continued growth and enhancement of its corporate value over the medium and long terms.

The remuneration of inside directors and executive officers consists of 1) a fixed amount of basic remuneration commensurate with their responsibilities, 2) performance-based remuneration determined at the end of the fiscal year in accordance with a designated standard and process after evaluating how much has been achieved toward personal goals set based on an annual business plan formulated based on the medium-term business plan, and 3) compensation in the form of stock options under a system introduced after approval of a resolution at the 150th Ordinary General Meeting of Shareholders on June 28, 2016, in order to enhance the desire to contribute to enhancing corporate value over the medium and long terms and to share the benefits with shareholders.

Considering their status independent from the execution of operations, outside directors shall receive a fixed amount of basic remuneration only.

By resolution of the 141st Ordinary General Meeting of Shareholders held on June 26, 2007, the annual compensation for directors is to be payable within the limit of ¥1.2 billion.

### March 2016 fiscal year

Category	People	Amount (millions of yen)
Directors	10	448
Audit & Supervisory Board members	5	109
Total (of which, outside auditors)	15 (6)	557 (65)

\*1 The numbers shown above include two directors who retired as of the conclusion of the 149<sup>th</sup> Annual General Meeting of Shareholders held on June 23, 2015.

\*2 There is no director who earned compensation pay of more than ¥100 million.

### Basic Policy on Corporate Audit Compensation

The corporate audit compensation paid to the Company's certified public accountants is decided by agreement with the Audit & Supervisory Board. Based on audit duration estimates, which are based on the audit plan for the next fiscal period, comprehensive consideration is given to whether the appropriate business conduct of the certified public accountants and others was to the ensured level.

### March 2016 fiscal year

Category	Compensation based on audit certification work (millions of yen)	Compensation based on non-auditing work (millions of yen)
Mazda Motor Corporation	223	-
Consolidated subsidiaries	77	-
Total	300	-

Furthermore, as another important detail concerning remuneration, the Company and its consolidated subsidiaries entrust auditing certification work and non-auditing work to offices that are affiliated closely with KPMG and which belong to the same network as the Company's certified public accountants. In the March 2016 fiscal year, the total amount of compensation paid by the Company and its consolidated subsidiaries was ¥564 million.

## Business Management System

### Analysis and Evaluation of the Board's Effectiveness

In order to steadily advance measures for the further enhancement of its efficiency, the Company's Board of Directors analyzed and evaluated the meetings conducted in March 2016 fiscal year. The method and results are outlined below.

#### Method of analysis and evaluation

Based on a survey prepared by the Board's secretariat, all of the directors and members of the Audit & Supervisory Board evaluated the Board's effectiveness. After the results were compiled by the secretariat, an analysis of the current situation was shared at a Board meeting, and the ideal to be pursued and improvements were discussed.

#### Contents of analysis and evaluation

The survey primarily covered debate on the business strategy, internal control, debate on corporate governance, and the provision of information (the amount of information, materials, explanations, and support for outside directors).

#### Overview of the results

It was found that members of the Board of Directors share the Company's vision and business strategy, that the outside directors express their opinions from an independent perspective after gaining an understanding of the Company's situation by receiving explanations of resolutions in advance and other forms of support, and that the oversight function of the execution of operations has been ensured. It was also found that corporate governance is being appropriately discussed.

On the other hand, it was found that there is a need to monitor the execution of the business strategy even more effectively and to further strengthen the analysis of risks in the debate on individual resolutions, and improvements were discussed.

The Company will analyze and evaluate the Board's effectiveness annually and continue to make improvements in order to enhance corporate value over the medium and long terms.

### Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Auditing Departments

The Audit & Supervisory Board members, accounting auditors, and internal auditing department regularly hold joint meetings and cooperate with each other.

The Audit & Supervisory Board members and the Audit & Supervisory Board regularly meet with the accounting auditors and hear explanations of their audit plan, audit issues, and results. The Audit & Supervisory Board members also provide necessary information on their audit plan and the status and results of audits. In this way, information is exchanged in both directions, and the Company is working to strengthen this close cooperation. Also, some audits, such as inventory and the inspection of securities, are conducted jointly by the Audit & Supervisory Board members and the accounting auditors.

The Audit & Supervisory Board members and the Audit & Supervisory Board regularly meet with the internal auditing department and the departments in charge of promoting internal and financial control. The Audit & Supervisory Board members get reports from the internal auditing department on the plans for and results of internal audits of the Company and its Group companies. They also get reports from the departments in charge of promoting internal and financial control on plans for efforts to enhance internal and financial control in the Company and its Group companies and the status of these efforts. In addition, the Audit & Supervisory Board members provide information acquired in the process of conducting their audits or convey requests from their perspective as Audit & Supervisory Board members, making for a two-way exchange of information. The internal auditing department also attends the Group auditor briefings conducted by the Audit & Supervisory Board members.

### Auditing for Group Companies' Management

In the Mazda Group, each Group company has established a corporate governance framework with the aim of enhancing cooperation between Mazda and the Group companies.

#### Japan

Group companies in Japan set the corporate auditors. Through the Group Audit & Supervisory Board Members' Meetings attended by the Audit & Supervisory Board members (full-time) of the Group's large companies and appointed part-time corporate auditors from among Mazda employees, Mazda aims to strengthen ties between Mazda and its Group companies.

#### Overseas

Major overseas Group companies have the Audit Committee\* to discuss matters relating to internal control. Executives and internal auditing-related departments of each overseas Group company, as well as Mazda's related departments and the auditing department, participate in each company's Audit Committee meetings and exchange opinions. Mazda's executive officers and full-time Audit & Supervisory Board members also attend the meetings at the Group companies in Europe, North America and Australia.

\* Committees are set up and operated independently for each overseas Group company for the purpose of gathering information and exchanging opinions on internal control.

## Business Management System

### Dialogue with Shareholders and Investors

For continued growth and enhancement of corporate value over the medium and long terms, the Company shall promote investor relations through the timely and appropriate disclosure of information to shareholders and investors and through constructive dialogue. In addition to general shareholders' meetings, the Company holds meetings with shareholders and investors to explain its quarterly business results, management, and other business activities. Mazda is working to increase opportunities for dialogue in such ways as holding business briefings for institutional investors, individual investors, and domestic and overseas securities analysts.

Mazda's website provides information including the schedule for general shareholders' meetings and financial results announcements, performance / financial data, notice of the general meeting of shareholders (business report), shareholders reports (Japanese only), summary of financial results, briefing materials for the financial results, asset securities reports (Japanese only), annual reports, and Corporate Governance Report as the Company shall endeavor to disclose information impartially and with a high degree of transparency.

### Basic Strategy for Capital Policy

In order to enhance corporate value over the medium and long terms and build a solid financial foundation for stable, continued growth, the Company shall endeavor to reduce its interest-bearing debt and increase its equity capital.

The Company shall also endeavor to use its management resources effectively and enhance its capital efficiency.

With regard to shareholder return, the Company shall endeavor to strengthen its financial foundation for a higher dividend payout ratio, with the payment of dividends based on performance as its basis.

### Cross-Shareholdings

Taking into overall consideration the business strategy, the necessity to business activities such as maintaining and strengthening business dealings, and the economic rationality of cross-shareholdings, the Company shall have cross-shareholdings when mutual cooperation between companies will lead to the enhancement of corporate value over the medium and long terms.

Every year at a Board of Directors meeting, the Company shall verify the economic rationality of its cross-shareholdings and the outlook over the medium and long terms based on the returns on and risks of its principal cross-shareholdings.

### Initiatives to Invigorate General Shareholders' Meetings and Ensure the Smooth Exercise of Voting Rights

Date for general shareholders' meetings	General shareholders' meetings are held on dates that avoid concentrations of other companies' general meetings.
Exercise of voting rights	To improve convenience, voting by electromagnetic methods was introduced from the general shareholders' meeting held in June 2004.
Environment for exercise of voting rights for institutional investors	Mazda has participated in the electronic voting platform operated by ICJ Co., Ltd., for the exercise of voting rights by institutional investors from the general shareholders' meeting held in June 2008.
English convocation notice	An English version of the convocation notice is prepared as a reference for the exercise of voting rights.
Others	The convocation notice is mailed early and disclosed on the corporate website prior to mailing. English: <a href="http://www.mazda.com/en/investors/stockinfo/meeting/">http://www.mazda.com/en/investors/stockinfo/meeting/</a> Japanese: <a href="http://www.mazda.com/ja/investors/stockinfo/meeting/">http://www.mazda.com/ja/investors/stockinfo/meeting/</a>

Business Management System

Internal Controls

Mazda has established the Mazda Corporate Ethics Code of Conduct, which states action guidelines for employees, the Finance Control Guideline for global financial control, and other guidelines. Based on these guidelines, each department develops rules, procedures, manuals, etc., to promote establishment of internal control.

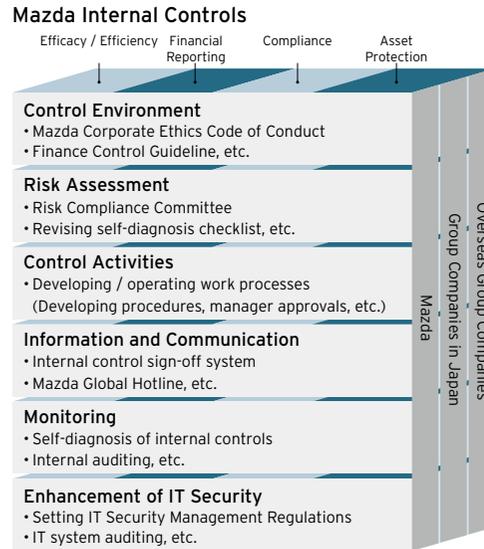
For Group companies, cooperative systems have been established, in accordance with the Domestic Affiliates Administration Rules and the Overseas Affiliates Administration Rules.

At Mazda, the department responsible for each Group company supports training and system improvement at respective Group companies.

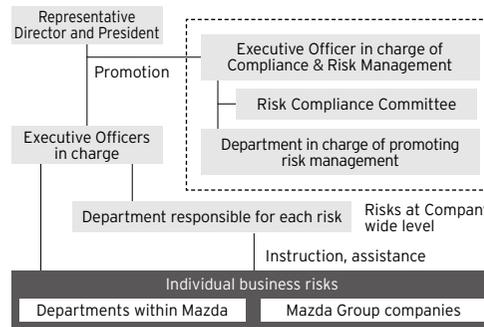
Risk Management

Mazda makes continuous efforts to identify and reduce various internal and external risks in accordance with the Basic Policy on Risk Management, Risk Management Regulations, and other related internal regulations, so as to ensure continuous and stable progress of business activities. Among the risks identified, considering the level of importance, individual business risks are managed by the department in charge of that business area, while Company-wide risks are handled by departments that carry out business on a Company-wide basis. These departments manage the risks appropriately, following the PDCA cycle.

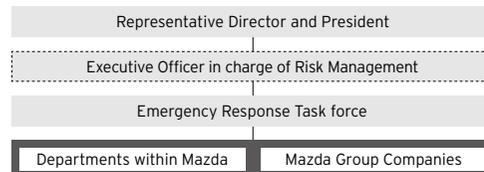
In the event of an emergency, such as a natural disaster or situation that creates serious managerial consequences, Mazda takes appropriate measures in reference to its internal regulations, including establishing an emergency response task force when necessary. In the March 2016 fiscal year, Mazda and its Group companies engaged in efforts to visualize the status of establishing systems to manage risks. The position of the Risk & Compliance Committee was



Risk Management Structure in Normal Times



Emergency Risk Management Structure



For incidents that fall outside the scope of existing risk management organizations and require a coordinated interdepartmental response, the executive officer in charge of risk management will consult with the president, establish an emergency response task force, and appoint a general manager for this task force.

revised in order to improve the level of system establishment.

Moreover, to prevent suspension of its businesses from causing a serious impact on society, Mazda has been developing measures for possible future large-scale earthquakes, such as the expected Nankai Trough earthquake.

Response to Accidents and Other Emergencies

Mazda has been systematically undertaking preparatory measures for major earthquakes since the March 2004 fiscal year. Examples of such “hardware” and “software” measures include quake-proofing buildings and facilities, and raising embankments, as well as maintaining emergency-contact networks, organizing self-disaster-defense teams, developing response manuals, selecting tsunami evacuation areas, and carrying out evacuation drills. Disaster drills are held annually both jointly with the fire authorities and solely by Mazda’s self-disaster-defense teams to confirm initial response to an emergency.

Further, based on lessons learned from the Great East Japan Earthquake, Mazda has communicated to all employees the procedures for initial responses and manuals for operating self-disaster-defense teams, which were newly clarified in the March 2014 fiscal year, with the aim of confirming and reviewing the precautions and initial responses in each workplace. Steady efforts to enhance both “hardware” and “software” aspects of emergency readiness will continue in preparation for the Nankai Trough earthquake or other large earthquakes and tsunami associated therewith. Mazda also supports local communities’ disaster prevention activities through dispatching fire engines and other means.

Information Security

Personal information and other important information are appropriately managed and protected based on the established information management policies and internal regulations, so as to ensure information security. To raise employees’ awareness about information security, Mazda requires its employees to execute training on the management of confidential information, protection of personal information, and IT security. Upon newly joining the Company, management of confidential information is covered in the introduction program, while e-learning is used for personal information protection and IT security training. Other continuous education efforts are also available, including an Intranet site dedicated to information and knowledge on information security.

For companies in the Mazda Group, Mazda provides guidelines and educational tools regarding information security, realizing a Group-wide effort to ensure information security. Moreover, Mazda newly established the Regulations for the Handling of Specific Personal Information in October 2015, to be prepared for the enforcement of the Social Security and Tax Number System. The Company also supported the initiatives in its Group companies.

IT Security Management Rules

The IT security policy based on the BS 7799\* framework has been established as IT security management rules, under which the mechanisms for security control and monitoring that should be incorporated into IT systems are determined. Whether such mechanisms are properly installed and operated is confirmed on both a regular and random basis.

\* Standards on information security management established by the British Standards Institution (BSI), on which ISO/IEC27001 & 27002, the current international standards for information security management, are based.

**Business Management System**

**Protection of Personal Information**

Mazda rigorously protects personal information in line with its own Personal Information Protection Policy. Handling rules are set out in order to ensure appropriate management of personal information, regular examination of management records for retained personal data is taken, and management statuses are checked once a year. In cases in which the handling of personal information is entrusted to outside parties, such contractors are carefully selected based on a checklist which determined the necessary items including security management. The Mazda Call Center responds to customers who wish to inquire about the Company's handling of personal information and those who request disclosure regarding privacy issues.

**Basic Policy on Intellectual Property**

Mazda's overall vision for intellectual property is to use intellectual property as a management resource in support of its business management and enterprise activities, based on respect for its own and others' intellectual property. Based on this vision, Mazda has established an Intellectual Property Committee to discuss and decide key items regarding intellectual property. The committee is comprised of division general managers from related divisions and chaired by an executive officer responsible for intellectual property issues. Also, the invention incentive system increases motivation for inventions among employees working at the forefront of research and development. For its Group companies in Japan and overseas, Mazda supports them in developing/implementing policies and establishing systems for handling intellectual property, with the aim of enhancing the intellectual property management functions of the entire Mazda Group.

**Protection of Intellectual Property and Intellectual Property Risk Management**

Mazda's dedicated Intellectual Property Department leads Company activities regarding intellectual properties so as not to infringe upon the intellectual property rights of other companies, and conducts strategic activities aimed at fiercely protecting, accumulating, and making optimal use of the intellectual properties generated through these in-house activities.

1. Exhaustively uncovers and globally obtains rights concerning intellectual properties created by its business activities, including new technologies, markings, model names and vehicle designs, and protects Mazda technologies and the Mazda brand.
2. Takes steps to exhaustively investigate as well as prevent and solve any problems regarding intellectual properties that may obstruct business activities in each domain, such as infringement of other parties' patent rights; trademark rights, design rights, and copyrights; and violations of the Unfair Competition Prevention Act.

To avoid patent litigation driven by patent trolls,\*1 which has been increasing mainly in the United States, Mazda joined the License on Transfer Network\*2 in March 2015.

\*1 A patent troll is an organization or group that is not engaged in technology development itself but acquires patents for technologies developed by others for the purpose of demanding unreasonably high patent royalties or settlement money from third parties that use the relevant technologies.

\*2 A patent association established in July 2014 by Canon Inc., Google Inc., and some other companies. If a member company sells a patent it owns to an external organization, group, or individual, the license for the patent will be automatically granted to other member companies. (If a patent troll obtains a patent of a member company, Mazda cannot be charged a patent royalty by the patent troll.)

**Compliance**

At Mazda, the concept of compliance not only applies to laws and regulations but also includes adherence to other rules such as internal guidelines and societal norms and expectations. Business operations are conducted in accordance with the Mazda Corporate Ethics Code of Conduct to ensure fair and honest practice. This also applies overseas; Mazda not only complies with international regulations and the laws of each country and region but also respects local history, culture, and customs. The Mazda Corporate Ethics Code of Conduct is revised as needed to cope with changes in the social environment, social needs, etc.

The Global Employee Engagement Survey, which includes a questionnaire concerning compliance, is conducted to check the employees' degree of understanding of compliance.

**Mazda Global Hotline**

In 1999, Mazda established the Ethics Advisory Office to handle employee inquiries about compliance and conduct investigations on ethical matters. In September 2007, the office was renamed the Mazda Global Hotline and the scope was expanded to include domestic and overseas Mazda Group companies and contact points were established both inside the Company and outside (attorney's office).

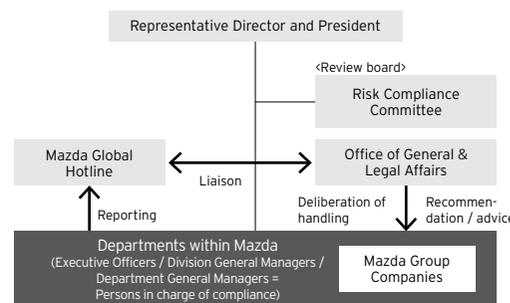
To ensure that all employees are aware of this hotline, Mazda has distributed the Compliance Card with the contact information to all employees at Mazda Motor Corporation and ensures awareness of this hotline at every opportunity through compliance education. Mazda has also introduced the hotline to Mazda Group companies in Japan and overseas via each company's Intranet.

This hotline is also introduced to suppliers so that they can report the questions arose from any transactions.

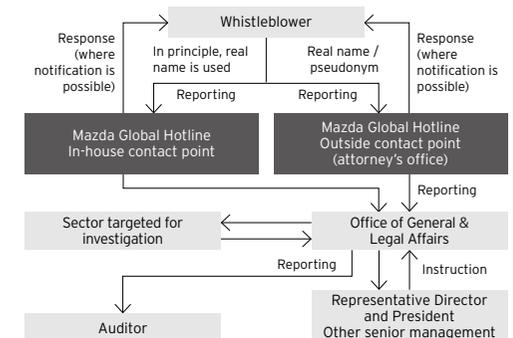
The Mazda Corporate Ethics Code of Conduct states that "Persons who report incidences of violation of the law and persons who cooperate in investigations of alleged violations shall not be subjected to retribution or disadvantageous treatment."

In addition, Mazda has set up several contact points to provide various consultations for employees. These contact points aid in the early detection and appropriate handling of important compliance-related information. The critical cases are reported to management.

**Compliance Promotion System**



**Mazda Global Hotline**



Business Management System

Directors, Audit & Supervisory Board Members, and Executive Officers (As of June 28, 2016)

Directors



Number of shares held:  
9,231

**Seita Kanai**  
Representative Director and Chairman  
of the Board

Oct. 1974 Joined Toyo Kogyo Co., Ltd.  
(present Mazda Motor Corporation)  
Aug. 2002 General Manager, Vehicle Engineering Div.  
Jun. 2003 Executive Officer  
Jun. 2004 Managing Executive Officer  
Apr. 2006 Senior Managing Executive Officer  
Jun. 2006 Director; Senior Managing Executive  
Officer  
Apr. 2007 Director; Senior Managing Executive  
Officer; President, Mazda Engineering  
& Technology Co., Ltd.  
Apr. 2011 Director; Executive Vice President  
Jun. 2011 Representative Director; Executive Vice  
President  
Jun. 2013 Representative Director and  
Vice Chairman of the Board  
Jun. 2014 Representative Director and Chairman  
of the Board



Number of shares held:  
5,300

**Masamichi Kogai**  
Representative Director

Apr. 1977 Joined Toyo Kogyo Co., Ltd.  
(present Mazda Motor Corporation)  
Jun. 2004 Executive Officer; General Manager,  
Hofu Plant  
Apr. 2006 Executive Officer; President, AutoAlliance  
(Thailand) Co., Ltd.  
Apr. 2008 Managing Executive Officer  
Apr. 2010 Senior Managing Executive Officer  
Jun. 2010 Director; Senior Managing Executive  
Officer  
Jun. 2013 Representative Director; President  
and CEO



Number of shares held:  
7,900

**Akira Marumoto**  
Representative Director

Apr. 1980 Joined Toyo Kogyo Co., Ltd.  
(present Mazda Motor Corporation)  
Jun. 1997 Program Manager;  
Program Managers Div.  
Jun. 1999 Director  
Jun. 2002 Executive Officer  
Apr. 2006 Managing Executive Officer  
Apr. 2010 Senior Managing Executive Officer  
Jun. 2010 Director; Senior Managing Executive  
Officer  
Jun. 2013 Representative Director;  
Executive Vice President



Number of shares held:  
5,600

**Yuji Harada**  
Director

Jun. 2002 Director; General Manager, Planning Dept.,  
International Banking Unit of Sumitomo  
Mitsui Banking Corporation  
Apr. 2004 Managing Director, The Japan Research  
Institute, Limited  
Jun. 2007 Senior Managing Director, The Japan  
Research Institute, Limited  
Apr. 2008 Joined Mazda Motor Corporation as  
Managing Executive Officer  
Nov. 2008 Senior Managing Executive Officer  
Jun. 2009 Director; Senior Managing Executive  
Officer



Number of shares held:  
11,600

**Yuji Nakamine**  
Director

Apr. 1977 Joined Toyo Kogyo Co., Ltd.  
(present Mazda Motor Corporation)  
Mar. 2003 President, AutoAlliance (Thailand) Co., Ltd.  
Jun. 2005 Executive Officer  
Apr. 2007 Executive Officer; President,  
Mazda South East Asia Ltd.  
Nov. 2008 Managing Executive Officer  
Apr. 2011 Senior Managing Executive Officer  
Jun. 2011 Director; Senior Managing Executive Officer



Number of shares held:  
9,000

**Nobuhide Inamoto**  
Director

Apr. 1977 Joined Toyo Kogyo Co., Ltd.  
(present Mazda Motor Corporation)  
Oct. 1994 Manager, Body Production Engineering Dept.,  
Production Engineering Div.  
Jun. 1999 Representative Director and President,  
Mitsuba Kogyo Co., Ltd.  
Jun. 2001 Director  
Jun. 2002 Executive Officer  
Apr. 2007 Managing Executive Officer  
Jun. 2013 Director; Senior Managing Executive Officer;  
Chairman, Mazda Motor (China) Co., Ltd.



Number of shares held:  
6,100

**Kiyotaka Shobuda**  
Director

Mar. 1982 Joined Toyo Kogyo Co., Ltd.  
(present Mazda Motor Corporation)  
Apr. 2006 Deputy General Manager, Hofu Plant  
Nov. 2008 Executive Officer; President, AutoAlliance  
(Thailand) Co., Ltd.  
Jun. 2013 Managing Executive Officer  
Apr. 2016 Senior Managing Executive Officer  
Jun. 2016 Director; Senior Managing Executive Officer



Number of shares held:  
5,100

**Kiyoshi Fujiwara**  
Director

Mar. 1982 Joined Toyo Kogyo Co., Ltd.  
(present Mazda Motor Corporation)  
Mar. 2003 Vice President, Mazda Motor Europe GmbH  
Jun. 2005 General Manager, Product Planning & Business  
Strategy Div.  
Nov. 2008 Executive Officer  
Jun. 2013 Managing Executive Officer  
Apr. 2015 Managing Executive Officer; President, Mazda  
Engineering & Technology Co., Ltd.  
Apr. 2016 Senior Managing Executive Officer  
Jun. 2016 Director; Senior Managing Executive Officer



Number of shares held:  
7,800

**Ichiro Sakai**  
Director

Apr. 1968 Appointed Prosecutor  
Dec. 1999 Chief Public Prosecutor of the Yokohama  
District Public Prosecutors Office  
May 2001 Chief of the Research and Training  
Institute of the Ministry of Justice  
Oct. 2002 Superintendent Public Prosecutor of the  
Hiroshima High Public Prosecutors Office  
Jun. 2004 Superintendent Public Prosecutor of the  
Fukuoka High Public Prosecutors Office  
Apr. 2005 Registered as Lawyer (Daiichi Tokyo Bar  
Association)  
Jun. 2005 Outside Corporate Auditor, Toray  
Industries, Inc.  
Feb. 2006 Outside Corporate Auditor, Kewpie Corporation  
Jun. 2007 Outside Corporate Auditor, Mazda Motor  
Corporation  
Jun. 2011 Outside Director, Mazda Motor Corporation  
Feb. 2014 Outside Director, Kewpie Corporation



Number of shares held:  
300

**Kazuaki Jono**  
Director

Apr. 1970 Joined Hiroshima Prefecture  
Apr. 2005 General Manager, General Affairs and  
Planning Dept., Hiroshima Prefecture  
Apr. 2006 General Manager, General Affairs Dept.,  
Hiroshima Prefecture  
Apr. 2007 Vice Governor, Hiroshima Prefecture  
Apr. 2014 Advisor, Hiroshima Prefectural Union of  
Agricultural Cooperatives  
Jun. 2015 Outside Director, Mazda Motor Corporation

## Business Management System

## Audit &amp; Supervisory Board Members

Nobuyoshi Tochio (Full-time)  
 Hirofumi Kawamura (Full-time)  
 Isao Akaoka  
 Masahide Hirasawa  
 Takao Hotta

## Executive Officers

**President and CEO**

Masamichi Kogai\*

**Executive Vice President**

Akira Marumoto\*

Assistant to President; Oversight of Operations in the Americas and Corporate Planning Domain

**Senior Managing Executive Officers**

Yuji Harada\*

Oversight of Financial Services; Assistant to the Officer Oversight of Fleet Sales; In charge of CSR, Environment and Global Corporate Communications

Yuji Nakamine\*

Oversight of Operations in Europe, Asia & Oceania, Middle East & Africa and New Emerging Markets

Nobuhide Inamoto\*

Oversight of Operations in China, Domestic Sales and Fleet Sales; In charge of Global Auditing

Kiyotaka Shobuda\*

Oversight of Quality, Brand Enhancement, Production and Business Logistics

Kiyoshi Fujiwara\*

Oversight of R&D and MDI; In charge of Cost Innovation

Jeffrey H. Guyton

Assistant to the Officer Oversight of Brand Enhancement; President and CEO, Mazda Motor Europe GmbH

Masahiro Moro

Oversight of Marketing Strategy; Assistant to the Officer Oversight of Brand Enhancement  
 President and CEO, Mazda Motor of America, Inc. (Mazda North American Operations)

Akira Koga

In charge of Corporate Planning, Profit Control, Global IT Solution and MDI

**Managing Executive Officers**

Mitsuo Hitomi

In charge of Technical Research Center, Powertrain Development and Integrated Control System Development

Masatoshi Maruyama

In charge of Global Production and Global Business Logistics

Takeshi Fujiga

In charge of Global Human Resources and Safety, Health & Disaster Prevention

Kazuhisa Fujikawa

In charge of Global Purchasing; Assistant to the Officer in charge of Cost Innovation

Kazuyuki Fukuhara

In charge of Domestic Sales and Fleet Sales; President, Mazda Chuhan Co., Ltd.

Ikuo Maeda

In charge of Design and Brand Style

Tetsuya Fujimoto

In charge of Financial Services; Assistant to the Officer in charge of Corporate Planning

**Executive Officers**

Nobuhiko Watabe

In charge of Operations in China; Chairman, Mazda Motor (China) Co., Ltd.

Raita Nishiyama

Oversight of Tokyo Office; In charge of Corporate Liaison; Assistant to the Officer in charge of Corporate Planning and Corporate Communications

Hidegori Kawakami

Assistant to the Officer in charge of Global Production; General Manager, Hofu Plant

Hiroshi Inoue

In charge of New Emerging Market Operation (excepting Latin America); President, Mazda South East Asia Ltd.

Makoto Yoshihara

In charge of Secretariat, General & Legal Affairs, Compliance, Risk Management and Mazda Hospital; General Manager, Office of General & Legal Affairs

Yasuhiro Aoyama

Global Sales Coordination; In charge of Brand Enhancement, Global Marketing and Customer Service

Ichiro Hirose

General Manager, Powertrain Development Div.

Takeshi Mukai

In charge of Global Quality

Chiharu Mizutani

President and CEO, Mazda Motor Manufacturing de Mexico, S.A. de C.V. (Mazda de Mexico Vehicle Operation)

Masashi Aihara

General Manager, Corporate Planning & Development Div.

Ryuichi Umeshita

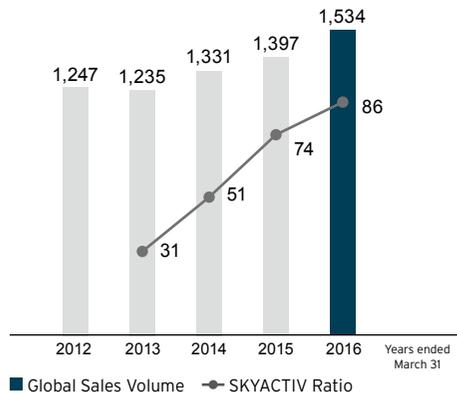
General Manager, Customer Service Div.

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

# Financial and Non-Financial Highlights

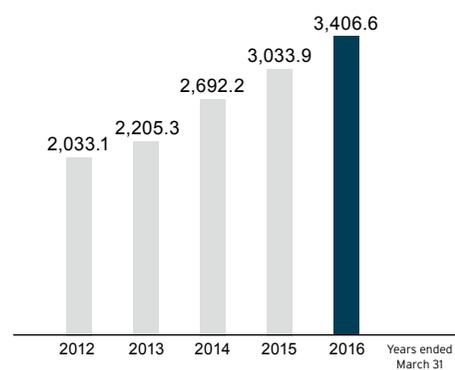
## Global Sales Volume / SKYACTIV Ratio

(Thousands of units / %)



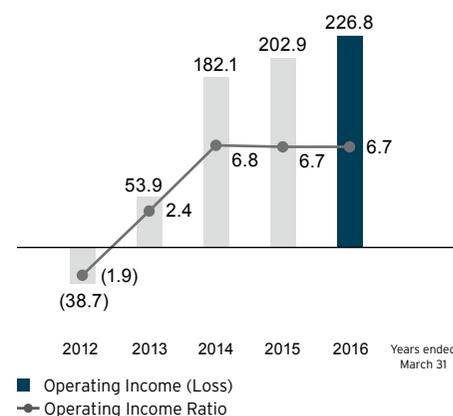
## Net Sales

(Billions of yen)



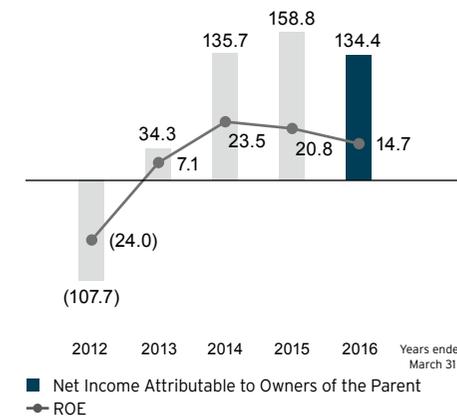
## Operating Income (Loss) / Operating Income Ratio

(Billions of yen / %)



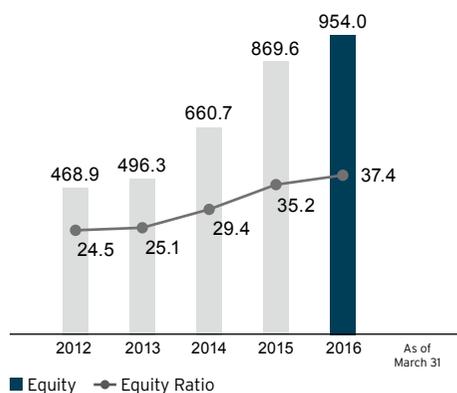
## Net Income Attributable to Owners of the Parent / Return on Equity (ROE)

(Billions of yen / %)



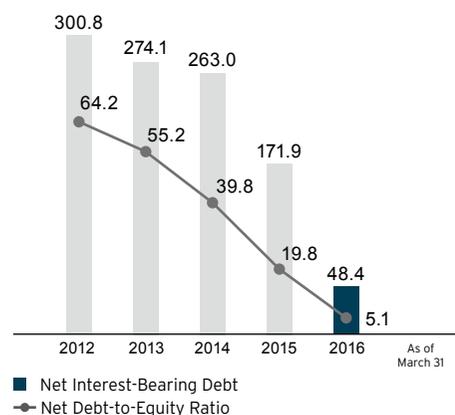
## Equity / Equity Ratio

(Billions of yen / %)



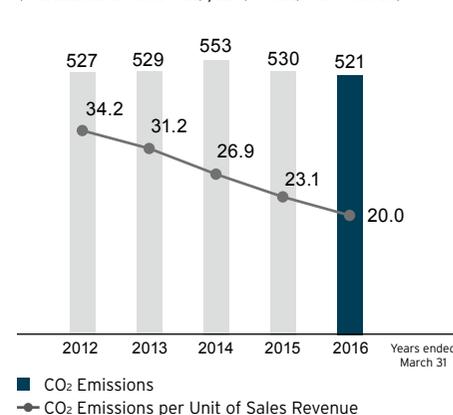
## Net Interest-Bearing Debt / Net Debt-to-Equity Ratio

(Billions of yen / %)



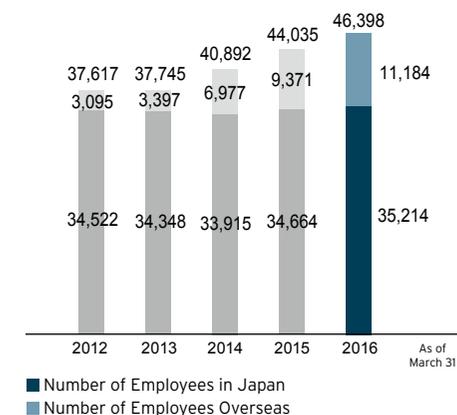
## CO<sub>2</sub> Emissions from Mazda's Four Principal Domestic Sites\* / CO<sub>2</sub> Emissions per Unit of Sales Revenue

(Thousands of tons-CO<sub>2</sub>/year / t-CO<sub>2</sub>/¥100 million)



## Number of Employees in Japan / Overseas

(People)



\* CO<sub>2</sub> emissions at Mazda's four principal domestic sites are calculated using the CO<sub>2</sub> coefficient for each year based on standards from the Japan Automobile Manufacturers Association Inc. (JAMA) (Commitment to a Low Carbon Society). Data for the March 2015 fiscal year was recalculated according to the change of the coefficient. The power coefficient for the March 2016 fiscal year is undetermined as of May 26, 2016; the March 2015 fiscal year power coefficient is used for the March 2016 fiscal year. The figures on the CO<sub>2</sub> emissions at Mazda's four principal domestic sites in the March 2016 fiscal year have been verified by a third party.



# Analysis of Business Results, Financial Position, and Cash Flows

## Review of Operations for March 2016 Fiscal Year

### Operating Environment

The operating environment for the Mazda Group in the March 2016 fiscal year – the year ended March 31, 2016 – showed an overall trend of gradual improvement, led by ongoing recoveries in developed market economies. Overseas, although growth in China and other emerging markets slowed, the U.S. economy was strong, stemming from factors that included increased retail consumption, and a gradual recovery continued in Europe as a result of monetary easing policies. In Japan, despite an effect from the slowdown in emerging markets, the economy showed an overall trend of gradual recovery on factors including improved corporate earnings. The future outlook remains uncertain, however, because of the slowdown in emerging markets and the yen's appreciation since early 2016.

Against this backdrop, the Mazda Group pursued structural reforms leveraging its SKYACTIV TECHNOLOGY and worked to enhance brand value by providing attractive products and services unique to Mazda.

### Global Sales Volume

Global sales volume rose 9.8% from the previous year, to 1,534,000 units, reflecting full-scale sales of the Mazda CX-3 in all markets and with a contribution from continued strong sales of the Mazda CX-5.

By market, although overall demand in the Japanese market declined, solid sales of the Mazda2, combined with sales of the CX-3 and the new MX-5, led to 3.5% sales growth, to

232,000 units. Overseas, sales volume in North America rose 3.0%, to 438,000 units. In addition to continued strong sales of the updated CX-5, contributions from the CX-3 and the new MX-5 led to steady sales growth in the United States. In Mexico, sales of the Mazda2 and the Mazda3 increased. In Europe, although there was an effect from a contraction in demand in Russia, sales in the major markets of Germany and the United Kingdom far outpaced market growth, resulting in an overall 12.0% increase in sales volume, to 257,000 units. In China, sales of the Mazda3 showed high growth in response to a government policy of tax reductions on small cars, and strong sales of the updated CX-5 and the Mazda6 resulted in overall growth of 9.5%, to 235,000 units. Sales volume in other markets grew 22.6%, to 372,000 units. In the major market of Australia, both sales volume and market share rose from the previous year as a result of contributions from the CX-3 and the new MX-5. In the ASEAN market, large sales growth was recorded in countries including Thailand and Vietnam, and in other emerging markets record sales were achieved in such countries as Saudi Arabia and Colombia.

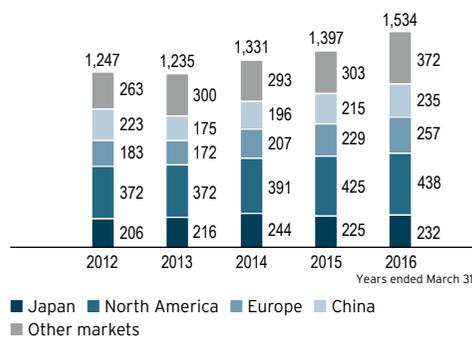
Consolidated wholesales rose 9.2% from the previous year, to 1,307,000 units.

### Net Sales

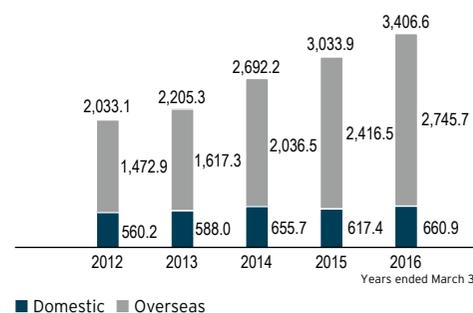
Net sales totaled ¥3,406.6 billion, an increase of ¥372.7 billion, or 12.3%, from the previous year, reflecting global sales growth of SKYACTIV-equipped models. By region, domestic sales rose ¥43.5 billion, or 7.1%, to ¥660.9 billion, and overseas sales grew ¥329.2 billion, or 13.6%, to ¥2,745.7 billion.

By product, vehicle sales rose ¥361.1 billion, or 14.4%, to ¥2,861.5 billion, resulting from growth in unit sales and an improved model mix. Sales of knockdown parts for overseas

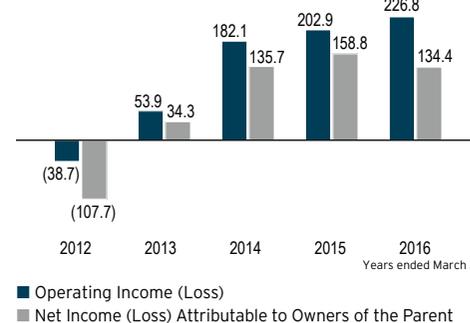
**Sales Trends by Major Markets**  
(Thousands of units)



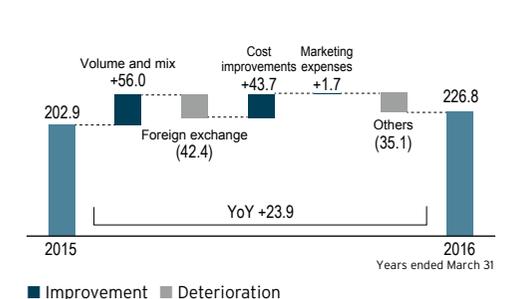
**Net Sales**  
(Billions of yen)



**Operating Income (Loss) / Net Income (Loss) Attributable to Owners of the Parent**  
(Billions of yen)



**Operating Income Change**  
(Billions of yen)



## Analysis of Business Results, Financial Position, and Cash Flows

production declined ¥14.6 billion, or 18.5%, to ¥64.4 billion, while sales of parts grew ¥12.5 billion, or 5.4%, to ¥244.2 billion, and other sales rose ¥13.7 billion, or 6.2%, to ¥236.5 billion.

### Operating Income

Operating income rose ¥23.9 billion, or 11.8%, from the previous year, to ¥226.8 billion. Despite an adverse effect from exchange rate movements and an increase in expenses related to future growth, including stepped-up investment for development and a rise in fixed costs for a new plant in Mexico, higher unit sales and an improved model mix from SKYACTIV-equipped models, and continued cost reductions through Monotsukuri Innovation, resulted in an overall increase.

### Ordinary Income and Net Income Attributable to Owners of the Parent

Ordinary income included a ¥22.0 billion gain from equity in net income of affiliated companies as well as a ¥16.0 billion foreign exchange loss, for an overall increase of ¥11.0 billion, or 5.2%, to ¥223.6 billion. Net income attributable to owners of the parent declined ¥24.4 billion, or 15.4%, to ¥134.4 billion, due to factors including a one-time extraordinary loss from a reserve for product warranties and ¥29.7 billion of total income taxes.

### Segment Information

Net sales in Japan grew ¥287.5 billion, or 11.4%, to ¥2,815.7 billion, with a ¥20.1 billion, or 14.1%, increase in operating income, to ¥162.5 billion. These increases were mainly from a rise in unit sales and an improved model mix, combined with progress in cost reductions.

In North America, net sales rose ¥184.3 billion, or 14.7%, to ¥1,440.4 billion, while operating income declined ¥8.1 billion, or 21.3%, to ¥29.8 billion. Although unit sales moved up and the model mix improved, profit declined due to an increase in depreciation expenses associated with the new plant in Mexico.

European net sales rose ¥67.1 billion, or 10.8%, to ¥690.0 billion, while operating income declined ¥6.2 billion, or 41.5%, to ¥8.7 billion. These results mainly reflected increased unit sales and an improved model mix in major countries, partially offset by the yen's appreciation against the euro and the effect of the contraction of demand in Russia.

In other markets, net sales rose ¥111.6 billion, or 23.1%, to ¥595.0 billion, and operating income increased ¥8.1 billion, or 60.0%, to ¥21.6 billion, primarily from higher unit sales and an improved model mix.

### Financial Position

Total assets as of March 31, 2016, were ¥2,548.4 billion, a gain of ¥75.1 billion from the end of the previous fiscal year, resulting from increases in items including cash and time deposits and deferred tax assets.

Total liabilities were ¥1,571.7 billion, a decrease of ¥10.3 billion from the previous fiscal year-end, mainly from a reduction in long-term loans payable. Interest-bearing debt was reduced by ¥83.9 billion, to ¥617.1 billion, and net interest-bearing debt (interest-bearing debt minus cash and cash equivalents) as of the fiscal year-end totaled ¥48.4 billion, a ¥123.5 billion decrease from the end of the previous fiscal year. The net debt-to-equity ratio improved 14.7 percentage points, to 5.1%.

#### Net sales by Segment\*1

(Billions of yen)

(Years ended March 31)	2012	2013	2014	2015	2016
Japan	1,745.0	1,893.6	2,263.3	2,528.1	<b>2,815.7</b>
North America	571.6	650.0	843.6	1,256.1	<b>1,440.4</b>
Europe	360.4	354.8	540.5	622.9	<b>690.0</b>
Other markets	294.2	418.7	414.2	483.4	<b>595.0</b>
Adjustment	(938.1)	(1,111.8)	(1,369.4)	(1,856.7)	<b>(2,134.5)</b>
Consolidated	2,033.1	2,205.3	2,692.2	3,033.9	<b>3,406.6</b>

\*1 Net sales by geographic area based on reportable segments

#### Operating Income (Loss) by Segment\*2

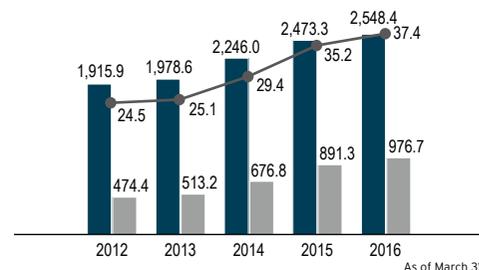
(Billions of yen)

(Years ended March 31)	2012	2013	2014	2015	2016
Japan	(18.4)	108.4	173.5	142.4	<b>162.5</b>
North America	(40.3)	(48.9)	1.3	37.9	<b>29.8</b>
Europe	5.6	3.1	8.5	14.9	<b>8.7</b>
Other markets	10.1	16.8	5.8	13.5	<b>21.6</b>
Adjustment	4.3	(25.5)	(7.0)	(5.8)	<b>4.1</b>
Consolidated	(38.7)	53.9	182.1	202.9	<b>226.8</b>

\*2 Operating income by geographic area based on reportable segments

#### Total Assets / Net Assets / Equity Ratio

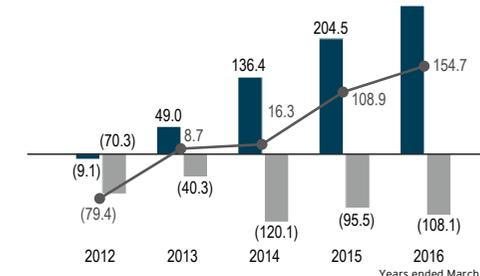
(Billions of yen / %)



■ Total Assets ■ Net Assets ● Equity Ratio

#### Cash Flows

(Billions of yen)



■ Cash Flows from Operating Activities ■ Cash Flows from Investing Activities ● Free Cash Flow

## Analysis of Business Results, Financial Position, and Cash Flows

With the recording of ¥134.4 billion of net income attributable to owners of the parent, net assets totaled ¥976.7 billion, an increase of ¥85.4 billion from the previous fiscal year-end. The equity ratio rose 2.2 percentage points, to 37.4%, or 38.8% after the recognition of the equity credit attributes of subordinated loans.

As a result of promoting structural reform initiatives that centered on SKAYACTIV TECHNOLOGY to realize a stable earnings structure, the Company's financial position has been gradually improving.

### Cash Flows

Cash and cash equivalents as of the fiscal year-end increased ¥39.6 billion from the end of the previous fiscal year, to ¥568.7 billion.

Operating activities provided net cash in the amount of ¥262.8 billion, compared with ¥204.5 billion provided in the previous fiscal year. The main items were ¥167.0 billion of income before income taxes and ¥79.0 billion of depreciation and amortization.

Investing activities used net cash in the amount of ¥108.1 billion, compared with ¥95.5 billion used in the previous fiscal year. This was primarily from ¥78.9 billion of outlays for the acquisition of property, plant and equipment, including capital investment for overseas production sites such as the new plant in Mexico and a new powertrain plant in Thailand.

As a result, consolidated free cash flow (the total of operating cash flow and investing cash flow) was positive in the amount of ¥154.7 billion, compared with the previous fiscal year's positive free cash flow of ¥108.9 billion.

Financing activities used net cash in the amount of ¥94.1 billion, compared with ¥62.8 billion used in the previous fiscal year. This mainly reflected the reduction of interest-bearing debts payable and dividend payments.

### Basic Dividend Policy, Dividends for March 2016 and March 2017 Fiscal Years

Mazda strives to pay a stable dividend with steady increases, under a basic policy of determining the dividend amount by comprehensively taking into account the Company's financial results for the fiscal year, the business environment, and the Company's financial position.

For the March 2016 fiscal year, a full-year dividend of ¥30 per share, consisting of a ¥15 per share interim dividend and a ¥15 per share year-end dividend, was paid. We intend to increase the dividend by ¥5 per share, to ¥35 per share, in the March 2017 fiscal year, consisting of an interim of ¥15 per share and a year-end dividend of ¥20 per share.

We intend to use internal reserves for research and development and capital investment for future growth.

## Forecast for the March 2017 Fiscal Year

Although an underlying tone of gradual recovery is forecast in developed markets including the United States and Europe, the economic outlook for the March 2017 fiscal year remains uncertain given the slowdowns in China and other emerging market economies and exchange rate movements.

Against this background, under the first year of the new Structural Reform Stage 2 medium-term business plan, the Mazda Group will strive to provide products that demonstrate Mazda brand value with the appeal of both driving pleasure and outstanding environmental and safety performance, to enhance brand value through quantitative business growth.

We are projecting a 1.0% increase in global unit sales, to 1,550,000 units. By market, we are forecasting a 0.3% increase in Japan, to 233,000 units, a 2.5% increase in North America, to 449,000 units, a 1.3% increase in Europe, to 260,000 units, a 1.3% increase in China, to 238,000 units, and a 0.6% decline in other markets, to 370,000 units.

In terms of consolidated financial forecasts, we are projecting a 3.7% decline in net sales, to ¥3,280.0 billion, a 25.0% decline in operating income, to ¥170.0 billion, a 21.3% decrease in ordinary income, to ¥176.0 billion, and a 14.4% decline in net income attributable to owners of the parent, to ¥115.0 billion. These projections are based on exchange rate assumptions of ¥110 to the U.S. dollar and ¥125 to the euro.

### Financial Forecast

	(Billions of yen)			
	(Years ended March 31)	2016	2017 (Forecast)	Difference
Net sales		3,406.6	3,280.0	(126.6)
Operating income		226.8	170.0	(56.8)
Net income attributable to owners of the parent		134.4	115.0	(19.4)
(Exchange assumptions)				
US\$/Yen		120	110	(10)
Euro/Yen		133	125	(8)

### Forecast for Global Sales Volume

	(Thousands of units)			
	(Years ended March 31)	2016	2017 (Forecast)	Difference
Japan		232	233	1
North America		438	449	11
Europe		257	260	3
China		235	238	3
Other markets		372	370	(2)
Total		1,534	1,550	16

## Business Risks

Significant risks that could affect the Mazda Group's business results and financial position include those listed below.

This list, however, shows the main risks anticipated at the end of the fiscal year ended March 31, 2016, and does not represent a comprehensive list of all the risks faced by the Group. The forward-looking statements in this section are based on the judgments of the Group as of the end of the fiscal year ended March 31, 2016.

### 1. Economic Conditions Impacting the Mazda Group

Selling its products in Japan and other parts of the world, including in North America, Europe, and Asia, the Group is greatly impacted by economic trends and fluctuations in demand in each of its markets. Therefore, the Group's business results and financial position could be adversely affected by, for example, an economic downturn, recession, changes in demand structure, declining demand, and intensifying price competition in its main markets.

### 2. Fluctuations in Exchange Rates

The Group is engaged in business activities on a global scale. The Group not only exports products from Japan to other parts of the world but also exports products manufactured at overseas plants to other markets in the world. These transactions are conducted in various currencies, and consequently its business results and financial position are exposed to the effects of fluctuations in exchange rates. In addition, as overseas assets and liabilities denominated in local currencies are translated into yen, there could be an adverse effect on shareholders' equity through foreign currency translation adjustments due to exchange rate fluctuations.

The Group uses forward-exchange contracts and other instruments to minimize the impact of short-term exchange rate risk. However, depending on the circumstances of fluctuations in exchange rates, loss of opportunity could be generated.

### 3. Alliances and Joint Ventures

The Group is performing or examining joint activities with other companies under technology alliances, joint ventures, and in other forms with respect to the development, production, and sales of products. These joint activities are designed to optimize resources, facilitate their prioritization, and generate synergies. However, in the event of a disagreement over management, financial, or other matters between the parties involved, or in the event that the expected results were not produced due to such factors as changes to or terminations of alliances and joint ventures, the Group's business results and financial position could be adversely affected. In addition, unintended changes to or terminations of alliances and joint ventures could have an adverse effect on the Group's business results and financial position.

### 4. Statutory Regulations Covering the Environment

In addition to being subject to environmental regulations pertaining to fuel consumption and exhaust emissions, automobile safety, and the pollutant emission levels from manufacturing plants, the Group's operations in each country where it does business are subject to various statutory regulations, such as labor regulations.

Going forward, the Group's business results and financial position could be adversely affected by the increased costs associated with more stringent statutory regulations.

### 5. Market Competitiveness

The Group competes with a large number of companies in automobile markets in all parts of the world. Maintaining and enhancing the Group's ability to compete in these markets, which includes maintaining and developing Mazda brand value, is crucial to ensuring growth. Consequently, the Group is implementing a range of initiatives to boost its competitiveness in product development, manufacturing, sales, and other areas.

However, the Group's business results and financial position could be affected in the event that it fails to launch appealing products at opportune times, due to a failure to accurately ascertain market trends or as a result of issues related to technological capabilities and manufacturing. The same holds true if the Group fails to take effective steps to respond to customer values or changes thereof, including declines in market share or product prices, through its dealership network or sales methods.

## Business Risks

### 6. Procurement of Materials and Components

The Group relies on numerous suppliers outside the Group for the procurement of materials and components.

For that reason, the Group may face difficulties in procuring the necessary level of materials and components for volume production, due to supply constraints or reduced logistics functions in the event of these suppliers being affected by a disaster, due to tight supply balances, or due to changes to and breaches of supply contracts.

Should the Group be unable to absorb the effects of any increases in the prices of the materials being procured by the Company—for example, by making internal efforts to boost productivity or passing on price rises to customers—or should procured materials and components be of insufficient quality, the possibility exists of a deterioration in output or higher costs, which could adversely affect the Group's business results and financial position.

### 7. International Business Activities

In addition to Japan, the Group sells its products and carries out business activities in markets in all parts of the world, including the United States and Europe, as well as developing and emerging markets overseas. In these international markets, the Group is subject to the following potential risks, which could affect the Group's business results and financial position if manifested:

- Adverse political and economic developments
- Impediments arising from changes in laws and regulations
- Import / export regulations, such as tariffs, detrimental taxes, and other regulations
- Difficulties in attracting and securing personnel
- Undeveloped infrastructure
- Strikes and other labor disputes
- Terrorist incidents, war, disease, and other factors leading to social disorder

### 8. Protection of Intellectual Property

In order to maintain competitiveness, the Group is working to accumulate and protect technologies and expertise that help it to develop unique products. At the same time, the Group is taking steps to prevent the infringement of third-party intellectual property rights. Nonetheless, should differences in recognition or opinion lead to a disputed infringement of third-party intellectual property rights that results in the Group being forced to halt the production and sale of products, or needing to pay damages, this could also adversely affect the Group's business results and financial position.

The Group's intellectual property is not subject to complete protection in certain regions. In the event that third parties use the Group's intellectual property rights on an unauthorized basis to produce similar products, the Group may have to pay substantial expenses for litigation, or experience a decline in sales due to an inability to offer unique products. This could adversely affect the Group's business results and financial position.

### 9. Product Quality

While striving to improve the quality of its products to meet the requirements of the market, the Group also does its utmost to ensure the safety of its products. However, should a defect develop in a product due to unforeseen circumstances or a large-scale recall occur, this could adversely affect the Group's business results and financial position due to such factors as the incurring of significant costs, the Group's diminished brand image, and loss of market trust.

### 10. Natural Disasters and Accidents

In addition to measures to protect its manufacturing sites and other important facilities against fire and earthquakes, the Group has concluded natural disaster insurance contracts and taken other steps to minimize the financial risk of such events. However, the ability of the Group to supply products may be severely disrupted in the event of a major natural disaster, such as an earthquake, typhoon, flood, or fire or other accident, which could adversely affect the Group's business results and financial position.

## Business Risks

### 11. Dependence on Information Technology

In the course of various business activities such as development, production, and sales of products, the Group utilizes information technology, networks, and systems. The Group's products are also equipped with these technologies, including driving support system, etc. Despite countermeasures implemented in information technology, networks, and systems to allow safe operations, such factors as failures in infrastructure, cyberattacks, and infection by computer viruses may result in suspension of business activities, loss of data, and deterioration in product functions. Should these events occur, the Group's business results and financial position could be adversely affected due to the incurring of costs associated with countermeasures, loss of product credibility, and damage to the brand image, etc.

### 12. Financial Accounting

Including the financial accounting factors set out below, the Group's operating results and financial position could be affected by financial accounting assessment of its assets and liabilities as well as changes in or new applications of accounting standards.

#### (i) Deferred Tax Assets

Provided on deductible temporary differences, deferred tax assets are recorded by assessing the likelihood of recovery based on expectations of future taxable income. However, the amount of deferred tax assets could be reduced by, for example, the recording of valuation allowances against deferred tax assets in the event that they are judged to be unrecoverable due to a deterioration in business conditions or in the event of tax reforms that include changes in tax rates. This could adversely affect the Group's business results and financial position.

#### (ii) Impairment of Long-Lived Assets

With regard to long-lived assets, should the carrying amount be considered to be unrecoverable due, for example, to a deterioration in business conditions, an impairment loss against the carrying value of assets will be recorded. This could adversely affect the Group's business results and financial position.

#### (iii) Retirement Benefits

Liability for retirement benefits changes in accordance with trends in retirement benefit obligations and pension assets. However, in the event of changes being made to the actuarial prerequisites or of a deterioration in fair value of plan assets caused by lower returns, the Group's business results and financial position could be adversely affected.

### 13. Changes in Financing Procurement Environment and Interest Rate Fluctuations

In addition to loans from banks, the Group has been raising funds by issuing its shares and bonds. However, in the event of turmoil in financial market tax reforms, institutional changes being made to government-affiliated financial organizations, or the downgrading of the Group's credit rating, the Group's business results and financial position could be adversely affected due to such factors as the increased funding costs and the difficulties associated with raising money for the amount of funds required. Moreover, factoring in the effect of interest rate changes on the Group's interest-bearing debt, were the costs of financing to increase due to a rise in interest rates, the Group's business results and financial position could also be adversely affected. In the event that any deterioration in the Group's financial standing were to infringe the financial covenants of some of the loans and lead to the forfeiture of the benefit of time, the Group's business results and financial position could be adversely affected.

### 14. Compliance and Reputation

Commencing with information security efforts to protect personal information and confidential information, the Group has taken preventive measures regarding compliance, such as compliance with the law. In addition, in the event of a compliance-related incident being detected, the Group has a rapid response system in place to prevent any impact on the Group's social credibility and reputation. However, the Group cannot guarantee that there is no possibility of a legal violation occurring in the future. Should there be evidence of an illegal act or should the rapidity and content of the response prove insufficient, the Group's social credibility and reputation could be harmed, and the Group's business results and financial position could be adversely affected.

### 15. Forecasts

In order to realize further growth in the future, the Group has formulated the medium-term business plan Structural Reform Stage 2, which will commence in the March 2017 fiscal year. The plan will work to realize qualitative business growth and accelerate the improvement of brand value. In implementing the plans, however, in the event of external environment changes that differ greatly from assumptions or progress not being made according to plan, the expected outcome would not be realized and the Group's business results and financial position could be adversely affected.

## Consolidated Balance Sheets

Mazda Motor Corporation and Consolidated Subsidiaries  
March 31, 2016 and 2015

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)	LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016		2016	2015	2016
<b>Current assets:</b>				<b>Current liabilities:</b>			
Cash and cash equivalents	¥ 568,714	¥ 529,148	\$ 5,032,867	Short-term debt (Notes 4 and 9)	¥ 117,143	¥ 116,677	\$ 1,036,664
Short-term investments (Note 4)	3,000	—	26,549	Long-term debt due within one year (Notes 4 and 9)	143,044	96,132	1,265,876
Trade notes and accounts receivable (Note 4)	198,894	215,161	1,760,124	Trade notes and accounts payable (Note 4)	374,637	379,358	3,315,372
Inventories (Notes 6 and 9)	383,515	379,502	3,393,938	Income taxes payable	31,784	16,398	281,274
Deferred tax assets (Note 14)	105,653	76,758	934,982	Accrued expenses (Note 4)	204,159	215,011	1,806,717
Other current assets	134,612	114,622	1,191,257	Reserve for warranty expenses	104,723	45,763	926,752
Allowance for doubtful receivables	(681)	(763)	(6,027)	Other current liabilities (Note 14)	30,980	34,720	274,159
Total current assets	1,393,707	1,314,428	12,333,690	Total current liabilities	1,006,470	904,059	8,906,814
<b>Property, plant and equipment:</b>				<b>Non-current liabilities:</b>			
Land (Note 7)	410,195	414,347	3,630,044	Long-term debt due after one year (Notes 4 and 9)	356,945	488,210	3,158,805
Buildings and structures	495,156	485,498	4,381,912	Deferred tax liability related to land revaluation (Note 7)	64,719	68,134	572,735
Machinery, equipment and vehicles	882,218	866,077	7,807,239	Liability for retirement benefits (Note 10)	85,916	62,669	760,319
Tools, furniture and fixtures	216,308	206,656	1,914,230	Reserve for loss on business of subsidiaries and affiliates	7,326	8,955	64,832
Leased assets	8,455	7,623	74,823	Reserve for environmental measures	677	1,090	5,991
Construction in progress	35,180	52,939	311,327	Other non-current liabilities (Note 14)	49,625	48,844	439,159
	2,047,512	2,033,140	18,119,575	Total non-current liabilities	565,208	677,902	5,001,841
Accumulated depreciation	(1,109,992)	(1,090,116)	(9,822,938)	<b>Contingent liabilities (Note 11)</b>			
Net property, plant and equipment (Notes 8 and 9)	937,520	943,024	8,296,637	<b>Net Assets:</b>			
<b>Intangible assets (Note 8)</b>	30,738	29,361	272,018	Capital and retained earnings (Note 12):			
				Common stock	258,957	258,957	2,291,655
				Authorized: 1,200,000,000 shares			
				Issued: 599,875,479 shares in 2016 and 2015			
				Capital surplus	243,048	242,650	2,150,867
				Retained earnings	367,601	248,094	3,253,106
				Treasury stock			
				(2,057,937 shares in 2016 and 2,055,369 shares in 2015)	(2,228)	(2,222)	(19,717)
				Total capital and retained earnings	867,378	747,479	7,675,911
				Accumulated other comprehensive income/(loss):			
				Net unrealized gain/(loss) on available-for-sale securities	3,721	3,681	32,929
				Deferred gains/(losses) on hedges	(600)	668	(5,310)
				Land revaluation (Note 7)	145,952	142,586	1,291,611
				Foreign currency translation adjustment	(36,877)	(21,376)	(326,345)
				Accumulated adjustments for retirement benefits	(25,558)	(3,443)	(226,177)
				Total accumulated other comprehensive income	86,638	122,116	766,708
				Non-controlling interests	22,707	21,731	200,947
				Total net assets	976,723	891,326	8,643,566
<b>Total assets</b>	¥ 2,548,401	¥ 2,473,287	\$22,552,221	<b>Total liabilities and net assets</b>	¥ 2,548,401	¥ 2,473,287	\$22,552,221

See accompanying notes.

# Consolidated Statements of Income and Comprehensive Income

Mazda Motor Corporation and Consolidated Subsidiaries  
Years ended March 31, 2016 and 2015

## Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
<b>Net sales</b>	<b>¥3,406,603</b>	¥3,033,899	<b>\$30,146,929</b>
<b>Cost and expenses:</b>			
Cost of sales	2,567,465	2,247,720	22,720,929
Selling, general and administrative expenses	612,363	583,291	5,419,142
	<b>3,179,828</b>	2,831,011	<b>28,140,071</b>
<b>Operating income</b>	<b>226,775</b>	202,888	<b>2,006,858</b>
<b>Other income/(expenses):</b>			
Interest and dividend income	4,347	4,268	38,469
Interest expense	(12,859)	(13,706)	(113,796)
Equity in net income of affiliated companies	21,988	17,216	194,584
Other, net (Note 13)	(73,265)	(1,331)	(648,363)
	<b>(59,789)</b>	6,447	<b>(529,106)</b>
<b>Income before income taxes</b>	<b>166,986</b>	209,335	<b>1,477,752</b>
<b>Income taxes</b> (Note 14):			
Current	50,687	29,379	448,557
Deferred	(21,004)	18,295	(185,876)
	<b>29,683</b>	47,674	<b>262,681</b>
<b>Net income</b>	<b>137,303</b>	161,661	<b>1,215,071</b>
Net income attributable to non-controlling interests	2,884	2,853	25,522
<b>Net income attributable to owners of the parent</b>	<b>¥ 134,419</b>	¥ 158,808	<b>\$ 1,189,549</b>

<b>Amounts per share of common stock:</b>	Yen	U.S. dollars (Note 1)
	Net income	
Basic	<b>¥224.85</b>	¥265.64
Cash dividends applicable to the year	<b>30.00</b>	10.00

See accompanying notes.

## Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
<b>Net income</b>	<b>¥137,303</b>	¥161,661	<b>\$1,215,071</b>
<b>Other comprehensive income/(loss):</b>			
Net unrealized gain/(loss) on available-for-sale securities	47	2,523	416
Deferred gains/(losses) on hedges	(1,115)	1,900	(9,867)
Land revaluation	3,399	7,055	30,080
Foreign currency translation adjustment	(10,351)	4,059	(91,602)
Adjustments for retirement benefits	(21,838)	4,643	(193,257)
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	(7,346)	32,865	(65,009)
Total other comprehensive income/(loss)	<b>(37,204)</b>	53,045	<b>(329,239)</b>
<b>Comprehensive income</b>	<b>¥100,099</b>	¥214,706	<b>\$ 885,832</b>
<b>Comprehensive income/(loss) attributable to:</b>			
Owners of the parent	<b>98,974</b>	209,038	<b>875,876</b>
Non-controlling interests	<b>1,125</b>	5,668	<b>9,956</b>

# Consolidated Statements of Changes in Net Assets

Mazda Motor Corporation and Consolidated Subsidiaries  
Years ended March 31, 2016 and 2015

	Millions of yen											
	Net assets attributable to owners of the parent						Accumulated other comprehensive income/(loss)					
	Capital and retained earnings											
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gain/(loss) on available-for-sale securities	Deferred gains/(losses) on hedges	Land revaluation	Foreign currency translation adjustment	Accumulated adjustments for retirement benefits	Non-controlling interests	Total net assets
<b>April 1, 2014</b>	¥258,957	¥242,649	¥ 89,424	¥(2,204)	¥688,826	¥1,152	¥(1,223)	¥135,541	¥(55,586)	¥(7,988)	¥16,115	¥676,837
Cumulative effects of changes in accounting policies	—	—	2,841	—	2,841	—	—	—	—	—	(52)	2,789
<b>Restated balance</b>	258,957	242,649	92,265	(2,204)	591,667	1,152	(1,223)	135,541	(55,586)	(7,988)	16,063	679,626
<b>Increase/(decrease)</b>												
Dividends paid	—	—	(2,989)	—	(2,989)	—	—	—	—	—	—	(2,989)
Net income attributable to owners of the parent	—	—	158,808	—	158,808	—	—	—	—	—	—	158,808
Purchase of treasury stock	—	—	—	(18)	(18)	—	—	—	—	—	—	(18)
Sale of treasury stock	—	1	—	0	1	—	—	—	—	—	—	1
Reversal for land revaluation	—	—	10	—	10	—	—	—	—	—	—	10
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—
Changes in items other than capital and retained earnings, net	—	—	—	—	—	2,529	1,891	7,045	34,210	4,545	5,668	55,888
<b>Total changes during the fiscal year</b>	—	1	155,829	(18)	155,812	2,529	1,891	7,045	34,210	4,545	5,668	211,700
<b>April 1, 2015</b>	¥258,957	¥242,650	¥248,094	¥(2,222)	¥747,479	¥3,681	¥ 668	¥142,586	¥(21,376)	¥(3,443)	¥21,731	¥891,326
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
<b>Restated balance</b>	258,957	242,650	248,094	(2,222)	747,479	3,681	668	142,586	(21,376)	(3,443)	21,731	891,326
<b>Increase/(decrease)</b>												
Dividends paid	—	—	(14,946)	—	(14,946)	—	—	—	—	—	—	(14,946)
Net income attributable to owners of the parent	—	—	134,419	—	134,419	—	—	—	—	—	—	134,419
Purchase of treasury stock	—	—	—	(6)	(6)	—	—	—	—	—	—	(6)
Sale of treasury stock	—	0	—	0	0	—	—	—	—	—	—	0
Reversal for land revaluation	—	—	34	—	34	—	—	—	—	—	—	34
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	398	—	—	398	—	—	—	—	—	—	398
Changes in items other than capital and retained earnings, net	—	—	—	—	—	40	(1,268)	3,366	(15,501)	(22,115)	976	(34,502)
<b>Total changes during the fiscal year</b>	—	398	119,507	(6)	119,899	40	(1,268)	3,366	(15,501)	(22,115)	976	85,397
<b>March 31, 2016</b>	¥258,957	¥243,048	¥367,601	¥(2,228)	¥867,378	¥3,721	¥ (600)	¥145,952	¥(36,877)	¥(25,558)	¥22,707	¥976,723

	Thousands of U.S. dollars (Note 1)											
	Net assets attributable to owners of the parent						Accumulated other comprehensive income/(loss)					
	Capital and retained earnings											
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gain/(loss) on available-for-sale securities	Deferred gains/(losses) on hedges	Land revaluation	Foreign currency translation adjustment	Accumulated adjustments for retirement benefits	Non-controlling interests	Total net assets
<b>April 1, 2015</b>	\$2,291,655	\$2,147,345	\$2,195,522	\$(19,664)	\$6,614,858	\$32,575	\$ 5,912	\$1,261,823	\$(189,168)	\$( 30,469)	\$192,310	\$7,887,841
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
<b>Restated balance</b>	2,291,655	2,147,345	2,195,522	(19,664)	6,614,858	32,575	5,912	1,261,823	(189,168)	(30,469)	192,310	7,887,841
<b>Increase/(decrease)</b>												
Dividends paid	—	—	(132,266)	—	(132,266)	—	—	—	—	—	—	(132,266)
Net income attributable to owners of the parent	—	—	1,189,549	—	1,189,549	—	—	—	—	—	—	1,189,549
Purchase of treasury stock	—	—	—	(53)	(53)	—	—	—	—	—	—	(53)
Sale of treasury stock	—	0	—	0	0	—	—	—	—	—	—	0
Reversal for land revaluation	—	—	301	—	301	—	—	—	—	—	—	301
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	3,522	—	—	3,522	—	—	—	—	—	—	3,522
Changes in items other than capital and retained earnings, net	—	—	—	—	—	354	(11,222)	29,788	(137,177)	(195,708)	8,637	(305,328)
<b>Total changes during the fiscal year</b>	—	3,522	1,057,584	(53)	1,061,053	354	(11,222)	29,788	(137,177)	(195,708)	8,637	755,725
<b>March 31, 2016</b>	\$2,291,655	\$2,150,867	\$3,253,106	\$(19,717)	\$7,675,911	\$32,929	\$ (5,310)	\$1,291,611	\$(326,345)	\$(226,177)	\$200,947	\$8,643,566

See accompanying notes.

# Consolidated Statements of Cash Flows

Mazda Motor Corporation and Consolidated Subsidiaries  
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)		Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016		2016	2015	2016
<b>Cash flows from operating activities:</b>				<b>Cash flows from investing activities:</b>			
Income before income taxes	¥ 166,986	¥ 209,335	\$1,477,752	Net decrease/(increase) in time deposits	¥ (27,006)	¥ 988	\$ (238,991)
Adjustments to reconcile income before income taxes to net cash provided by/(used in) operating activities:				Net decrease/(increase) in securities	(3,000)	—	(26,549)
Depreciation and amortization	78,972	68,872	698,867	Purchase of investment securities	(3,242)	(1,907)	(28,690)
Impairment loss	1,165	2,495	10,310	Proceeds from sales and redemption of investment securities	3,549	40,810	31,407
Increase/(decrease) in allowance for doubtful receivables	(21)	(20)	(186)	Acquisition of property, plant and equipment	(78,904)	(123,370)	(698,265)
Increase/(decrease) in reserve for warranty expenses	59,006	13,683	522,177	Proceeds from sale of property, plant and equipment	8,761	1,476	77,531
Increase/(decrease) in reserve for loss on business of subsidiaries and affiliates	5,655	(6,131)	50,044	Acquisition of intangible assets	(9,175)	(12,758)	(81,195)
Increase/(decrease) in reserve for environmental measures	(413)	(484)	(3,655)	Net decrease/(increase) in short-term loans receivable	71	(784)	628
Increase/(decrease) in liability for retirement benefits	(6,368)	(2,596)	(56,354)	Payments of long-term loans receivable	(795)	(592)	(7,035)
Interest and dividend income	(4,347)	(4,268)	(38,469)	Collections of long-term loans receivable	1,873	1,075	16,575
Interest expense	12,859	13,706	113,796	Other	(224)	(486)	(1,982)
Equity in net loss/(income) of affiliated companies	(21,988)	(17,216)	(194,584)	Net cash provided by/(used in) investing activities	(108,092)	(95,548)	(956,566)
Loss/(gain) on sale and retirement of property, plant and equipment, net	5,868	5,608	51,929	<b>Cash flows from financing activities:</b>			
Decrease/(increase) in trade notes and accounts receivable	14,561	(30,252)	128,858	Net increase/(decrease) in short-term debt	(50)	11,909	(442)
Decrease/(increase) in inventories	(27,151)	(49,403)	(240,274)	Proceeds from long-term debt	17,119	38,505	151,496
Increase/(decrease) in trade notes and accounts payable	(3,968)	46,568	(35,115)	Repayments of long-term debt	(96,440)	(110,184)	(853,451)
Increase/(decrease) in other current liabilities	(8,420)	24,710	(74,513)	Proceeds from stock issuance to non-controlling shareholders	297	—	2,628
Other	18,004	(45,467)	159,329	Cash dividends paid	(14,946)	(2,989)	(132,266)
Subtotal	290,400	229,140	2,569,912	Cash dividends paid to non-controlling interests	(36)	—	(319)
Interest and dividends received	15,980	4,898	141,416	Net decrease/(increase) in treasury stock	(6)	(17)	(53)
Interest paid	(13,177)	(14,081)	(116,611)	Net cash provided by/(used in) financing activities	(94,062)	(62,776)	(832,407)
Income taxes refunded/(paid)	(30,433)	(15,498)	(269,319)	<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	(21,050)	3,259	(186,283)
Net cash provided by/(used in) operating activities	¥ 262,770	¥ 204,459	\$2,325,398	<b>Net increase/(decrease) in cash and cash equivalents</b>	39,566	49,394	350,142
				<b>Cash and cash equivalents at beginning of the period</b>	529,148	479,754	4,682,725
				<b>Cash and cash equivalents at end of the period</b>	¥ 568,714	¥ 529,148	\$5,032,867

See accompanying notes.

# Notes to Consolidated Financial Statements

Mazda Motor Corporation and Consolidated Subsidiaries

## 1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Mazda Motor Corporation (the "Company") and its consolidated subsidiaries (together, the "Group") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").

For the convenience of readers outside Japan, the accompanying consolidated financial statements have been reformatted and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2016, which was ¥113 to U.S. \$1.00. The 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 accompanying consolidated financial statements include the Company and its significant companies, over which the Company has power of control through majority voting rights or existence of certain conditions evidencing control by the Company. Investments in affiliates, over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for by the equity method.

The consolidated financial statements include the Company and 58 subsidiaries (59 in the year ended March 31, 2015). In addition, 13 affiliates (14 in the year ended March 31, 2015) are accounted for by the equity method.

The consolidated year-end balance sheet date is March 31. Among the consolidated subsidiaries, 12 companies (15 at March 31, 2015) have a year-end balance sheet date of December 31, which is different from the consolidated balance sheet date. In preparing the consolidated financial statements, for 4 of the 12 companies, the financial statements of these companies with the December 31 year-end balance sheet date are used. However, adjustments necessary in consolidation are made for material transactions that have occurred between the balance sheet date of

these subsidiaries and the consolidated year-end balance sheet date. For the other 8 companies, special purpose financial statements that are prepared for consolidation as of the consolidated balance sheet date are used to supplement the companies' statutory financial statements.

### Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the fiscal year-end; gains and losses in foreign currency translation are included in the income of the current period.

Balance sheets of consolidated foreign subsidiaries are translated into Japanese yen at the rates on the subsidiaries' balance sheet dates except for net assets accounts, which are translated at historical rates. Income statements of consolidated foreign subsidiaries are translated at average rates during the subsidiaries' accounting periods, with the translation differences prorated and included in the net assets as foreign currency translation adjustment and non-controlling interests in consolidated subsidiaries.

### Cash and cash equivalents

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

### Securities

Securities are classified 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 unconsolidated subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

The Group does not have trading securities or held-to-maturity debt securities. Equity securities issued by unconsolidated subsidiaries and affiliated companies which, based on the applicable materiality provisions of Japanese GAAP, are not accounted for using the equity method are stated at moving-average cost.

Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income within net assets. Realized gains and losses on the sale of such securities are computed using moving-average cost. Available-for-sale securities without available fair market values are stated mainly at moving-average cost.

## Notes to Consolidated Financial Statements

If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method 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 and available-for-sale securities is not readily available, such securities should be written down to net asset value with a corresponding charge to income 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.

### Inventories

Inventories are stated at the lower of cost (determined principally by the average method), or net realizable value.

### Property, plant and equipment (except for leased assets)

Property, plant and equipment are stated principally at cost. Depreciation is computed mainly using the straight-line method over the estimated economic useful lives of the assets with a residual value at the end of useful lives to be a memorandum value.

### Intangible assets (except for leased assets)

Intangible assets are amortized by the straight-line method over the estimated useful lives of the assets.

For the Company and its consolidated domestic subsidiaries (together the "Domestic Companies"), useful lives are estimated principally by a method equivalent to the provisions of the Corporate Tax Code of Japan. Software for internal use is amortized on a straight-line basis over the period of internal use, i.e., 5 years.

### Leased assets

#### Finance leases in which ownership is not transferred to the lessee

Finance leases are capitalized in the balance sheet. Depreciation or amortization expense is recognized on a straight-line basis over the lease period.

For leases with a guaranteed minimum residual value, the contracted residual value is considered to be the residual value for financial accounting purposes. For other leases, the residual value is zero.

### Allowance for doubtful receivables

Allowance for doubtful receivables provides for the losses from bad debt. The amount estimated to be uncollectible is recognized. For receivables of ordinary risk, the amount is estimated based on the past default ratio.

For receivables of high risk, the amount is estimated based on the financial standing of the debtor.

### Reserve for warranty expenses

Reserve for warranty expenses provides for after-sales expenses to product (vehicle). Primarily, according to the product warranty provisions, the amount estimated based on actual costs incurred in the past, taking future prospects into consideration, is recognized.

### Reserve for loss on business of subsidiaries and affiliates

Reserve for loss on business of subsidiaries and affiliates provides for losses on subsidiaries and affiliates' businesses. The amount of loss estimated to be incurred by the Company is recognized.

### Reserve for environmental measures

Reserve for environmental measures provides for expenditure aimed at environmental measures. The amount of future expenditure estimated as of the end of the current fiscal year is recognized.

### Employees' severance and retirement benefits

The Group provides various types of post-employment benefit plans, including lump-sum plans, defined benefit pension plans, and defined contribution 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.

In calculating the retirement benefit obligations, the method of attributing expected benefit to the accounting period is principally based on a benefit formula basis.

Past service costs are recognized in expenses in equal amounts mainly over 12 years, which is within the average of the estimated remaining service periods of employees, and actuarial gains and losses are recognized in expenses using the straight-line basis mainly over 13 years, which is within the average of the estimated remaining service periods, commencing with the following period.

## Notes to Consolidated Financial Statements

**Income taxes**

Income taxes are comprised of corporation, enterprise and inhabitants taxes. Deferred tax assets and liabilities are recognized to reflect the estimated tax effects attributable to temporary differences and net operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates that will be in effect when the temporary differences are expected to reverse. The measurement of deferred tax assets is reduced by a valuation allowance, if necessary, by the amount of any tax benefits that are not expected to be realized.

The Company and its wholly owned domestic subsidiaries elect to file a consolidated corporate tax return as a consolidation group.

**Research and development costs**

Research and development costs are charged to income when incurred. For the years ended March 31, 2016 and 2015, research and development costs were ¥116,610 million (\$1,031,947 thousand) and ¥108,378 million, respectively.

**Derivatives and hedge accounting**

Derivative financial instruments are mainly stated at fair value, and changes in the fair value are recognized as gains or losses unless derivative financial instruments are used for hedging purposes and meet criteria for hedge accounting.

If derivative financial instruments are used as hedges and meet certain hedging criteria, recognition of gains or losses resulting from changes in the fair value of derivative financial instruments is deferred 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.

**Amortization of Goodwill**

The difference between acquisition cost and net assets acquired is shown as consolidation goodwill and amortized on a straight-line basis over a period (primarily 5 years) during which each investment is expected to generate benefits.

**Amounts per share of common stock**

The computations of net income 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 stock to be issued upon the exercise of stock acquisition rights and stock options.

For the years ended March 31, 2016 and 2015, only information on net income per share of common stock is provided without information on diluted net income per share of common stock to reflect the diluting effect, because there were no dilutive potential common stocks for the years ended March 31, 2016 and 2015.

The Company implemented a share consolidation on its common stock with a ratio of five shares to one share on August 1, 2014. Net income per share of common stock are calculated based on the assumption that consolidation of shares had been carried out at the beginning of the year ended March 31, 2015.

Cash dividends per share represent amounts applicable for the respective years on an accrual basis.

**3 ADOPTION OF NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES****(Changes in accounting policies)**

Effective from the year ended March 31, 2016, the Company has applied the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 21, September 13, 2013, hereinafter the “Business Combinations Accounting Standard”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013, hereinafter the “Consolidation Accounting Standard”), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013, hereinafter the “Business Divestitures Accounting Standard”) and other standards. As a result, the differences arising from the changes in equity of parent company to its subsidiaries in case where control is retained have been adjusted in capital surplus, and acquisition-related costs have been reported as expenses for the fiscal year in which such costs are incurred. For business combinations implemented on or after the beginning of the year ended March 31, 2016, the accounting method was changed so as to reflect the adjustments to the allocated amount of acquisition costs under the finalization of provisional accounting treatment in the consolidated financial statements of the fiscal year in which the combination took place. In addition, the presentation method of net income was amended and the reference to “minority interests” was changed to “non-controlling interests”. To reflect this change in financial statement presentation, prior year’s consolidated financial statements have been reclassified to conform to this year’s presentation.

The Company has applied the Business Combinations Accounting Standard and other standards from the beginning of the year ended March 31, 2016 prospectively, in accordance with the transitional treatment set forth in article 58-2 (4) of the Business Combinations Accounting Standard, article 44-5 (4) of the Consolidation Accounting Standard and article 57-4 (4) of the Business Divestitures Accounting Standard.

## Notes to Consolidated Financial Statements

As a result of the application, income before income tax for the year ended March 31, 2016 has decreased by ¥398 million (\$3,522 thousand), and the capital surplus at the end of the year ended March 31, 2016 has increased by ¥398 million (\$3,522 thousand).

In addition, the method of presentation was changed in the Consolidated Statement of Cash Flows, and the cash flows from a purchase or a sale of shares of subsidiaries, which do not bring about a change in the scope of consolidation, are presented in "Cash flows from financing activities", and cash flows with regard to the expenses related to a purchase of shares of subsidiaries, which bring about a change in the scope of consolidation, or the expenses related to a purchase or a sale of shares of subsidiaries, which do not lead a change in the scope of consolidation, are presented in "Cash flows from operating activities".

In the Consolidated Statements of Changes in Net Assets for the year ended March 31, 2016, the capital surplus at the end of the year ended March 31, 2016 has increased by ¥398 million (\$3,522 thousand).

The effect of this change on net assets per share of common stock and net income per share of common stock were immaterial.

## 4 FINANCIAL INSTRUMENTS

### Qualitative information on financial instruments

#### Policies for using financial instruments

The Group finances cash mainly through bank loans and the issuance of bonds, in light of planned capital investment. Temporary surplus funds are managed through investments in low-risk assets. Short-term operating funds are financed mainly through bank loans and commercial paper. Our policies on derivative instruments are to use them to hedge risks, as discussed below, and not to conduct speculative transactions.

#### Details of financial instruments and the exposures to risk

Trade notes and accounts receivable, while mostly due within one year, are subject to customers' credit risks. Accounts receivable denominated in foreign currencies are subject to the risk of fluctuations in foreign currency exchange rates; such risk is hedged, in principle, by netting the foreign-currency-denominated accounts receivable against accounts payable, and applying foreign exchange forward contracts on the resulting net position.

Short-term investments consist mainly of certificates of deposit and other highly-liquid short-term investments. Investment securities consist mainly of stocks of our business partner companies and are subject to the risk of market price fluctuations and other factors. Long-term loans receivable are provided mainly to our business partner companies.

Trade notes and accounts payable, as well as other accounts payable, are due within one year. Of these payables, those denominated in foreign currencies are subject to the risk of fluctuations in foreign exchange rates. However, the balance of such payables denominated in major currencies

is constantly less than that of the accounts receivable denominated in the same foreign currency. For minor currencies where this does not apply, such payables are hedged, as necessary, through foreign exchange forward contracts, considering the transaction amounts and the degree of risk of foreign exchange rate fluctuation.

Loans payable, bonds payable, and finance lease obligations are mainly intended for financing cash required for capital investment. The longest time to maturity of these liabilities is 56 years and 4 months from March 31, 2016. Of these liabilities, those of the variable-interest-rate type are subject to the risk of interest rate fluctuations; part of them is hedged through derivative transactions (interest rate swaps).

Derivative instruments consist of foreign exchange forward contracts and interest rate swaps. For details on derivative instruments, refer to "Derivatives and hedge accounting" under Note 2, "Significant Accounting Policies," and Note 15, "Derivative Financial Instruments and Hedging Transactions".

### Policies and processes for managing the risk

#### Management of credit risks (i.e., risks associated to the default of counterparties)

The Group manages credit risks, in compliance with internal control rules and procedures.

The due dates and the balances of trade notes, accounts receivable, and loans receivable from major counterparties are monitored and managed, in order to detect early and mitigate the risk of doubtful receivables.

Short-term investments are limited mainly to time deposits and certificates of deposit of banks approved by our finance officer. As such, the credit risks of these short-term investments are considered to be minimal.

Derivative transactions are executed only with banks with high credit ratings, in order to mitigate counterparty risk.

For both short-term investments and derivatives, the credit risks of counterparty financial institutions are reviewed on a quarterly basis.

The amount of maximum risk as of March 31, 2016 is represented by the balance sheet amount of financial assets exposed to credit risks.

#### Management of market risks (i.e., risks associated to fluctuations in foreign exchange rates and interest rates)

The Company and some of its consolidated subsidiaries hedge the risk of foreign exchange rate fluctuation on foreign-currency-denominated receivables and payables, using foreign exchange forward contracts, on a monthly and individual currency basis. Foreign exchange forward contracts are executed as necessary, up to six months ahead at longest, on foreign-currency-denominated receivables and payables that are expected to arise with certainty as a result of forecasted export and import transactions.

The Company and some of its consolidated subsidiaries use interest rate swaps in order to reduce the risk of interest rate fluctuation on loans payable.

## Notes to Consolidated Financial Statements

For details on management of derivative transactions, refer to Note 15, "Derivative Financial Instruments and Hedging Transactions".

As regards short-term investments and investment securities, their fair values as well as the financial standing of their issuing entities are monitored on a regular basis. Ownership of available-for-sale securities are reviewed on a continuous basis.

### Management of liquidity risks related to financing (i.e., risks of non-performance of payments on their due dates)

The liquidity risks of the Group are managed mainly through the preparation and update of the cash schedule by the Treasury Department.

### Fair values of financial instruments

As of March 31, 2016 and 2015, the carrying values on the consolidated balance sheet, the fair values, and the differences between these amounts, respectively, of financial instruments were as follows. Financial instruments for which fair value is deemed highly difficult to measure are excluded from the following table. Short-term investments are also excluded, since the fair value is approximately the same as the carrying value.

As of March 31, 2016	Millions of yen			Thousands of U.S. dollars		
	Carrying values	Fair values	Difference	Carrying values	Fair values	Difference
<b>Assets:</b>						
1) Trade notes and accounts receivable	¥ 198,894			\$1,760,124		
Allowance for doubtful receivables <sup>(*)</sup>	(127)			(1,124)		
Trade notes and accounts receivable, net	198,767	¥ 198,767	¥ —	1,759,000	\$1,759,000	\$ —
2) Investment securities						
Available-for-sale securities	12,447	12,447	—	110,150	110,150	—
3) Long-term loans receivable <sup>(**)</sup>	4,836			42,797		
Allowance for doubtful receivables <sup>(***)</sup>	(2,455)			(21,726)		
Long-term loans receivable, net	2,381	2,381	—	21,071	21,071	—
Total	¥ 213,595	¥ 213,595	¥ —	\$1,890,221	\$1,890,221	\$ —
<b>Liabilities:</b>						
1) Trade notes and accounts payable	¥ 374,637	¥ 374,637	¥ —	\$3,315,372	\$3,315,372	\$ —
2) Other accounts payable	35,360	35,360	—	312,920	312,920	—
3) Short-term debt	117,143	117,143	—	1,036,664	1,036,664	—
4) Long-term debt	499,989	505,117	5,128	4,424,681	4,470,062	45,381
Total	¥1,027,129	¥1,032,257	¥5,128	\$9,089,637	\$9,135,018	\$45,381
<b>Derivative instruments: <sup>(****)</sup></b>						
1) Hedge accounting not applied	¥ (35)	¥ (35)	¥ —	\$ (310)	\$ (310)	\$ —
2) Hedge accounting applied	(625)	(625)	—	(5,531)	(5,531)	—
Total	¥ (660)	¥ (660)	¥ —	\$ (5,841)	\$ (5,841)	\$ —

As of March 31, 2015	Millions of yen		
	Carrying values	Fair values	Difference
<b>Assets:</b>			
1) Trade notes and accounts receivable	¥ 215,161		
Allowance for doubtful receivables <sup>(*)</sup>	(101)		
Trade notes and accounts receivable, net	215,060	¥ 215,060	¥ —
2) Investment securities			
Available-for-sale securities	12,760	12,760	—
3) Long-term loans receivable <sup>(**)</sup>	6,390		
Allowance for doubtful receivables <sup>(***)</sup>	(2,452)		
Long-term loans receivable, net	3,938	3,938	—
Total	¥ 231,758	¥ 231,758	¥ —
<b>Liabilities:</b>			
1) Trade notes and accounts payable	¥ 379,358	¥ 379,358	¥ —
2) Other accounts payable	41,019	41,019	—
3) Short-term debt	116,677	116,677	—
4) Long-term debt	584,342	599,374	15,032
Total	¥1,121,396	¥1,136,428	¥15,032
<b>Derivative instruments: <sup>(****)</sup></b>			
1) Hedge accounting not applied	¥ 269	¥ 269	¥ —
2) Hedge accounting applied	1,014	1,014	—
Total	¥ 1,283	¥ 1,283	¥ —

(\*) Allowance for doubtful receivables, which is recognized on the basis of each individual accounts receivable, is deducted.

(\*\*) Long-term loans receivable include those due within one year, which are included in "other current assets" on the consolidated balance sheets.

(\*\*\*) Allowance for doubtful receivables, which is recognized on the basis of each individual long-term loans receivable, is deducted.

(\*\*\*\*) Receivables and payables resulting from derivative transactions are offset against each other and presented on a net basis; when a net liability results, the net amount is shown in ( ).

The financial instruments in the following table are excluded from "Assets 2) Investment securities" in the above tables because measuring the fair value of these instruments is deemed highly difficult: market prices of these instruments are not available and future cash flows from these instruments are not contracted.

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
<b>Available-for-sale securities:</b>			
Non-listed equity securities	¥ 2,464	¥ 2,488	\$ 21,806
Investment securities of affiliated companies	121,152	118,977	1,072,141
Total	¥123,616	¥121,465	\$1,093,947

## Notes to Consolidated Financial Statements

**Basis of measuring fair value of financial instruments**

The fair values of some financial instruments are based on market prices. When market prices are unavailable, the fair values are based on reasonably estimated values. The estimated values may vary depending on the assumptions and variables used in the estimation.

**Assets**

## 1) Trade notes and accounts receivable

Trade notes and accounts receivable with short maturities are stated at carrying value as it approximates fair value. The fair values of other receivables are calculated by grouping the receivables according to their time to maturity, and then by discounting the amount of those receivables by group to present values. The discount rates used in computing the present values reflect the time to maturity as well as credit risk.

## 2) Investment securities

As for listed stocks included in investment securities, their quoted prices on the stock exchange are used as their fair values.

For notes on securities by classification, refer to "Securities" under Note 2, "Significant Accounting Policies", and Note 5, "Securities".

## 3) Long-term loans receivable

Long-term loans receivable consist of variable interest loans. As such, the interest rates on these loans reflect the market rates of interest within short periods of time. Also, the credit standings of borrowers of these loans have not changed significantly since the execution of these loans.

Accordingly, the carrying values are used as the fair values of these loans receivable.

For loans receivable at a high risk, the fair value is calculated mainly based on amounts estimated to be collectible through collateral and guarantees.

**Liabilities**

## 1) Trade notes and accounts payable, 2) Other accounts payable, and 3) Short-term debt

These payables are settled within short periods of time. Hence, their carrying values approximate their fair values. Accordingly, carrying values are used as the fair values of these payables.

## 4) Long-term debt

## a) Bonds payable

The fair value of bonds issued by the Group is based on the market price where such a price is available. Otherwise, the sum of the present value of principal and interest payments is used as the fair value of bonds payable. The discount rates used in computing the present value reflect the time to maturity of the bonds as well as credit risk.

## b) Long-term loans payable and c) Finance lease obligations

The fair value of these liabilities is calculated by the sum of the principal and interest payments discounted to present value, using the imputed interest rate that would be required to newly execute a similar borrowing or lease transaction.

For some long-term loans payable with variable interest rates, interest rate swaps are used as a hedge against interest rate fluctuations. When such interest rate swaps 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 long-term loans payable. In such cases, the resulting net interest on the long-term loans payable is used in calculating the present value.

**Derivative instruments**

Refer to Note 15, "Derivative Financial Instruments and Hedging Transactions".

Scheduled amounts of receivables were as follows:

As of March 31, 2016	Millions of yen				Thousands of U.S. dollars			
	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years
Trade notes and accounts receivable	¥198,894	¥ —	¥ —	¥ —	\$1,760,124	\$ —	\$ —	\$ —
Long-term loans receivable	527	3,305	707	297	4,664	29,248	6,257	2,628
Total	¥199,421	¥3,305	¥707	¥297	\$1,764,788	\$29,248	\$6,257	\$2,628

As of March 31, 2015	Millions of yen			
	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years
Trade notes and accounts receivable	¥215,161	¥ —	¥ —	¥ —
Long-term loans receivable	354	5,365	366	305
Total	¥215,515	¥5,365	¥366	¥305

For the schedule of repayment of long-term debt after the consolidated balance sheet date, refer to Note 9, "Short-Term Debt and Long-Term Debt".

## Notes to Consolidated Financial Statements

**5 SECURITIES**

The Group had no trading or held-to-maturity debt securities at March 31, 2016 and 2015.

Available-for-sale securities with market values as of March 31, 2016 and 2015 were as follows:

As of March 31, 2016	Millions of yen			Thousands of U.S. dollars		
	Acquisition costs	Carrying values	Difference	Acquisition costs	Carrying values	Difference
Stocks	¥5,138	¥10,141	¥5,003	\$45,469	\$ 89,743	\$44,274
Other	2,019	2,306	287	17,867	20,407	2,540
Total	¥7,157	¥12,447	¥5,290	\$63,336	\$110,150	\$46,814

As of March 31, 2015	Millions of yen		
	Acquisition costs	Carrying values	Difference
Stocks	¥5,180	¥9,727	¥4,547
Other	2,308	3,033	725
Total	¥7,488	¥12,760	¥5,272

**6 INVENTORIES**

Inventories as of March 31, 2016 and 2015 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Finished products	¥272,097	¥257,788	\$2,407,938
Work in process	100,245	111,071	887,124
Raw materials and supplies	11,173	10,643	98,876
Total	¥383,515	¥379,502	\$3,393,938

**7 LAND REVALUATION**

As of March 31, 2001, in accordance with the Law to Partially Revise the Land Revaluation Law (Law No.19, enacted on March 31, 2001), land owned by the Company for business use was revalued. The unrealized gains on the revaluation are included in net assets 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 fair value of land was determined based on official notice prices that are assessed and published by the Commissioner of the National Tax Administration, as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Article 119 of 1998 Cabinet Order, promulgated on March 31, 1998). Reasonable adjustments, including those for the timing of assessment, are made to the official notice prices.

The amounts of decrease in the aggregate fair value of the revalued land as of March 31, 2016 and 2015 from that at the time of revaluation, as stipulated in Article 10 of the Land Revaluation Law, were ¥97,283 million (\$860,912 thousand) and ¥98,720 million, respectively.

**8 IMPAIRMENT LOSS**

Details of impairment losses for the years ended March 31, 2016 and 2015 were as follows:

<For the year ended March 31, 2016>

Purpose of use	Location	Type of assets	Millions of yen	Thousands of U.S. dollars
Idle assets (Sales facilities)	Ishikawa Prefecture, Japan, etc.	Buildings and structures, Land, etc.	¥ 364	\$ 3,221
Idle assets (Production facilities)	Hiroshima Prefecture, Japan, etc.	Machinery, equipment and vehicles, Software, etc.	772	6,832
Assets for selling	Gifu Prefecture, Japan, etc.	Buildings and structures, Land	29	257
Total			¥1,165	\$10,310

<For the year ended March 31, 2015>

Purpose of use	Location	Type of assets	Millions of yen
Idle assets (Sales facilities)	Fukuoka Prefecture, Japan, etc.	Buildings and structures, Land, etc.	¥1,149
Idle assets (Production facilities)	Hiroshima Prefecture, Japan, etc.	Buildings and structures, Machinery, equipment and vehicles, etc.	1,210
Assets for selling	Kyoto Prefecture, Japan	Land	136
Total			¥2,495

For the purpose of reviewing for impairment, the Group has principally grouped its long-lived assets into asset groups by company; however, idle assets, assets for rent, and assets for selling are individually reviewed for impairment. The recoverable amounts of these assets were measured at their net realizable value.

## Notes to Consolidated Financial Statements

**9 SHORT-TERM DEBT AND LONG-TERM DEBT**

Short-term debt as of March 31, 2016 and 2015 consisted of loans, principally from banks with interest averaging 1.38% and 1.42% for the respective years.

Long-term debt as of March 31, 2016 and 2015 consisted of the following:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Domestic unsecured bonds due serially 2016 through 2019 at rate of 0.32% to 0.35% per annum	¥ 20,350 <sup>(*)</sup>	¥ 40,450	\$ 180,088
Loans principally from banks, maturing through 2072:			
Secured loans	40,930	48,946	362,212
Unsecured loans	433,529	489,964	3,836,540
Lease obligations, maturing through 2023	5,180	4,982	45,841
Subtotal	499,989	584,342	4,424,681
Amount due within one year	(143,044)	(96,132)	(1,265,876)
Total	¥ 356,945	¥488,210	\$ 3,158,805

(\*) As of March 31, 2016, certain of these unsecured bonds amounting to ¥350 million (\$3,097 thousand) are bank-guaranteed under the condition that assets are pledged to the bank as collateral by the issuer of the bonds.

The annual interest rates applicable to long-term loans and lease obligations outstanding averaged 1.07% and 1.33%, respectively, for obligations due within one year and 2.23% and 1.35%, respectively, for obligations due after one year at March 31, 2016.

The annual interest rates applicable to long-term loans and lease obligations outstanding averaged 1.68% and 1.51%, respectively, for obligations due within one year and 1.95% and 1.47%, respectively, for obligations due after one year at March 31, 2015.

As is customary in Japan, general agreements with banks include provisions that security and guarantees will be provided if requested by banks. Banks have the right to offset cash deposited with them against any debt or obligation that becomes due and, in the case of default or certain other specified events, against all debts payable to banks.

The annual maturities of long-term debt at March 31, 2016 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2017	¥143,044	\$1,265,876
2018	90,316	799,257
2019	94,814	839,062
2020	45,809	405,389
2021	32,932	291,434
Thereafter	93,074	823,663
Total	¥499,989	\$4,424,681

The assets pledged as collateral for short-term debt of ¥34,099 million (\$301,761 thousand) and ¥33,973 million, and long-term debt of ¥41,280 million (\$365,310 thousand) and ¥49,396 million at March 31, 2016 and 2015, respectively, were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Property, plant and equipment, at net book value	¥420,323	¥412,999	\$3,719,673
Inventories	68,911	61,797	609,832
Other	47,891	63,498	423,814
Total	¥537,125	¥538,294	\$4,753,319

**10 EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS**

The Group has contributory defined contribution plans and defined benefit plans, and non-contributory defined benefit plans. For the accounting policies for retirement benefits, refer to Note 2, "Employees' severance and retirement benefits".

Reconciliations of beginning and ending balances of the retirement benefit obligations and the plan assets for the years ended March 31, 2016 and 2015 were as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Movements in retirement benefit obligations:			
Balance at beginning of year	¥314,252	¥301,619	\$2,780,991
Cumulative effects of changes in accounting policies	—	(3,082)	—
Restated balance	314,252	298,537	2,780,991
Service cost	11,126	9,900	98,460
Interest cost	3,864	4,611	34,195
Actuarial losses/(gains)	25,497	14,543	225,637
Benefits paid	(15,148)	(16,074)	(134,053)
Past service costs	14	—	124
Other	(2,188)	2,735	(19,363)
Balance at end of year	¥337,417	¥314,252	\$2,985,991

## Notes to Consolidated Financial Statements

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Movements in plan assets:			
Balance at beginning of year	¥254,906	¥233,516	\$2,255,805
Expected return on plan assets	4,751	4,579	42,044
Actuarial gains/(losses)	(5,110)	13,602	(45,221)
Contributions paid by the employer	13,335	12,961	118,009
Benefits paid	(11,951)	(12,515)	(105,761)
Other	(1,543)	2,763	(13,655)
Balance at end of year	¥254,388	¥254,906	\$2,251,221

The reconciliation of the retirement benefit obligations and plan assets to the liability and asset for retirement benefits recognized in the consolidated balance sheets of March 31, 2016 and 2015 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded retirement benefit obligations	¥ 317,775	¥ 294,389	\$ 2,812,168
Plan assets	(254,388)	(254,906)	(2,251,221)
Subtotal	63,387	39,483	560,947
Unfunded retirement benefit obligations	19,642	19,863	173,823
Total net liability (asset) for retirement benefits recognized in consolidated balance sheets	83,029	59,346	734,770
Liability for retirement benefits	85,916	62,669	760,319
Asset for retirement benefits	(2,887)	(3,323)	(25,549)
Total net liability (asset) for retirement benefits recognized in consolidated balance sheets	¥ 83,029	¥ 59,346	\$ 734,770

The profits and losses related to retirement benefits for the years ended March 31, 2016 and 2015 were as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥11,126	¥ 9,900	\$ 98,460
Interest cost	3,864	4,611	34,195
Expected return on plan assets	(4,751)	(4,579)	(42,044)
Net actuarial loss amortization	3,943	6,429	34,894
Past service costs amortization	(3,107)	(3,132)	(27,496)
Other	(31)	3,358	(274)
Severance and retirement benefit expenses	¥11,044	¥16,587	\$ 97,735

Note: For the years ended March 31, 2016 and 2015, accrued pension costs related to defined contribution plans were charged to income as ¥3,661 million (\$32,398 thousand) and ¥3,298 million, respectively. This cost is not included in the above.

The breakdown of items of adjustments for retirement benefit (before tax) recognized in other comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Past service costs	¥ (3,061)	¥(3,132)	\$ (27,088)
Actuarial differences	(26,941)	6,987	(238,416)
Other	(3)	(2)	(27)
Total	¥(30,005)	¥ 3,853	\$ (265,531)

The breakdown of items of accumulated adjustments for retirement benefits (before tax) recognized in accumulated other comprehensive income as of March 31, 2016 and 2015 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Past service costs that are yet to be recognized	¥ 8,035	¥ 11,096	\$ 71,106
Actuarial gains and losses that are yet to be recognized	(42,430)	(15,489)	(375,487)
Other	5	8	45
Total	¥(34,390)	¥ (4,385)	\$ (304,336)

The breakdown of plan assets by major category as of March 31, 2016 and 2015 were as follows:

As of March 31	2016	2015
Bonds	43%	41%
Equity securities	25%	29%
General accounts of the life insurance companies	17%	17%
Other	15%	13%
Total	100%	100%

The major items of actuarial assumptions for the years ended March 31, 2016 and 2015 were as follows:

For the years ended March 31	2016	2015
Discount rate	Primarily 0.7%	Primarily 1.1%
Long-term expected rate of return	Primarily 1.5%	Primarily 1.5%

## Notes to Consolidated Financial Statements

**11 CONTINGENT LIABILITIES**

Contingent liabilities as of March 31, 2016 and 2015 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Guarantees of loans and similar agreements	¥8,825	¥9,591	\$78,097

**12 NET ASSETS**

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Corporate Law (“the Law”), in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve, must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit or could be capitalized by a resolution of the shareholders’ meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

Cash dividends charged to retained earnings during the fiscal year are year-end cash dividends for the preceding fiscal year and interim cash dividends for the current fiscal year. At the annual shareholders’ meeting held on June 28, 2016, the cash dividends shareholders approved amounting to ¥8,967 million (\$79,354 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2016. This type of appropriations is recognized in the period in which they are approved by the shareholders.

**13 OTHER INCOME / (EXPENSES)**

The components of “Other, net” in Other income/(expenses) in the consolidated statements of income for the years ended March 31, 2016 and 2015 were comprised as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Loss on sales and retirement of property, plant and equipment, net	¥ (5,869)	¥(5,649)	\$ (51,938)
Rental income	2,162	1,927	19,133
Loss on sale of receivables	(1,814)	(1,091)	(16,053)
Impairment loss	(1,165)	(2,495)	(10,310)
Foreign exchange gain/(loss)	(16,026)	432	(141,823)
Gain on sale of investment securities	211	—	1,867
State subsidy	160	—	1,416
Reserve for warranty expenses(*)	(40,708)	—	(360,248)
Gain on reversal of reserve for loss on business of subsidiaries and affiliates	—	6,131	—
Loss on business of subsidiaries and affiliates	(1,971)	(1,149)	(17,442)
Reserve for loss on business of subsidiaries and affiliates	(6,909)	—	(61,142)
Reserve for environmental measures	(2)	(107)	(18)
Other	(1,334)	670	(11,805)
Total	¥(73,265)	¥(1,331)	\$ (648,363)

(\*) With regard to the specific airbag inflator installed in a part of Mazda vehicles, which were manufactured and sold by the Group, the Company posted the reserve for product warranties in other expenses, since they are likely to be its liability and the amount of the loss can be reasonably estimated.

**14 INCOME TAXES**

The effective tax rate reflected in the consolidated statements of income for the years ended March 31, 2016 and 2015 differs from the statutory tax rate for the following reasons.

For the years ended March 31	2016	2015
Statutory tax rate	32.8 %	35.4 %
Valuation allowance	(9.9)	(11.3)
Equity in net income of affiliated companies	(4.3)	(2.9)
Decrease in deferred tax assets at end of year due to the change in tax rate	2.6	1.5
Other	(3.4)	0.1
Effective tax rate	17.8 %	22.8 %

## Notes to Consolidated Financial Statements

Deferred tax assets and liabilities reflect the estimated tax effects of loss carryforwards and 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 as of March 31, 2016 and 2015 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
<b>Deferred tax assets:</b>			
Allowance for doubtful receivables	¥ 965	¥ 1,187	\$ 8,540
Liability for retirement benefits	27,064	22,053	239,504
Impairment loss	3,319	4,186	29,372
Accrued bonuses and other reserves	52,805	26,906	467,301
Inventory valuation	6,964	6,873	61,628
Valuation loss on investment securities, etc.	904	121	8,000
Net operating loss carryforwards	47,937	57,989	424,221
Other	54,410	53,665	481,505
Total gross deferred tax assets	194,368	172,980	1,720,071
Less valuation allowance	(55,159)	(66,862)	(488,133)
Total deferred tax assets	139,209	106,118	1,231,938
<b>Deferred tax liabilities:</b>			
Asset retirement cost corresponding to asset retirement obligations, and others	(19,192)	(13,159)	(169,841)
Net deferred tax assets	¥120,017	¥ 92,959	\$1,062,097

The net deferred tax assets are included in the following accounts in the consolidated balance sheets:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Current assets—Deferred tax assets	¥105,653	¥76,758	\$ 934,982
Investments and other assets—Deferred tax assets	22,256	25,784	196,956
Current liabilities—Other current liabilities	(149)	(47)	(1,319)
Non-current liabilities—Other non-current liabilities	(7,743)	(9,536)	(68,522)
Net deferred tax assets	¥120,017	¥92,959	\$1,062,097

**(Additional information)****(Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates)**

On March 29, 2016, “Act on Partial Amendment of the Income Tax Act, etc.” (Act No. 15 of 2016) and “Act on Partial Amendment of the Local Tax Act, etc.” (Act No. 13 of 2016) were enacted in the Diet. As a result of the amendment, the statutory income tax rates, which the Domestic Companies have utilized for the measurement of deferred tax assets and liabilities for the year ended March 31, 2016, have been changed from the previous 32.1% to the following rates.

- For the temporary differences expected to be reversed from April 1, 2016 to March 31, 2018: 30.7%
- For the temporary differences expected to be reversed on or after April 1, 2018: 30.5%

Due to this change in statutory income tax rates, net deferred tax assets as of March 31, 2016 decreased by ¥3,720 million (\$32,920 thousand) and deferred income tax expense recognized for the year ended March 31, 2016 and net unrealized gain/(loss) on available-for-sale securities increased by ¥3,357 million (\$29,708 thousand) and ¥80 million (\$708 thousand), respectively. And deferred gains/(losses) on hedges and accumulated adjustments for retirement benefit decreased by ¥9 million (\$80 thousand) and ¥434 million (\$3,840 thousand), respectively. Further, the balance of deferred tax liabilities relating to land revaluation decreased by ¥3,399 million (\$30,080 thousand) and land revaluation in accumulated other comprehensive income/(loss) increased by the same amount.

**15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS**

The Group uses forward foreign exchange contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuations in foreign currency exchange rates. Also, only for the purpose of mitigating future risks of fluctuations in interest rates with respect to borrowings, the Group uses interest rate swap contracts. The Group does not engage in speculative transactions as a matter of policy, limiting the transaction amount to actual demand.

Forward foreign exchange contracts are subject to risks of foreign exchange rate changes. Also, interest rate swap contracts are subject to risks of interest rate changes.

Use of derivatives to manage these risks could result in the risk of a counterparty defaulting on a derivative contract. However, the Company believes that the risk of a counterparty defaulting is minimum since the Group uses only highly credible financial institutions as counterparties.

## Notes to Consolidated Financial Statements

Derivative transactions are conducted in compliance with internal control rules and procedures that prescribe transaction authority. The policies for derivative transactions of the Group are approved by the Company's President or Financial Officer. Transactions are approved in advance by either the Company's Financial Services Division General Manager or Treasury Department General Manager. Based on these approvals, the Treasury Department conducts and books the transactions as well as confirms the balance between the counterparty of the derivatives contract.

The operation of the transaction is segregated from its clerical administration, in order to maintain internal check within the Treasury Department, and is audited periodically by the Global Auditing Department. Derivative transactions are reported, upon execution, to the Company's Financial Officer, Financial Services Division General Manager, and Treasury Department General Manager. The consolidated subsidiaries also follow internal control rules and procedures pursuant to those of the Company, obtain approval of the Company, and conduct and manage the transactions according to the approval.

The following summarizes hedging derivative financial instruments used by the Group and items hedged:

## Hedging instruments:

Forward foreign exchange contracts

Interest rate swap contracts

## Hedged items:

Foreign currency-denominated transactions planned in the future

Interest on borrowings

The following tables summarize fair value information as of March 31, 2016 and 2015 of derivative transactions for which hedge accounting has not been applied:

As of March 31, 2016	Millions of yen			Thousands of U.S. dollars		
	Contract amount	Estimated fair value	Valuation gain (loss)	Contract amount	Estimated fair value	Valuation gain (loss)
Forward foreign exchange contracts:						
Sell:						
U.S. dollar	¥18,579	¥ 615	¥ 615	\$164,416	\$ 5,442	\$ 5,442
Euro	1,275	4	4	11,283	36	36
Canadian dollar	7,409	(105)	(105)	65,567	(929)	(929)
Australian dollar	15,901	(381)	(381)	140,717	(3,372)	(3,372)
Sterling pound	1,722	112	112	15,239	991	991
Buy:						
Thai baht	6,944	(280)	(280)	61,451	(2,478)	(2,478)
Total	¥51,830	¥ (35)	¥ (35)	\$458,673	\$ (310)	\$ (310)

As of March 31, 2015	Millions of yen		
	Contract amount	Estimated fair value	Valuation gain (loss)
Forward foreign exchange contracts:			
Sell:			
U.S. dollar	¥ 4,205	¥ 4	¥ 4
Euro	2,016	62	62
Canadian dollar	5,663	(21)	(21)
Australian dollar	9,702	51	51
Sterling pound	727	16	16
Buy:			
Thai baht	4,099	157	157
Total	¥26,412	¥269	¥269

For forward foreign exchange contracts, fair values at year-end are estimated based on prevailing forward exchange rates at that date.

## Notes to Consolidated Financial Statements

The following tables summarize fair value information as of March 31, 2016 and 2015 of derivative transactions for which hedge accounting has been applied:

As of March 31, 2016	Millions of yen			Thousands of U.S. dollars		
	Contract amount	Thereof due after 1 year	Estimated fair value	Contract amount	Thereof due after 1 year	Estimated fair value
<b>Interest rate swaps:</b>						
On long-term loans payable:						
Receive floating, pay fixed <sup>(*)</sup>	¥ 11,100	¥5,300	¥ —	\$ 98,230	\$46,903	\$ —
<b>Forward foreign exchange contracts:</b>						
<b>Sell:</b>						
U.S. dollar	9,058	—	87	80,159	—	770
Euro	55,852	—	(75)	494,265	—	(664)
Canadian dollar	9,212	—	(277)	81,522	—	(2,451)
Australian dollar	20,958	—	(398)	185,469	—	(3,522)
Sterling pound	9,036	—	190	79,965	—	1,681
<b>Buy:</b>						
Thai baht	15,730	—	(152)	139,204	—	(1,345)
<b>Total</b>	<b>¥130,946</b>	<b>¥5,300</b>	<b>¥(625)</b>	<b>\$1,158,814</b>	<b>\$46,903</b>	<b>\$(5,531)</b>

As of March 31, 2015	Millions of yen		
	Contract amount	Thereof due after 1 year	Estimated fair value
<b>Interest rate swaps:</b>			
On long-term loans payable:			
Receive floating, pay fixed <sup>(*)</sup>	¥17,900	¥11,100	¥ —
<b>Forward foreign exchange contracts:</b>			
<b>Sell:</b>			
U.S. dollar	1,200	—	(0)
Euro	31,082	—	467
Canadian dollar	14,782	—	122
Australian dollar	17,161	—	214
Sterling pound	2,311	—	(3)
<b>Buy:</b>			
Thai baht	11,551	—	214
<b>Total</b>	<b>¥ 95,987</b>	<b>¥11,100</b>	<b>¥1,014</b>

(\*1) The fair value of these interest rate swaps are, in effect, included in and presented with that of the hedged item long-term loans payable. For details, refer to Note 4, "Financial Instruments".

**16 LEASES**

The amount of future minimum lease payments under non-cancellable operating leases as of March 31, 2016 and 2015 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Current portion	¥ 4,321	¥ 4,115	\$ 38,239
Non-current portion	38,320	34,898	339,115
<b>Total</b>	<b>¥42,641</b>	<b>¥39,013</b>	<b>\$377,354</b>

**17 SEGMENT INFORMATION****Segment information****Overview of reportable segments**

The reportable segments of the Company consist of business components for which separate financial statements are available. The reportable segments are the subject of periodical review by Board of Directors meetings for the purpose of making decisions on the distribution of corporate resources and evaluating business performance.

The Company is primarily engaged in the manufacture and sale of passenger and commercial vehicles. Businesses in Japan are managed by the Company. Businesses in North America are managed by Mazda Motor of America, Inc. and the Company. And businesses in Europe are managed by Mazda Motor Europe GmbH and the Company. Areas other than Japan, North America and Europe are defined as Other areas. Business deployment in countries in Other areas are managed in an integrated manner by the Company as one management unit. Accordingly, the Company consists of regional segments based on a system of managing production and sale. As such, Japan, North America, Europe, and Other areas are designated as four reportable segments.



## Notes to Consolidated Financial Statements

	Reportable segments					Adjustment <sup>(*)</sup>	Consolidated <sup>(**)</sup>
	Japan	North America	Europe	Other areas	Total		
For the year ended March 31, 2015							
<b>Net sales:</b>							
Outside customers	¥ 942,414	¥1,019,269	¥606,647	¥465,569	¥3,033,899	¥ —	¥3,033,899
Inter-segment	1,585,731	236,877	16,257	17,811	1,856,676	(1,856,676)	—
Total	2,528,145	1,256,146	622,904	483,380	4,890,575	(1,856,676)	3,033,899
Segment income	142,382	37,881	14,925	13,491	208,679	(5,791)	202,888
Segment assets	1,973,969	442,361	209,672	271,156	2,897,158	(423,871)	2,473,287
<b>Other items:</b>							
Depreciation and amortization	52,081	11,693	3,863	1,220	68,857	—	68,857
Amortization of goodwill	15	—	—	—	15	—	15
Investments in affiliated companies on the equity method	20,828	—	2,440	92,676	115,944	—	115,944
Increase in property, plant and equipment and intangible assets	75,706	34,296	2,194	18,814	131,010	—	131,010

(\*1) Notes on adjustment:

(1) The adjustment on segment income is eliminations of inter-segment transactions.

(2) The adjustment on segment assets is mainly eliminations of inter-segment receivables and payables.

(\*2) Segment income is reconciled with the operating income in the consolidated statements of income for the years ended March 31, 2016 and 2015.

Segment assets are reconciled with the total assets in the consolidated balance sheets for the years ended March 31, 2016 and 2015.

## Associated information

## Information by geographic areas

The sales information by geographic areas for the years ended March 31, 2016 and 2015 were as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Japan	¥ 660,935	¥ 617,397	\$ 5,848,982
North America	1,158,428	1,022,247	10,251,575
Europe	688,984	613,367	6,097,204
Other areas	898,256	780,888	7,949,168
Total	¥3,406,603	¥3,033,899	\$30,146,929

Sales is categorized into the countries or regions based on the customers' locations.

## 18 RELATED PARTY TRANSACTIONS

There were no transactions with related parties to be disclosed during the years ended March 31, 2016 and 2015.

## Notes to Consolidated Financial Statements

**19 SIGNIFICANT SUBSEQUENT EVENTS**

On July 20, 2016, the Company implemented the funding by new subordinated loan (the "Subordinated Loan") and made an early repayment of the existing subordinated loan (the "Existing Subordinated Loan").

## 1. Overview of the Subordinated Loan

The detailed conditions and terms of the Subordinated Loan are as follows.

- (i) Amount borrowed    ¥70 billion (\$619 million)
- (ii) Use of proceeds    Applied to the repayment of the Existing Subordinated Loan
- (iii) Drawdown date    July 20, 2016
- (iv) Due date            July 20, 2076
- (v) Early repayment

The Company may make an early repayment of all or some of the principal of the Subordinated Loan on any interest payment date on or after July 20, 2021 unless any of the subordination events has occurred and continues. Furthermore, unless any of such subordination events has occurred and continues, the Company may also make an early repayment of all or some of the principal of the Subordinated Loan only on any interest payment date if:

- (a) (i) the interest on the Subordinated Loan becomes treated materially adversely from the Company's perspective for the purpose of taxation, which is unavoidable despite the Company's reasonable efforts or (ii) the Company becomes liable for any additional payment obligations relating to taxes or other public charges; or
- (b) the ratings institution decides that it will treat the Subordinated Loan as having equity credit attributes lower than the Subordinated Loan is expected to have at the time of execution of the Agreement on the Subordinated Loan (the "Agreement").

Moreover, unless any of such subordination events has occurred and continues, if majority lenders (two-thirds or more of the principal) and the agent give approval, the Company may also make an early repayment of all or some of the principal of individual loan to all or some of the lenders.

## (vi) Replacement restrictions

When making an early repayment of the Subordinated Loan, the Company intends to raise the funds, within the 12-month period before the date on which it will make that early repayment, by issuance of common stock or subordinated loans, etc. that have been approved by the ratings institution as having equity credit attributes, so that the amount that has been approved as having equity credit attributes is equal to or greater than the evaluated capital of the principal amount to be repaid; provided, however, if both of the following requirements are met at an early repayment, the financing in accordance with this clause may not be made:

- (a) The Company's total amount of equity calculated based on the latest consolidated balance sheet disclosed as of the announcement of early repayment, either at the end of the each fiscal year or at the end of the second quarter, exceeds ¥1,024 billion (\$9,062 million); and
- (b) The Company's equity ratio calculated based on the latest consolidated balance sheet disclosed as of the announcement of early repayment, either at the end of each fiscal year or at the end of the second quarter, exceeds 39.1%.

## (vii) Interest payment

Excluding the cases where dividends are paid on common stock, the Company may, at its discretion, defer all or some of the payment of interest on the Subordinated Loan.

## (viii) Subordination

If liquidation proceedings, bankruptcy proceedings, reorganization proceedings or rehabilitation proceedings, or any proceedings similar to any of those under the law of any nation other than Japan are commenced against the Company and such proceedings continue, the right to request payment of the receivables under the Agreement will be effective on the condition precedent that all receivables other than the receivables whose subordination and the like are similar in substance to those of the Subordinated Loan are paid in full or otherwise satisfied in full.

No term of the Agreement may be changed to the disadvantage of any creditors other than the creditors of the subordinated receivables in any respect whatsoever.

## Notes to Consolidated Financial Statements

(ix) Equity credit attributes of the Subordinated Loan evaluated by a Ratings Institution Class 3 / 50% (Rating and Investment Information, Inc.)

(x) Investors (lenders) participating in the Subordinated Loan

Sumitomo Mitsui Banking Corporation

Sumitomo Mitsui Trust Bank, Limited

Development Bank of Japan Inc.

The Hiroshima Bank, Ltd.

The Yamaguchi Bank, Ltd.

Momiji Bank, Ltd.

## 2. Details of the early repayment of the Existing Subordinated Loan

Details of the early prepayment of the Existing Subordinated Loan are as follows.

- |                                      |  |
|--------------------------------------|--|
| (i) Early repayment date             | July 20, 2016  |
| (ii) Total amount of early repayment | ¥70 billion (\$619 million)  |
| (iii) Reason for early repayment     | Pursuant to the early repayment clause of the Existing Subordinated Loan (*) |

\*: Repay based on the prior consent of all lenders prior to the date available to make an early repayment initially set for the Existing Subordinated Loan (interest payment date on or after July 20, 2017)

## 3. Effect on the consolidated statement operations

The effect of the funding by the Subordinated Loan and early repayment of the Existing Subordinated Loan on the consolidated statement of operations is immaterial.

# Independent Auditor's Report



To the Board of Directors of Mazda Motor Corporation:

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

## Management's Responsibility for the Consolidated Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Opinion

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

## Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG ABSA LLC

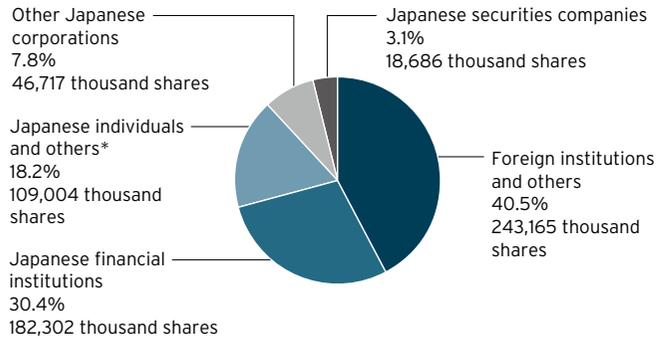
August 9, 2016  
Hiroshima, Japan

## Stock Information

(As of March 31, 2016)

<b>Authorized:</b>	1,200,000,000 shares
<b>Issued:</b>	599,875,479 shares
<b>Number of shareholders:</b>	158,602
<b>Listing:</b>	Tokyo Stock Exchange, First Section
<b>Code:</b>	7261
<b>Fiscal year-end:</b>	March 31
<b>Transfer agent:</b>	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

### BREAKDOWN OF SHAREHOLDERS



\* Treasury stock is included in Japanese individuals and others

### MAJOR SHAREHOLDERS

Shareholder	No. of shares owned (Thousands)	Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust)	40,688	6.8
The Master Trust Bank of Japan, Ltd. (Trust)	30,172	5.0
Sumitomo Mitsui Banking Corporation	12,857	2.2
THE BANK OF NEW YORK MELLON SA/NV 10	11,579	1.9
STATE STREET BANK WEST CLIENT - TREATY 505234	8,071	1.4
Japan Trustee Services Bank, Ltd. (Trust 7)	8,004	1.3
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	7,470	1.2
CBNY-GOVERNMENT OF NORWAY	6,765	1.1
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	6,672	1.1
Mitsui Sumitomo Insurance Company, Limited	6,496	1.1

\* Treasury stock of 2,051,153 shares is excluded in the calculation of the ratio.

## Corporate Data

(As of March 31, 2016)

<b>Name:</b>	Mazda Motor Corporation
<b>Founded:</b>	January 1920
<b>Capital:</b>	¥259.0 billion
<b>Number of employees:</b>	46,398 (consolidated)
<b>Head office:</b>	3-1 Shinchi, Fuchu-cho, Aki-gun, Hiroshima 730-8670, Japan Phone: +81 (82) 282-1111
<b>Main business lines:</b>	Manufacture and sales of passenger cars and commercial vehicles
<b>Research and development sites:</b>	Head Office, Mazda R&D Center (Yokohama), Mazda North American Operations (USA), Mazda Motor Europe (Germany), China Engineering Support Center (China)
<b>Production sites:</b>	Japan: Hiroshima Plant (Head Office, Ujina), Hofu Plant (Nishinoura, Nakanoseki), Miyoshi Plant Overseas: China, Thailand, Mexico, Taiwan* <sup>1</sup> , Vietnam* <sup>2</sup> , Malaysia* <sup>3</sup> , Russia* <sup>3</sup>
<b>Sales companies:</b>	Japan: 229, Overseas: 141
<b>Principal products:</b>	Four-wheeled vehicles, gasoline reciprocating engines, diesel engines, automatic and manual transmissions for vehicles

\*<sup>1</sup> Production of Mazda vehicles ended in May 2016

\*<sup>2</sup> Some models are assembled locally. (Volume is not disclosed.)

\*<sup>3</sup> Assembly only. (Volume is not disclosed.)

### INTRODUCTION TO OTHER TOOLS



#### Mazda Sustainability Report 2016

Compilation of Mazda's CSR Activities  
<http://www.mazda.com/en/csr/download/>

\* To be published at the end of September 2016

### PLEASE VISIT OUR OFFICIAL WEBSITE

#### Investor Relations



Includes president's message, financial results, presentation documents

<http://www.mazda.com/en/investors/>

#### CSR



Includes environmental protection, social contributions, approaches to safety

<http://www.mazda.com/en/csr/>

#### About Mazda



Includes Mazda Vision, Company profile

<http://www.mazda.com/en/about/>

### FOR REQUESTS AND INQUIRIES

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Phone: +81 (82) 282-1111

# History of Mazda

## CORPORATE

- 1920. 1 Toyo Cork Kogyo Co., Ltd., is founded
- 1927. 9 Company becomes Toyo Kogyo Co., Ltd.
- 1930. 9 New plant is constructed in Hiroshima (Aki-gun, Fuchu-cho)
- 1961. 7 Mazda enters into technical cooperation with NSU / Wankel on rotary engines
- 1965. 5 Miyoshi Proving Ground is completed
- 1966. 11 Operations at new passenger car plant (Ujina) in Hiroshima are started
- 1979. 11 Ford Motor Company and Mazda enter into a capital tie-up
- 1981. 12 Operations at Hofu Transmission Plant (Nakanoseki district) are started
- 1982. 9 Operations at Hofu Plant (Nishinoura district) are started
- 1984. 5 Company is renamed Mazda Motor Corporation
- 1985. 1 Mazda Motor Manufacturing (USA) Corporation (MMUC), later called AutoAlliance International (AAI) is established (Ended Mazda6 production in August 2012)
- 1995. 11 Mazda and Ford jointly establish AutoAlliance (Thailand) Company Limited (AAT), a joint venture production company
- 1996. 5 Ratio of Ford's ownership of Mazda stock is increased from 25% to 33.4%
- 1997.10 North American operations are streamlined (Mazda North American Operations commences operations)
- 1998. 3 European business is consolidated (Mazda Motor Europe commences operations)
- 1998. 8 Mazda Motor Logistics Europe N.V. is established
- 2000.11 Medium-term plan "Millennium Plan" is announced
- 2003. 1 Production of Mazda6 commences at FAW Car Company in China
- 2004.11 Medium-term plan "Mazda Momentum" is announced
- 2005. 1 Mazda Motor (China) is established
- 2005.9 Joint venture engine production company in China is established
- 2007.3 Medium-term plan "Mazda Advancement Plan" is announced
- 2007.3 Long-term vision for technology development "Sustainable Zoom-Zoom" is announced
- 2007.10 Changan Ford Mazda Automobile (present Changan Mazda Automobile) Nanjing Plant commences production of the Mazda2
- 2008.11 Ratio of Ford's ownership of Mazda stock is reduced from 33.4% to 13.8%
- 2010. 4 "Framework for Medium- and Long-term Initiatives" is announced
- 2012. 2 "Structural Reform Plan" is announced
- 2012. 9 Mazda and Sollers establish Mazda Sollers, a joint venture production company in Russia
- 2012. 11 Agreement is reached with Toyota on Toyota vehicle production at Mazda's new plant in Mexico
- 2013. 1 Business agreement is concluded for the production of sports cars for Fiat Chrysler Automobiles
- 2014. 1 Operations at the new Mexico plant (MMVO) are started
- 2015. 1 Production at new transmission plant (MPMT) in Thailand is started
- 2015. 4 "Structural Reform Stage 2" is announced
- 2015. 5 Toyota and Mazda enter into an agreement geared toward the establishment of a business partnership
- 2016. 3 All-new Mazda MX-5 wins both 2016 World Car of the Year and World Car Design of the Year

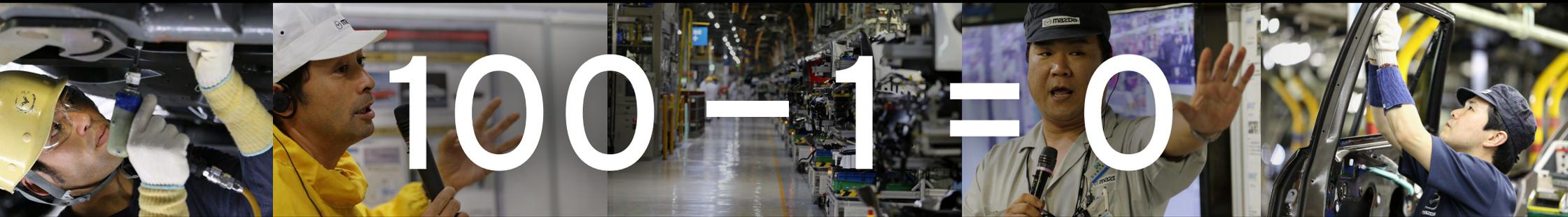
## PRODUCTS\*

<p><b>1931.10</b></p> <p>Production of 3-wheel truck "Mazda-go DA model," Mazda's first automobile, begins</p> 	<p><b>1960.5</b></p> <p>Introduction of "R360 Coupe," Mazda's first passenger car</p> 	<p><b>1963.10</b></p> <p>Introduction of the first "Familia"</p> 	<p><b>1967.5</b></p> <p>Introduction of the "Cosmo Sports (110s)," Mazda's first rotary engine vehicle</p> 
<p><b>1971.9</b></p> <p>Introduction of the first "Savanna"</p> 	<p><b>1978.3</b></p> <p>Introduction of the first "Savanna RX-7"</p> 	<p><b>1980.6</b></p> <p>"Familia (GLC/323)" is fully redesigned</p> 	<p><b>1989.9</b></p> <p>Introduction of the first "MX-5"</p> 
<p><b>1991.6</b></p> <p>"Mazda 787B" wins the 59th Le Mans 24-Hour Endurance Race, claiming the first-ever victory for a Japanese automobile</p> 	<p><b>1996.8</b></p> <p>Introduction of the first "Mazda2"</p> 	<p><b>2002.5</b></p> <p>Introduction of the first "Mazda6"</p> 	<p><b>2003.10</b></p> <p>Introduction of the first "Mazda3"</p> 
<p><b>2010.1</b></p> <p>Next-generation SKYACTIV TECHNOLOGY announced</p> 	<p><b>2012.2</b></p> <p>Introduction of "CX-5"</p> 	<p><b>2015.5</b></p> <p>"MX-5" is fully redesigned</p> 	<p><b>2016.5</b></p> <p>"CX-9" is fully redesigned (Launched in North America)</p> 

\* Launching date is based on the Japanese market

# Improving Brand Value

By providing driving pleasure and outstanding environmental and safety performance to all of our customers, we aim to become a company that shines as the "One and Only" and is continually selected by the customer.



All of the Company's effort in Monotsukuri will be meaningless if even one out of 100 vehicles is found to be defective. This is because the vehicle of an individual customer is not "one out of 100 vehicles" but rather the only one.

## Corporate Vision

We love cars and want people to enjoy fulfilling lives through cars.

We envision cars existing sustainably with the earth and society,  
and we will continue to tackle challenges with creative ideas.

1. Brighten people's lives through car ownership.
2. Offer cars that are sustainable with the earth and society to more people.
3. Embrace challenges and seek to master the Doh ("Way" or "Path") of creativity.



