



# ANNUAL REPORT 2017

YEAR ENDED MARCH 31, 2017



*ZOOM-ZOOM*

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## Corporate Profile

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

In 2012, Mazda introduced its new-generation products, which extensively employ SKYACTIV TECHNOLOGY and KODO design, thereby making efforts toward structural reforms leveraging SKYACTIV TECHNOLOGY. With our Structural Reform Stage 2 medium-term business plan, which commenced in the March 2017 fiscal year, we are working to realize sustainable growth by offering attractive products that achieve both driving pleasure and outstanding environmental and safety performance. At the same time, we are making efforts to achieve qualitative business growth and further improve brand value.

We have now announced "Sustainable Zoom-Zoom 2030," a new long-term vision for technology development. Based on our Corporate Vision, this new long-term vision aims to resolve issues facing people, the earth, and society through the utilization of driving pleasure, which represents the fundamental appeal of an automobile.

Going forward, we hope to create a future in which people, the earth, and society can coexist with cars, to enrich people's lives through a car ownership experience that celebrates driving, and to become a brand with which customers feel a strong emotional connection.

#### 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).



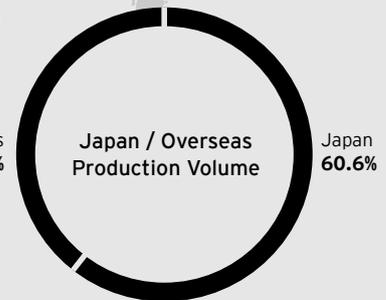
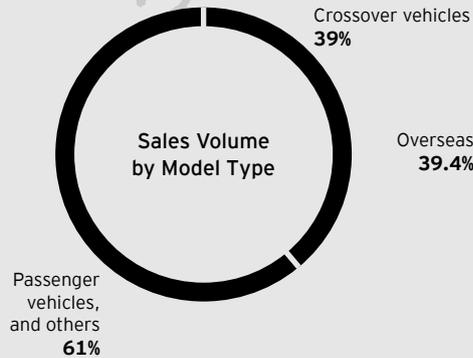
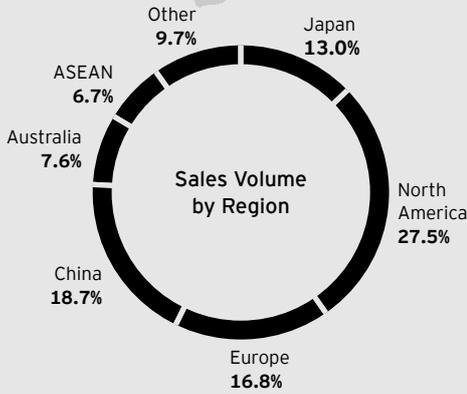
## At a Glance (March 2017 Fiscal Year)

Number of Sales Countries / Regions

More than **130** countries / regions

Global Sales Volume

**1,559** thousand units



CO<sub>2</sub> Emissions per Unit of Sales Revenue from Production (Four principal domestic sites\*<sup>1</sup>)

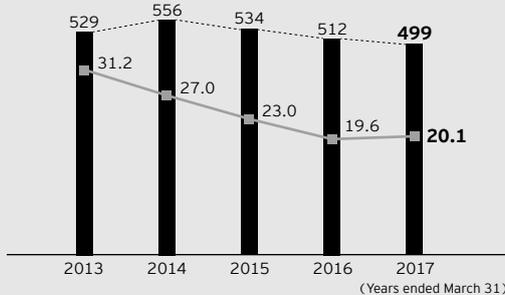
**20.1** t-CO<sub>2</sub>/100 million yen

Number of Employees

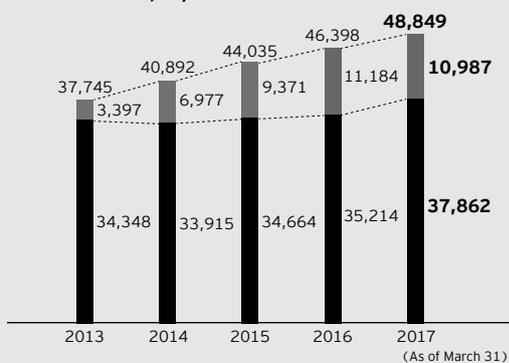
**48,849** people

CO<sub>2</sub> Emissions from Mazda's Four Principal Domestic Sites\*<sup>2</sup> / 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 / Number of Employees Overseas



■ CO<sub>2</sub> Emissions

■ CO<sub>2</sub> Emissions per Unit of Sales Revenue

■ Number of Employees in Japan

■ Number of Employees Overseas

\*1 Head Office (Hiroshima); Miyoshi Plant; Hofu Plant, Nishinoura District; and Hofu Plant, Nakanoseki District (including R&D and other indirect areas)

\*2 CO<sub>2</sub> emissions at Mazda's four principal domestic sites are calculated using the CO<sub>2</sub> coefficient based on standards from the Japan Automobile Manufacturers Association Inc. (JAMA) (Commitment to a Low Carbon Society). Following the revisions to the coefficient implemented on August 10, 2016, the data for each year has been recalculated. Furthermore, the power coefficient for the March 2017 fiscal year is undetermined as of May 19, 2017; the March 2016 fiscal year power coefficient is used for the March 2017 fiscal year. The figures on the CO<sub>2</sub> emissions at Mazda's four principal domestic sites in the March 2017 fiscal year have been verified by a third party.

Net Sales

¥3,214.4 billion

Operating Income

¥125.7 billion

Operating Income Ratio

3.9%

Net Income Attributable to Owners of the Parent

¥93.8 billion

Return on Equity (ROE)

9.4%

Equity

¥1,039.4 billion

Equity Ratio

41.2%

Net Interest-Bearing Debt

¥(35.4) billion

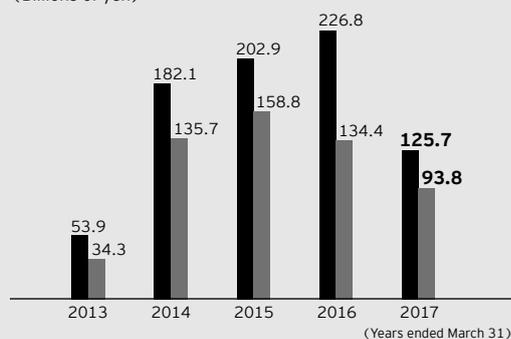
Full-Year Dividend

¥35 per share

Dividend Payout Ratio

22.3%

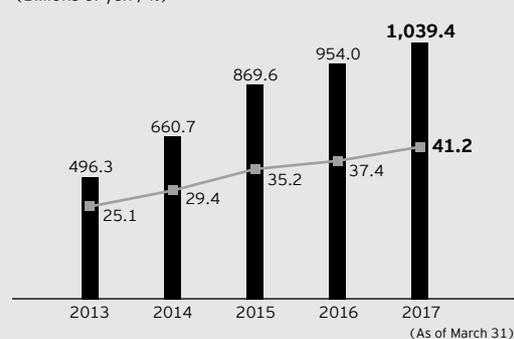
Operating Income /  
Net Income Attributable to Owners of the Parent  
(Billions of yen)



■ Operating Income  
■ Net Income Attributable to Owners of the Parent

Equity / Equity Ratio

(Billions of yen / %)



■ Equity  
—■ Equity Ratio

## Message from the President and CEO



**With the driving pleasure Mazda aims to offer, we will brighten lives of our customers. We continue to aim to resolve social issues, such as the conservation of the global environment and the realization of a safe and secure society, while enhancing our corporate value over the medium to long term.**

Masamichi Kogai  
Representative Director,  
President and CEO

### Our Vision for the Mazda Brand

In 2012, we launched the Mazda CX-5, our first new-generation model to feature the full range of SKYACTIV TECHNOLOGY and KODO—Soul of Motion design. Since then, we have pushed ahead with structural reforms and made steady improvements to our business while promoting a management style aimed at enhancing our enterprise value, with a strong focus on brand value.

Our aim is to make Mazda a brand with which customers feel a strong emotional bond. By providing outstanding products, technologies, designs, and services that exceed their expectations, we want people to feel the joy of driving and the excitement of life. We want owning a Mazda to enrich customers' lives. A great ownership experience will encourage them to choose Mazda again next time and to recommend the brand to others, slowly expanding our fan-base. That is the kind of brand I want Mazda to become.

### Past Initiatives

One of the main drivers of our brand's growth so far has been the "Sustainable Zoom-Zoom" long-term

vision for technology development, which we announced in 2007 with our survival as an automaker at stake. Our aim was to provide cars that offer driving pleasure and outstanding environmental and safety performance, placing utmost importance on the customer's point of view. To achieve this, we revised our global product lineup and introduced SKYACTIV TECHNOLOGY, which completely revamped base technologies such as engines, transmissions, bodies, and chassis. We also adopted a new design theme named KODO—Soul of Motion. At the same time, we promoted Monotsukuri Innovation, which allowed us to offer customers vehicles, technologies, and designs exceeding their expectations at reasonable prices.

The new-generation of products that resulted from these efforts became a driving force that allowed us to steadily achieve results in the first stage of our Structural Reform Plan. We increased global sales volume from 1,235,000 units in the March 2013 fiscal year to a targeted 1.6 million units in the March 2018 fiscal year, an increase of about 30 percent.

In addition, dramatically enhancing the competitiveness of our products enabled our "right-price" sales policy, helping to improve transaction prices. Promoting

“right-price” sales has also led to higher residual values and a significant increase in the owner retention ratio for new-generation products, steadily improving our brand value.

From the March 2017 fiscal year, we began implementing the major initiatives of the Structural Reform Stage 2 medium-term business plan in the areas of products, sales, production and finance.

In terms of products, following on from the new CX-5, we will continue to deliver cars with dramatically enhanced value, such as the new Mazda CX-8 in the Japanese market. In terms of sales, we are working to achieve sustainable volume growth of 50,000 units a year and reach our global sales target of 1.65 million units in the March 2019 fiscal year. Our efforts to refurbish dealerships and cultivate personnel continue, and we are currently focused on reforming our sales network in the United States, which we view as a core market. As for production, we are working to establish a manufacturing system that will enable us to raise the ratio of crossover models to around 50 percent and respond flexibly and promptly to the rising demand for SUVs globally. In terms of finance, we are steadily improving our equity ratio, net interest-bearing debt and other financial metrics. The business environment, however, is changing drastically, with exchange rate fluctuations, tightening environmental regulations in many countries and declining demand for passenger cars in the United States. Key initiatives are progressing as planned, but in order to deal with these changes, which are more severe than anticipated, we will work to enhance our brand value and achieve qualitative growth in all areas of the business.

### “Sustainable Zoom-Zoom 2030”

#### A Long-Term Vision for Technology Development

I have always thought that a company must become an essential part of people’s lives to earn their trust and form a bond. That bond is strengthened when customers empathize with the company’s greater cause and philosophy, as expressed through its products, technologies, and services.

We have recently announced “Sustainable Zoom-Zoom 2030,” the Company’s long-term vision for technology development which lays out how, in line with our corporate vision, we will use driving pleasure—the fundamental appeal of the automobile—to help resolve issues facing people, the earth, and society.

At Mazda, we see it as our mission to bring about a beautiful earth and to enrich people’s lives as well as society as a whole. We will continue to seek ways to inspire people through the value found in cars. All Mazda employees will maintain a keen awareness of the issues facing people, the earth, and society, and we will take a unique approach to their resolution.

To protect the earth, we will work to minimize greenhouse gas emissions under real-world conditions. We aim to make the best internal combustion engines in the world and will explore every possibility with this technology in pursuit of the ideal. At the same time, we will combine these base engines with electrification technologies for further efficiency gains. Additionally, we will introduce electric vehicles and other electric drive technologies in regions that implement government policies to reduce air pollution or generate power from clean energy sources.

Recently, our efforts to perfect the internal combustion engine established a clear path to the mass production of new kind of next-generation engine. It offers new value and combines the advantages of gasoline and diesel with a new combustion method, making possible the realization of a long-held dream of automotive engineers the world over. We view this engine as a crossover between a gasoline engine and a diesel engine and have named it SKYACTIV-X accordingly. We plan to start launching SKYACTIV-X and other next-generation technologies from 2019.

As for issues facing society as a whole, new factors have emerged that are playing an increasing role in traffic accidents, especially in developed nations, including the rise in the number of distracted drivers due to the spread of smartphones and similar devices. In addition, public transportation systems in depopulated areas have been weakening, and there are fewer transportation options for the elderly and others. In these ways, new issues are arising as the structure of society changes. Our aim is to realize an automotive society free of traffic accidents. To this end, we will continue to advance our safety fundamentals, including driving position, pedal layout, visibility, and our Active Driving Display, and work to make these technologies standard equipment on all our models. We will also continuously update and make standard our advanced safety features, and we aim to make the Mazda Co-Pilot Concept, a human-centric concept for autonomous driving, standard by 2025.

Turning to our efforts geared toward people, people today enjoy a more affluent lifestyle thanks to mechanization and automation. However, stress levels have also been rising due to a lack of exercise and opportunities for direct social contact. To address this situation, we aim to have even more people experience the driving pleasure of our cars and through driving, offer customers an emotionally enriching experience. To this end, we will leverage our major strength, the pursuit of *Jinba-ittai*—or “horse and rider as one”—enjoyment, to unlock people’s potential and revitalize them mentally and physically. We will also further enhance our vehicle designs, which we believe enrich the emotional lives of all who see them.

Through these efforts, we will fulfill our mission to bring about a beautiful earth and to enrich people’s lives as well as society at large and will continue working to inspire people using the value found in cars. Going forward, we will gradually introduce products and technologies that will allow us to realize the goals of “Sustainable Zoom-Zoom 2030.”

#### **Business and Capital Alliance with Toyota Motor Corporation**

On August 4, 2017, Mazda signed a memorandum of understanding with Toyota Motor Corporation (hereinafter, Toyota) regarding a business and capital alliance that aims to further strengthen the lasting relationship between the two companies.

The auto industry increasingly faces great challenges, including stricter environmental and safety regulations for new vehicles and the entrance of competitors from other industries, as well as the diversification of mobility-related businesses. With the future of the industry in mind, in addition to leveraging our individual strengths to further improve technologies and reinforce our business foundations, Toyota and Mazda aim to deepen collaboration and achieve sustainable growth through this partnership, rising to face and overcome these pressing challenges.

Over the medium to long term, we will build a favorable relationship that respects the autonomy and equality of each party and works toward success with the agreed joint projects. With the aim of creating new types of value for future mobility, we will accelerate and

enhance bilateral cooperation as long-term partners and contribute to the development of a sustainable society by exceeding customers’ expectations.

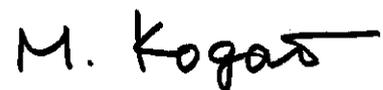
#### **Aiming to Realize “Mazda Premium”**

In order to make “Mazda Premium” a reality, we will offer customers around the world who love our vehicles outstanding products, technologies, designs, and service with our next-generation of vehicles as well so they will stay loyal to the Mazda brand for life. In addition, we will realize “Mazda Premium” through concerted efforts to manufacture the world’s finest automobiles and form a strong connection with our customers by brightening their lives with the driving pleasure Mazda aims to offer.

By introducing products with outstanding environmental and safety performance, we aim to resolve social issues, such as the conservation of the global environment and the realization of a safe and secure society, while enhancing our corporate value over the medium to long term. Also, we will work to disclose information to our shareholders and other investors in a timely and appropriate manner and engage in constructive dialogue with them. At the same time, we will continue to place the utmost priority on further enhancing our corporate governance structure with the aim of realizing sustainable growth. Going forward, we will draw on the comprehensive strengths of the Mazda Group in an effort to be a company that sincerely earns the trust of all our stakeholders.

I would like to ask our shareholders and other investors for their continued support as we pursue these endeavors.

September 2017



Masamichi Kogai  
Representative Director, President and CEO

## Interview with the Executive Vice President



**Anticipating changes in the business environment over the medium and long term, we will leverage our strengths and aim for sustainable growth with business alliances based on cooperation and competition.**

Akira Marumoto  
Representative Director and  
Executive Vice President

**Q1**

**Sales volume growth is expected to continue in the March 2018 fiscal year. To ensure that this happens, what kind of plans does Mazda have in terms of products?**

In the March 2018 fiscal year, we expect our sales volume to increase 2.6% year on year, to 1.6 million units.

In addition to the global rollout of our new CX-5, we will continue to enhance our lineup of SKYACTIV products with the introduction of the CX-8, a new three-row crossover SUV in Japan. For our engine lineup, we have launched a gasoline engine option for the Mazda CX-3 in the Japanese market, which has been certified under WLTC.\* We will also launch a clean diesel engine in North America in the second half of 2017. Furthermore, we will increase the number of models available with our 2.5-liter direct-injection turbo-charged gasoline engine, SKYACTIV-G 2.5T, thereby working to enhance our lineup of value-added engines and meet the diverse needs of our customers.

Also, we aim to steadily increase the sales volume by making i-ACTIVSENSE advanced safety technologies standard equipment on five key models sold in Japan and work continuously to improve the value of our existing products.

Turning to production, the demand for crossover vehicles is increasing globally. To respond to this demand, we further expanded the production capacity of crossover vehicles at our Hiroshima Plant. Furthermore, we will start production of the new CX-5 at the Hofu Plant in October 2017. Through efforts such as these, we will enhance our capacity to supply crossover vehicles.

\* WLTC is the abbreviation for the Worldwide Harmonized Light Vehicles Test Cycle (WLTC). The WLTC is calculated based on the Worldwide Harmonized Light Vehicles Test Procedure (WLTP), a globally standardized test for the gas emissions and fuel consumption of passenger and other vehicles.

**Q2**

**The sales environment in the United States is becoming more difficult. Could you comment on the status of sales and the sales initiatives being implemented in the region?**

In the United States, the sales momentum for crossover vehicles continues to build. On the other hand, declining demand in the passenger car segment and intensifying competition based on sales incentives mean that difficult conditions persist in the sales environment. Moreover, with the risk of declining prices for used vehicles, it is necessary for us to maintain an even closer watch over conditions in the U.S. market.

Demand continues to decrease in the segments the Mazda3 and Mazda6 belong to, being adversely impacted by intensifying competition. Meanwhile, sales of the new CX-5, which we introduced in March 2017, continue to grow on the back of robust demand for crossover vehicles. In addition, as part of our efforts to respond to the price of used vehicles, we are bolstering our efforts toward Mazda-certified used vehicles at our dealerships. In doing so, we are promoting the purchase of off-lease vehicles by our dealerships in an effort to control the outward flow of used vehicle sales to auctions.

Going forward, we will closely observe market trends while keeping sales risks to a minimum in the passenger car segment through the implementation of timely initiatives. At the same time, we will leverage the strengths of our products to accelerate the sales momentum of crossover vehicles, for which sales have been solid. Moreover, under Structural Reform Stage 2, we will pursue efforts to innovate our sales network and operations as we aim to resolve the medium- to long-term issues facing our U.S. business and establish a sound business foundation.

Q3

**Could you provide an explanation on the development of next-generation products that will realize “Sustainable Zoom-Zoom 2030”?**

To reduce greenhouse gas, which is a major contributor to global warming, we will reduce CO<sub>2</sub> emissions throughout the entire lifecycle of our vehicles. In other words, we will pursue CO<sub>2</sub> reductions from a “well-to-wheel” perspective that evaluates emissions from the stages of oil extraction to product manufacture and shipping as well. To accomplish this, we need an approach that enables us to offer appropriate powertrains in consideration of each region’s energy situation and energy mix.

Based on this approach, we will thoroughly pursue the development of an ideal internal combustion engine, as these engines are projected to power the majority of cars worldwide well into the future. We believe combining such an engine with highly efficient electrification technologies will make the most significant contribution to CO<sub>2</sub> reductions. The recently announced SKYACTIV-X next-generation gasoline engine is the embodiment of our quest to perfect the internal combustion.

With advancements in our SKYACTIV-G and SKYACTIV-D engines, which remain highly competitive, and the introduction of the new SKYACTIV-X, we will realize a broad lineup of engines that offer outstanding driving performance and superior fuel efficiency. Furthermore, by combining these three engines with electrification technologies, we will offer an optimal lineup of products that meet the needs of different regions and different customers.

In addition to pursuing the ideal internal combustion engine, we are promoting the evolution of our transmissions, vehicle bodies, and chassis. We plan on adopting next-generation technologies like SKYACTIV-X in products from 2019. Also in 2019, in addition to launching an electric vehicle, we intend to leverage our highly efficient combustion engines by commercializing a mild hybrid system that is lightweight, small and low cost. From 2021 and onward, we plan to add plug-in hybrids to our lineup.

These electrification technologies will be developed efficiently and with minimal investment thanks to computer modeling, a field in which Mazda excels. From stricter environmental regulations to increasing safety demands and diversifying customer needs, Mazda will find a variety of solutions to the myriad of issues facing the automobile industry based on its “Sustainable Zoom-Zoom 2030” vision.

Q4

**On August 4, 2017, Mazda announced the business and capital alliance with Toyota. Could you elaborate on the aim and the details of this alliance?**

On May 13, 2015, Toyota and Mazda signed an agreement aimed at establishing a lasting collaborative relationship that will leverage the resources of both companies and round out our respective product and technology lineups for synergistic benefits. Since then, we have held talks with Toyota in various fields guided by a spirit of collaboration for establishing a long-term, equal, and amicable partnership.

The automotive industry has entered a period of major change, reflected by factors such as tightening environmental and safety regulations, the entrance of competitors from other industries and the diversification of mobility-related businesses.

Under these circumstances, we have entered into a memorandum of understanding with Toyota regarding a business and capital alliance for the purpose of further

### Details of the Business and Capital Alliance

<b>1. Establish a joint venture that produces vehicles in the United States</b>	<ul style="list-style-type: none"> <li>▶ Establish a joint venture plant in the United States with equal funding contributions. The plant would have an estimated annual production capacity of approximately 300,000 units.</li> <li>• Joint-venture type (50:50 investment ratio)</li> <li>• Investment scale of around US\$1.6 billion</li> <li>• Produce a newly-introduced crossover model for Mazda and the Corolla for Toyota</li> <li>• Commence operations around 2021</li> <li>• Production capacity of 300,000 units</li> <li>• Hire approximately 4,000 employees</li> </ul>
<b>2. Jointly develop technologies for electric vehicles</b>	<ul style="list-style-type: none"> <li>▶ Amid rising demand and anticipation for electric vehicles (EVs) around the world, pursue technology development for the basic structure of competitive electric vehicles in order to flexibly and efficiently respond to the trends of the developing EV market, which are difficult to predict</li> </ul>
<b>3. Collaborate in areas of next-generation technologies, including connected-car and advanced safety technologies</b>	<ul style="list-style-type: none"> <li>▶ Jointly develop in-vehicle multimedia system technologies in order to be prepared for increased use of in-car information and heightened demand for connected technologies that link the inside of a car with the outside world</li> <li>▶ With the aim of realizing an accident-free and safe automotive society, collaborate in the development of Toyota's technology for communication between vehicles and between the road and vehicles</li> </ul>
<b>4. Further supplement each other's product lineup</b>	<ul style="list-style-type: none"> <li>▶ Continue supply of compact sedans to Toyota in North America</li> <li>▶ Receive supply of compact commercial "two-box" vans from Toyota in Japan</li> <li>▶ Further explore the possibilities of other complementary products on a global scale</li> </ul>

strengthening our continued collaborative relationship. Guided by the idea of making more-appealing cars, we have agreed to leverage this alliance to strengthen our collaborative relationship while respecting each other's independence. In doing so, we will work together to take on and overcome the challenges we both face in this period of change.

Through the agreement on a business and capital alliance, we are confirming and demonstrating the results of the sincere and meticulous discussions we have had with Toyota over the two-year period since the execution of the 2015 agreement, and we believe this alliance represents a milestone on the road to further strengthening and accelerating our continued and constructive partnership.

Specifically, we have agreed to 1) establish a joint venture that produces finished vehicles in the United States, 2) jointly develop technologies for electric vehicles, 3) collaborate in the next-generation areas, including connected-car and advanced safety technologies, and 4) further complement each other's products.

Aiming to develop and strengthen our long-term partnership and pursue collaboration in an equal, independent, and sustained manner, we will carry out the mutual acquisition of shares with Toyota based on this alliance agreement.

Toyota will acquire 31,928,500 shares of common stock newly issued by Mazda through a third-party allotment (shareholding ratio of 5.05% on an issued share basis after the capital increase; total value of ¥50 billion). In addition, Mazda will, through a disposition of

treasury stock via a third-party allotment to be implemented by Toyota, acquire Toyota shares that are equivalent in value to the Mazda shares that Toyota acquired (shareholding ratio of 0.25% on an issued share basis).

Together with Toyota, we intend to allocate proceeds from capital increases brought about by the third-party allotment and the disposition of treasury stock via the third-party allotment to partially fund capital expenditures related to the establishment of the joint venture to produce finished vehicles in the United States. Furthermore, based on this agreement, we will consider strengthening our capital alliance with Toyota further, in line with the progress and expansion of our business alliance.

Anticipating changes in the business environment over the medium and long term, we will leverage our strengths and aim for sustainable growth with business alliances based on cooperation and competition.

September 2017



Akira Marumoto  
Representative Director and  
Executive Vice President

## Structural Reform Stage 2 Products and R&D

Mazda is offering new products that drastically improve product value through such means as continuously evolving its SKYACTIV products and launching products equipped with next-generation technologies. In doing so, the Company aims to further enrich the lives of customers and offer a brand that creates special bonds with them.

### Further Enhancing and Evolving SKYACTIV Products

The release of the CX-5 in 2012 marked the first round of Mazda's new-generation products equipped with SKYACTIV technologies and KODO design. Since then, new-generation products have been the driving force behind the Company's structural reform. The Company is now promoting the further enhancement of SKYACTIV products centered on crossover models, for which global demand is rising.

#### Major Enhancements Planned for the March 2018 Fiscal Year

- Fully redesign the CX-5
  - Enhance driving pleasure in all areas by improving design and technologies
  - Introduce clean diesel engine model in North America in the second half of 2017
- Launch an additional gasoline engine model for the CX-3 in the Japanese market
- Make the advanced safety technology i-ACTIVSENSE standard equipment and continuously evolve this technology
- Increase installation of the 2.5-liter direct-injection turbocharged gasoline engine SKYACTIV-G 2.5T
- Release the all-new Mazda CX-8, a three-row crossover SUV, in Japan



CX-8

### Making the Advanced Safety Technology i-ACTIVSENSE Standard Equipment

Mazda's advanced safety technology i-ACTIVSENSE takes a human-centered approach to helping drivers recognize hazards in many of the driving situations they encounter on a daily basis. Without being limited to certain vehicle grades, Mazda is making this technology standard equipment on nearly all of its new-generation products. This represents an effort aimed at delivering safer, more secure vehicles to an even wider range of customers, from new drivers to the elderly. In the March 2018 fiscal year, i-ACTIVSENSE is being made standard equipment for Mazda's new-generation vehicles in Japan. From 2018 and on, this technology will be gradually made standard equipment on a global basis.

#### Advanced Safety Technology Slated to be Made Standard Equipment in the March 2018 Fiscal Year

Technologies that support crash prevention or reduce crash severity	Brake Support to prevent or mitigate collisions	When driving at slow-to-medium speeds in urban and other areas, this technology works to prevent crashes or reduce their severity by slowing down and stopping the vehicle through automatic braking when there is a risk of colliding with an object such as another vehicle in front of or behind the driver's vehicle.
	Acceleration Control for AT	In the case that an object is detected in front of or behind the vehicle and a driver presses the accelerator pedal more than necessary when driving slowly or stopped, this technology alerts the driver with an alarm signal and warning light that appear on the meter display. At the same time, the technology controls sudden acceleration by curbing the engine output.
Recognition support technologies	Blind Spot Monitoring (BSM)	This technology detects vehicles approaching from behind and in the adjacent lanes and alerts drivers with an icon that lights up. If a driver uses the turn signal under this condition, the technology alerts the driver through a flashing icon and a warning sound, thereby encouraging the driver to refrain from switching lanes.
	Rear Cross-Traffic Alert (RCTA)	This technology watches for vehicles coming from both sides when a driver is backing out of a parking space and alerts the driver when vehicles come near. In doing so, the technology helps drivers back out of parking spaces safely.

## Responding to Electrification and Safety and Autonomous Driving Technologies

\* 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 that sell vehicles in the state, a certain percentage of those vehicles must be ZEV vehicles.

Based on its long-term vision for technology development, Mazda is evolving the base technology of internal-combustion engines. At the same time, Mazda is promoting the development of electrification and safety technologies to respond to stricter environmental regulations in countries around the world and to realize a motorized society free of traffic accidents.

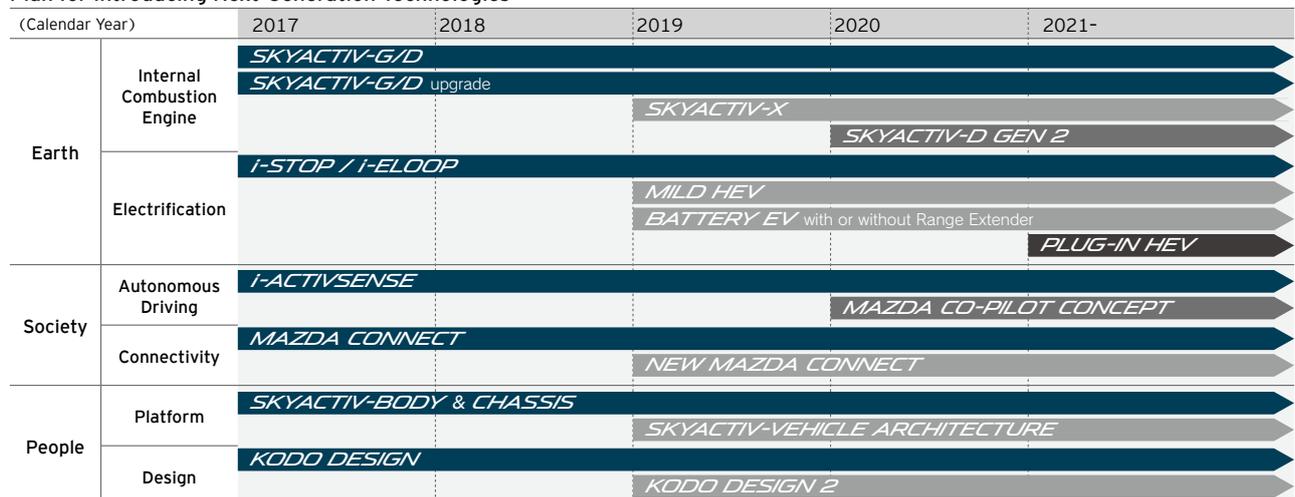
By making continuous improvements, Mazda is maintaining the sharp competitive edge of the SKYACTIV-G and SKYACTIV-D engines, which have enjoyed a favorable reputation around the world. At the same time, starting from 2019, the Company plans to further commercialize its next-generation technologies, which include the next-generation gasoline engine SKYACTIV-X (see page 28 for more details on SKYACTIV-X).

Mazda intends to leverage its highly efficient combustion engines by commercializing a mild hybrid system that is lightweight, small and low cost, in addition to launching an electric vehicle which is necessary for meeting structural requirements such as ZEV\* standards in the U.S. state of California. Following the introduction of these vehicles, the Company plans to add plug-in hybrids to its lineup.

For its safety technologies, Mazda is moving forward with the development and installation of a broad range of advanced safety technologies based on the idea that the act of driving, in which people play the lead role, should provide a feeling of *Jinba-ittai* and driving pleasure. Mazda is working to continuously improve the performance of its advanced safety technologies and to make these technologies standard equipment for its vehicles. In addition, the Company is promoting development geared toward the introduction and the standardization of the Mazda Co-Pilot Concept. The Mazda Co-Pilot Concept focuses on leveraging autonomous driving technologies such as those that involve having the driver operate a vehicle under normal circumstances but allow the vehicle to override the driver during times of emergency to avoid hazards and drive safely to an appropriate location using automated driving.

Also, Mazda is continuously making advancements with Mazda Connect, a new-generation car connectivity system that offers a pleasant driving experience and a safe driving environment by connecting various devices. In doing so, Mazda will deliver high-quality, high-performance connectivity to drivers going forward.

### Plan for Introducing Next-Generation Technologies



Thanks to the outstanding strengths of SKYACTIV products, Mazda has received high evaluations and various awards in the fields of environmental and safety performance and design.

**Examples of High Evaluations Received in the March 2017 Fiscal Year**

**Environmental Performance**

**Mazda Leads Manufacturer Adjusted Fuel Economy in US Environmental Protection Agency (EPA) Report for Fourth Straight Year**

In the Light Duty Fuel Economy Trends Report\*<sup>1</sup> released by the U.S. Environmental Protection Agency, Mazda's manufacturer adjusted fuel economy\*<sup>2</sup> for the 2015 model year ranked number one overall. This marked the fourth straight year that the Company received this ranking.

\*<sup>1</sup> Fuel Economy Trends Report: An annual report published by the EPA which summarizes the fuel economy trends of new passenger vehicles and light trucks since 1975. <http://www3.epa.gov/otaq/fetrends-complete.htm>

\*<sup>2</sup> Manufacturer Adjusted Fuel Economy: The average fuel economy of all vehicles sold by a manufacturer over a one year period. In the 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.

**Safety Performance**

**Axela Acquires the Top ASV++ Rating within the Fiscal 2016 JNCAP Preventative Safety Performance Assessment**

The Axela, which is equipped with the advanced safety technology i-ACTIVSENSE, received the top ASV\*<sup>1</sup>++ rating under the Fiscal 2016 Japan New Car Assessment Program Preventative Safety Performance Assessment. Specifically, the Axela is equipped with Advanced Smart City Brake Support (ADVANCED SCBS)\*<sup>2</sup> and achieved the highest rating within the "automatic braking to avoid pedestrians" category, an item of the Preventative Safety Performance Assessment newly established in fiscal 2016.

\*<sup>1</sup> ASV: Advanced Safety Vehicle

\*<sup>2</sup> Advanced Smart City Brake Support uses a camera to detect pedestrians and vehicles in front of the driver's vehicle and works to avoid collisions or reduce their severity through automatic braking.



Performance test pertaining to automatic braking to avoid pedestrians (Picture provided by NASVA)

**Every Mazda Vehicle Tested for 2017 Earns IIHS Top Safety Pick+ Rating in the U.S.**

In 2017, the CX-5, CX-9, CX-3, Mazda3, and Mazda6, were evaluated by the U.S. Insurance Institute for Highway Safety (IIHS), with all five of these vehicles receiving the highest safety rating, Top Safety Pick+. The results confirm exceptional safety performance of SKYACTIV-Body and i-ACTIVSENSE advanced safety features.



CX-5

**Design**

**Mazda MX-5 RF Wins Germany 2017 Red Dot Best of the Best Award**

The MX-5 RF won the "Best of the Best" award at the 2017 Red Dot Product Design Awards, which is one of the world's highest honors available in terms of design awards. The "Best of the Best" award is also the highest award within the product design category of Red Dot awards and is bestowed to particularly outstanding industrial products.



MX-5 RF

## Global Sales and Network Enhancement

To realize sustainable sales volume growth and further improve its brand value, Mazda is promoting various sales policies and enhancing its dealer network.

### Sustainable Sales Volume Growth

By introducing new and updated products, Mazda is working to realize sustainable sales volume growth. In particular, the Company is enhancing its lineup of crossover vehicles, for which demand is rising globally, and boosting its supply capacity. In doing so, the Company is making efforts to achieve stable sales volume growth at the level of 50,000 units per year. In the March 2019 fiscal year, the Company aims to sell a total of 1,650,000 units on a global scale.

### Sales Policies / Dealer Network Enhancement for Improving Brand Value



To improve our brand value, the first issue we must address is strengthening and reorganizing our dealer network, which acts as a direct point of contact with our customers. To this end, we will promote various improvement activities, such as enhancing or eliminating certain dealer networks and improving operational efficiency, in accordance with the conditions and issues in each market.

Mazda continues to move forward with its right-price sales policy by promoting the value of its highly competitive SKYACTIV products. Through right-price sales, the Company is working to control sales incentives, improve transaction prices and profitability, and enhance vehicle residual value.

Furthermore, in addition to efforts to acquire new customers, the Company is also promoting initiatives to have an even greater number of existing customers continue to choose Mazda vehicles. To this end, not only is the Company improving terms for replacement through the enhancement of vehicle residual value, it is also continuing to step up initiatives in trade cycle management, which aims to improve retention rates (the rate of customers who replace their Mazda vehicle with another Mazda vehicle), by offering an elite brand experience to customers throughout the period of vehicle ownership via even better aftersales services, events, and other means. The Company has been improving retention rates particularly among SKYACTIV product users, reflected by the fact that nearly 50% of customers who purchased the all-new CX-5 did so as a replacement for another Mazda model in Japan.

Moreover, to further improve brand value, Mazda is promoting a variety of initiatives, including expanding the number of new-generation stores.

### Network Enhancement Initiatives in the United States

Mazda is continuing to enhance its dealer network to achieve qualitative business growth in the United States, one of the Company's core markets.

Thus far, Mazda has made improvements in retention rates and net revenue per unit through the promotion of right-price sales. There has also been an increase in the number of customers who credited Mazda vehicles' superior styling and driving performance, which realizes driving pleasure, as the reason for making their purchase. Factors such as these reflect the success the Company has had in enhancing business quality and improving brand value.

While a difficult sales environment is anticipated going forward, Mazda will pursue measures that focus on sales network and operational reforms. In doing so, the Company will resolve the medium- to long-term issues facing its business in the United States and accelerate the pace for establishing a sound business structure.



New-generation stores in the United States

#### Dealer network reforms

- Promote optimal dealer placement based on store performance
- Increase number of new-generation stores and acquire outstanding personnel

#### Operational reforms

- Change to dealer incentive scheme that focuses on the Mazda brand and customer experience
- Launch an educational program regarding customer care

## Global Production and Cost Improvement

By extending the Monotsukuri Innovation that it has cultivated in Japan to its overseas locations, Mazda will maximize production efficiency and further accelerate cost improvements.

### Maximization of Production Efficiency



The first CX-3 produced at the Hofu Plant

### Increasing Production Flexibility of Crossover Vehicles

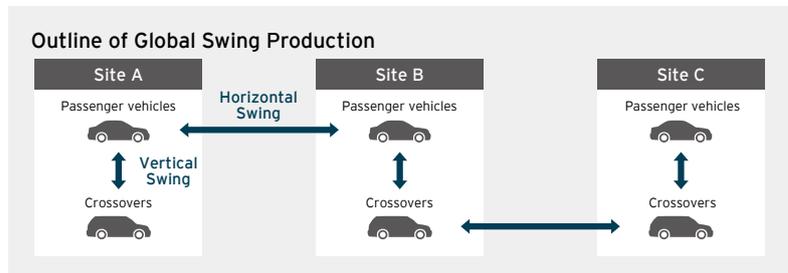
To meet the rising global demand for crossover vehicles, Mazda is expanding production flexibility at its plants in Japan and overseas.

The Company commenced the production of the CX-3 at its plant in Thailand in October 2015, as well as at its Hofu Plant in December 2016. The production of the all-new CX-5 is slated to commence at the Hofu plant in October 2017. Additionally, in August 2017, Mazda further increased the production capacity for crossover vehicles at its Hiroshima Plant.

By raising crossover vehicle production ratio, Mazda will meet demand in this growth segment and support stable sales volume growth in an effort toward reaching its target of selling 1,650,000 units in the March 2019 fiscal year.

### Allowing Plants to Supplement Each Other through Global Swing Production

Mazda is fully leveraging the effects of integrated planning under Monotsukuri Innovation to establish a flexible production structure at its production sites in Japan and overseas. This flexible production structure is able to change the production volume of passenger vehicles to crossover vehicles at a production site or the production volume of the same model between production sites in accordance with demand and other conditions.



### Accelerating Cost Improvements

Through design based on common architecture under Monotsukuri Innovation, Mazda is able to promptly apply the latest technologies and designs to all its products. Design based on common architecture also allows Mazda to pursue scale merits for its entire lineup, thereby enabling the Company to develop and produce products with high base performance at low costs.

In addition, Mazda is continuously evolving its model-based development using computer modeling that realizes high levels of performance, quality, and development efficiency.

Through the integration of hardware functions, Mazda will promote ongoing activities to reduce the number of vehicle parts. At the same time, the Company will leverage integrated control systems to manage the rising number of in-vehicle computers brought about by the use of advanced safety technologies and electrification technologies. In these ways, Mazda will promote technology development that realizes further cost improvements.

## Strengthen Financial Base and Returns to Shareholders

Mazda will enhance its ability to generate profits and cash flows by realizing steady growth in sales volume and improving its brand value.

### Strengthening Financial Base

By promoting the major initiatives of the Structural Reform Stage 2 medium-term business plan and working to steadily increase sales volume and improve brand value through qualitative business growth, Mazda will enhance its ability to generate profits and cash flows. Along with boosting profitability, the Company will work to improve its balance sheet through such means as improving its equity ratio and reducing net debt in an effort to bolster its financial foundation.

Moreover, to realize sustainable growth, Mazda will accelerate growth investments, such as R&D and capital investments, in order to develop and produce next-generation technologies and products.

(Fiscal years ended March 31 / As of March 31)	2014	2015	2016	2017
<b>Free cash flow</b> (Billions of yen)	16.3	108.9	154.7	97.3
<b>Net debt</b> (Billions of yen)	263.0	171.9	48.4	(35.4)
<b>Equity ratio</b> (%)	29	35	37	41

### Returns to Shareholders

Mazda endeavors to pay a stable dividend with steady increases, based on a comprehensive assessment of financial results for the fiscal year, the business environment, and its financial position. While working to bolster its financial foundation, the Company works to steadily increase its dividend levels with the aim of realizing sustainable business growth and medium- to long-term improvements in corporate value.

(Fiscal years ended March 31)	2014	2015	2016	2017	2018 (Plan)
<b>Dividend amount</b> (yen)	1	10	30	35	35
<b>Dividend payout ratio</b> (%)	2	4	13	22	21

### Targets for the March 2019 Fiscal Year

Mazda is steadily promoting the major initiatives of the Structural Reform Stage 2 medium-term business plan and is engaging in ongoing initiatives to realize its management targets for the March 2019 fiscal year, which is the final year under the plan.

#### Targets for March 2019 fiscal year

(Foreign exchange rate assumptions: ¥108 / USD, ¥118 / euro)

Global sales volume <b>1.65</b> million units	Operating income ratio <b>5%</b> or more
Equity ratio <b>45%</b> or more	Dividend payout ratio <b>20%</b> or more

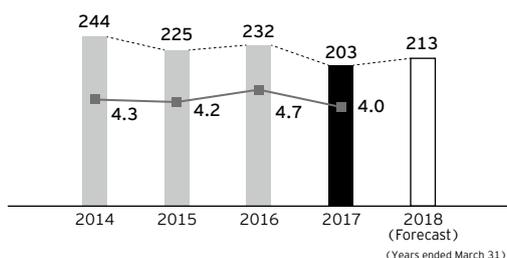
## Review by Market Japan



New CX-5

### Sales Volume

■ Sales Volume (Thousands of units)  
■ Market Share (%)



### Overview of March 2017 Fiscal Year Results

- Amid the continued decline in demand for light vehicles due to tax hikes in the previous fiscal year, demand for registered vehicles was solid. As a result, total demand in the Japanese market rose 3% year on year, to 5.08 million units.
- Mazda's sales volume was down 13% from the previous year, to 203,000 units, owing to intensifying competition in the diesel engine market as well as the decrease in effects of new models introduced in the previous year, such as the Mazda CX-3.
- Robust sales were recorded for the all-new Mazda Roadster RF, which was introduced in December 2016, and the all-new Mazda CX-5, which was introduced in February 2017.

### March 2018 Fiscal Year Forecast

- Mazda's sales volume is expected to increase 5% year on year, to 213,000 units.
- Mazda aims to grow its sales volume in Japan through enhancements to its product lineup, including the continued promotion of the strong-selling redesigned CX-5, the introduction of the all-new Mazda CX-8—the Company's first three-row crossover SUV—and the addition of a new gasoline engine model to the CX-3.
- During the March 2018 fiscal year, Mazda will make the advanced safety technology i-ACTIVSENSE standard equipment for nearly all of the new-generation products it sells in Japan. Through efforts such as these, Mazda will continue to improve the value of its products.

#### TOPIC

### Adding a Gasoline Engine Model for the CX-3

The CX-3 has been newly equipped with the new-generation gasoline engine SKYACTIV-G 2.0, thereby offering customers an alternative engine to the clean diesel engine SKYACTIV-D 1.5. For the CX-3 powered by gasoline engine, Mazda has already received the WLTC model certification, a certification for fuel efficiency that will be required starting in October 2018. Going forward, the Company will continue efforts to improve fuel performance based on conditions of actual fuel consumption. In addition, by making the advanced safety technology i-ACTIVSENSE standard equipment, Mazda will ensure that all of its CX-3 models qualify for the "Safety Support Car S-Wide" ranking among "Safety Support Cars", which represent a type of vehicle being promoted by the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure, Transport and Tourism to enhance driving safety.



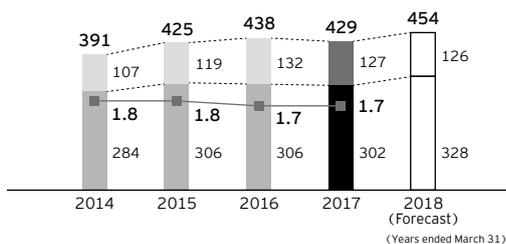
## North America



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 (%)



### Overview of March 2017 Fiscal Year Results

- Total demand in the United States declined 1% compared with the previous year, to 17.5 million units. In Canada, total demand rose 2%, to 1.97 million units, and total demand in Mexico increased 17%, to 1.64 million units. Mazda's overall sales volume in North America fell 2% from the previous year, to 429,000 units.
- In the United States, sales of crossover vehicles such as the new Mazda CX-9 were solid. On the other hand, sales of sedans declined, resulting in a 1% decrease in sales volumes, to 302,000 units.
- In Canada, despite increased sales of the CX-5, sales volumes were on a par with those of the previous fiscal year, at 71,000 units, as sales of the Mazda3 declined due to intensifying competition.
- In Mexico, sales volumes fell 9%, to 53,000 units, reflecting such factors as the Company raising prices to respond to worsening exchange rates.

### March 2018 Fiscal Year Forecast

- Mazda's sales volumes are expected to increase 6% year on year, to 454,000 units.
- In the United States, sales volume is projected to rise 9%, to 328,000 units. Amid a fiercely competitive environment, Mazda will continue right-price sales of the Mazda6 and Mazda3, for which demand is shrinking while aiming to keep sales of these vehicles at around the same level as that of the previous fiscal year through product-related measures and other efforts to ensure competitiveness. Meanwhile, Mazda will work to expand sales of the new CX-5 and the new CX-9, for which demand is healthy.
- In Canada, sales volume is expected to increase 2%, to 73,000 units, thanks to the introduction of the new CX-5. In Mexico, where the sales environment remains tough due to worsening exchange rates, Mazda is anticipating a 5% decrease in sales volume, to 51,000 units.

TOPIC

### The Global MX-5 Cup in the United States

The MX-5 Cup is a popular racing series started in the United States in 2006. From 2016, the all-new fourth generation MX-5 (ND) replaced the previous models used in the race. During that year, a total of 10 races were held, with 40 vehicles participated since the opening race.

In an effort to globalize this racing series using identical models worldwide and under consistent and fair rules and conditions, Mazda has commenced the Global MX-5 Cup, a ground-breaking racing program that aims to determine the world's best MX-5 drivers. In 2017, the Global MX-5 Cup Japan was started in Japan.



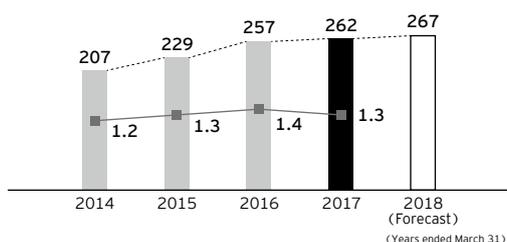
## Europe



CX-3

### Sales Volume

■ Sales Volume (Thousands of units)  
 ■ Market Share (%)



### Overview of March 2017 Fiscal Year Results

- Total demand in Europe rose 6% from the previous year, to 19.78 million units. With robust sales primarily in the major European market of Germany, Mazda’s sales volume grew 2%, to 262,000 units. Excluding Russia, where demand was sluggish, sales volume rose 3%, to 240,000 units.
- By vehicle, in addition to robust sales of crossover vehicles such as the CX-3 and CX-5, sales of the Mazda MX-5, including the retractable hardtop model Mazda MX-5 RF, were solid. These factors contributed to the increase in sales volume.

### March 2018 Fiscal Year Forecast

- In both Germany, where sales have been healthy, and Russia, where sales have been on a recovery trend, sales are expected to surpass those of the previous fiscal year. Accordingly, Mazda’s overall sales volume is projected to grow 2%, to 267,000 units.
- By vehicle, in addition to the all-new CX-5, which is gradually being launched in the European market, Mazda aims to achieve sales volume increases through the continued healthy sales of the CX-3 and MX-5 RF.
- Guided by the idea of improving customer experience, Mazda is currently promoting activities that aim for further improvements in its brand and businesses. As part of these activities, the Company has formulated its “Blueprint (Standards of Conduct Based on Brand Value)” and is working to instill the Blueprint at its dealerships. Furthermore, the Company is carrying out activities to renovate its dealerships across Europe to reflect the Mazda brand more effectively.

TOPIC

### Working to Enhance Brand Value

Mazda Motor Europe introduced its new brand campaign in 2017. With its consumer-facing message “Drive Together,” the campaign emphasizes Mazda’s *Jinba-ittai* philosophy and human-centric approach while celebrating the love of driving. After a successful launch of the MX-5 RF at the beginning of the year, the second phase of the campaign involves supporting the launch of Mazda’s all-new CX-5 across Europe. The model was Mazda’s top-selling model in Europe in 2016, accounting for almost a quarter of the annual sales.

Earlier in 2017, Mazda Motor Europe launched a renewed Code of Conduct. The new Code “Going Further with Integrity” reflects Mazda’s commitment to do business the right way and to act with integrity. The Code applies to everyone who is working on behalf of Mazda in Europe. The Code and corresponding training sessions are being rolled out during the course of 2017.



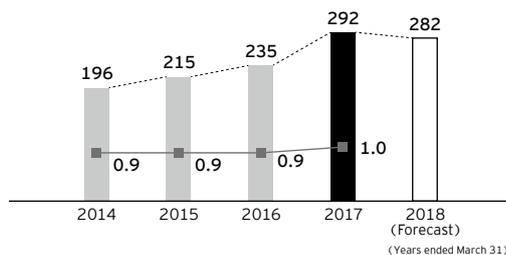
## China



Mazda3 Axela

### Sales Volume

■ Sales Volume (Thousands of units)  
 ■ Market Share (%)



### Overview of March 2017 Fiscal Year Results

- Total demand rose 14% year on year, to 28.50 million units, due to the boost from tax reductions on small-engine vehicles with engine displacements of 1.6 liters or smaller. Mazda's sales volume increased 24%, to 292,000 units.
- In addition to the Mazda3 Axela, which benefited from tax reductions, and the all-new Mazda CX-4, which was launched in June 2016, the updated CX-5 and Mazda6 Atenza helped contribute to the increase in sales volume.

### March 2018 Fiscal Year Forecast

- The rate of tax reductions on small-engine vehicles with engine displacements of 1.6 liters or smaller has been halved as of January 2017 and will be discontinued in January 2018. As such, growth in total demand is expected to slow down.
- In addition to continued sales of Mazda3 Axela, the full-year contributions of the CX-4 and the updated Mazda6 Atenza have led to steady increases in sales volume. However, factors such as the discontinuation of tax reductions in January 2018 are expected to have an adverse impact on sales volume. As such, Mazda's sales volume is projected to fall 3%, to 282,000 units.
- To improve brand value in China, Mazda has been implementing initiatives to strengthen its primary brand. These initiatives work to raise the level of recognition for SKYACTIV TECHNOLOGY and enhance Mazda's brand image. In addition, the Company has been renovating its sales frontline with the aim of improving customer satisfaction levels through enhanced communication with customers.

#### TOPIC

### Receiving the 2017 China Car Design of the Year for the CX-4

For the first time ever, Mazda's CX-4 was named China Car Design of the Year in the 2017 China Car of the Year Awards organized by the Chinese Automotive Media Chief Editors' Club (C-Club) and PRIME Research & Consulting (Shanghai) Ltd.



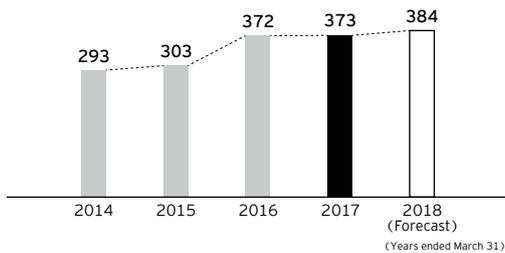
## Other Markets



Mazda2

### Sales Volume

■ Sales Volume (Thousands of units)



### Overview of March 2017 Fiscal Year Results

- Mazda's sales volume in other markets, which include the markets of Australia and ASEAN, edged up 1% year on year, to 373,000 units.
- Sales volume in Australia rose 2%, to a record-high 118,000 units, driven by the CX-3 and CX-5 obtaining the lead in sales volume in their respective segments.
- Sales volume in the ASEAN market increased 4%, to 105,000 units, on the back of solid sales in the major markets of Thailand, Vietnam, and Singapore.

### March 2018 Fiscal Year Forecast

- Mazda's overall sales volume in other markets is expected to rise 3%, to 384,000 units.
- In Australia, the Company projects a 2% increase in sales volume, to 121,000 units, as it aims to expand sales primarily of the fully redesigned CX-5 and the strong-selling new CX-9 amid a shift in demand to crossover vehicles.
- In the ASEAN market, sales volume is expected to be up 13%, to 119,000 units. In this market, Mazda has been making progress with instilling and establishing brand value management. Particularly in Thailand, the Company has been reorganizing its sales network and remodeling existing stores to turn them into new-generation stores. In these ways, the Company aims to increase sales volume by bolstering initiatives to improve customer satisfaction levels.

TOPIC

### Receiving Thailand Car of the Year 2016 for the CX-3

Mazda's CX-3 was named Thailand Car of the Year 2016 by the Thai Automotive Journalists Association. Production of the award-winning CX-3 began at AutoAlliance (Thailand) Co., Ltd., Mazda's production facility in Thailand, in October 2015, and 4,787 units of the model were sold in the country in 2016.



## Major Product Lineup

### *MAZDA CX-3*

Global Sales Volume  
**142,000**

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



### *MAZDA2*

(Japanese name: Demio)

Global Sales Volume  
**156,000**

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



### *MAZDA CX-4*

Global Sales Volume  
**51,000**

Sales markets  
**C**  
Production bases  
**C**



### *MAZDA3*

(Japanese name: Axela)

Global Sales Volume  
**470,000**

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



### *MAZDA CX-5*

Global Sales Volume  
**375,000**

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



### *MAZDA6*

(Japanese name: Atenza)

Global Sales Volume  
**178,000**

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



### *MAZDA CX-8*

Commenced order reservations in Japan  
on September 14, 2017



### *MAZDA MX-5*

(Japanese name: Roadster)

Global Sales Volume  
**37,000**

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



### *MAZDA CX-9*

Global Sales Volume  
**42,000**

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



### *MAZDA BT-50*

Global Sales Volume  
**38,000**

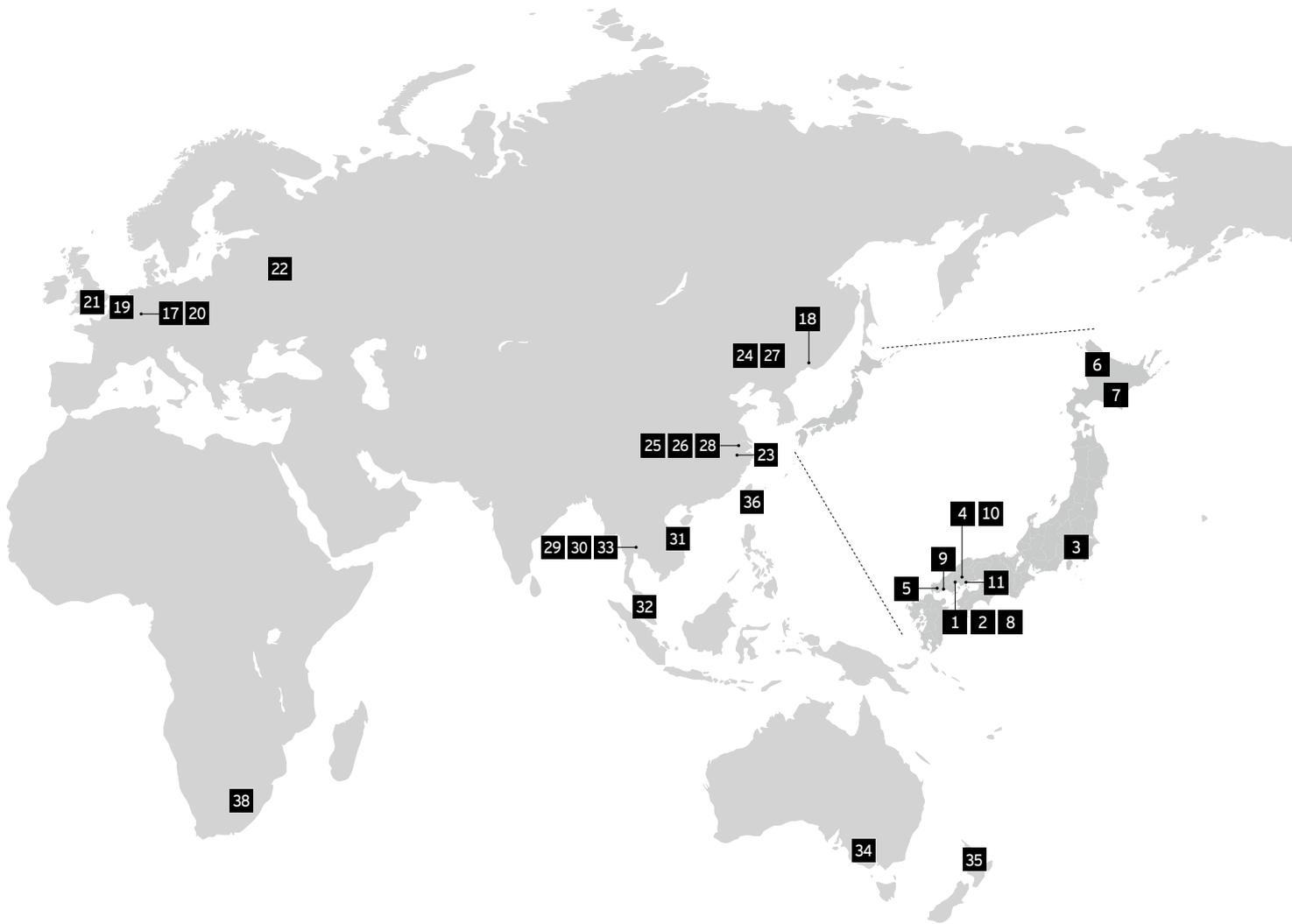
Sales markets  
**O**  
Production bases  
**O**



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

Notes: 1. Global sales volume is for the March 2017 fiscal year; sales markets and production bases are as of March 31, 2017.  
2. Vehicle specifications differ by market.

## Global Network



### Major Facilities (As of March 31, 2017)

Japan		(Number of dealerships: 992)
Headquarters	1	Headquarters
	2	Headquarters R&D Divisions
R&D	3	Mazda R&D Center (Yokohama)
	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*

North America		(Number of dealerships: 826)
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: 1,729)
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



**8 Hiroshima Plant**

Location:  
Aki-gun, Hiroshima, Japan  
Production capacity:  
569,000 units per year  
Models in production:  
CX-3, CX-5, CX-9, MX-5, Mazda5, Biente, Bongo,  
Sports car for Fiat Chrysler Automobiles



**9 Hofu Plant**

Location:  
Hofu, Yamaguchi, Japan  
Production capacity:  
416,000 units per year  
Models in production:  
CX-3, Mazda2, Mazda3, Mazda6



**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



**25 Changan Mazda Automobile**

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



**29 AutoAlliance (Thailand)**

Location:  
Rayong, Thailand  
Production capacity:  
135,000 units per year  
Models in production:  
CX-3, Mazda2, Mazda3, BT-50



**China**

(Number of dealerships: 460)

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

**Asia, Oceania**

(Number of dealerships: 557)

Production facilities	<b>29</b> AutoAlliance (Thailand) <b>30</b> Mazda Powertrain Manufacturing (Thailand) <b>31</b> Vina Mazda Automobile Manufacturing* <b>32</b> Mazda Malaysia
Distributors	<b>33</b> Mazda Sales (Thailand) <b>34</b> Mazda Australia <b>35</b> Mazda Motors of New Zealand <b>36</b> Mazda Motor Taiwan

**Central and South America, Middle East, Africa**

(Number of dealerships: 619)

Distributors	<b>37</b> Mazda De Colombia <b>38</b> Mazda Southern Africa
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\* Consignment production facilities



# MAZDA'S ART OF CAR MAKING

- 25 Long-Term Vision for Technology Development
- 29 Monotsukuri Innovation
- 30 Global Evaluation

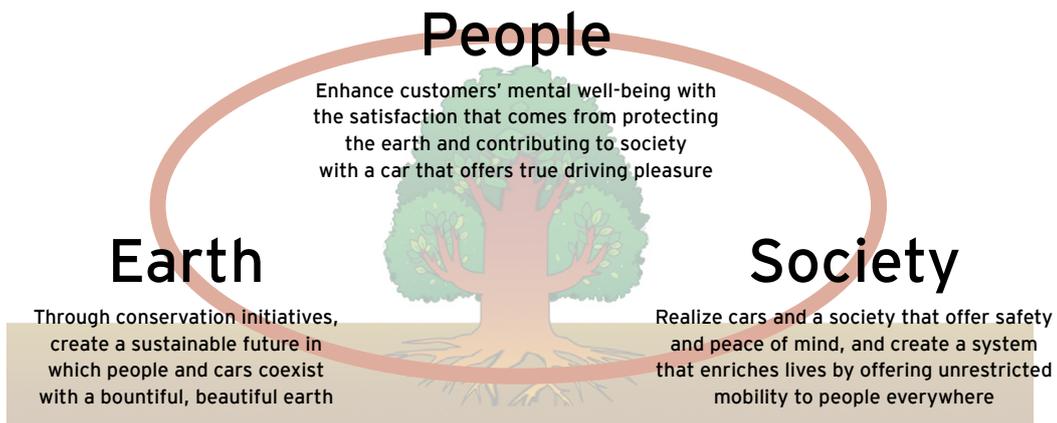
## Long-Term Vision for Technology Development

In August 2017, Mazda announced “Sustainable Zoom-Zoom 2030,” its new long-term vision for technology development that looks ahead to the year 2030.

Under the original “Sustainable Zoom-Zoom” vision announced in 2007, the Company has striven to offer both driving pleasure and outstanding environmental and safety performance. In light of the rapid changes taking place in the global automotive industry, the new vision adopts an even longer-term perspective and establishes how Mazda will use driving pleasure, the fundamental appeal of the automobile, to help resolve issues facing people, the earth, and society.

## Sustainable Zoom-Zoom 2030

At Mazda, we see it as our mission to bring about a beautiful earth and to enrich people’s lives as well as society. We will continue to seek ways to inspire people through the value found in cars



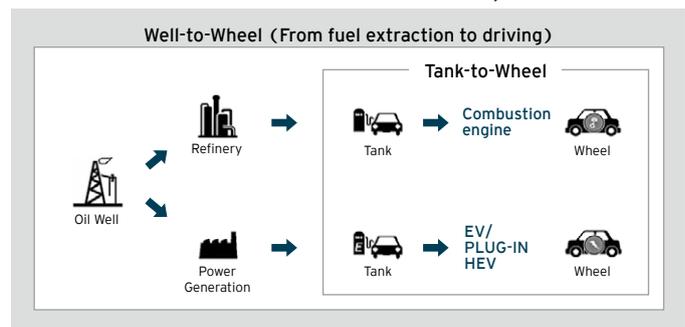
### Earth

Through conservation initiatives, create a sustainable future in which people and cars coexist with a bountiful, beautiful earth

Mazda believes that to reduce greenhouse gases, which are a primary cause of global warming, it must substantially reduce its CO<sub>2</sub> emissions. In addition to this, the Company needs to keep a focus on the issue of intensifying pollution in major cities around the world.

To address these issues and truly reduce greenhouse gases, we are promoting the reduction of CO<sub>2</sub> emissions from not only a “Tank-to-Wheel” perspective, which evaluates CO<sub>2</sub> emissions while driving, but also from a “Well-to-Wheel” perspective, which evaluates CO<sub>2</sub> emissions from the stages of oil extraction to product manufacture and shipping as well.

CO<sub>2</sub> Emission Reduction from Well-to-Wheel Perspective



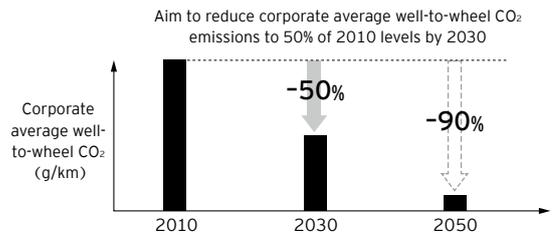
For specific targets, we aim to realize a 50% reduction in our corporate average CO<sub>2</sub> emission amount from a “Well-to-Wheel” perspective by 2030 compared with 2010, with our overall sights set on a 90% reduction by 2050. Keeping that target in mind, we will improve fuel economy under real-world conditions and maximize the effects of cleaner emissions.

**Means to achieve our targets**

**Policy: Maximize greenhouse gas reductions under real-world conditions**

1. Aspire to make the best internal-combustion engine in the world
2. Combine the ideal internal-combustion engine with effective electrification technologies
3. Starting in 2019, introduce electric vehicles and other electric-powered technologies in regions that use clean energy to curb global warming and in regions that implement government policies to reduce air pollution

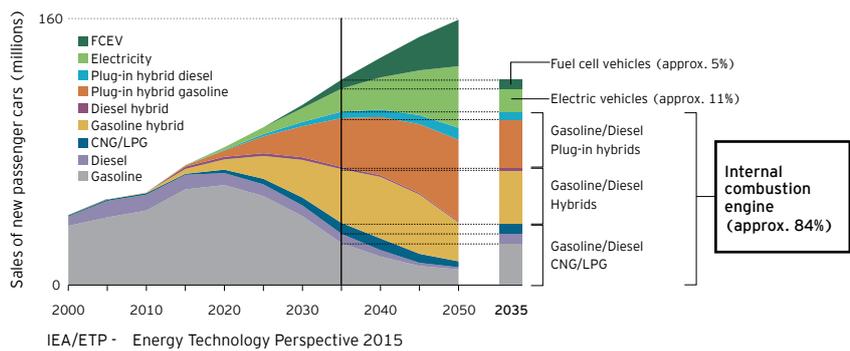
**Targets**



**Importance of Reducing CO<sub>2</sub> Emission from Internal-Combustion Engines**

Internal-combustion engines are expected to continue to be used on a global basis in the vast majority of vehicles in the future, and we believe that these engines can make the most significant contributions to reducing CO<sub>2</sub> emissions.

We at Mazda believe it is our duty to leverage internal-combustion engines to promote the reduction of CO<sub>2</sub> emission amounts to the greatest extent possible.



**Society**

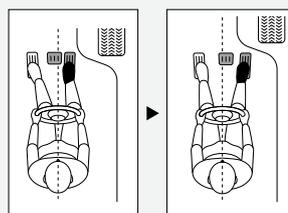
**Realize cars and a society that offer safety and peace of mind, and create a system that enriches lives by offering unrestricted mobility to people everywhere**

With the goal of realizing a motorized society without traffic accidents, we are striving to develop more advanced safety technologies under the Mazda Proactive Safety philosophy.

**Means to achieve our targets**

1. Continuously evolve fundamental safety technologies and standardize them across all models

- Driving position
- Pedal layout
- Visibility
- Active Driving Display



A natural pedal layout



Pillar and side mirror shape that minimize blind spots

**2. Promote standardization of i-ACTIVSENSE advanced safety technology, which helps drivers recognize and assess potential hazards**

- Technologies to reduce accidents involving rear-end collisions, pedestrians, pedal mix-ups, and lane changes

- The Mazda Co-Pilot Concept centers on people and leverages automated driving technologies

March 2018 fiscal year: Standardize in Japan  
2018 and onward: Standardize globally

2020: Commence testing  
By 2025: Aim for standardization

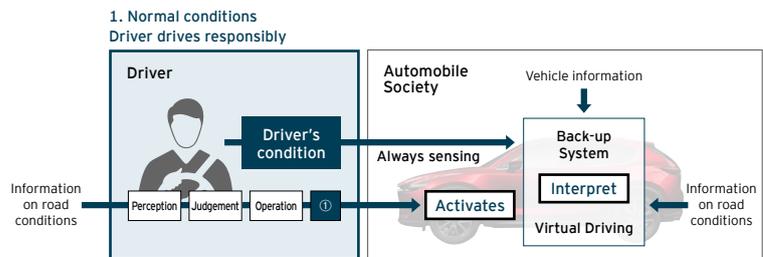
**3. Utilize connectivity technologies**

Using an advanced version of Mazda Connect, we will create a new business model that enables car owners to support the mobility needs of people in depopulated areas and those who have difficulty getting around

**MAZDA CO-PILOT CONCEPT**

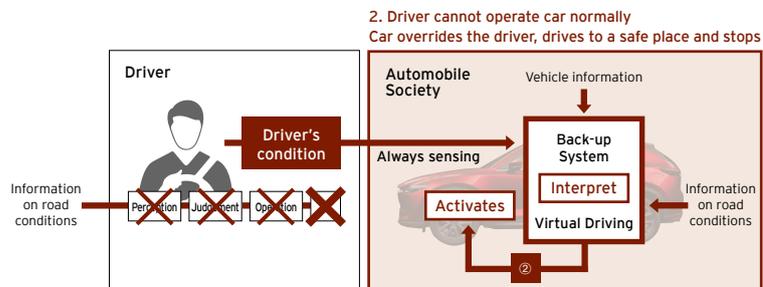
**When the driver's condition is normal**

Under normal conditions, drivers can enjoy driving themselves while the car constantly monitors their condition and conducts "virtual driving," meaning it is ready to drive itself at any time.



**When the driver cannot operate the vehicle in a normal manner**

When it is determined that the driver cannot operate the vehicle normally, the car overrides the driver to avoid collisions and moves to a safe location to stop the vehicle.



**People**

Enhance customers' mental well-being with the satisfaction that comes from protecting the earth and contributing to society with a car that offers true driving pleasure

Through our vehicles, we aim to offer driving pleasure and an enriched life to an even greater number of customers. Based on the Company's major strength, the pursuit of *Jinba-ittai*—or "horse and rider as one"—enjoyment, which unlocks people's potential and revitalizes them mentally and physically, and based on the philosophy of "breathing life into the car," we will further develop KODO design to turn our vehicles into works of art that enrich the lives of all who view them.



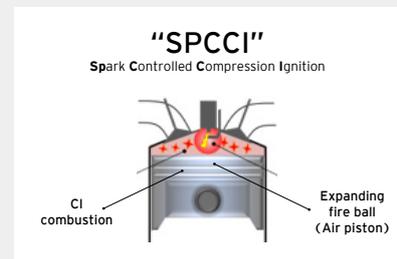
Starting from 2019, Mazda will launch various next-generation technologies, including SKYACTIV-X, the world's first commercial gasoline engine to use compression ignition\*<sup>1</sup>, with the aim of realizing "Sustainable Zoom-Zoom 2030."

## Next-generation gasoline engine SKYACTIV-X

SKYACTIV-X is a completely brand new type of internal-combustion engine that combines the advantages of gasoline and diesel engines. In addition to realizing outstanding environmental, power, and acceleration performance, SKYACTIV-X is an engine that stands by the earth and people while supporting *Jinba-ittai* enjoyment that we strive to offer our customers.

### Innovative technologies

- SKYACTIV-X is the world's first commercial gasoline engine to use compression ignition, in which the fuel-air mixture ignites spontaneously when compressed by the piston.
- A proprietary combustion method called Spark Controlled Compression Ignition overcomes the main issues that have impeded commercialization of compression ignition gasoline engines: maximizing the zone in which compression ignition is possible and achieving a seamless transition between compression ignition and spark ignition.



### Offered value

**Driving Performance** ■ The unprecedented engine response is realized through compression ignition and cars can merge into traffic without stress, allowing drivers to operate the vehicle safely and securely and in a manner that they like.

- Leveraging an air supply unit, SKYACTIV-X increases torque 10% to 30%\*<sup>2</sup> compared with the current SKYACTIV-G gasoline engine, allowing for acceleration that can be sustained at a high level of revolutions per minute (rpm).

**Fuel economy** ■ Compression ignition allows for a super-lean burn\*<sup>3</sup> that improves engine efficiency up to 20% to 30%\*<sup>2</sup> over the current SKYACTIV-G, and from 35% to 45%\*<sup>2</sup> over Mazda's 2008 gasoline engine of the same displacement. SKYACTIV-X even equals or exceeds the latest SKYACTIV-D diesel engine in fuel efficiency.

- Through a flat fuel consumption curve, SKYACTIV-X offers fuel-efficient driving in various settings, from driving in cities to driving on freeways.

**Driving pleasure** ■ With high efficiency across a wide range of rpms and engine loads, the engine allows much more latitude in the selection of gear ratio, providing both superior fuel economy and driving performance.

	Gasoline Engine	Next-Gen Engine	Diesel Engine
Customer Value	Fuel economy	▲	◎
	Torque	▲	◎
	Response	▲	◎
	Output (expansion)	◎	▲
	Heating	◎	▲
	Exhaust purification	◎	▲

\*1 As of August 2017 and according to in-house investigations

\*2 In-house measurements based on the engine in its current development stage

\*3 A condition in which the ratio of gasoline to air is reduced to a level that would not ignite in a spark-ignition engine

Our SKYACTIV-G and SKYACTIV-D engines have been receiving high evaluations around the world. By continuing to evolve these engines and by introducing the SKYACTIV-X, we will be able to realize an extensive engine lineup and meet a broad range of customer needs including regional characteristics.



Gasoline engine  
SKYACTIV-G lineup



SKYACTIV-X



Diesel engine  
SKYACTIV-D lineup

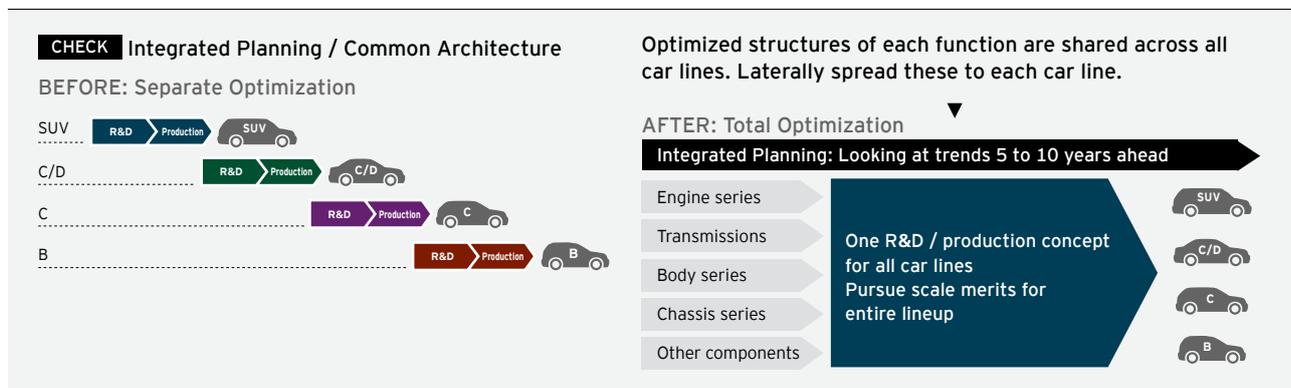
## Monotsukuri Innovation

**We are realizing high levels of diversity, which enhances the competitive edge of our products, and commonality, which boosts the efficiency of mass production, through efforts in Monotsukuri Innovation.**

Looking five to 10 years into the future, we have implemented Monotsukuri Innovation for efficiently developing and manufacturing products. Common development methods and manufacturing processes are made possible 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.

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. 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 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 and further accelerate cost improvements.



### Model-Based Development

Model-based development using computer modeling is an efficient and optimal development method in which we create models and conduct thorough computer simulations involving various elements of the development process, including vehicle type, control systems, drivers and passengers, and driving environments. By carrying out development through simulations from design to vehicle evaluation, we are able to reduce the number of prototype parts and actual unit verification, thereby enabling us to develop complex, highly sophisticated new products with minimum resources while also ensuring quality.

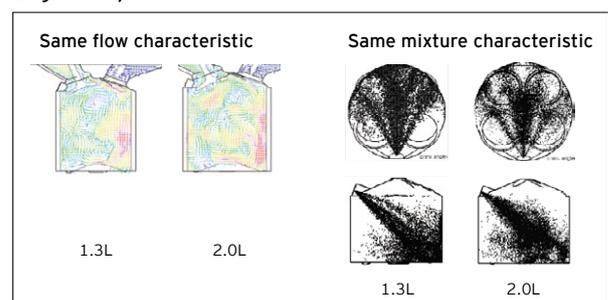
In the development of SKYACTIV TECHNOLOGY, which started in 2006, we pursued development that fully leveraged product models with the aim of realizing the world's best fuel economy and driving performance. We completely revised our control systems from square one and have developed combustion systems that achieve similar combustion characteristics regardless of engine displacement. We have been able to realize engines, transmissions, and vehicle bodies with outstanding driving and fuel economy performance, including the SKYACTIV-G, which boasts the world's best high compression ratio.

Going forward, we must take on challenges in the development of large-scale systems such as those for automated driving. As such, we will continue to promote model-based development with our sights set on the future.

### Control Systems Remolded through SKYACTIV TECHNOLOGY

- Sophisticated predictive control system for air intake and exhaust
- Fuel injection control system that enhances the level of injection freedom and creates optimized mixtures
- Abnormal combustion detection and control system for fully utilizing a super-high compression ratio
- Optimal fuel efficiency control system that includes the i-stop system
- Driving force control system that realizes driving pleasure

### Achieve Similar Combustion Characteristics Regardless of Engine Displacement



## Global Evaluation

Between 2012, when the Company fully adopted SKYACTIV TECHNOLOGY and KODO design, to March 2017, Mazda's products and technologies have received **nearly 500** awards, reflecting the Company's high reputations around the globe.



### ***Mazda6***

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2013 Top three finalist, World Car Design of the Year  
2014 Automotive Researchers' and Journalists' Conference of Japan (RJC) Car of the Year



### ***Mazda2***

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2014-2015 Car of the Year Japan



### ***Mazda CX-5***

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2012-2013 Car of the Year Japan



### ***Mazda3***

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2014 Top three finalist, World Car of the Year  
Top three finalist, World Car Design of the Year



### ***Mazda MX-5***

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2016 World Car of the Year  
2016 World Car Design of the Year

# Mazda CSR

For specific Mazda CSR activities, please see the *Mazda Sustainability Report 2017*.

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

## 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.

## 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 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.

### Areas of CSR Initiatives

Customer Satisfaction	<ul style="list-style-type: none"> <li>• Commitment to customers</li> <li>• Sales and customer service, etc.</li> </ul>
Quality	<ul style="list-style-type: none"> <li>• Establishing stable product quality</li> <li>• Achieving quality that exceeds customer expectations</li> <li>• Cultivating human resources capable of thinking and acting for the happiness of customers</li> </ul>
Safety	<ul style="list-style-type: none"> <li>• Safety initiatives based on three viewpoints; vehicles, people, and roads and infrastructure</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Environmental management, efforts regarding product and technology development, efforts regarding manufacturing and logistics, recycling, biodiversity, communication, etc.</li> </ul>
Respect for People	<ul style="list-style-type: none"> <li>• Initiatives with employees (including occupational safety and health)</li> <li>• Respect for human rights, etc.</li> </ul>
Social Contributions	<ul style="list-style-type: none"> <li>• Activities based on the three pillars (environment and safety performance, human resources development, and community contributions), etc.</li> </ul>

## CSR Promotion Organization

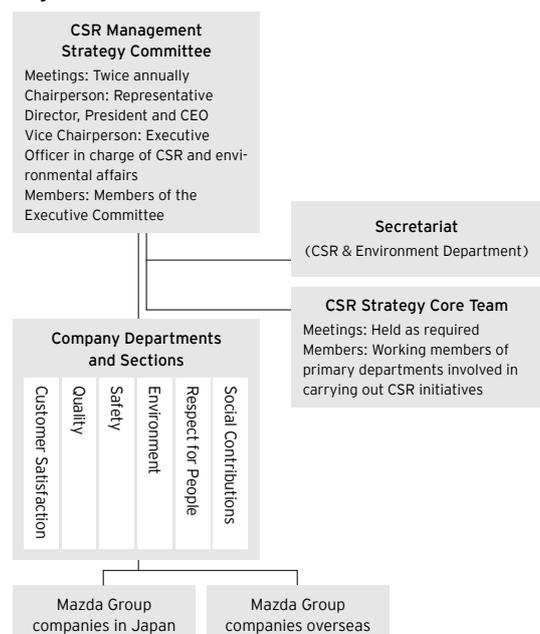
Each department carries out its operations based on goals and plans formulated with an understanding of the policies and guidelines determined by the CSR Management Strategy Committee, which the president chairs, and in cooperation with other Group companies. From the March 2016 fiscal year, the Board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

## Review and Identification of Key Issues of CSR (Materiality)

Based on the GRI Sustainability Reporting Guidelines Version 4 (G4\*), starting in the March 2014 fiscal year, Mazda has been implementing the four-phase process to identify the key issues of its CSR (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 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 2017* in accordance with the Core option of the G4 guidelines. During the materiality-identifying process, Mazda has also referenced the Sustainable Development Goals (SDGs) 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.

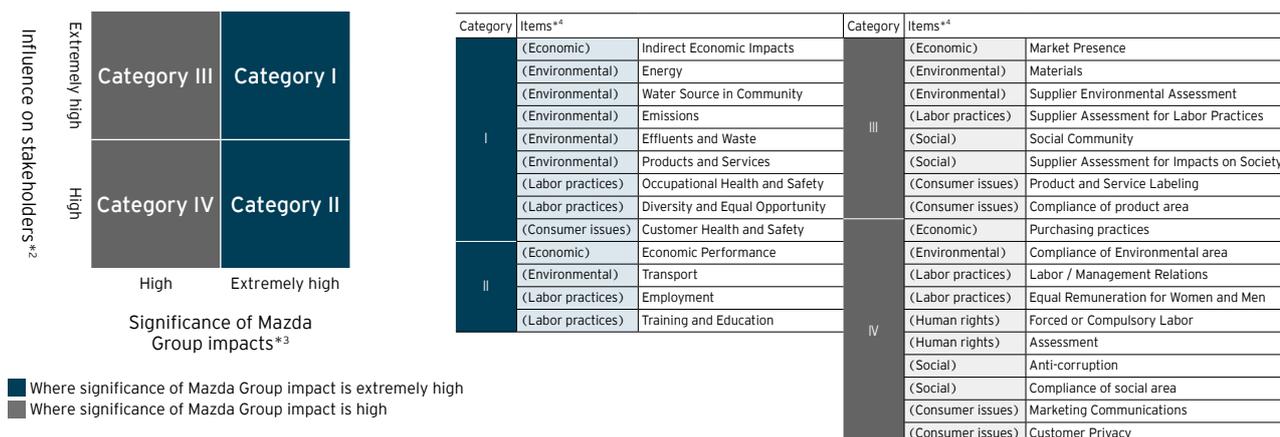
\* GRI: the Global Reporting Initiative, which provides the guidelines for CSR information disclosure.

### Organization



### Mazda Group's Key Issues of CSR (Materiality) (as of July 2017)\*1

Mazda has extracted aspects of greatest importance from among the 46 specific standard disclosure aspects specified in the G4 guidelines, and graded them and showed the graded scores by mapping according to the influence on stakeholders and significance of Mazda group impacts, so as to identify the aspects with greatest importance.



\*1 For the definition of each item, see the 46 specific standard disclosure aspects specified in the G4 guidelines.  
 \*2 Expectation to Mazda Group and automotive industry  
 \*3 Risk and opportunity for Mazda  
 \*4 The items in each category are listed in G4 guidelines order.

### Promoting Initiatives Based on the SDGs

The Mazda Group is promoting various initiatives that contribute to realizing the Sustainable Development Goals (SDGs), which were adopted by the United Nations. In the March 2017 fiscal year, the CSR Management Strategy Committee worked to enhance the SDG-related information available to the Company's management and to raise awareness of the SDGs among employees through level-specific training. Mazda's initiatives that contribute to achieving the 17 goals of the SDGs are introduced in the *Mazda Sustainability Report 2017* detailed version.



#### CHECK External Evaluations of CSR (As of September 15, 2017)

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 Dow Jones Sustainability Index (DJSI) World Index and Asia Pacific Index (Newly selected in September 2017). ESG index developed by the S&P Dow Jones Indices and RobecoSAM's cooperation.
- ▶ Inclusion in the FTSE4Good Index series since March 2011.
- ▶ Inclusion in the FTSE Blossom Japan Index (Selected since the index was established in July 2017). ESG indices developed by the FTSE Russel, a fully-owned subsidiary of the London Stock Exchange.
- ▶ Inclusion in the MSCI ESG Leaders Indexes since June 2015.
- ▶ Inclusion in the MSCI Japan ESG Select Leaders Index (Selected since the index was established in July 2017). ESG indices developed by MSCI (Morgan Stanley Capital International).
- ▶ Inclusion in the Ethibel EXCELLENCE Investment Register since October 2013. Forum ETHIBEL is a Belgium-based non-profit organization that promotes socially responsible investment (SRI) and CSR in Europe.
- ▶ Inclusion in the Morningstar Socially Responsible Investment Index (MS-SRI) since January 2008. The first SRI index developed in Japan.

▶ Performance score was rated in Band A- (the second best score among 8 scores from D- to A) in the CDP Climate Change Report for the March 2017 fiscal year

On behalf of 827 institutional investors with assets of US\$100 trillion, the CDP organization conducts research and discloses information to better understand the risks and opportunities posed by climate change, and evaluates environmental performance.

## Business Management System

Please refer to the "Corporate Governance Report" for basic philosophy, policies, and details on Mazda's initiatives regarding the Corporate Governance Code.

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

### 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 the Tokyo Stock Exchange and shall implement all of its principles.

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.

### 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
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** Efforts to Improve Corporate Governance

Q. Could you please explain the decision-making process for officer lineup and remuneration?

**A. To further ensure transparency, fairness, and objectivity regarding officer lineup and remuneration, discussions are held at relevant advisory committees, which are chaired by outside directors, before proposals are made to the Board of Directors and the General Meeting of Shareholders.**

The Officer Lineup Advisory Committee holds discussions on such matters as the organization of officers and the policies for developing and selecting director candidates. Meanwhile, the Officer Remuneration Advisory Committee holds discussions pertaining to matters such as policies for remuneration payment and remuneration systems based on these policies. The Officer Remuneration Advisory Committee also verifies whether or not the Company's remuneration levels are appropriate. Based on discussions held at the Officer Remuneration Advisory Committee, the Company has introduced compensation in the form of stock options to enhance the medium- to long-term incentives of the directors and executive officers.

- ▶ [P.35 Efforts to Increase Transparency and Fairness of the Process for Nominating and Appointing Directors](#)
- ▶ [P.36 Efforts to Increase Transparency and Fairness of the Process for Determining Compensation of Directors](#)

Q. Could you please comment on the initiatives the Company is pursuing to improve the effectiveness of the Board of Directors?

**A. The Company is pursuing such initiatives as analyzing and evaluating the effectiveness of the Board of Directors and further enhancing the provision of information to the outside directors.**

In the March 2017 fiscal year, the Company carried out its second analysis and evaluation of the Board of Directors' effectiveness. In terms of improvements made based on the first analysis and evaluation, the Company confirmed that it had deepened the outside directors' understanding of the Company's management through efforts such as further enhancing beforehand explanations on important items like management strategies. Additionally, discussions are being held on making improvements to new issues that were identified through this year's evaluation and analysis.

- ▶ [P.36 Analysis and Evaluation of the Board's Effectiveness](#)
- ▶ [P.36 Supporting System for Outside Directors and/or Audit & Supervisory Board Members](#)

Q. As a company that develops businesses on a global scale, what kind of efforts is the Company making in terms of Group-wide internal controls?

**A. In collaboration with Group companies, we are promoting initiatives to further visualize risk and strengthen risk management activities.**

The Risk Compliance Management Committee has made efforts to ascertain and evaluate the status of risk management and compliance at Group companies, including those overseas, and has formulated a plan for the next three years. In collaboration with Group companies, we are promoting initiatives to further visualize the risks each Group company faces and to strengthen activities to manage these risks.

- ▶ [P.38 Internal Controls](#)

**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 13 certified public accountants, two public accountants with U.S. certification, and 11 others, five of whom have passed the certified public accountant examination.

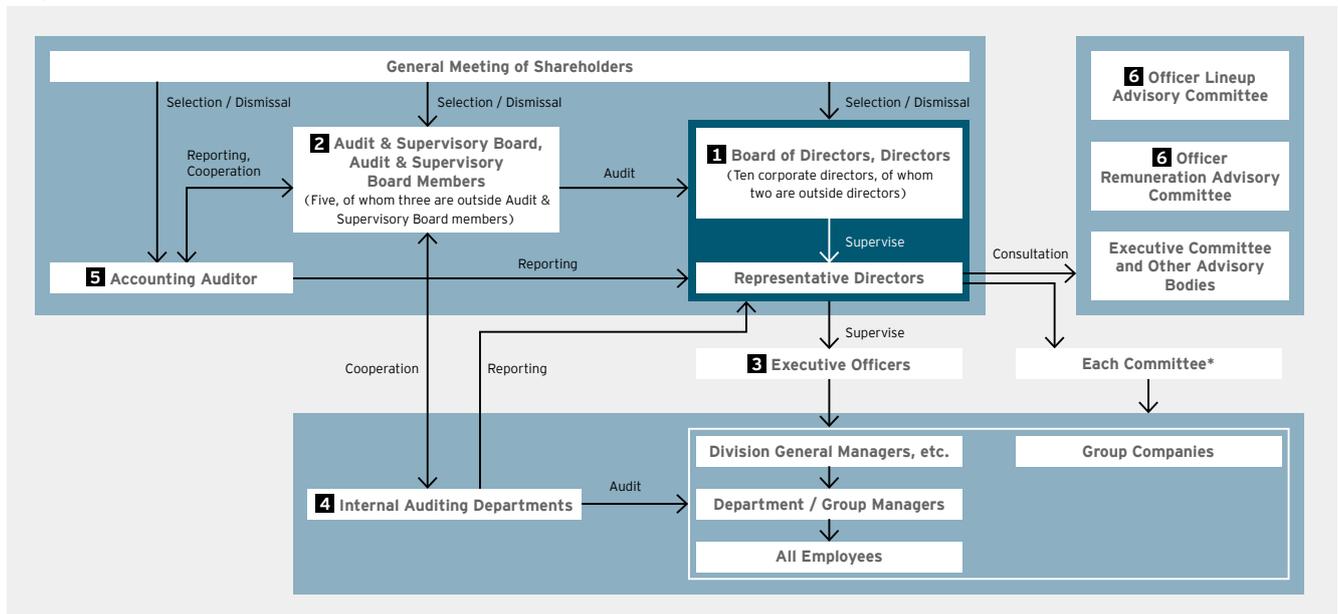
**6 Officer Lineup Advisory Committee and Officer Remuneration Advisory Committee**

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.

### 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.

### 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)	
Ichiro Sakai	Attorney at law	Mr. Sakai served as a prosecutor and attorney and has extensive experience in and knowledge of the legal profession. He offers valuable advice and suggestions based on this experience and knowledge to further strengthen the Board's supervisory function, and further enhance management transparency.	14/15	
Kazuaki Jono	Local government	Mr. Jono has held important posts with Hiroshima Prefecture, including vice governor, and has extensive experience and knowledge acquired in the administration of a local government. He offers valuable advice and suggestions based on this experience and knowledge to further strengthen the Board's supervisory function, and further enhance management transparency.	15/15	
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
Masahide Hirasawa	Unrelated company	Mr. Hirasawa has held key posts at a financial institution, including vice president and auditor, and has great knowledge of finance and accounting. Because of his many years of experience as a management executive and auditor in fields different from that of the Company, including at a financial institution, and knowledge in those areas, Mr. Hirasawa is an appropriate person to conduct audits from an outside perspective.	14/15	15/16
Takao Hotta	Unrelated company	Mr. Hotta held key posts at the Ministry of Finance and has experience in management at a company in a field different from that of the Company. Because of his great knowledge of finance and accounting and his considerable experience and insight, Mr. Hotta is an appropriate person to conduct audits from an outside perspective.	15/15	16/16
Kunihiko Tamano	Unrelated company	Mr. Tamano served as managing executive officer and assistant to the chief financial officer at a trading company. Because he has worked in risk management and the management of a corporate group and has great knowledge of finance and accounting as well as extensive experience and insight into the management of an international company, Mr. Tamano is an appropriate person to conduct audits from an outside perspective.	(Appointed in June 2017)	

\*1 The attendance at Board of Directors' meetings and Audit and Supervisory Board meetings in March 2017 fiscal year is shown.

\*2 Based on its criteria for independence, the Company has determined that the Company's outside directors and outside Audit & Supervisory Board members have sufficient independence such that no risk of conflict of interest with general shareholders will result and has notified the Tokyo Stock Exchange that all five individuals are designated as independent directors. Please refer to the "Corporate Governance Report" for the Company's criteria for the independence of an outside officer.

### 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.

### 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 2017 fiscal year

Category	People	Amount (millions of yen)
Directors	10	662
Audit & Supervisory Board members	5	108
Total (of which, outside auditors)	15 (5)	770 (65)

### 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 2017 fiscal year

Category	Compensation based on audit certification work (millions of yen)	Compensation based on non-auditing work (millions of yen)
Mazda Motor Corporation	221	3
Consolidated subsidiaries	73	3
Total	294	6

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 2017 fiscal year, the total amount of compensation paid by the Company and its consolidated subsidiaries was ¥498 million.

### 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 the March 2017 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, debate on compliance and internal control, 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 are properly involved in determining the Company's business strategy and share an understanding of its content, 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 found that the annual schedule of matters to be brought before the Board was formulated based on the previous survey (March 2016 fiscal year) and that as a result of greater efforts to explain important matters such as the business strategy to outside directors in advance, the outside directors have a better understanding of operations.

On the other hand, it was found that there is a need to prepare more thorough reports on progress after deliberations and to provide outside directors with more multifaceted information, 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 term.

### Cooperation Among Audit & Supervisory Board Members, Accounting Auditors and Internal Auditing Department

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.

### 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.

The officer who oversees finance shall have overall responsibility for dialogue with shareholders, and the officer in charge of finance and the financial planning department (investor relations department) shall be in charge. In order to enhance dialogue, they shall cooperate with departments in charge, including the Corporate Planning & Development Division and the Office of General & Legal Affairs, and create a framework for the proper provision of information.

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.

Opinions from shareholders will be relayed to the Board of Directors or the management team as necessary by the officer in charge of finances. In dialogues with shareholders, insider information (undisclosed material facts) shall be handled appropriately in accordance with laws and regulations and internal regulations.

### 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: <http://www.mazda.com/en/investors/stockinfo/meeting/>

Japanese: <http://www.mazda.com/ja/investors/stockinfo/meeting/>

**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.

The responsible department at Mazda supports training and system improvement for each Group company.

**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 FY March 2017, to further visualize the risks and to strengthen the risk management initiatives at Mazda and its Group companies, the Risk Compliance Committee identified and assessed the implementation status of risk management and compliance. Based on these results, the committee has established the mid-term plan for the next three years. The committee also periodically reports its initiatives to the Board of Directors.

**Mazda Internal Controls**



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

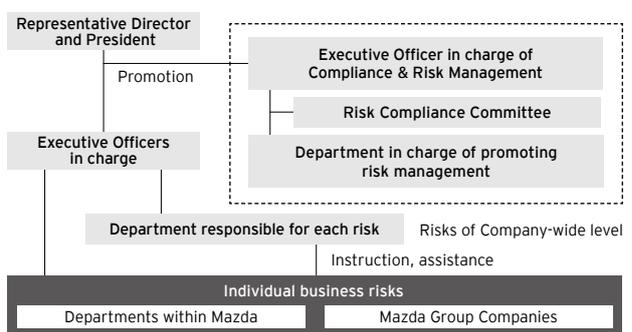
**Response to Accidents and Other Emergencies**

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. Moreover, 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, based on lessons learned from the Great East Japan Earthquake and the earthquakes that occurred in Kumamoto and Tottori Prefectures.

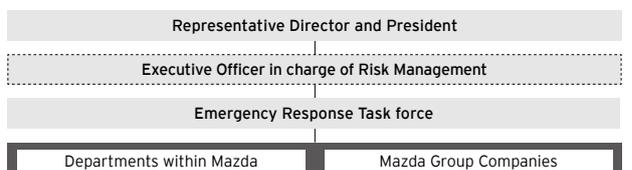
In FY March 2017, Mazda deployed disaster-prevention equipment and facilities, including rescue tools and emergency toilet systems, across the Company to strengthen its preparation for large disasters. Also, starting in FY March 2018, Mazda is scheduled to introduce a system to automatically confirm employees' safety in the event of a large-scale disaster.

Steady efforts to enhance both the "hardware" and "software" aspects of emergency readiness will continue in preparation for the expected Nankai Trough Earthquake or other large earthquakes and tsunamis associated therewith. Mazda also supports local communities' disaster prevention activities through the dispatching of fire engines and other means.

**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.

### 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. When 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.

### 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.

### 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.

Mazda and its Group companies appropriately comply with the revised Act on the Protection of Personal Information that came into effect in 2017.

### 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.

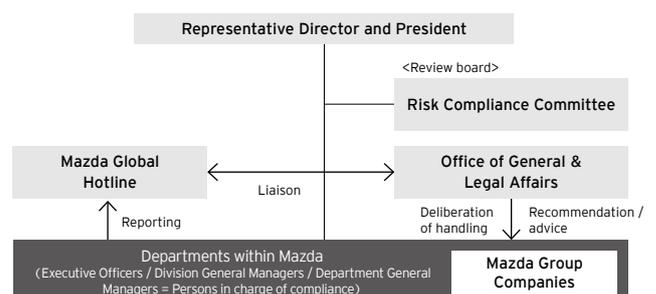
\*2 A patent association established in July 2014 by Canon Inc., Google Inc., and some other companies. If a member company sells a patent it owns to an external organization, group, or individual, the license for the patent will be automatically granted to other member companies. (If a patent troll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

### Compliance Promotion System



## Directors, Audit & Supervisory Board Members, and Executive Officers (As of June 28, 2017)

### Directors



Number of shares held:  
9,931

#### 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:  
6,700

#### 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:  
8,600

#### 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:  
12,300

#### Yuji Nakamie 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:  
6,500

#### 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:  
5,200

#### 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:  
0

#### Mitsuru Ono Director

Apr. 1981 Joined Sumitomo Bank, Ltd.  
(now Sumitomo Mitsui Banking Corp.)  
Apr. 2011 Executive Officer, General Manager of  
International Credit Management  
Dept.  
Jun. 2015 Standing Auditor  
May 2017 Joined Mazda Motor Corporation as  
Advisor  
Jun. 2017 Director and Senior Managing  
Executive Officer



Number of shares held:  
8,500

#### 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:  
1,000

#### 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

**Audit & Supervisory Board Members**

Hirofumi Kawamura  
(Full-time)  
Masahiro Yasuda  
(Full-time)  
Masahide Hirasawa  
Takao Hotta  
Kunihiko Tamano

**Executive Officers**

**President and CEO** —————  
Masamichi Kogai\*

**Executive Vice President** —————  
Akira Marumoto\*  
Assistant to President; Oversight of Operations in the Americas and Administrative Domain

**Senior Managing Executive Officers** ———  
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

Kiyotaka Shobuda\*  
Oversight of Quality, Brand Enhancement, Purchasing, Production and Business Logistics

Kiyoshi Fujiwara\*  
Oversight of R&D, MDI and Cost Innovation

Mitsuru Ono\*  
Oversight of Financial Services; Assistant to the Officer overseeing Fleet Sales; In charge of Global Corporate Communications

Jeffrey H. Guyton  
Assistant to the Officer overseeing Brand Enhancement; President and CEO, Mazda Motor Europe GmbH

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

Akira Koga  
Oversight of Corporate Planning Domain; In charge of Global IT Solution and MDI

**Managing Executive Officers** —————  
Mitsuo Hitomi (Senior Technical Fellow)  
In charge of Technical Research Center and Integrated Control System Development

Masatoshi Maruyama  
In charge of Global Production and Global Business Logistics

Takeshi Fujiga  
Assistant to the Officer overseeing Administrative Domain; In charge of Global Human Resources and Safety, Health & Disaster Prevention

Kazuhisa Fujikawa  
In charge of Global Purchasing and 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  
Assistant to the Officer overseeing Corporate Planning Domain; In charge of Financial Services

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

Hiroshi Inoue  
In charge of ASEAN Business; General Manager, ASEAN Business Office; President, Mazda South East Asia Ltd.

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

Ichiro Hirose  
In charge of Powertrain Development, Vehicle Development and Product Planning

**Executive Officers** —————  
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

Makoto Yoshihara  
In charge of Global Auditing, CSR, Environment, Secretariat, General & Legal Affairs, Compliance, Risk Management and Mazda Hospital

Takeshi Mukai  
In charge of Global Quality; Assistant to the Officer in charge of Cost Innovation

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

Masashi Aihara  
In charge of Corporate Planning and Cost Planning

Ryuichi Umeshita  
General Manager, Customer Service Div.

Kazuhisa Yoshida  
General Manager, Human Resources Office

Hidetoshi Kudo  
In charge of R&D Administration and Product Strategy; General Manager, Product Strategy Div.

Hiroyuki Matsumoto  
General Manager, Vehicle Development Div.

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

## Eleven-Year Summary of Consolidated Financial Statements

Mazda Motor Corporation and Consolidated Subsidiaries  
Years ended March 31

	Millions of yen				
	2017	2016	2015	2014	2013
<b>For the year*2:</b>					
Net sales*3	¥3,214,363	¥3,406,603	¥3,033,899	¥2,692,238	¥2,205,270
Domestic	587,025	660,935	617,397	655,716	588,042
Overseas	2,627,338	2,745,668	2,416,502	2,036,522	1,617,228
North America	1,074,932	1,158,428	1,022,247	834,803	651,165
Europe	649,468	688,984	613,367	534,937	347,918
Other areas	902,938	898,256	780,888	666,782	618,145
Cost of sales	2,448,184	2,567,465	2,247,720	1,993,643	1,729,296
Selling, general and administrative expenses	640,492	612,363	583,291	516,474	422,038
Operating income/ (loss)	125,687	226,775	202,888	182,121	53,936
Income/ (loss) before income taxes	128,413	166,986	209,335	97,409	39,101
Net income/ (loss) attributable to owners of the parent	93,780	134,419	158,808	135,699	34,304
Capital expenditures*4	94,399	89,214	131,010	133,216	77,190
Depreciation and amortization*5	82,416	78,972	68,872	57,656	59,954
Research and development costs	126,915	116,610	108,378	99,363	89,930
Free cash flow*6	97,346	154,678	108,911	16,322	8,746
<b>At the year-end:</b>					
Total assets	¥2,524,552	¥2,548,401	¥2,473,287	¥2,246,036	¥1,978,567
Net assets	1,064,038	976,723	891,326	676,837	513,226
Interest-bearing debt	491,434	617,132	701,019	742,735	718,983
Net interest-bearing debt	(35,430)	48,418	171,871	262,981	274,108
Average number of shares outstanding (in thousands)	597,816	597,819	597,823*11	597,829*11	2,989,171
Number of employees	48,849	46,398	44,035	40,892	37,745
Yen					
<b>Amounts per share of common stock:</b>					
Net income/ (loss) *7	¥ 156.87	¥ 224.85	¥ 265.64*11	¥ 226.99*11	¥ 11.48
Cash dividends applicable to the year*8	35.00	30.00	10.00	1.00	—
Net assets*9	1,738.70	1,595.83	1,454.61*11	1,105.21*11	166.04
%					
Operating income ratio	3.9%	6.7%	6.7%	6.8%	2.4%
Return on equity (ROE) *10	9.4	14.7	20.8	23.5	7.1
Equity ratio*10	41.2*12	37.4	35.2	29.4	25.1

\* 1 The translation of the Japanese yen amounts into U.S. dollars is presented solely for the convenience of readers outside of Japan, using the prevailing exchange rate on March 31, 2017, of ¥112 to US\$1.

2 Results information for the March 2011 fiscal year include 15-month results for certain overseas subsidiaries that changed their fiscal year-end.

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

4 Capital expenditures are calculated on an accrual basis.

5 Amortization expenses are not included for the March 2007 fiscal year.

6 Free cash flow represents the sum of net cash flows from operating activities and from investing activities.

7 The computations of net income/ (loss) per share of common stock are based on the average number of shares outstanding during each fiscal year.

8 Cash dividends per share represent actual amounts applicable to each fiscal year.

9 The amounts of net assets used in the calculation of net assets per share exclude non-controlling interests (and, from the March 2007 fiscal year to the March 2013 fiscal year and the March 2017 fiscal year, stock acquisition rights) from net assets.

10 The amounts of equity exclude non-controlling interests (and, from the March 2007 fiscal year to the March 2013 fiscal year and the March 2017 fiscal year, stock acquisition rights) from net assets.

11 A share consolidation was implemented on common stock with a ratio of five shares to one share on August 1, 2014. Average number of shares outstanding, net income per share and net assets per share are calculated based on the assumption that consolidation of shares had been carried out at the beginning of the March 2014 fiscal year.

12 Percentage after consideration of the equity credit attributes of the subordinated loan is 42.6%.

Millions of yen						Thousands of U.S. dollars*1
2012	2011	2010	2009	2008	2007	2017
¥2,033,058	¥2,325,689	¥2,163,949	¥2,535,902	¥3,475,789	¥3,247,485	\$28,699,670
560,216	541,490	574,982	620,336	880,132	887,327	5,241,295
1,472,842	1,784,199	1,588,967	1,915,566	2,595,657	2,360,158	23,458,375
575,633	631,327	574,640	697,600	1,015,315	1,017,874	9,597,607
347,346	427,398	477,337	653,382	888,555	789,135	5,798,821
549,863	725,474	536,990	564,584	691,787	553,149	8,061,947
1,662,592	1,863,678	1,710,699	2,021,851	2,485,905	2,322,644	21,858,786
409,184	438,176	443,792	542,432	827,737	766,309	5,718,679
(38,718)	23,835	9,458	(28,381)	162,147	158,532	1,122,205
(55,262)	16,081	(7,265)	(51,339)	143,117	118,450	1,146,545
(107,733)	(60,042)	(6,478)	(71,489)	91,835	73,744	837,321
78,040	44,722	29,837	81,838	75,518	79,641	842,848
68,791	71,576	76,428	84,043	74,217	47,045	735,857
91,716	90,961	85,206	95,967	114,400	107,553	1,133,170
(79,415)	1,627	67,394	(129,244)	10,209	20,995	869,161
¥1,915,943	¥1,771,767	¥1,947,769	¥1,800,981	¥1,985,566	¥1,907,752	\$22,540,643
474,429	430,539	509,815	414,731	554,154	479,882	9,500,339
778,085	693,000	722,128	753,355	504,979	474,684	4,387,803
300,778	370,151	375,825	532,631	281,085	232,179	(316,340)
1,863,949	1,770,198	1,519,652	1,371,456	1,408,368	1,402,315	
37,617	38,117	38,987	39,852	39,364	38,004	
Yen						U.S. dollars*1
¥ (57.80)	¥ (33.92)	¥ (4.26)	¥ (52.13)	¥ 65.21	¥ 52.59	\$ 1.40
—	—	3.00	3.00	6.00	6.00	0.31
156.85	242.24	286.92	314.98	391.82	336.45	15.52
%						
(1.9)%	1.0%	0.4%	(1.1)%	4.7%	4.9%	
(24.0)	(12.8)	(1.4)	(14.8)	17.9	16.9	
24.5	24.2	26.1	22.9	27.8	24.8	

## Business Results, Financial Position, and Cash Flows

### Review of Operations for March 2017 Fiscal Year

#### Operating Environment

The operating environment for the Mazda Group in the March 2017 fiscal year—the year ended March 31, 2017—showed an overall trend of gradual improvement, led by ongoing recoveries in the economies of developed countries. Overseas, the U.S. economy was strong against the backdrop of steady improvement in the employment and income environment. The European economy continued to undergo a gradual recovery, despite signs of political instability due to such factors as the United Kingdom's decision to leave the European Union. Additionally, steady economic growth continued in China. In Japan, the economy showed an overall trend of steady recovery, supported by the continued improvement of overseas economies. Nevertheless, the future outlook for the business environment remains uncertain due to exchange rate fluctuations and the economic conditions of various countries.

Amid these circumstances, the Mazda Group made efforts to offer attractive products that provide driving pleasure and outstanding environmental and safety performance under its Structural Reform Stage 2 medium-term business plan, which began in the March 2017 fiscal year. At the same time, the Group worked to further improve its brand value with the aim of realizing qualitative growth in all areas of its business.

#### Global Sales Volumes

Along with the full-year contributions from sales of the Mazda CX-3 in global markets, sales of crossover models increased, including the all-new Mazda CX-9 and the all-new Mazda CX-4, which was launched in China. As a result, global sales volume was up 1.6% year on year, to 1,559,000 units.

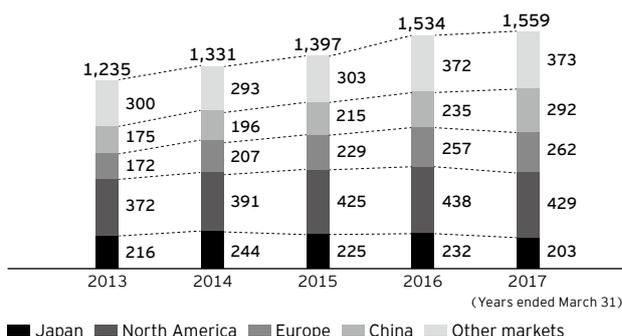
By market, as the result of stiff competition from other companies in the Japanese market, sales volumes for the fiscal year were down 12.8% year on year, to 203,000 units. However, the all-new Mazda Roadster RF, which was launched in December 2016, and all-new Mazda CX-5, which was launched in February 2017, got off to a solid start, thereby improving sales momentum. Sales volumes in North America were down 2.1%, to 429,000 units. While sales of the all-new CX-9 and other crossovers were solid in the United States, sales declined compared with the previous fiscal year due to reduced sales of sedans. Furthermore, the sales environment in Mexico remained difficult, reflecting the adverse impact of exchange rates and other factors. In Europe, although there was a negative impact from a contraction in demand in Russia, sales were strong in Germany and other key markets, resulting in a 2.0% increase in sales volumes, to 262,000 units. Sales volumes in China were up 24.1%,

to 292,000 units, thanks to the increased sales of the Mazda3, which benefited from the extension of a small-engine vehicle tax reduction policy, in addition to contributions from sales of the all-new CX-4, which has shown robust sales since its launch. Furthermore, sales volumes in other markets grew 0.6%, to 373,000 units. In the major market of Australia, both the CX-3 and the CX-5 were the best-selling models in their respective segments, resulting in a year-on-year increase in sales. Among countries in the ASEAN market, sales grew significantly in Vietnam. In other regions, record sales were achieved in countries such as Colombia and New Zealand.

Consolidated wholesales fell 3.2% from the previous year, to 1,265,000 units.

#### Sales Trends by Major Markets

(Thousands of units)



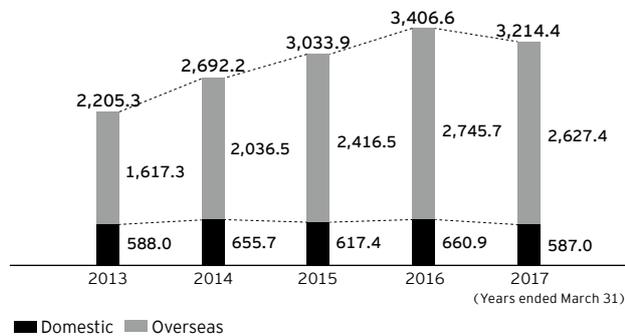
#### Net Sales

Net sales totaled ¥3,214.4 billion, a decrease of ¥192.2 billion, or 5.6%, from the previous year, reflecting the adverse effect of yen appreciation. By region, domestic sales fell ¥73.9 billion, or 11.2%, to ¥587.0 billion, and overseas sales declined ¥118.3 billion, or 4.3%, to ¥2,627.4 billion.

By product, vehicle sales were down ¥203.3 billion, or 7.1%, to ¥2,658.2 billion, resulting from a decline in wholesales and yen appreciation. Sales of knockdown parts for overseas production were up ¥18.5 billion, or 28.7%, to ¥82.9 billion, while sales of parts declined ¥7.8 billion, or 3.2%, to ¥236.4 billion. Other sales edged up ¥0.4 billion, or 0.2%, to ¥236.9 billion.

## Net Sales

(Billions of yen)

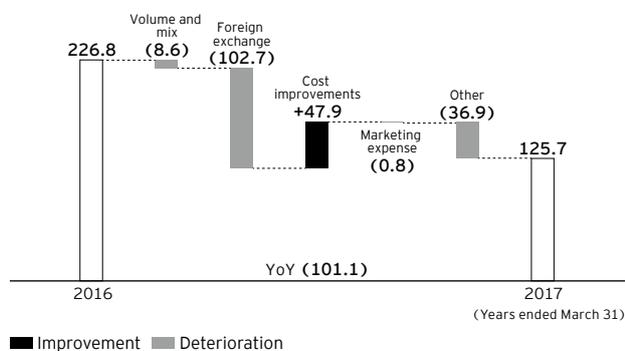


## Operating Income

Operating income fell ¥101.1 billion, or 44.6%, to ¥125.7 billion. This result reflects the impact of exchange rates and the increase in R&D and product quality-related costs, which offset the cost improvements made through the promotion of Monotsukuri Innovation.

## Operating Income Change

(Billions of yen)

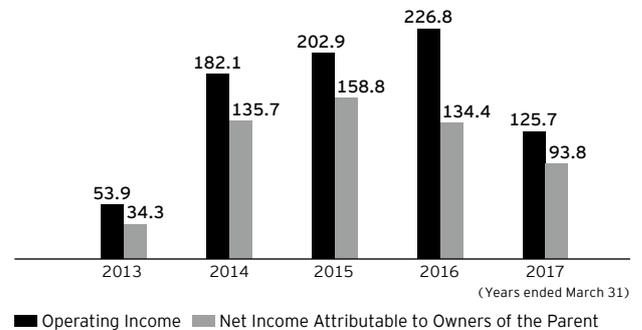


## Ordinary Income and Net Income Attributable to Owners of the Parent

Ordinary income included an interest expense of ¥9.4 billion and a foreign exchange loss of ¥7.8 billion, which offset a ¥30.9 billion gain from equity in net income of affiliates, resulting in a decrease of ¥84.1 billion, or 37.6%, to ¥139.5 billion. Net income attributable to owners of the parent declined ¥40.6 billion, or 30.2%, to ¥93.8 billion, due to factors such as the recording of an extraordinary loss resulting from business structure improvement expenses and current income taxes totaling ¥30.7 billion.

## Operating Income / Net Income Attributable to Owners of the Parent

(Billions of yen)



## Segment Information

Net sales in Japan decreased ¥137.7 billion, or 4.9%, to ¥2,678.0 billion, with a ¥96.6 billion, or 59.5%, decline in operating income, to ¥65.9 billion. These results were mainly due to decreased wholesales and yen appreciation, combined with increased product quality-related costs.

In North America, net sales fell ¥121.8 billion, or 8.5%, to ¥1,318.7 billion, and operating income was down ¥3.1 billion, or 10.5%, to ¥26.7 billion, owing primarily to decreased wholesales and yen appreciation.

European net sales were down ¥85.2 billion, or 12.3%, to ¥604.8 billion, with operating income falling ¥3.3 billion, or 38.0%, to ¥5.4 billion. These declines reflected such factors as decreased wholesales and a strong yen against the euro.

In other markets, net sales edged down ¥5.8 billion, or 1.0%, to ¥589.2 billion, and operating income fell ¥1.4 billion, or 6.5%, to ¥20.2 billion. These decreases reflected the adverse effects of yen appreciation, which offset increased wholesales.

## Financial Position

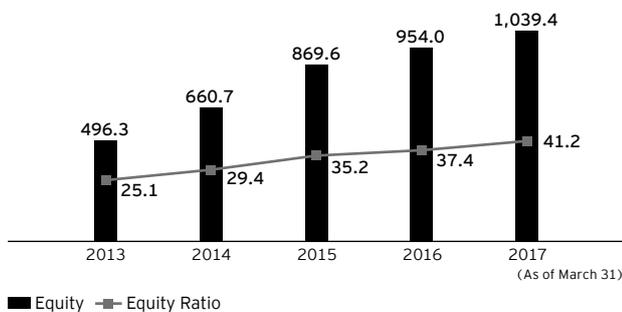
Total assets as of March 31, 2017, stood at ¥2,524.6 billion, down ¥23.8 billion from the end of the previous fiscal year.

Total liabilities were ¥1,460.5 billion, down ¥111.2 billion from the previous fiscal year-end. Interest-bearing debt declined ¥125.7 billion, to ¥491.4 billion, and net interest-bearing debt (interest-bearing debt minus cash and cash equivalents) decreased ¥83.8 billion from the end of the previous fiscal year. As a result, cash and cash equivalents at end of the period surpassed interest-bearing debt by ¥35.4 billion.

Net assets amounted to ¥1,064.0 billion, an increase of ¥87.3 billion from the end of the previous fiscal year. Equity ratio increased 3.8 percentage points from the end of the previous fiscal year, to 41.2%, or 42.6% after recognition of the equity credit attributes of subordinated loans.

### Equity / Equity Ratio

(Billions of yen / %)



### Cash Flows

Cash and cash equivalents as of the fiscal year-end decreased ¥41.9 billion from the end of the previous fiscal year, to ¥526.9 billion.

Operating activities provided net cash in the amount of ¥161.1 billion, compared with ¥262.8 billion provided in the previous fiscal year, reflecting income before income taxes of ¥128.4 billion and depreciation and amortization of ¥82.4 billion, in addition to income taxes paid totaling ¥47.6 billion.

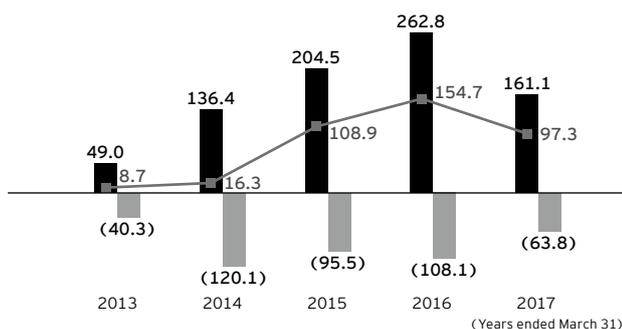
Investing activities used net cash in the amount of ¥63.8 billion, compared with ¥108.1 billion used in the previous fiscal year, owing mainly to capital expenditure for the acquisition of property, plant and equipment of ¥78.2 billion, although there were proceeds from withdrawal of time deposits.

As a result, consolidated free cash flow (the total of operating cash flow and investing cash flow) was positive in the amount of ¥97.3 billion, compared with the previous fiscal year's positive free cash flow of ¥154.7 billion.

Financing activities used net cash in the amount of ¥149.9 billion, compared with ¥94.1 billion used in the previous fiscal year. This mainly reflected repayments of loans payable and dividend payments.

### Cash Flows

(Billions of yen)



■ Cash Flows from Operating Activities

■ Cash Flows from Investing Activities

■ Free Cash Flow

### Basic Dividend Policy, Dividends for March 2017 and March 2018 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 2017 fiscal year, a full-year dividend of ¥35 per share, consisting of a ¥15 per share interim dividend and a ¥20 per share year-end dividend, was paid. For the March 2018 fiscal year, we plan to once again pay a full-year dividend of ¥35 per share, consisting of a ¥15 per share interim dividend and a ¥20 per share year-end dividend.

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

### Forecast for the March 2018 Fiscal Year

Although the economies in developed countries are expected to undergo a steady recovery, the outlook for the business environment in the March 2018 fiscal year remains uncertain due to the economic conditions in various countries.

Against this background, the Mazda Group will steadily implement its Structural Reform Stage 2 medium-term business plan and will work to provide customers with products that are attractive in terms of both driving pleasure and outstanding environmental and safety performance, which represent brand value. The Group will also make efforts to enhance its brand value through the qualitative growth of its businesses.

We are projecting a 2.6% increase in global unit sales, to 1,600,000 units. By market, we are forecasting a 5.2% increase in Japan, to 213,000 units, a 5.9% increase in North America, to 454,000 units, a 2.1% increase in Europe, to 267,000 units, a 3.4% decline in China, to 282,000 units, and a 2.6% increase in other markets, to 384,000 units.

In terms of consolidated financial forecasts, we are projecting a 4.2% rise in net sales, to ¥3,350.0 billion, a 19.3% increase in operating income, to ¥150.0 billion, a 16.8% rise in ordinary income, to ¥163.0 billion, and a 6.6% increase in net income attributable to owners of the parent, to ¥100.0 billion. These projections are based on exchange rate assumptions of ¥108 to the U.S. dollar and ¥118 to the euro.

## 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, 2017, 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, 2017.

### 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.

### 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.

## 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, leakage of confidential information, 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 commenced 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, 2017 and 2016

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Current assets:</b>			
Cash and cash equivalents	¥ 526,864	¥ 568,714	\$ 4,704,143
Short-term investments (Note 4)	—	3,000	—
Trade notes and accounts receivable (Note 4)	215,788	198,894	1,926,679
Inventories (Notes 6 and 9)	376,951	383,515	3,365,634
Deferred tax assets (Note 16)	109,398	105,653	976,768
Other current assets	114,188	134,612	1,019,535
Allowance for doubtful receivables	(818)	(681)	(7,304)
Total current assets	1,342,371	1,393,707	11,985,455
<b>Property, plant and equipment:</b>			
Land (Note 7)	409,894	410,195	3,659,768
Buildings and structures	511,934	495,156	4,570,839
Machinery, equipment and vehicles	904,911	882,218	8,079,562
Tools, furniture and fixtures	216,263	216,308	1,930,920
Leased assets	9,788	8,455	87,393
Construction in progress	41,134	35,180	367,268
	2,093,924	2,047,512	18,695,750
Accumulated depreciation	(1,134,599)	(1,109,992)	(10,130,348)
Net property, plant and equipment (Notes 8 and 9)	959,325	937,520	8,565,402
<b>Intangible assets (Note 8)</b>	33,242	30,738	296,804
<b>Investments and other assets:</b>			
Investment securities (Note 4):			
Affiliated companies	131,117	121,152	1,170,688
Other	16,321	14,911	145,723
Long-term loans receivable (Note 4)	3,599	4,309	32,134
Asset for retirement benefits (Note 10)	3,629	2,887	32,402
Deferred tax assets (Note 16)	15,491	22,256	138,313
Other investments and other assets	22,322	23,870	199,302
Allowance for doubtful receivables	(2,865)	(2,949)	(25,580)
Total investments and other assets	189,614	186,436	1,692,982
<b>Total assets</b>	¥2,524,552	¥ 2,548,401	\$22,540,643

See accompanying notes on our official website. <http://www.mazda.com/en/investors/library/annual/>

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Current liabilities:</b>			
Short-term debt (Notes 4 and 9)	¥ 124,454	¥ 117,143	\$ 1,111,196
Long-term debt due within one year (Notes 4 and 9)	92,122	143,044	822,518
Trade notes and accounts payable (Note 4)	388,880	374,637	3,472,143
Income taxes payable	13,450	31,784	120,089
Accrued expenses (Note 4)	219,908	204,159	1,963,464
Reserve for warranty expenses	123,455	104,723	1,102,277
Other current liabilities (Note 16)	33,760	30,980	301,429
Total current liabilities	996,029	1,006,470	8,893,116
<b>Non-current liabilities:</b>			
Long-term debt due after one year (Notes 4 and 9)	274,858	356,945	2,454,089
Deferred tax liability related to land revaluation (Note 7)	64,715	64,719	577,813
Liability for retirement benefits (Note 10)	72,888	85,916	650,786
Reserve for loss on business of subsidiaries and affiliates	529	7,326	4,723
Reserve for environmental measures	677	677	6,045
Other non-current liabilities (Note 16)	50,818	49,625	453,732
Total non-current liabilities	464,485	565,208	4,147,188
<b>Contingent liabilities</b> (Note 11)			
<b>Net Assets:</b>			
Capital and retained earnings (Note 12):			
Common stock	258,957	258,957	2,312,116
Authorized: 1,200,000,000 shares			
Issued: 599,875,479 shares in 2017 and 2016			
Capital surplus	239,909	243,048	2,142,045
Retained earnings	445,353	367,601	3,976,366
Treasury stock (2,059,416 shares in 2017 and 2,057,937 shares in 2016)	(2,231)	(2,228)	(19,920)
Total capital and retained earnings	941,988	867,378	8,410,607
Accumulated other comprehensive income/(loss):			
Net unrealized gain/(loss) on available-for-sale securities	3,913	3,721	34,938
Deferred gains/(losses) on hedges	1,188	(600)	10,607
Land revaluation (Note 7)	145,944	145,952	1,303,072
Foreign currency translation adjustment	(33,812)	(36,877)	(301,893)
Accumulated adjustments for retirement benefits	(19,800)	(25,558)	(176,786)
Total accumulated other comprehensive income	97,433	86,638	869,938
Stock acquisition rights (Note 13)	91	—	813
Non-controlling interests	24,526	22,707	218,981
Total net assets	1,064,038	976,723	9,500,339
<b>Total liabilities and net assets</b>	<b>¥2,524,552</b>	<b>¥ 2,548,401</b>	<b>\$22,540,643</b>



## Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Net income</b>	<b>¥ 97,746</b>	<b>¥137,303</b>	<b>\$872,732</b>
<b>Other comprehensive income/(loss):</b>			
Net unrealized gain/(loss) on available-for-sale securities	184	47	1,643
Deferred gains/(losses) on hedges	1,652	(1,115)	14,750
Land revaluation	—	3,399	—
Foreign currency translation adjustment	7,874	(10,351)	70,304
Adjustments for retirement benefits	5,762	(21,838)	51,446
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	(4,939)	(7,346)	(44,098)
Total other comprehensive income/(loss)	<b>10,533</b>	<b>(37,204)</b>	<b>94,045</b>
<b>Comprehensive income</b>	<b>¥108,279</b>	<b>¥100,099</b>	<b>\$966,777</b>
<b>Comprehensive income/(loss) attributable to:</b>			
Owners of the parent	104,583	98,974	933,777
Non-controlling interests	3,696	1,125	33,000

## Consolidated Statements of Changes in Net Assets

Mazda Motor Corporation and Consolidated Subsidiaries  
Years ended March 31, 2017 and 2016

	Millions of yen				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
<b>April 1, 2015</b>	¥258,957	¥242,650	¥248,094	¥(2,222)	¥747,479
<b>Increase/ (decrease)</b>					
Dividends paid	—	—	(14,946)	—	(14,946)
Net income attributable to owners of the parent	—	—	134,419	—	134,419
Purchase of treasury stock	—	—	—	(6)	(6)
Sale of treasury stock	—	0	—	0	0
Change of scope of consolidation	—	—	—	—	—
Change of scope of equity method	—	—	—	—	—
Reversal for land revaluation	—	—	34	—	34
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	398	—	—	398
Changes in items other than capital and retained earnings, net	—	—	—	—	—
<b>Total changes during the fiscal year</b>	—	398	119,507	(6)	119,899
<b>April 1, 2016</b>	¥258,957	¥243,048	¥367,601	¥(2,228)	¥867,378
<b>Increase/ (decrease)</b>					
Dividends paid	—	—	(17,935)	—	(17,935)
Net income attributable to owners of the parent	—	—	93,780	—	93,780
Purchase of treasury stock	—	—	—	(3)	(3)
Sale of treasury stock	—	0	—	0	0
Change of scope of consolidation	—	—	1,579	—	1,579
Change of scope of equity method	—	—	320	—	320
Reversal for land revaluation	—	—	8	—	8
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	(3,139)	—	—	(3,139)
Changes in items other than capital and retained earnings, net	—	—	—	—	—
<b>Total changes during the fiscal year</b>	—	(3,139)	77,752	(3)	74,610
<b>March 31, 2017</b>	¥258,957	¥239,909	¥445,353	¥(2,231)	¥941,988

	Millions of yen								
	Accumulated other comprehensive income/ (loss)						Total	Stock Acquisition Rights	Non-controlling interests
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					
<b>April 1, 2015</b>	¥3,681	¥ 668	¥142,586	¥(21,376)	¥ (3,443)	¥122,116	¥—	¥21,731	¥ 891,326
<b>Increase/ (decrease)</b>									
Dividends paid	—	—	—	—	—	—	—	—	(14,946)
Net income attributable to owners of the parent	—	—	—	—	—	—	—	—	134,419
Purchase of treasury stock	—	—	—	—	—	—	—	—	(6)
Sale of treasury stock	—	—	—	—	—	—	—	—	0
Change of scope of consolidation	—	—	—	—	—	—	—	—	—
Change of scope of equity method	—	—	—	—	—	—	—	—	—
Reversal for land revaluation	—	—	—	—	—	—	—	—	34
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	398
Changes in items other than capital and retained earnings, net	40	(1,268)	3,366	(15,501)	(22,115)	(35,478)	—	976	(34,502)
<b>Total changes during the fiscal year</b>	40	(1,268)	3,366	(15,501)	(22,115)	(35,478)	—	976	85,397
<b>April 1, 2016</b>	¥3,721	¥ (600)	¥145,952	¥(36,877)	¥(25,558)	¥ 86,638	¥—	¥22,707	¥ 976,723
<b>Increase/ (decrease)</b>									
Dividends paid	—	—	—	—	—	—	—	—	(17,935)
Net income attributable to owners of the parent	—	—	—	—	—	—	—	—	93,780
Purchase of treasury stock	—	—	—	—	—	—	—	—	(3)
Sale of treasury stock	—	—	—	—	—	—	—	—	0
Change of scope of consolidation	—	—	—	—	—	—	—	—	1,579
Change of scope of equity method	—	—	—	—	—	—	—	—	320
Reversal for land revaluation	—	—	—	—	—	—	—	—	8
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	(3,139)
Changes in items other than capital and retained earnings, net	192	1,788	(8)	3,065	5,758	10,795	91	1,819	12,705
<b>Total changes during the fiscal year</b>	192	1,788	(8)	3,065	5,758	10,795	91	1,819	87,315
<b>March 31, 2017</b>	¥3,913	¥ 1,188	¥145,944	¥(33,812)	¥(19,800)	¥ 97,433	¥91	¥24,526	¥1,064,038

See accompanying notes on our official website. <http://www.mazda.com/en/investors/library/annual/>

	Thousands of U.S. dollars (Note 1)				
	Capital and retained earnings				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
<b>April 1, 2016</b>	\$2,312,116	\$2,170,071	\$3,282,152	\$(19,893)	\$7,744,446
<b>Increase/(decrease)</b>					
Dividends paid	—	—	(160,134)	—	(160,134)
Net income attributable to owners of the parent	—	—	837,321	—	837,321
Purchase of treasury stock	—	—	—	(27)	(27)
Sale of treasury stock	—	0	—	0	0
Change of scope of consolidation	—	—	14,099	—	14,099
Change of scope of equity method	—	—	2,857	—	2,857
Reversal for land revaluation	—	—	71	—	71
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	(28,026)	—	—	(28,026)
Changes in items other than capital and retained earnings, net	—	—	—	—	—
<b>Total changes during the fiscal year</b>	—	(28,026)	694,214	(27)	666,161
<b>March 31, 2017</b>	<b>\$2,312,116</b>	<b>\$2,142,045</b>	<b>\$3,976,366</b>	<b>\$(19,920)</b>	<b>\$8,410,607</b>

	Thousands of U.S. dollars (Note 1)								
	Accumulated other comprehensive income/(loss)								
	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	Total	Stock Acquisition Rights	Non-controlling interests	Total net assets
<b>April 1, 2016</b>	\$33,223	\$ (5,357)	\$1,303,143	\$(329,259)	\$(228,196)	\$773,554	\$ —	\$202,741	\$8,720,741
<b>Increase/(decrease)</b>									
Dividends paid	—	—	—	—	—	—	—	—	(160,134)
Net income attributable to owners of the parent	—	—	—	—	—	—	—	—	837,321
Purchase of treasury stock	—	—	—	—	—	—	—	—	(27)
Sale of treasury stock	—	—	—	—	—	—	—	—	0
Change of scope of consolidation	—	—	—	—	—	—	—	—	14,099
Change of scope of equity method	—	—	—	—	—	—	—	—	2,857
Reversal for land revaluation	—	—	—	—	—	—	—	—	71
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	(28,026)
Changes in items other than capital and retained earnings, net	1,715	15,964	(71)	27,366	51,410	96,384	813	16,240	113,437
<b>Total changes during the fiscal year</b>	<b>1,715</b>	<b>15,964</b>	<b>(71)</b>	<b>27,366</b>	<b>51,410</b>	<b>96,384</b>	<b>813</b>	<b>16,240</b>	<b>779,598</b>
<b>March 31, 2017</b>	<b>\$34,938</b>	<b>\$10,607</b>	<b>\$1,303,072</b>	<b>\$(301,893)</b>	<b>\$(176,786)</b>	<b>\$869,938</b>	<b>\$813</b>	<b>\$218,981</b>	<b>\$9,500,339</b>

## Consolidated Statements of Cash Flows

Mazda Motor Corporation and Consolidated Subsidiaries  
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥128,413	¥ 166,986	\$1,146,545
Adjustments to reconcile income before income taxes to net cash provided by/ (used in) operating activities:			
Depreciation and amortization	82,416	78,972	735,857
Impairment loss	1,120	1,165	10,000
Increase/ (decrease) in allowance for doubtful receivables	334	(21)	2,982
Increase/ (decrease) in reserve for warranty expenses	18,732	59,006	167,250
Increase/ (decrease) in reserve for loss on business of subsidiaries and affiliates	529	5,655	4,723
Increase/ (decrease) in reserve for environmental measures	—	(413)	—
Increase/ (decrease) in liability for retirement benefits	(4,953)	(6,368)	(44,223)
Interest and dividend income	(3,540)	(4,347)	(31,607)
Interest expense	9,383	12,859	83,777
Equity in net loss/ (income) of affiliated companies	(30,880)	(21,988)	(275,714)
Loss/ (gain) on sale and retirement of property, plant and equipment, net	4,899	5,868	43,741
Decrease/ (increase) in trade notes and accounts receivable	(19,220)	14,561	(171,607)
Decrease/ (increase) in inventories	(11,884)	(27,151)	(106,107)
Increase/ (decrease) in trade notes and accounts payable	18,343	(3,968)	163,777
Increase/ (decrease) in other current liabilities	19,366	(8,420)	172,911
Other	(13,070)	18,004	(116,699)
Subtotal	199,988	290,400	1,785,606
Interest and dividends received	17,882	15,980	159,661
Interest paid	(9,193)	(13,177)	(82,080)
Income taxes refunded/ (paid)	(47,580)	(30,433)	(424,821)
Net cash provided by/ (used in) operating activities	¥161,097	¥ 262,770	\$1,438,366

See accompanying notes on our official website. <http://www.mazda.com/en/investors/library/annual/>

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
<b>Cash flows from investing activities:</b>			
Net decrease/(increase) in time deposits	¥ 26,996	¥ (27,006)	\$ 241,036
Net decrease/(increase) in securities	3,000	(3,000)	26,786
Purchase of investment securities	(6,480)	(3,242)	(57,857)
Proceeds from sales and redemption of investment securities	581	3,549	5,188
Acquisition of property, plant and equipment	(78,232)	(78,904)	(698,500)
Proceeds from sale of property, plant and equipment	1,907	8,761	17,027
Acquisition of intangible assets	(11,475)	(9,175)	(102,455)
Net decrease/(increase) in short-term loans receivable	20	71	179
Payments of long-term loans receivable	(428)	(795)	(3,821)
Collections of long-term loans receivable	682	1,873	6,089
Other	(322)	(224)	(2,877)
Net cash provided by/(used in) investing activities	(63,751)	(108,092)	(569,205)
<b>Cash flows from financing activities:</b>			
Net increase/(decrease) in short-term debt	10,399	(50)	92,848
Proceeds from long-term debt	96,885	17,119	865,045
Repayments of long-term debt	(232,716)	(96,440)	(2,077,821)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(6,356)	—	(56,750)
Proceeds from stock issuance to non-controlling shareholders	—	297	—
Cash dividends paid	(17,935)	(14,946)	(160,134)
Cash dividends paid to non-controlling interests	(172)	(36)	(1,536)
Net decrease/(increase) in treasury stock	(3)	(6)	(27)
Net cash provided by/(used in) financing activities	(149,898)	(94,062)	(1,338,375)
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<b>6,156</b>	<b>(21,050)</b>	<b>54,964</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(46,396)</b>	<b>39,566</b>	<b>(414,250)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>568,714</b>	<b>529,148</b>	<b>5,077,804</b>
<b>Increase in cash and cash equivalents from newly consolidated subsidiaries</b>	<b>4,790</b>	<b>—</b>	<b>42,768</b>
<b>Decrease in cash and cash equivalents from exclusion of subsidiaries from consolidation</b>	<b>(244)</b>	<b>—</b>	<b>(2,179)</b>
<b>Cash and cash equivalents at end of the period</b>	<b>¥ 526,864</b>	<b>¥ 568,714</b>	<b>\$ 4,704,143</b>

## Corporate Data (As of March 31, 2017)

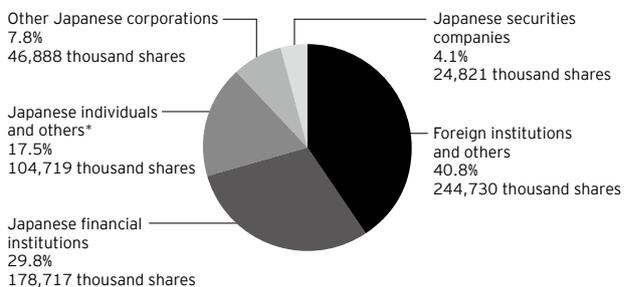
**Name:** Mazda Motor Corporation  
**Founded:** January 1920  
**Head office:** 3-1 Shinchi, Fuchu-cho, Aki-gun, Hiroshima 730-8670, Japan  
 Phone: +81 (82) 282-1111  
**Main business lines:** Manufacture and sales of passenger cars and commercial vehicles  
**Capital:** ¥259.0 billion  
**Number of employees:** 48,849 (consolidated)  
**Research and development sites:** Head Office, Mazda R&D Center (Yokohama), Mazda North American Operations (USA), Mazda Motor Europe (Germany), China Engineering Support Center (China)  
**Production sites:** Japan: Hiroshima Plant (Head Office, Ujina), Hofu Plant (Nishinoura, Nakanoseki), Miyoshi Plant  
 Overseas: China, Thailand, Mexico, Vietnam\*<sup>1</sup>, Malaysia\*<sup>2</sup>, Russia\*<sup>2</sup>  
**Sales companies:** Japan: 229  
 Overseas: 141  
**Principal products:** Four-wheeled vehicles, gasoline reciprocating engines, diesel engines, automatic and manual transmissions for vehicles

\*1 Some models are assembled locally. (Volume is not disclosed.)  
 \*2 Assembly only. (Volume is not disclosed.)

## Stock Information (As of March 31, 2017)

**Authorized:** 1,200,000,000 shares  
**Issued:** 599,875,479 shares  
**Number of shareholders:** 151,191  
**Listing:** Tokyo Stock Exchange, First Section  
**Code:** 7261  
**Fiscal year-end:** March 31  
**Transfer agent:** 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

### Introduction to Other Tools

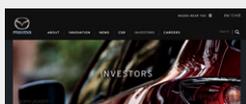


Compilation of Mazda's CSR Activities  
**Mazda Sustainability Report 2017**  
<http://www.mazda.com/en/csr/download/>



Mazda's annual summary report  
**Mazda in Brief 2017**  
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### Major Shareholders

Shareholder	No. of shares owned (Thousands)	Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust)	39,174	6.6
The Master Trust Bank of Japan, Ltd. (Trust)	27,603	4.6
Sumitomo Mitsui Banking Corporation	12,857	2.2
Japan Trustee Services Bank, Ltd. (Trust 5)	11,631	1.9
THE BANK OF NEW YORK 133972	9,307	1.6
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	8,776	1.5
Japan Trustee Services Bank, Ltd. (Trust 1)	8,590	1.4
STATE STREET BANK WEST CLIENT - TREATY 505234	8,586	1.4
Japan Trustee Services Bank, Ltd. (Trust 2)	8,518	1.4
Japan Trustee Services Bank, Ltd. (Trust 7)	8,480	1.4

Note: Treasury stock of 2,052,632 shares is excluded in the calculation of the ratio

### For Requests and Inquiries

For inquiries concerning this Annual Report, please contact:  
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 Financial Services Division  
 Mazda Motor Corporation  
 3-1 Shinchi, Fuchu-cho, Aki-gun, Hiroshima 730-8670, Japan  
 Phone: +81 (82) 282-1111

## History of Mazda

### Corporate

1920.1	Toyo Cork Kogyo Co., Ltd., is founded	2005.9	Joint venture engine production company in China is established
1927.9	Company becomes Toyo Kogyo Co., Ltd.	2007.3	Medium-term plan "Mazda Advancement Plan" is announced
1930.9	New plant is constructed in Hiroshima (Aki-gun, Fuchu-cho)	2007.3	Long-term vision for technology development "Sustainable Zoom-Zoom" is announced
1961.7	Enters into technical cooperation with NSU / Wankel on rotary engines	2007.10	Changan Ford Mazda Automobile (present Changan Mazda Automobile) Nanjing Plant commences production of the Mazda2
1965.5	Miyoshi Proving Ground is completed	2008.11	Ratio of Ford's ownership of Mazda stock is being gradually reduced from 33.4%
1966.11	Operations at new passenger car plant (Ujina) in Hiroshima are started	2010.4	"Framework for Medium- and Long-term Initiatives" is announced
1979.11	Ford Motor Company and Mazda enter into a capital tie-up	2012.2	"Structural Reform Plan" is announced
1981.12	Operations at Hofu Transmission Plant (Nakanoseki district) are started	2012.9	Mazda and Sollers establish Mazda Sollers, a joint venture production company in Russia
1982.9	Operations at Hofu Plant (Nishinoura district) are started	2012.11	Agreement is reached with Toyota on Toyota vehicle production at Mazda's new plant in Mexico
1984.5	Company is renamed Mazda Motor Corporation	2013.1	Business agreement is concluded for the production of sports cars for Fiat Chrysler Automobiles
1985.1	Mazda Motor Manufacturing (USA) Corporation (MMUC), later called AutoAlliance International (AAI) is established (Ended Mazda6 production in August 2012)	2014.1	Operations at the new Mexico plant (MMVO) are started
1995.11	Mazda and Ford jointly establish AutoAlliance (Thailand) Company Limited (AAT), a joint venture production company	2015.1	Production at transmission plant (MPMT) in Thailand is started
1996.5	Ratio of Ford's ownership of Mazda stock is increased from 25% to 33.4%	2015.4	"Structural Reform Stage 2" is announced
1997.10	North American operations are streamlined (Mazda North American Operations commences operations)	2015.5	Toyota and Mazda enter into an agreement geared toward the establishment of a business partnership
1998.3	European business is consolidated (Mazda Motor Europe commences operations)	2016.3	All-new Mazda MX-5 wins both 2016 World Car of the Year and World Car Design of the Year
1998.8	Mazda Motor Logistics Europe N.V. is established	2016.8	Announcement of increased engine production capacity at the Powertrain Plant in Thailand
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		

### Products\*

<p><b>1931.10</b> Production of 3-wheel truck "Mazda-go DA model," Mazda's first automobile, begins</p> 	<p><b>1960.5</b> Introduction of "R360 Coupe," Mazda's first passenger car</p> 	<p><b>1963.10</b> Introduction of the first "Familia"</p> 	<p><b>1967.5</b> Introduction of the "Cosmo Sports (110S)," Mazda's first rotary engine vehicle</p> 
<p><b>1971.9</b> Introduction of the first "Savanna"</p> 	<p><b>1978.3</b> Introduction of the first "Savanna RX-7"</p> 	<p><b>1980.6</b> "Familia (GLC/323)" is fully redesigned</p> 	<p><b>1989.9</b> Introduction of the first "MX-5"</p> 
<p><b>1991.6</b> "Mazda 787B" wins the 59th Le Mans 24-Hour Endurance Race, claiming the first-ever victory for a Japanese automobile</p> 	<p><b>2002.5</b> Introduction of the first "Mazda6"</p> 	<p><b>2010.10</b> Next-generation SKYACTIV TECHNOLOGY announced</p> 	<p><b>2012.2</b> Introduction of "CX-5"</p> 

\* Launching date is based on the Japanese market



## 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.

