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Securities Code 7261
June 6, 2016

To Those Shareholders with Voting Rights

Masamichi Kogai
Representative Director,
President and CEO
Mazda Motor Corporation
3-1 Shinchu, Fuchu-cho, Aki-gun,
Hiroshima, Japan

NOTICE OF THE 150TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 150th Ordinary General Meeting of Shareholders of Mazda Motor Corporation, which will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights by either of the following methods. Please review the Reference Documents for the General Meeting of Shareholders in the following pages and exercise your voting rights. Your votes must reach us by 5:45 p.m., Monday, June 27, 2016.

Voting by postal mail

Please vote “yes” or “no” on the enclosed ballot form and send it to reach the addressee described on the same form by the exercise time limit as described above.

Voting via the Internet

Please access the website for the exercise of voting rights designated by the Company (<http://www.web54.net>) and exercise your voting rights by the exercise time limit as described above [Japanese only].

If you exercise your voting rights by two methods, that is, via the Internet and by mailing the ballot form, only the votes via the Internet shall be deemed valid.

(If you make a diverse exercise of your voting rights, you are requested to notify your intention and reasons in writing to us at least three days in advance of the Ordinary General Meeting of Shareholders.)

- 1. Date and Time:** Tuesday, June 28, 2016 at 10:00 a.m.
- 2. Place:** Auditorium of our Head Office
3-1 Shinchu, Fuchu-cho, Aki-gun, Hiroshima, Japan
- 3. Agenda of the Meeting:**
Matters to be reported:
 1. The Business Report, Consolidated Financial Statements and results of audit by the Accounting Auditor and the Audit & Supervisory Board Members on the Consolidated Financial Statements for the 150th Fiscal Term (from April 1, 2015 to March 31, 2016)
 2. Unconsolidated Financial Statements for the 150th Fiscal Term (from April 1, 2015 to March 31, 2016)

Proposals to be resolved:

Proposal No. 1: Appropriation of Surplus Funds

Proposal No. 2: Election of Five (5) Directors

Proposal No. 3: Introduction of Director Compensation in the Form of Stock Options and Determination of Details

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- 1. For those attending, please present the enclosed Ballot Form at the reception desk on arrival at the meeting.**
 - 2. If any revisions are made to the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements and Unconsolidated Financial Statements, the revised contents will be posted on the Company's web site (<http://www.mazda.com/en/investors/>).**

Reference Documents for the General Meeting of Shareholders

Proposal No. 1 Appropriation of Surplus Funds

Mazda's policy regarding the stock dividend is to determine the amount of dividend payments, taking into account current fiscal year's financial results, business environment, and financial condition, etc. And Mazda is striving for realization of a stable shareholder returns and its future steady increase.

This is the last year of Mazda's Structural Reform Plan under which the company has aggressively promoted structural reforms and worked to achieve a stable earnings structure while continuing to make growth investments for the future.


In view of the company's ongoing research and development and facilities investment for further growth; the business environment, including sales and exchange rate fluctuations; and the company's financial situation, a year-end dividend of ¥15 per share will be paid.

An interim dividend of ¥15 per share has been paid, making the annual dividend for this fiscal year ¥30 per share.


1. Type of asset to be distributed: Money
2. Allocation of asset to be distributed to shareholders and total amount:
¥15 for each share of the company's common stock
Total amount: ¥8,967,364,890
3. Date on which distribution of surplus funds will take effect: June 29, 2016

Proposal No. 2 Election of Five (5) Directors


The term of office of three (3) Directors (Messrs. Seita Kanai, Masamichi Kogai and Akira Marumoto) will expire at the conclusion of this General Meeting of Shareholders. Accordingly, in order to strengthen the management system, we propose to increase the number of Directors by two (2) and elect five (5) Directors. The candidates for Director are as follows:

No.	Name (Date of Birth)	Career summary, position, assignment and important offices concurrently held
1	 <p>Seita Kanai (January 17, 1950) <u>Reelection</u> Number of Company shares held 9,231</p>	<p>Oct. 1974 Joined the Company June 2003 Executive Officer; General Manager, Vehicle Engineering Div. and Assistant to Product Development Officer June 2006 Director and Senior Managing Executive Officer; In charge of R&D April 2007 Director and Senior Managing Executive Officer; In charge of R&D April 2011 President, Mazda Engineering & Technology Co., Ltd. April 2011 Director and Executive Vice President; Assistant to President; Oversight of Technical Domain and Quality; In charge of promoting Monotsukuri Innovation and R&D Liaison Office June 2011 Representative Director, Executive Vice President; Assistant to President; Oversight of Technical Domain and Quality; In charge of promoting Monotsukuri Innovation and R&D Liaison Office June 2013 Representative Director and Vice Chairman of the Board June 2014 Representative Director and Chairman of the Board</p> <p style="text-align: right;">(to the present)</p> <p>Important office concurrently held: Chairman, The Mazda Foundation</p>
<p>Reasons for nomination as a candidate for Director Mr. Kanai has extensive experience, primarily in research and development. Having served as representative director and executive vice president, he also has considerable knowledge of management as well as superior character and insight. As chairman, he has led the company's corporate governance in his role as chair of the board of directors. Based on this knowledge and performance, he can be expected to contribute to further strengthening the board's decision-making and its supervisory function. Thus we propose his election as director.</p>		


Notes: There are no special conflicts of interests between the Company and Mr. Kanai.

No.	Name (Date of Birth)	Career summary, position, assignment and important offices concurrently held	
2	 <p data-bbox="236 555 450 586">Masamichi Kogai</p> <p data-bbox="236 622 450 654">(August 24, 1954)</p> <p data-bbox="274 663 402 694"><u>Reelection</u></p> <p data-bbox="220 725 466 819">Number of Company shares held 5,300</p>	<p data-bbox="488 255 612 286">April 1977</p> <p data-bbox="488 295 612 327">June 2004</p> <p data-bbox="488 331 612 362">April 2006</p> <p data-bbox="488 367 612 398">April 2008</p> <p data-bbox="488 483 612 515">April 2010</p> <p data-bbox="488 582 612 613">June 2010</p> <p data-bbox="488 707 612 739">June 2013</p>	<p data-bbox="683 255 919 286">Joined the Company</p> <p data-bbox="683 295 1276 327">Executive Officer and General Manager, Hofu Plant</p> <p data-bbox="683 331 1410 362">Executive Officer; President, Auto Alliance (Thailand) Co., Ltd.</p> <p data-bbox="683 367 1426 474">Managing Executive Officer; Assistant to Officer in charge of Production and Business Logistics; Assistant to Officer in charge of Cost Innovation; General Manager, Production Engineering Div.</p> <p data-bbox="683 483 1433 591">Senior Managing Executive Officer; In charge of Production, Business Logistics and IT Solution; Assistant to Officer in charge of Cost Innovation; Assistant to Officer in charge of R&D</p> <p data-bbox="683 582 1394 703">Director and Senior Managing Executive Officer; In charge of Production, Business Logistics and IT Solution; Assistant to Officer in charge of Cost Innovation; Assistant to Officer in charge of R&D</p> <p data-bbox="683 707 1187 739">Representative Director, President and CEO</p> <p data-bbox="1257 743 1433 775">(to the present)</p>
<p data-bbox="220 900 798 931">Reasons for nomination as a candidate for Director</p> <p data-bbox="220 936 1433 1124">Mr. Kogai has extensive experience, primarily in production and logistics. Currently serving as representative director and president, he also has considerable knowledge of management as well as superior character and insight. In his capacity as president, he has exercised strong leadership in advancing the Structural Reform Plan and has led a business recovery and the creation of a solid financial base. Based on this knowledge and performance, he can be expected to contribute to further strengthening the board's decision-making and its supervisory function. Thus we propose his election as director.</p>			


Notes: There are no special conflicts of interests between the Company and Mr. Kogai.

No.	Name (Date of Birth)	Career summary, position, assignment and important offices concurrently held
3	 <p data-bbox="236 600 443 696">Akira Marumoto (August 18, 1957)</p> <p data-bbox="272 703 400 734"><u>Reelection</u></p> <p data-bbox="213 770 459 860">Number of Company shares held 7,900</p>	<p data-bbox="488 255 616 286">April 1980</p> <p data-bbox="488 286 616 318">June 1997</p> <p data-bbox="488 318 616 349">June 1999</p> <p data-bbox="488 385 616 416">June 2002</p> <p data-bbox="488 452 616 483">April 2006</p> <p data-bbox="488 519 616 551">April 2010</p> <p data-bbox="488 609 616 640">June 2010</p> <p data-bbox="488 698 616 730">June 2013</p> <p data-bbox="683 255 1428 797"> Joined the Company Program Manager, Program Managers Div. Director; Assistant to Officer in charge of Quality Assurance; General Manager, Product Quality Div. Executive Officer; In charge of European R&D and Production Operations Managing Executive Officer; In charge of Product Planning and Program Management Senior Managing Executive Officer; In charge of Corporate Planning, Product Strategy and Product Profit Control; Assistant to Officer in charge of Cost Innovation Director and Senior Managing Executive Officer; In charge of Corporate Planning, Product Strategy and Product Profit Control; Assistant to Officer in charge of Cost Innovation Representative Director, Executive Vice President; Assistant to President; Oversight of Operations in the Americas and Corporate Planning Domain (to the present) </p>
<p data-bbox="220 981 798 1012">Reasons for nomination as a candidate for Director</p> <p data-bbox="220 1012 1428 1236"> Mr. Marumoto has extensive experience, primarily in product strategy and corporate planning. Currently serving as representative director and executive vice president, he also has considerable knowledge of management as well as superior character and insight. In his capacity as executive vice president, he has overseen the company-wide advancement of the Structural Reform Plan and has led a business recovery and the creation of a solid financial base. Based on this knowledge and performance, he can be expected to contribute to further strengthening the board's decision-making and its supervisory function. Thus we propose his election as director. </p>		

Notes: There are no special conflicts of interests between the Company and Mr. Marumoto.

No.	Name (Date of Birth)	Career summary, position, assignment and important offices concurrently held
4	 <p data-bbox="225 577 448 846">Kiyotaka Shobuda (April 11, 1959) <u>New Candidate</u> Number of Company shares held 6,100</p>	<p data-bbox="491 297 1426 651"> March 1982 Joined the Company April 2006 Executive Officer and Deputy General Manager, Hofu Plant Nov. 2008 Executive Officer; President, Auto Alliance (Thailand) Co., Ltd. April 2010 Executive Officer and General Manager, Production Engineering Div. June 2013 Managing Executive Officer; In charge of Global Production and Global Business Logistics; General Manager, Production Engineering Div. April 2016 Senior Managing Executive Officer; Oversight of Quality, Brand Enhancement, Production and Business Logistics (to the present) </p> <p data-bbox="220 904 1426 1061"> Reasons for nomination as a candidate for Director Mr. Shobuda has extensive experience, primarily in production, logistics and quality, both in Japan and abroad. With his experience and outstanding ability in these areas as well as his superior character and insight, he can be expected to contribute to further strengthening the board's decision-making and its supervisory function. Thus we propose his election as director. </p>

Notes: There are no special conflicts of interests between the Company and Mr. Shobuda.

No.	Name (Date of Birth)	Career summary, position, assignment and important offices concurrently held
5	 <p data-bbox="236 571 438 604">Kiyoshi Fujiwara</p> <p data-bbox="236 638 438 672">(March 15, 1960)</p> <p data-bbox="247 683 427 712">New Candidate</p> <p data-bbox="215 739 459 840">Number of Company shares held 5,100</p>	<p data-bbox="486 280 1428 694"> March 1982 Joined the Company March 2003 Vice President, Mazda Motor Europe GmbH June 2005 General Manager, Product Planning & Business Strategy Div. Nov. 2008 Executive Officer and General Manager, Powertrain Development Div. June 2013 Managing Executive Officer; In charge of Business Strategy, Product, Design and Cost Innovation April 2015 Managing Executive Officer; In charge of R&D and Cost Innovation; General Manager, R&D Liaison Office; President, Mazda Engineering & Technology Co., Ltd. April 2016 Senior Managing Executive Officer; Oversight of R&D and MDI; In charge of Cost Innovation (to the present) </p>
<p data-bbox="215 907 1436 1064"> Reasons for nomination as a candidate for Director Mr. Fujiwara has extensive experience, primarily in product planning and research and development, both in Japan and abroad. With his experience and outstanding ability in these areas as well as his superior character and insight, he can be expected to contribute to further strengthening the board's decision-making and its supervisory function. Thus we propose his election as director. </p>		

Notes: There are no special conflicts of interests between the Company and Mr. Fujiwara.

Proposal No. 3 Introduction of Director Compensation in the Form of Stock Options and Determination of Details

The compensation of the company's directors (excluding outside directors) consists of basic compensation and performance-based compensation. By resolution of the 141st Ordinary General Meeting of Shareholders held on June 26, 2007, the annual compensation for directors (excluding outside directors) is payable within the limit of ¥1.2 billion (excluding the employee salaries of employee-directors). As a new form of compensation tied to medium- and long-term performance, the company would like to allocate stock acquisition rights in the form of stock options within this limit as follows:

The purpose of these stock options is to share the risks and benefits of stock price fluctuations with stockholders and to further enhance the desire to contribute to boosting share prices and enhancing corporate value over the medium and long term. Because the options will be calculated and decided on taking into consideration factors including directors' contributions to the company, the company believes the system is appropriate.

These stock options represent compensation in the form of stock options. The amount to be paid per share that can be issued upon exercising the stock acquisition rights will be 1 yen. When allocating the stock acquisition rights, instead of direct payment of the amount to be paid for the stock acquisition rights, which is to be determined based on the fair value at the time the rights are allocated, payment will be made by offsetting the amount against the right to remuneration of the directors (excluding outside directors) in an amount equivalent to the stock acquisition rights as stock options under this proposal.

The timing of issuance of the stock options and their allocation will be left entirely up to the board of directors. There are currently eight directors (including two outside directors). If Proposal No. 2 is approved, there will be ten directors (including two outside directors).

Details of the stock acquisition rights as stock options for the company's directors (excluding outside directors) and the maximum number of stock acquisition rights are as follows:

(1) Class and number of shares underlying the stock acquisition rights

The class of shares underlying the stock acquisition rights shall be shares of the company's common stock, and the number of shares underlying the stock acquisition rights (hereinafter "number of shares granted") shall be 100 shares. If, however, on or after the date of the shareholders' resolution adopting the proposal (hereinafter "resolution date") the company conducts a share split (including an allotment without consideration of shares of Mazda's common stock, the same shall apply to all references to the share split herein) or share consolidation, the number of shares granted shall be adjusted using the following formula, rounding down any fraction of less than one share resulting from such adjustment.

$$\begin{array}{l} \text{No. of shares granted} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{No. of shares granted} \\ \text{before adjustment} \end{array} \times \begin{array}{l} \text{Ratio of share split} \\ \text{or consolidation} \end{array}$$

In addition to the above, in the case of any event that makes it necessary to adjust the number of shares acquired, including a merger or company split on or after the resolution date, the company may make an appropriate adjustment to the number of shares granted within a reasonable limit.

(2) Total number of stock acquisition rights

The maximum number of stock acquisition rights to be allotted to all directors (excluding outside directors) within one year of the date of the ordinary general meeting of shareholders each fiscal year is 2,000.

(3) Amount to be paid for stock acquisition rights

The amount to be paid for each stock acquisition right shall be determined by the board of directors based on the fair value of the stock acquisition right at the time of its allotment as calculated using a fair calculation method such as the Black-Scholes Model.

(4) Value of assets to be contributed upon exercise of stock acquisition rights

The value of the assets to be contributed upon exercise of stock acquisition rights shall be obtained by multiplying the amount to be paid upon the exercise of the stock acquisition rights (which will be 1 yen per share) by the number of shares granted.

(5) Period of time during which stock acquisition rights can be exercised

The period of time during which stock acquisition rights can be exercised shall be determined by the board of directors but shall not exceed thirty years from the years following the allotment of the stock acquisition rights.

(6) Restriction on acquisition of stock acquisition rights by transfer

The acquisition of stock acquisition rights by transfer must be approved by a resolution of the board of directors.

(7) Conditions for the exercise of stock acquisition rights

Those to whom stock acquisition rights are allotted may exercise those rights until the day following the day they cease to hold any of the following positions at the company: director, executive officer or Audit & Supervisory Board Member. Other conditions for the exercise of stock acquisition rights shall be set by the board of directors.

Note: Following the conclusion of the shareholders' meeting, the company plans to issue the same stock acquisition rights to its executive officers.

BUSINESS REPORT
(From April 1, 2015 to March 31, 2016)

1. Business activities of the Mazda Group

(1) Progress and results of business activities

With regard to the business environment surrounding the Mazda Group for the fiscal year ended March 31, 2016, there was moderate improvement overall with the recovery in the economies of developed countries. Overseas, although growth in the economies of China and other developing nations slowed, the U.S. economy picked up with an increase in personal consumption, and the moderate recovery in the European economy continued as the result of a loosening of monetary policy. In Japan, although the slowdown in the economies of developing countries had an effect, as a result of an improvement in corporate earnings, overall there was a moderate recovery. However, the outlook remains uncertain due to the economic downturn in emerging countries and higher yen since the beginning of this year.

Amid these circumstances, the Mazda Group pushed ahead with structural reform, leveraging its new-generation SKYACTIV Technology, and strove to enhance its brand value by offering appealing, uniquely Mazda products and service. Mazda's new-generation products featuring SKYACTIV Technology and Kodo-Soul of Motion design theme have gained global recognition, and in March of this year the all-new Mazda MX-5 won both the 2016 World Car of the Year and World Car Design of the Year awards. The Mazda Group is working to offer all of its customers driving pleasure as well as outstanding environmental safety performance, which represent its brand value, and to achieve steady volume growth.

In terms of products, the all-new MX-5, the sixth in the company's new-generation product line-up, was launched globally, starting with Japan. The lightweight, two-seater, rear-wheel drive sports car is substantially lighter and offers an ideal driving position. In developing the all-new MX-5, Mazda's goal was to deliver pure *Jinba-ittai* driving fun and to appeal on an even deeper level to the senses through which people enjoy cars. The all-new MX-5 has earned high praise, winning more than 30 awards in Japan and overseas.

In overseas markets, sales of the all-new Mazda BT-50 pickup truck began in Thailand and Australia. While maintaining the dynamic performance of the former model with its outstanding practicality and driving pleasure, the truck's styling was updated to give it a sportier, more powerful presence. The all-new Mazda CX-9 three-row mid-size crossover SUV made its debut in last November, and production began at the company's Hiroshima plant in February. The all-new CX-9, a high-end model in the new-generation line-up, offers customers high-quality comfort that goes beyond functionality and specifications.

In the sales area, in Japan, models featuring SKYACTIV Technology were launched in each segment, and the company worked to strengthen global sales. By always pursuing the ideal and further developing each model without regard to the timing of facelifts, the company has ensured that models featuring the latest designs and technologies are always on display in showrooms and has offered products that meet customers' diverse needs. A policy of selling our products at right price was introduced globally, and the company is working to raise transaction prices and improve the residual value.

In Japan, to improve convenience for customers and offer them a uniquely Mazda experience, the company implemented a system under which every dealership handles all Mazda models and strengthened its domestic sales structure by introducing the "Mazda sales method" and new-generation stores. To make people more familiar with the brand, the company opened Mazda Brand Space Osaka, a showroom under Mazda's direct management, in January. Mazda will continue to forge special bonds with its customers through various "contact points" and work to enhance brand value.

In the research and development area, the company developed a new 2.5-liter direct-injection turbocharged gasoline engine. The SKYACTIV-G 2.5T features the Dynamic Pressure Turbo, the world's first turbocharging system that can vary the degree of exhaust pulsation depending on engine speed, and a cooled exhaust gas

recirculation (EGR) system that allows the engine to maintain the ideal air-fuel ratio over a wider output range. The top-of-the-line engine in the SKYACTIV-G series, the 2.5T offers superior torque at low and medium speeds as well as outstanding real-world fuel economy. The SKYACTIV-G 2.5T will be brought to the market in the all-new CX-9.

Believing that color is an element of form, Mazda developed Machine Gray to accentuate the beauty of KODO design. Machine Gray is Mazda's second premium color following Soul Red, which since its launch has come to represent KODO design. Machine Gray was developed to express the beauty of a machine's strength and precision. With strong contrast between light and shadow and a sleek, high-density finish, it gives the impression that the vehicle's body has been sculpted from a solid steel ingot for a realistic metallic feel. Machine Gray will be made available on a wide range of Mazda models, including the all-new CX-9.

Mazda continues its research and development into the rotary engine. In last October the company unveiled the rotary-powered Mazda RX-Vision sports car concept. The rotary engine symbolizes the company's ongoing desire to tackle new challenges.

In the production area, total production of new-generation products passed the 3-million mark in last November. This milestone was reached four years after production of the Mazda CX-5 started at the Hiroshima Plant in November 2011. Mazda's new-generation line-up includes the CX-5 and subsequent models: the Mazda6, Mazda3, Mazda2, Mazda CX-3, and all-new MX-5. With the addition of the all-new CX-9, the new-generation models are now produced in Hiroshima and Hofu in Japan as well as Thailand, China, Mexico, and assembled in Russia, Vietnam and Malaysia.

The company is also pushing ahead with the restructuring of our global production, a key initiative of our Structural Reform Plan. Mass production of SKYACTIV engines in Thailand began in last October and, in order to establish a system to ensure a stable supply of the CX-3 to the growing global compact SUV market on a timely basis, we started local production of the CX-3. As the company's first overseas base capable of integrated vehicle production, including engine and transmission production, Thailand is our important production location outside Japan. The company will continue to pursue maximum production efficiency and support volume growth by maximizing utilization of its major production bases.

Along with continued strong sales of the CX-5, sales of the CX-3 shifted into high gear in its markets, and global sales volume was up 9.8% year on year at 1,534 thousand units.

By market, although demand was down year on year, retail volume in Japan for the fiscal year ended March 31, 2016 was 232 thousand units, up 3.5% year on year. Steady sales of the Mazda2 as well as the introduction of the CX-3 and the all-new MX-5 drove sales. In North America, retail volume was 438 thousand units, up 3.0% year on year with firm sales in the U.S. on continued strong sales of the updated CX-5 and contributions from the CX-3 and all-new MX-5, and with increased volume of the Mazda2 and Mazda3 in Mexico. In Europe, with sales of the CX-3 shifting into high gear and continued strong sales of the Mazda2, volume was up 12.0% year on year at 257 thousand units. By country, although demand declined in Russia, sales in key markets such as Germany and the United Kingdom showed strong growth. In China, sales of the Mazda3 grew rapidly as a result of the government's tax cuts for small cars. Sales of the updated CX-5 and Mazda6 also remained brisk, so volume was up 9.5% year on year at 235 thousand units. As for other markets, the CX-3 and all-new MX-5 contributed to year-on-year improvements in both volume growth and market share in the key market of Australia. In the ASEAN market, sales increased significantly in Thailand and Vietnam. In other emerging countries, sales set records in Saudi Arabia and Colombia, and overall retail volume in other markets was up 22.6% year on year at 372 thousand units.

As for financial performance on a consolidated basis, net sales amounted to ¥3,406.6 billion, an increase of ¥372.7 billion or 12.3% over last fiscal year, owing to increasing sales of SKYACTIV models in global markets. Operating income amounted to ¥226.8 billion, an increase of ¥23.9 billion or 11.8% over last fiscal year, owing to increased wholesales as well as ongoing cost improvements through Monotsukuri Innovation.

Ordinary income amounted to ¥223.6 billion, an increase of ¥11.0 billion or 5.2% over last fiscal year. Net income attributable to owners of the parent amounted to ¥134.4 billion, a decrease of ¥24.4 billion or 15.4% under last fiscal year, mainly due to the reserve for product warranties in extra-ordinary losses.

Net cash provided by operating activities was ¥262.8 billion, reflecting income before income taxes of ¥167.0 billion, etc. (For the last fiscal year, net cash provided by operating activities was ¥204.5 billion.) Net cash used in investing activities was ¥108.1 billion, mainly reflecting capital expenditure for the acquisition of property, plant and equipment of ¥78.9 billion. (For the last fiscal year, net cash used in investing activities was ¥95.5 billion.) As a result, consolidated free cash flow (net of operating and investing activities) was positive ¥154.7 billion. (For the previous fiscal year, consolidated free cash flow was positive ¥108.9 billion.) Net cash used in financing activities was ¥94.1 billion, mainly reflecting the repayments of loans payable and the payments of dividends. (For the last fiscal year, net cash used in financing activities was ¥62.8 billion.)

After subtracting cash and cash equivalents from the interest-bearing debt, net interest-bearing debt totaled ¥48.4 billion, and the net debt-to-equity ratio was 5.1%.

In view of this fiscal year's business results, the business environment and the company's financial situation, the company plans to propose the payment of a year-end dividend of ¥15 per share at the ordinary general meeting of shareholders. The total dividend for this fiscal year will be ¥30 per share, including the interim dividend of ¥15 per share.

Net sales breakdown of the Mazda Group

Item	Domestic		Overseas		Total	
	Units	Amount	Units	Amount	Units	Amount
Vehicles	units 227,563	¥ million 440,484	units 1,079,164	¥ million 2,421,027	Units 1,306,727	¥ million 2,861,511
Knockdown Parts (Overseas)	—	—	—	64,403		64,403
Parts	—	44,455		199,782		244,237
Other	—	175,996		60,456		236,452
Total	—	660,935		2,745,668		3,406,603

Notes: The wholesales volume does not include vehicles which are sold by other brands.

Net sales breakdown of the Company

Item	Domestic		Export		Total	
	Units	Amount	Units	Amount	Units	Amount
Vehicles	units 232,172	¥ million 403,685	units 1,031,794	¥ million 1,895,185	units 1,263,966	¥ million 2,298,870
Knockdown Parts (Overseas)				110,367		110,367
Parts		56,195		86,718		142,913
Other		7,939		46,438		54,377
Total		467,819		2,138,708		2,606,527

Notes: The wholesales volume does not include vehicles which are sold by other brands.

(2) Capital investment

For further growth in the future, we invested heavily in our next-generation products, environmental and safety technologies, and in the plant in Mexico and the new transmission and engine plant in Thailand in order to restructure our global production system. As a result, capital investment amounted to ¥89.2 billion on a consolidated basis. (This figure was ¥131.0 billion in the previous fiscal year.)

(3) Financing

We borrowed ¥17.1 billion in long-term loans during the fiscal year ended March 31, 2016.

(4) Issues to be addressed

“Structural Reform Stage 2” (Fiscal year ending March 2017 through fiscal year ending March 2019)

In February 2012, the Mazda group formulated a Structural Reform Plan to address the harsh external environment and to ensure future growth and pushed ahead with structural reform leveraging its SKYACTIV Technology. While investing in future growth, we have made major progress in the areas of products, sales, production and alliances. Toward the realization of a stable earnings structure, we have had reasonable success. Nevertheless, Mazda believes there is still room for improvement in each area and considers it necessary to strengthen the major initiatives of the Structural Reform Plan.

With this in mind, for further growth in the future, Mazda group formulated the Structural Reform Stage 2, the new mid-term plan that will cover the three-year period beginning with the March 2017 fiscal year, in order to achieve qualitative growth of the business and accelerate a significant increase in brand value.

The projected financial indicators for the fiscal year ending March 2019, the plan’s final year, are as follows:

March 2019 Financial Target

- Global sales volume: 1.65 million units
 - Consolidated operating return on sales: 7% or more
 - Equity ratio: 45% or more
 - Dividend payout ratio: 20% or more
- (Based on an exchange rate of ¥120/1 dollar and ¥130/1 euro)

Note: Business indicators and other descriptions of the future are based on certain assumptions judged by Mazda Group as of March 31, 2016. Such description may differ from the actual results and the achievement of such description is not guaranteed in any way.

The key initiatives of the Structural Reform Stage 2 are outlined below.

1. Product and R&D

We will continue to launch new models that offer both “driving pleasure” and “excellent environmental and safety performance” under Structural Reform Stage 2. We will pursue continuous evolution in our new generation products by installing the latest designs and technologies in the updated models. Also, we will aim for an increase of both sales volume and profitability by expanding our lineup of crossover-type models whose demand is growing globally. We will also pursue technological development for next-generation products with an emphasis on the environment and safety, including compliance with increasingly strict environmental regulations around the world.

2. Global sales and network reinforcement

We will work to strengthen sales through our lineup of SKYACTIV products. Through the ongoing global introduction of a policy of selling our products at right price and by raising transaction prices and improving the residual value of our cars, we will improve customer retention. We are promoting reform at dealers that focuses on enhancing customer care and customers’ brand experience, and working to become a brand that has a special bond with its customers.

3. Global production and cost improvement

We will roll out Monotsukuri Innovation, which has produced significant results at domestic production

bases, to all global bases to accelerate cost improvement. Also, to respond to the strong demand for SKYACTIV-equipped models, which have been highly acclaimed, we will maximize production efficiency at our major production sites and expand swing production, which allows production sites to mutually complement each other globally, and production flexibility between models, and support our sales plan of 1.65 million units.

4. Financial structure reinforcement and shareholder return

By enhancing brand value through steady growth in sales volume and qualitative growth of the business, we will strengthen our financial foundation by generating stable profits and cash flow and increasing equity. A decision on shareholder returns will be made basically based on current fiscal year's performance, the business environment and our financial situation. We will work to ensure stable dividends and to reinforce our financial base and to steadily improve the dividend payout ratio.

Mazda will run the business with the focus on brand value through the steady implementation of the initiatives of the Structural Reform Stage 2.

We would like to ask for the continued support and guidance of all shareholders going forward.

(5) Assets and business results**(i) The Mazda Group**

Business Terms		147th Term (from April 2012 to March 2013)	148th Term (from April 2013 to March 2014)	149th Term (from April 2014 to March 2015)	150th Term (from April 2015 to March 2016)
Item					
Net sales	(Millions of yen)	2,205,270	2,692,238	3,033,899	3,406,603
Ordinary income	(Millions of yen)	33,087	140,651	212,566	223,563
Net income attributable to owners of the parent	(Millions of yen)	34,304	135,699	158,808	134,419
Net income per share	(yen)	11.48	45.40	265.64	224.85
Total assets	(Millions of yen)	1,978,567	2,246,036	2,473,287	2,548,401
Net assets	(Millions of yen)	513,226	676,837	891,326	976,723
Net assets per share	(yen)	166.04	221.04	1,454.61	1,595.83

- Notes: 1. Sales and profit increased in the 147th, 148th and 149th term owing to improvements in volume, model mix and cost. Details for the 150th term are as described in the preceding “(1) Progress and results of business activities.”
2. The company consolidated its common stock at a ratio of five shares to one share on August 1, 2014. Net income per share for the 149th term was calculated based on the assumption that the consolidation of shares was carried out at the beginning of the 149th term.
3. Effective from the fiscal year ended March 31, 2016, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013) and other standards. As a result, the presentation of “Net income” has been changed to “Net income attributable to owners of the parent”.

(ii) The Company

Business Terms		147th Term (from April 2012 to March 2013)	148th Term (from April 2013 to March 2014)	149th Term (from April 2014 to March 2015)	150th Term (from April 2015 to March 2016)
Item					
Net sales	(Millions of yen)	1,694,765	2,057,014	2,334,421	2,606,527
Ordinary income	(Millions of yen)	48,443	148,818	123,255	148,085
Net income	(Millions of yen)	11,107	166,009	106,168	100,626
Net income per share	(yen)	3.72	55.54	177.59	168.32
Total assets	(Millions of yen)	1,781,185	1,797,190	1,890,780	1,951,457
Net assets	(Millions of yen)	498,145	678,265	792,849	882,341
Net assets per share	(yen)	166.65	226.91	1,326.22	1,475.92

- Notes: The company consolidated its common stock at a ratio of five shares to one share on August 1, 2014. Net income per share for the 149th term was calculated based on the assumption that the consolidation of shares was carried out at the beginning of the 149th term.

(6) Principal business (as of March 31, 2016)

The principal business of the Mazda Group is production and sales of the following products.

Segment	Main Products
Vehicles	[Passenger vehicles] Mazda6, MX-5, Mazda3, Mazda8, CX-9, CX-5, CX-4, CX-3, Mazda5, Biante, VX-1, Mazda2, Carol, Flair, Flair Wagon, Flair Crossover, Scrum Wagon [Trucks] Titan, BT-50, Bongo Van, Bongo Truck, Familia Van, Scrum Van, Scrum Truck
Knockdown Parts (Overseas)	Parts for overseas assembly operations
Parts	Various after-sales service parts for domestic and overseas markets
Other	Materials for casting, etc.

(7) Principal offices and plants (as of March 31, 2016)

(i) The Company

Facility name	Location and address
Head Office and Hiroshima Plant	Fuchu-cho, Aki-gun, Hiroshima
Tokyo Office	Chiyoda-ku, Tokyo
Hofu Plant	Hofu-shi, Yamaguchi
Miyoshi Plant	Miyoshi-shi, Hiroshima
Mazda R&D Center Yokohama	Kanagawa-ku, Yokohama-shi

(ii) Subsidiaries and Affiliates

Please refer to “(9) (ii) Principal subsidiaries” and “(9) (iii) Principal affiliates.”

(8) Employees (as of March 31, 2016)

(i) The Mazda Group

Number of employees	Change from previous year
46,398	+ 2,363

Note: The above number of employees is calculated excluding the loan employee.

(ii) The Company

Number of employees	Change from previous year	Average age	Average years of employment
20,849	+ 358	40.5 years old	16.0 years

Notes: 1. The number of employees is calculated excluding the loan employees.

2. The number of employees does not include 2,044 temporary employees, etc.

(9) Principal parent companies and subsidiaries (as of March 31, 2016)

(i) Principal parent companies

Not applicable

(ii) Principal subsidiaries

Name	Location and address	Capital Stock	Company's Equity Participation (%)	Principal Business
Mazda Motor of America Inc.	U.S.A.	US\$240 million	100.0	Sales of vehicles and parts
Mazda Canada Inc.	Canada	C\$111 million	100.0	Sales of vehicles and parts
Mazda Motor Manufacturing de Mexico S.A.de C. V.	Mexico	MXN6,542 million	70.0	Manufacturing and sales of vehicles
Mazda Motor Europe GmbH	Germany	Euro26 thousand	*100.0	Supervision of the overall European market
Mazda Motor Logistics Europe N. V.	Belgium	Euro72 million	100.0	Sales of vehicles and parts
Mazda Motors (Deutschland) GmbH	Germany	Euro18 million	*100.0	Sales of vehicles and parts
Mazda Motors UK Ltd.	U.K.	4 million	*100.0	Sales of vehicles and parts
Mazda Motor Rus, OOO	Russia	RUB314 million	100.0	Sales of vehicles and parts
Mazda Australia Pty Ltd.	Australia	A\$31 million	100.0	Sales of vehicles and parts
Mazda Motor (China) Co., Ltd.	China	RMB78 million	100.0	Supervision of the overall China market
Mazda Sales (Thailand) Co., Ltd.	Thailand	THB575 million	96.1	Sales of vehicles and parts
Mazda Powertrain Manufacturing (Thailand) Co., Ltd.	Thailand	THB6,567 million	100.0	Manufacturing and sales of automobile parts
Kanto Mazda Co., Ltd.	Itabashi-ku, Tokyo	¥3,022 million	100.0	Sales of vehicles and parts
Tokai Mazda Co., Ltd.	Mizuho-ku, Nagoya	¥2,110 million	100.0	Sales of vehicles and parts
Kansai Mazda Co., Ltd.	Naniwa-ku, Osaka	¥950 million	100.0	Sales of vehicles and parts
Kyushu Mazda Co., Ltd.	Hakata-ku, Fukuoka	¥826 million	100.0	Sales of vehicles and parts
Mazda Autozam Inc.	Fuchu-cho, Aki-gun, Hiroshima	¥1,725 million	100.0	Sales of vehicles and parts
Mazda Parts Co., Ltd.	Higashi-ku, Hiroshima	¥1,018 million	100.0	Sales of automobile parts
Kurashiki Kako Co., Ltd.	Kurashiki-shi, Okayama	¥310 million	75.0	Manufacturing and sales of automobile parts
Mazda Logistics Co., Ltd.	Minami-ku, Hiroshima	¥490 million	100.0	Transportation of vehicles and parts
Mazda Chuhan Co., Ltd.	Minami-ku, Hiroshima	¥1,500 million	100.0	Sales of used vehicles
Mazda Motor International Co., Ltd.	Fuchu-cho, Aki-gun, Hiroshima	¥115 million	100.0	Sales of vehicles

Notes: 1. *includes indirect ownership.

2. The number of consolidated subsidiaries of the Company is 58.

(iii) Principal affiliates

Name	Location and address	Capital Stock	Company's Equity Participation (%)	Principal Business
AutoAlliance (Thailand) Co., Ltd.	Thailand	THB8,435 million	50.0	Manufacturing and sales of vehicles
Changan Mazda Automobile Co., Ltd.	China	RMB698 million	50.0	Manufacturing and sales of vehicles
Changan Ford Mazda Engine Co., Ltd.	China	RMB1,573 million	25.0	Manufacturing and sales of automobile parts
FAW Mazda Motor Sales Co., Ltd.	China	RMB125 million	40.0	Sales of vehicles and parts
Mazda Sollers Manufacturing Rus LLC	Russia	RUB1,500 million	50.0	Manufacturing and sales of vehicles
Toyo Advanced Technologies Co., Ltd.	Minami-ku, Hiroshima	¥3,000 million	30.0	Manufacturing and sales of machine tools
SMM Auto Finance, Inc.	Chuo-ku, Osaka	¥7,700 million	49.0	Automobile sales finance

Notes: The number of equity-method companies of the Company is 13.

(10) Major Creditors (as of March 31, 2016)

Creditor	Balance of Borrowings (¥ million)
Sumitomo Mitsui Banking Corporation	123,363
Japan Bank for International Cooperation, Ltd.	54,758
Sumitomo Mitsui Trust & Banking Co., Ltd.	43,921
Development Bank of Japan Inc.	37,180
Hiroshima Bank, Ltd.	28,512
Yamaguchi Bank, Ltd.	24,944
Mizuho Bank, Ltd.	23,305
Mitsubishi UFJ Trust and Banking Corporation	15,154
The Nishi-Nippon City Bank, Ltd.	10,350
Momiji Bank, Ltd.	10,050

(11) Other

Mazda formed a global partnership with the Ford Motor Company in 1979, and since then both companies have further developed and strengthened their cooperative relationship. An agreement was concluded in 1996 to further bolster that relationship with an increase in Ford's equity in Mazda's total shares outstanding to 33.4%. As a consequence of subsequent gradual sales by Ford of its stake in Mazda, Ford no longer has a stake in Mazda currently. However, the two companies have agreed to continue their strategic partnership and will continue to collaborate on areas of mutual benefit, such as key joint ventures.

2. Status of Shares (as of March 31, 2016)**(1) Total number of shares authorized to be issued:** 1.2 billion**(2) Total number of shares outstanding:** 599,875,479 shares**(3) Number of shareholders:** 158,602 (increased by 8,216 from previous year)**(4) Major shareholders:**

Name	No. of shares held (thousands)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	40,688	6.8
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,172	5.0
Sumitomo Mitsui Banking Corporation	12,857	2.2
The Bank of New York Mellon SA/NV 10	11,579	1.9
State Street Bank West Client – Treaty 505234	8,071	1.4
Japan Trustee Services Bank, Ltd. (Trust Account 7)	8,004	1.3
The Bank of New York, Non – Treaty Jasdec Account	7,470	1.2
CBNY – Government of Norway	6,765	1.1
Chase Manhattan Bank GTS Clients Account Escrow	6,672	1.1
Mitsui Sumitomo Insurance Co., Ltd.	6,496	1.1

Note: The calculation for the shareholding ratio excludes treasury stock (2,051,353 shares)

3. Status of Stock Acquisition Rights

Not applicable

4. Corporate Officers

(1) Directors and Audit & Supervisory Board Members

Position	Name	Responsibilities in the Company and important offices concurrently held
Representative Director and Chairman of the Board	Seita Kanai	Chairman, The Mazda Foundation
Representative Director	Masamichi Kogai	President and CEO
Representative Director	Akira Marumoto	Executive Vice President Assistant to President; Oversight of Operations in the Americas and Corporate Planning Domain
Director	Yuji Harada	Senior Managing Executive Officer Oversight of Fleet Sales No. 2 and Financial Services; In charge of CSR, Environment and Global Corporate Communications
Director	Yuji Nakamine	Senior Managing Executive Officer Oversight of Operations in Europe, Asia & Oceania, Middle East & Africa and New Emerging Markets
Director	Nobuhide Inamoto	Senior Managing Executive Officer Oversight of Operations in China, Domestic Sales, Fleet Sales No.1; In charge of Global Auditing; Chairman, Mazda Motor (China) Co., Ltd.
Director	Ichiro Sakai	Attorney-at-law
* Director	Kazuaki Jono	Adviser, Hiroshima Prefectural Union of Agricultural Cooperatives
Audit & Supervisory Board Member (full-time)	Nobuyoshi Tochio	
Audit & Supervisory Board Member (full-time)	Hirofumi Kawamura	
Audit & Supervisory Board Member	Isao Akaoka	Director and Vice Principal of the Nagoya Ishida Educational Foundation and President of Seijoh University
Audit & Supervisory Board Member	Masahide Hirasawa	Representative Director and Chairman of the Board, The Royal Hotel, Ltd. Outside Audit & Supervisory Board Member, Asahi Broadcasting Corporation
Audit & Supervisory Board Member	Takao Hotta	Representative Director and Vice Chairman of the Board, Japan Securities Finance Co., Ltd.

(Positions and responsibilities are as of March 31, 2016)

- Notes: 1. Directors Mr. Ichiro Sakai and Mr. Kazuaki Jono are Outside Directors. In accordance with the requirements of the Tokyo Stock Exchange Inc., the Company has designated each person to be Independent Directors and has reported to the relevant stock exchanges of this designation.
2. Audit & Supervisory Board Members Mr. Isao Akaoka, Mr. Masahide Hirasawa and Mr. Takao Hotta are Outside Audit & Supervisory Board Members. In accordance with the requirements of the Tokyo Stock Exchange Inc., the Company has designated each person to be Independent Audit & Supervisory Board Members and has reported to the relevant stock exchanges of this designation.
3. Audit & Supervisory Board Members Messrs. Nobuyoshi Tochio, Isao Akaoka, Masahide Hirasawa and Takao Hotta have considerable knowledge of finance and accounting as described below.
- (1) Mr. Nobuyoshi Tochio was responsible for finance and accounting while serving as general manager of Mazda's Financial Services Division.
- (2) Mr. Isao Akaoka taught business management as a professor in the Faculty of Economics, Kyoto University, served as Vice President of the same institution, and was Chairman and President of the Prefectural University of Hiroshima.

- (3) Mr. Masahide Hirasawa served as Vice President, Executive Officer, and Audit & Supervisory Board Member (part-time) at Sumitomo Mitsui Banking Corporation and as a full-time Audit & Supervisory Board Member at Sumitomo Mitsui Financial Group Inc.
- (4) Mr. Takao Hotta served in key posts with the Ministry of Finance, as Representative Director and Vice President of Japan Tobacco, Inc., and as Representative Director and President of Osaka Securities Finance Co., Ltd.
4. The officer marked with an asterisk was newly elected to assume positions as Director at the 149th Ordinary General Meeting of Shareholders held on June 23, 2015.
5. Changes in important offices held concurrently by Directors during the fiscal year and after its close are as follows:
- (1) Yuji Nakamine, Director, resigned his post as President, Mazda South East Asia Ltd. on September 1, 2015.
- (2) Nobuhide Inamoto, Director, resigned his post as Chairman, Mazda Motor (China) Co., Ltd. on April 1, 2016.
- (3) Ichiro Sakai, Director, resigned his post as Outside Director of Kewpie Corporation on February 26, 2016.
6. The Company has no major business transactions or relationships with Kewpie Corporation, Hiroshima Prefectural Union of Agricultural Cooperatives, the Nagoya Ishida Educational Foundation, the Royal Hotel, Ltd., Asahi Broadcasting Corporation, or Japan Securities Finance Co., Ltd.
7. Directors who retired during the fiscal term are as follows:

Name	Retirement Date	Reason	Positions and Responsibilities in the Company and important offices concurrently held at the Time of Retirement
Koji Kurosawa	June 23, 2015	Expiry of term of office	Director Oversight of Secretariat and General & Legal Affairs; In charge of Global Auditing and Mazda Hospital
Taizo Muta	June 23, 2015	Expiry of term of office	Director

8. Responsible areas were changed on April 1, 2016 as follows:

Position	Name	Responsibilities in the Company and important offices concurrently held
Director	Yuji Harada	Senior Managing Executive Officer Oversight of Financial Services; Assistance to the Officer Oversight of Fleet Sales; In charge of CSR, Environment and Global Corporate Communications
Director	Nobuhide Inamoto	Senior Managing Executive Officer Oversight of Operations in China, Domestic Sales and Fleet Sales; In charge of Global Auditing

(2) Total amount of compensation payable to Directors and Audit & Supervisory Board Members

Category	Number of persons	Compensation (¥million)
Directors	10	448
Audit & Supervisory Board Members	5	109
Total (incl. Outside Directors and Outside Audit & Supervisory Board Members)	15 (6)	557 (65)

- Notes: 1. The above number of persons includes two (2) Directors who retired at the conclusion of the 149th Ordinary General Meeting of Shareholders held on June 23, 2015.
2. 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 (excluding the employee salaries of employee-directors). None of the above ten (10) Directors are employee-directors.
3. By resolution of the 141st Ordinary General Meeting of Shareholders held on June 26, 2007, the annual

compensation for Audit & Supervisory Board Members is to be payable within the limit of ¥240 million.

4. By resolution of the 141st Ordinary General Meeting of Shareholders held on June 26, 2007, the company also abolished its retirement allowance system for directors and Audit & Supervisory Board Members. Based on this resolution, a retirement allowance of 20 million yen was paid to a director who retired this business year (covering his term as corporate auditor through the end of the 141st Ordinary General Meeting of Shareholders).

(3) Matters concerning Outside Corporate Officers

Category	Name	Attendance Record	Main activities
Director	Ichiro Sakai	Attended 15 out of 15 meetings of the Board of Directors	He has contributed to further strengthening the Board of Directors' oversight of operations and achieving greater management transparency by expressing his opinion and giving advice making use of his extensive experience as a lawyer and through his participation in the board's decision-making by expressing his opinion from an independent perspective during deliberations on important management issues.
Director	Kazuaki Jono	Attended 12 out of 12 meetings of the Board of Directors	He has contributed to further strengthening the Board of Directors' oversight of operations and achieving greater management transparency by expressing his opinion and giving advice making use of his extensive experience as a vice governor of Hiroshima Prefecture and through his participation in the board's decision-making by expressing his opinion from an independent perspective during deliberations on important management issues.
Audit & Supervisory Board Member	Isao Akaoka	Attended 14 out of 15 meetings of the Board of Directors and 15 out of 16 meetings of the Audit & Supervisory Board	He made necessary inquiries regarding the agenda and matters reported, and expressed his opinions and audit views mainly from his viewpoints as a university administrator and his specialized knowledge of business administration. He participated in the Audit & Supervisory Board meetings by receiving reports from the full-time Audit & Supervisory Board Members on the status and results of their auditing, expressing his viewpoints as Outside Audit & Supervisory Board Member, and exchanging opinions actively. He also heard from Directors and Executive Officers about the performance of their duties.
Audit & Supervisory Board Member	Masahide Hirasawa	Attended 13 out of 15 meetings of the Board of Directors and 14 out of 16 meetings of the Audit & Supervisory Board	He made necessary inquiries regarding the agenda and matters reported, and expressed his opinions and audit views mainly from a managerial viewpoint. He participated in the Audit & Supervisory Board meetings by receiving reports from the full-time Audit & Supervisory Board Members on the status and results of their auditing, expressing his viewpoints as Outside Audit & Supervisory Board Member, and exchanging opinions actively. He also heard from Directors and Executive Officers about the performance of their duties.

Category	Name	Attendance Record	Main activities
Audit & Supervisory Board Member	Takao Hotta	Attended 15 out of 15 meetings of the Board of Directors and 16 out of 16 meetings of the Audit & Supervisory Board	He made necessary inquiries regarding the agenda and matters reported, and expressed his opinions and audit views mainly from a managerial viewpoint. He participated in the Audit & Supervisory Board meetings by receiving reports from the full-time Audit & Supervisory Board Members on the status and results of their auditing, expressing his viewpoints as Outside Audit & Supervisory Board Member, and exchanging opinions actively. He also heard from Directors and Executive Officers about the performance of their duties.

- Notes: 1. Kazuaki Jono's attendance record covers the period after he assumed his post as Outside Director on June 23, 2015.
2. In addition to the above, the Outside Directors and Outside Audit & Supervisory Board Members actively engage in various activities such as attending meetings with representative directors and events held by the company as well as writing comments based on their outside perspective and extensive knowledge, which are posted on the company's website for employees. They also offer comments as appropriate in order to enhance and strengthen the company's corporate governance.
 3. Based on the provisions of Article 427, Paragraph 1 of the Companies Act, a Liability Limitation Agreement that limits the liability in Article 423, Paragraph 1 at the maximum liability stipulated in Article 425, Paragraph 1 has been concluded between the Company and the Outside Directors and Outside Audit & Supervisory Board Members.

Accounting Auditor

(1) Name of Accounting Auditor KPMG AZSA, LLC

(2) Amount of compensation to the Accounting Auditor for the fiscal year ended March 31, 2016

	Compensation (¥million)
(i) Amount of compensation to the Accounting Auditor	223
(ii) The total compensation to be paid or payable to the Accounting Auditor by the Company and its Consolidated Subsidiaries	330

Notes: 1. After having performed the necessary verification as to the appropriateness of matters such as the content of Accounting Auditor's plan, the status of performance of duties by the Accounting Auditor, and the basis for the calculation of the estimated remuneration for the Accounting auditor, the Audit & Supervisory Board has decided to consent to the amount of remuneration, etc. to be paid to the Accounting Auditor.

2. The audit contract between the Company and the Accounting Auditor does not separate the compensation for the audit prescribed by the Companies Act from the compensation for the audit prescribed by the Financial Instruments and Exchange Act, hence these two forms of compensation cannot be separated. Therefore, the above amount represents the total of these compensations.

(3) Subsidiaries audited by Accounting Auditors other than the above

Among the principal subsidiaries of the Company, Mazda Motor of America Inc., Mazda Canada Inc., Mazda Motor Manufacturing de Mexico S.A. de C.V., Mazda Motor Europe GmbH, Mazda Motor Logistics Europe N.V., Mazda Motors (Deutschland) GmbH, Mazda Motors UK Ltd., Mazda Motor Rus, OOO, Mazda Australia Pty Ltd., Mazda Motor (China) Co., Ltd., Mazda Sales (Thailand) Co., Ltd. and Mazda Powertrain Manufacturing (Thailand) Co., Ltd. are audited by other Accounting Auditors.

(4) Policy for determining the dismissal or non-reappointment of an Accounting Auditor

If an Accounting Auditor is in any of the situations set forth in Article 340, Paragraph 1 of the Companies Act that constitute a reason for dismissal and there is no prospect for improvement, the Accounting Auditor may be dismissed with the consent of all members of the Audit & Supervisory Board.

Apart from any cases arising for any reason of the Company, in the event of a situation that poses a major obstacle to the audit activities of the Company, such as a suspension of audit operations by order of competent authorities, based on the facts, the Audit & Supervisory Board shall consider the dismissal or non-reappointment of the Accounting Auditor. If dismissal or non-reappointment is deemed appropriate, the dismissal or non-reappointment of the Accounting Auditor shall be submitted as an agenda item at the General Meeting of Shareholders by a resolution of the Audit & Supervisory Board.

Outline of board resolutions related to the creation of a system to ensure that directors execute their duties in conformance with laws and regulations and the articles of incorporation and of other systems necessary to ensure the appropriateness of operations of public companies and of the corporate group consisting of the company and its subsidiaries and the status of the system's operation.

1. Outline of board resolutions related to the creation of the system

(1) System for the preservation and management of information related to directors' execution of duties

Minutes for the meetings of shareholders, the board of directors and the executive committee; ringi forms; documents related to decisions; and other information related to the execution of directors' duties shall be properly stored and managed in accordance with laws and regulations, the articles of incorporation and all other related internal regulations, and the Audit & Supervisory Board Members shall be allowed to review this information upon request.

(2) Regulations and other systems related to the risk of loss

- (i) Individual business risks shall be managed by the relevant divisions, and company-level risks shall be managed by the divisions in charge in accordance with basic risk management policy and other related internal regulations.
- (ii) In the event of serious management situations or emergencies such as disasters, appropriate measures such as establishing an emergency headquarters shall be taken in accordance with internal regulations as necessary.
- (iii) The officer and department in charge of the promotion of risk management throughout the Company shall be stipulated, and risk management shall be further strengthened and enhanced by activities such as setting an agenda of priority issues for the Risk & Compliance Committee and checking and evaluating the risk management in each department.

(3) System to ensure that directors execute their duties efficiently

- (i) In order to meet business plan targets, activities shall be carried out in each area of operations in accordance with the medium- and long-term management plan and the annual fiscal year business plan.
- (ii) All items related to operations that must be submitted to the board as set forth in the Board of Directors Regulations shall be submitted at a board of directors meeting.
- (iii) Daily operations shall be carried out efficiently in accordance with the division of duties among executive officers based on the Administrative Authority Regulations, Work Allocation Regulations and any other related internal regulations or by delegating authority to the executive officers.

(4) System to ensure that directors and employees execute their duties in conformance with laws and regulations and the articles of incorporation

- (i) In order to further strengthen the oversight function of the board of directors and achieve greater management transparency, independent outside directors shall be appointed.
- (ii) The execution of duties by directors and other corporate officers and employees shall be carried out so as to ensure compliance with laws and regulations and the articles of incorporation in accordance with the compliance system in which an officer in charge of compliance shall be appointed and a division in charge of compliance shall be set up, and each divisional manager shall be responsible for the promotion of compliance under the Mazda Corporate Ethics Code of Conduct.
- (iii) The promotion of compliance shall be based on company-wide promotion policies deliberated on by the Risk & Compliance Committee and administered by the division that administers compliance throughout the company.
- (iv) The Mazda Global Hotline (hereinafter "hotline") shall be set up to receive reports when there has been improper behavior in the context of laws and regulations or of the Mazda Corporate Ethics Code of Conduct or when such behavior is suspected. The hotline shall accept anonymous reports, and a channel for receiving reports shall be set up at an independent organization (a lawyer).

(5) System to ensure the appropriateness of operations of the corporate group consisting of the Company and its subsidiaries

- (i) Subsidiaries shall be requested to make advance reports to the Company on specific matters and on the resolution of important operational issues in accordance with relevant internal regulations or to seek the company's approval of them.
- (ii) Subsidiaries shall be given guidance and support so as to carry out appropriate risk management in accordance with basic risk management policies and relevant internal regulations.
- (iii) Subsidiaries shall be given guidance in support so as to introduce the corporate group's medium-, long-term and annual business plans and other initiatives and policies of the Company and to conduct their business in accordance with them. Subsidiaries shall also be given guidance and support as needed to resolve important business issues that arise.
- (iv) The Mazda Corporate Ethics Code of Conduct shall be introduced to subsidiaries, and they shall be given guidance and support in order to carry out their business in accordance with the code. The Audit & Supervisory Board and the internal auditing department shall, as proper, conduct audits of group companies' compliance with laws, regulations and the articles of incorporation and the status of their risk management.

(6) Items related to the assignment of employees to assist Audit & Supervisory Board Members in their work in the case that such a request is made

An organization to assist Audit & Supervisory Board Members with their work shall be set up, and employees who are not subject to the guidance or directives of directors shall be assigned to the organization.

(7) Items related to the independence of the aforementioned employees from directors and to ensuring the effectiveness of instructions to these employees

- (i) The transfer and evaluation of employees who assist Audit & Supervisory Board Members shall be carried out by the Human Resources Dept. after prior discussion with the full-time Audit & Supervisory Board Members.
- (ii) The employees who assist Audit & Supervisory Board Members shall not be concurrently employed by any other department and must report solely to the Audit & Supervisory Board Members.

(8) System for reports to Audit & Supervisory Board Members by directors and employees of the Company and its subsidiaries, for other reports to Audit & Supervisory Board Members and to ensure that those who make reports shall not be subject to unfavorable treatment on account of making the report

- (i) When directors or executive officers discover facts that may result in significant harm to the Company, they shall report such facts to the Audit & Supervisory Board Members immediately.
- (ii) Directors and executive officers shall report to the Audit & Supervisory Board Members on serious lawsuits and disputes, changes in accounting policy, major accidents, administrative punishment by the authorities or other items that are to be discussed by the Audit & Supervisory Board with the directors or executive officers even if they are not facts that may result in significant harm to the Company.
- (iii) Directors and executive officers shall seek reports from the directors, executive officers, Audit & Supervisory Board Members or employees engaged in internal audits of subsidiaries on facts that may lead to a significant loss to the Company or its subsidiaries and on other matters that the Audit & Supervisory Board will decide on after discussions with the directors or executive officers.
- (iv) The internal auditing department shall make regular reports to Audit & Supervisory Board Members on the results of its internal audits of the corporate group.
- (v) Reports from employees of the Company or its major subsidiaries via the hotline shall be received and the status of such reports shall be regularly reported to the Audit & Supervisory Board Member.
- (vi) It shall be made clear to the officers and employees of the corporate group that those who make reports to the hotline or who cooperate in an investigation or who make reports to an Audit & Supervisory Board Member under the provisions of the preceding paragraph shall not be subject to retaliation or unfavorable treatment.

(9) Matters related procedures for the advance payment or reimbursement of costs incurred in conjunction with the execution of their duties by Audit & Supervisory Board Members and policies concerning the handling of other costs or claims incurred in the execution of their duties

The Audit & Supervisory Board shall prepare a budget in advance for costs deemed to be necessary to the execution of duties. Requests for reimbursement for costs incurred in an emergency or on an impromptu basis may be made after the fact.

(10) Other systems to ensure that Audit & Supervisory Board Members can conduct their audits effectively

- (i) Each Audit & Supervisory Board Member shall audit directors' execution of duties in accordance with the annual plan prepared by the Audit & Supervisory Board.
- (ii) The full-time Audit & Supervisory Board Members shall attend important meetings such as meetings of the Executive Committee.
- (iii) Close cooperation shall be maintained between the Audit & Supervisory Board Members or the Audit & Supervisory Board and the internal auditing department and the accounting auditor such as by holding regular meetings, etc.
- (iv) The Audit & Supervisory Board Members shall communicate with the directors, executive officers and the general managers of major departments through meetings and hearings on the execution of duties.
- (v) Cooperation shall be maintained by holding Group Audit Liason Committee regularly with the full-time Audit & Supervisory Board Members of the major companies in the Mazda Group and by sharing information with them.

(11) Basic philosophy on the elimination of anti-social forces

The Mazda Group shall have no connection with anti-social forces or groups nor carry out any acts to facilitate the activities of such forces or groups. In the event of unreasonable demands from anti-social forces or groups, these shall be dealt with firmly, including systematic efforts in cooperation with external bodies such as the police or lawyers as necessary.

2. Outline of status of operation

Based on the aforementioned board resolutions, the company created a system and works to ensure that it operates properly. Major initiatives undertaken this fiscal year are described below. The Audit & Supervisory Board members and internal auditing department audit the effectiveness of internal control on an ongoing basis, and the board receives reports on the status of the system's operation.

(1) Risk management and compliance initiatives

- The status of risk management and compliance at the Company and its subsidiaries is ascertained and evaluated.
- Corporate officers and employees receive education on compliance on an ongoing basis. (This includes classes on business affairs and duties, providing opportunities for self-study using e-learning and the regular dissemination of information.)
- Surveys on employees' awareness of compliance are conducted and, based on the results, efforts to raise awareness are implemented on an ongoing basis.
- Employees of the Company and its major subsidiaries are made aware of the hotline (in house and third-party organization), and reports are received and handled appropriately.
- Employees are regularly informed of the reporting process so that information on fraud or losses material to corporate management will be reliably conveyed through the organization and handled promptly and smoothly.
- Regular meetings are held by departments that manage risks at the Company-wide level, efforts are made to identify new risks as they arise, and necessary countermeasures are discussed. Effective compliance education programs are formulated and implemented.
- In conjunction with the implementation of the Social Security and Tax Number System, the system for the management of personal information has been strengthened, and the Company is conducting education and making other efforts to restructure its work processes and ensure that they become well established.

- Drills in initial response to a major earthquake or fire are conducted regularly, and the response of the disaster management and self-defense team is checked.

(2) Initiatives related to ensuring the efficiency of the execution of duties

- The budget is set based on the business plan, and progress is verified.
- All matters that must to be discussed by the board under the provisions of the Regulations of the Board of Directors are brought before the board.
- Duties are allocated among executive officers based on the Guidelines of Managerial Authority, Descriptions of Office Duties and other related internal regulations, and authority is delegated to executive officers.
- Structural Reform Stage 2 (from fiscal year ending March 2017 to fiscal year ending March 2019) has been formulated and is being implemented.

(3) Initiatives to ensure the appropriateness of operations in the corporate group

- The status of risk management and compliance initiatives at subsidiaries and of the operation of the hotline are assessed, and guidance and support are offered.
- The Company and its subsidiaries cooperate on the implementation of internal audits to ascertain the effectiveness of internal control.
- At major domestic subsidiaries, company employees assume the post of auditor and conduct audits. At major overseas subsidiaries, audit committee meetings are held that are attended by the local corporate officers and internal auditing department as well as the Company's corporate officers, full-time Audit & Supervisory Board members and the internal auditing department. At these meetings internal control initiatives are deliberated and views are exchanged.
- At the Company and its subsidiaries self-assessment of the status of the operation of internal control is conducted using a checklist, flaws in control are ascertained independently and corrective measures are also taken. The internal auditing department also recommends necessary improvements and newly identified risks are reflected in the checklist as appropriate.

(4) Initiatives related to ensuring that the Audit & Supervisory Board Members conduct their audits effectively

- The Audit & Supervisory Board prepares an annual plan and reports on it at board meetings. Audits are conducted in line with the annual plan.
- Full-time Audit & Supervisory Board members attend meetings of the Executive Committee and other important bodies and gather information. They also provide information to the outside Audit & Supervisory Board members as appropriate.
- The directors, executive officers and general managers of key departments are systematically interviewed about the status of the execution of their duties.
- The status of reports to the hotline is regularly reported to the Audit & Supervisory Board members.
- Regular meetings are held with the accounting auditor and internal auditing department, and efforts are made to ensure close cooperation.
- Liaison meetings of the corporate auditors of group companies are held regularly, and information is exchanged with the full-time corporate auditors of group subsidiaries.

Sums of money shown in this business report have been rounded down to the nearest unit indicated when 4 or less and rounded up to the nearest unit indicated when 5 or more. Quantities of shares have been rounded down to the nearest unit indicated.

Consolidated Balance Sheet

(As of March 31, 2016)

ASSETS		LIABILITIES	
Account title	Amount	Account title	Amount
	Mil.yen		Mil.yen
Current Assets	1,393,707	Current Liabilities	1,006,470
Cash and deposits	457,655	Trade notes and accounts payable	374,637
Trade notes and accounts receivable	198,894	Short-term loans payable	117,143
Securities	141,200	Bonds due within one year	350
Inventories	383,515	Long-term loans payable due	140,798
Deferred tax assets	105,653	within one year	
Other	107,471	Lease obligations	1,896
Allowance for doubtful receivables	(681)	Income taxes payable	31,784
		Other accounts payable	35,360
Non-current Assets	1,154,694	Accrued expenses	168,799
		Reserve for warranty expenses	104,723
Property, plant and equipment	937,520	Other	30,980
Buildings and structures (net)	175,073	Non-current liabilities	565,208
Machinery, equipment and vehicles (net)	248,455	Bonds	20,000
Tools, furniture and fixtures (net)	63,931	Long-term loans payable	333,661
Land	410,195	Lease obligations	3,284
Leased assets (net)	4,686	Deferred tax liability related	64,719
Construction in progress	35,180	to land revaluation	
		Reserve for loss on business of	7,326
Intangible assets	30,738	subsidiaries and affiliates	
Software	28,617	Reserve for environmental measures	677
Other	2,121	Liability for retirement benefits	85,916
		Other	49,625
Investments and other assets	186,436	Total Liabilities	1,571,678
Investment securities	136,063	NET ASSETS	
Long-term loans receivable	4,309		Mil.yen
Asset for retirement benefits	2,887	Capital and Retained Earnings	867,378
Deferred tax assets	22,256	Common stock	258,957
Other	23,870	Capital surplus	243,048
Allowance for doubtful receivables	(2,949)	Retained earnings	367,601
		Treasury stock	(2,228)
		Accumulated Other Comprehensive	86,638
		Income/(Loss)	
		Net unrealized gain/(loss) on	3,721
		available-for-sale securities	
		Deferred gains/(losses) on hedges	(600)
		Land revaluation	145,952
		Foreign currency translation	(36,877)
		adjustment	
		Accumulated adjustments for	(25,558)
		retirement benefits	
		Non-controlling Interests	22,707
		Total Net Assets	976,723
Total Assets	2,548,401	Total Liabilities and Net Assets	2,548,401

(In Japanese yen rounded to millions)

Consolidated Statement of Operations

(For the Year Ended March 31, 2016)

Account title	Amount	
		Mil.yen
Net sales		3,406,603
Cost of sales		2,567,465
Gross profit on sales		839,138
Selling, general and administrative expenses		612,363
Operating income		226,775
Non-operating income		
Interest and dividend income	4,347	
Equity in net income of affiliated companies	21,988	
Other	5,609	31,944
Non-operating expenses		
Interest expense	12,859	
Loss on sale of receivables	1,814	
Foreign exchange loss	16,026	
Other	4,457	35,156
Ordinary income		223,563
Extraordinary income		
Gain on sales of property, plant and equipment	277	
Gain on sale of investment securities	211	
Other	172	660
Extraordinary losses		
Loss on sales and retirement of property, plant and equipment	6,146	
Impairment loss	1,165	
Reserve for product warranties	40,708	
Loss on business of subsidiaries and affiliates	1,971	
Reserve for loss on business of subsidiaries and affiliates	6,909	
Other	338	57,237
Income before income taxes		166,986
Income taxes - Current	50,687	
Income taxes - Deferred	(21,004)	29,683
Net income		137,303
Net income attributable to Non-controlling interests		2,884
Net income attributable to owners of the parent		134,419

(In Japanese yen rounded to millions)

Consolidated Statement of Changes in Net Assets

(For the Year Ended March 31, 2016)

	Capital and Retained Earnings					Accumulated Other Comprehensive Income/(Loss)	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gain/(loss) on available-for-sale securities	Deferred gains/(losses) on hedges
	Mil.yen	Mil.yen	Mil.yen	Mil.yen	Mil.yen	Mil.yen	Mil.yen
Balance at April 1, 2015	258,957	242,650	248,094	(2,222)	747,479	3,681	668
Changes during the period:							
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		
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						40	(1,268)
Total changes during the period	-	398	119,507	(6)	119,899	40	(1,268)
Balance at March 31, 2016	258,957	243,048	367,601	(2,228)	867,378	3,721	(600)

	Accumulated Other Comprehensive Income/(Loss)				Non-controlling Interests	Total Net Assets
	Land revaluation	Foreign currency translation adjustment	Accumulated adjustments for retirement benefits	Total		
	Mil.yen	Mil.yen	Mil.yen	Mil.yen	Mil.yen	Mil.yen
Balance at April 1, 2015	142,586	(21,376)	(3,443)	122,116	21,731	891,326
Changes during the period:						
Dividends paid						(14,946)
Net income attributable to owners of the parent						134,419
Purchase of treasury stock						(6)
Sale of treasury stock						0
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	3,366	(15,501)	(22,115)	(35,478)	976	(34,502)
Total changes during the period	3,366	(15,501)	(22,115)	(35,478)	976	85,397
Balance at March 31, 2016	145,952	(36,877)	(25,558)	86,638	22,707	976,723

(In Japanese yen rounded to millions)

Notes to Consolidated Financial Statements

Note on the Assumptions as Going Concern

Not applicable

Notes on Basis of Presenting Consolidated Financial Statements

1 . Consolidation Scope

- (1) Number of consolidated subsidiaries 58
- (2) Primary consolidated subsidiaries Mazda Motor of America, Inc., Mazda Canada, Inc., Mazda Motor Manufacturing de Mexico S.A. de C.V., Mazda Motor Europe GmbH, Mazda Motor Logistics Europe N.V., Mazda Motors (Deutschland) GmbH, Mazda Motors UK Ltd., Mazda Motor Rus, OOO, Mazda Australia Pty. Ltd., Mazda Motor (China) Co., Ltd., Mazda Sales (Thailand) Co., Ltd., Mazda Powertrain Manufacturing (Thailand) Co., Ltd., Kanto Mazda Co., Ltd., Tokai Mazda Hanbai Co., Ltd., Kansai Mazda Co., Ltd., Kyusyu Mazda Co., Ltd., Mazda Autozam Inc., Mazda Parts Co., Ltd., Kurashiki Kako Co., Ltd., Mazda Logistics Co., Ltd., Mazda Chuhan Co., Ltd., Mazda Motor International Co., Ltd., etc.
- (3) Changes in consolidation scope (Newly added)
(Due to newly founded)
Mazda Technical Training Australia Pty.Ltd.

(Excluded)
(Due to liquidation)
Compania Colombiana Automotoriz S.A.
Mazda Motor do Brasil Ltda.
- (4) Primary unconsolidated subsidiaries and reason for exclusion from consolidation scope Mazda Mobility Kanto Co., Ltd. and other unconsolidated subsidiaries excluded from consolidation scope are all immaterial in terms of total assets, sales, net income and retained earnings. The exclusion of these immaterial subsidiaries from consolidation does not have material impacts on overall consolidated financial statements.

2 . Application of Equity Method

- (1) Number of equity method-applied affiliates 13
- (2) Primary equity method-applied affiliates AutoAlliance (Thailand) Co., Ltd., Changan Mazda Automobile Co., Ltd., Changan Ford Mazda Engine Co., Ltd., FAW Mazda Motor Sales Co., Ltd., MAZDA SOLLERS Manufacturing Rus LLC, Toyo Advanced Technologies Co., Ltd., SMM Auto Finance, Inc., etc.
- (3) Changes in scope of equity method (Excluded)
(Due to transfer of equity shares)
Mazda Buhin Nishi-Kyushu Hanbai Co., Ltd.
- (4) Primary affiliates not accounted for by the equity method and reason for not applying the equity method Hiroshima Toyo Carp Co., Ltd. and other unconsolidated subsidiaries and affiliates not accounted for by the equity method are all immaterial in terms of net income and retained earnings and do not have material impacts on overall consolidated financial statements.

3 . Accounting Periods of Consolidated Subsidiaries

The year-end consolidated balance sheet date is March 31. Among the consolidated subsidiaries, 12 companies, Vehiculos Mazda de Venezuela C.A., Mazda Motor (China) Co., Ltd., Mazda South East Asia, Ltd., Mazda Motor de Mexico, S. de R.L de C.V., Mazda Servicios de Mexico, S. de R.L de C.V., Mazda Motor Manufacturing de Mexico S.A. de C.V., Mazda Motor Operaciones de Mexico S.A. de C.V., Mazda Motor Rus, OOO, Logistics Alliance (Thailand) Co., Ltd., Kurashiki Kako (Dalian) Co., Ltd., Mazda Powertrain Manufacturing (Thailand) Co., Ltd., and Mazda de Colombia S.A.S. have a year-end balance sheet date (in its statutory financial statements) different from the year-end consolidated balance sheet date, all of which are December 31.

(*1) Commencing in the fiscal year ended March 31, 2016, Mazda Malaysia Sdn. Bhd. has changed the year-end balance sheet date from December 31 to March 31, the same date as the consolidated balance sheet date. (As a result, the consolidated operating results for the year ended March 31, 2016 includes financial statements from the subsidiary covering 15 months period from January 1, 2015 through March 31, 2016.)

In preparing the consolidated financial statements, for 4 of the 12 companies, Mazda Motor (China) Co., Ltd., Mazda South East Asia, Ltd., Logistics Alliance (Thailand) Co., Ltd. and Kurashiki Kako (Dalian) Co., Ltd. the financial statements of each of these companies with the December 31 year-end balance sheet date are used; however, adjustments necessary in consolidation were made for material transactions that occurred between the balance sheet dates (in its statutory financial statements) of these subsidiaries and the consolidated balance sheet date.

On the other hand, for 8 of the 12 companies, Vehiculos Mazda de Venezuela C.A., Mazda Motor de Mexico, S. de R.L de C.V., Mazda Servicios de Mexico, S. de R.L de C.V., Mazda Motor Manufacturing de Mexico S.A. de C.V., Mazda Motor Operaciones de Mexico S.A. de C.V., Mazda Motor Rus, OOO, Mazda Powertrain Manufacturing (Thailand) Co., Ltd. (*2) and Mazda de Colombia S.A.S., special purpose financial statements prepared for consolidation as of the consolidated balance sheet date are used.

(*2) Although the Company heretofore used financial statements of the consolidated subsidiary as of balance sheet dates (in its statutory financial statements) and made the necessary adjustments for consolidation, commencing in the fiscal year ended March 31, 2016, special purpose financial statements that are prepared for consolidation as of the consolidated balance sheet date are used, in order to grasp the managerial information and disclose the consolidated financial statements more properly. (As a result, the consolidated operating results for the year ended March 31, 2016 includes financial statements from the subsidiary covering 15 months period from January 1, 2015 through March 31, 2016.)

4 . Accounting Policies

(1) Valuation Standards and Methods of Major Assets

- a) Securities: Available-for-sale securities
With available fair value:
Stated at fair value, which represents the market prices at the balance sheet date (unrealized gains/losses on these securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income within net assets. Realized gains/losses on the sale of such securities are computed mainly using a moving-average cost.)
Without available fair value:
Stated at cost on a historical cost basis, mainly based on a moving average method.
- b) Derivative instruments: Mainly a fair value method
- c) Inventories: For inventories that are held for the purpose of sales in the normal course of business, inventories are stated mainly on a historical cost basis based on an average method. (The carrying value in the consolidated balance sheet is determined by the lower of cost or net realizable value.)

(2) Depreciation and Amortization Methods of Non-current Assets

- a) Property, plant and equipment (excluding leased assets) Mainly depreciated using the straight-line method over the estimated useful lives of the assets with a residual value at the end of useful lives to be a memorandum value.
- b) Intangible assets (excluding leased assets) Straight-line method with periods of useful life estimated by a method equivalent to the provisions of the Japanese Corporation Tax Act. Software for internal use is amortized on a straight-line basis over the available period of internal use, i.e. 5 years.
- c) Leased assets For finance leases which do not transfer ownership, depreciation or amortization expense is recognized on a straight-line basis over the lease period. For leases with a guaranteed minimum residual value, the contracted residual value is considered to be the residual value for financial accounting purposes. For other leases, the residual value is zero.

(3) Standards for Significant Allowances

- a) Allowance for doubtful receivables Allowance for doubtful receivables provides for the losses from bad debt. The amount estimated to be uncollectible is recognized. For receivables at an ordinary risk, the amount is estimated based on the past default ratio. For receivables at a high risk, the amount is calculated based on the financial standing of the debtor.
- b) Reserve for warranty expenses Reserve for warranty expenses provides for after-sales expenses of products (vehicles). The amount is estimated per product warranty provisions and actual costs incurred in the past, taking future prospects into consideration.
- c) Reserve for loss on business of affiliates Reserve for loss on business of affiliates provides for losses on affiliates' businesses. The amount of loss estimated to be incurred by Mazda Motor Corporation is recognized.
- d) Reserve for environmental measures Reserve for environmental measures provides for expenditure aimed at environmental measures. The amount of future expenditure estimated as of the end of current fiscal year is recognized.

- (4) Accounting method for Retirement benefit
- a) Method of attributing expected benefit to periods In calculating the retirement benefit obligation, the method of attributing expected benefit to the accounting period is based on mainly a benefit formula basis.
- b) Method of amortization of actuarial gains or losses and prior service cost The recognition of prior service cost is deferred on a straight-line basis over a period equal to or less than the average remaining service period of employees at the time such cost is incurred (mainly 12 years).
The recognition of actuarial differences is also deferred on the straight-line basis over a period equal to or less than the average remaining service period of employees at the time such gains or losses are realized (mainly 13 years).
- (5) Foreign Currency Translation Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate on the fiscal year end; gains and losses in foreign currency translation are included in the income of the current period. Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the rates on the fiscal year ends of the subsidiaries' accounting periods except for net assets accounts, which are translated at the historical rates. Statement of operations of consolidated foreign subsidiaries are translated at average rates of the subsidiaries' fiscal years, with the translation differences prorated and included in the net assets as foreign currency translation adjustment and non-controlling interests.
- (6) Accounting for Hedging Activities Full-deferral hedge accounting is mainly applied. Also, for certain interest rate swap contracts that are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the interest rate swap contract was executed.
- (7) Amortization of Goodwill Goodwill is amortized on a straight-line basis over a period (primarily 5 years) during which each investment is expected to generate benefits.
- (8) Other accounting treatments
- a) Accounting for consumption taxes
Tax-excluded method
In addition, any non-deductible consumption taxes associated with asset purchases are recorded as an expense during the current fiscal year.
- b) Adoption of consolidated taxation system
Consolidated taxation system with domestic subsidiaries has been adopted.

Changes in Accounting Policies

(Changes in accounting policies)

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

The Company has applied the Business Combinations Accounting Standard and other standards effective April 1, 2015, the beginning of the fiscal year under review, in accordance with the transitional treatment set forth in article 58-2 (4) of the Business Combinations Accounting Standard, article 44-5 (4) of the Consolidation Accounting Standard and article 57-4 (4) of the Business Divestitures Accounting Standard.

As a result of the application, income before income tax for the fiscal year ended March 31, 2016 has decreased by ¥398 million, and the capital surplus at the end of the fiscal year ended March 31, 2016 has increased by ¥398 million.

For the effect on information on amounts per share, please refer to "Note to Per Share Information".

Notes to Consolidated Balance Sheet

1. Inventories	
Merchandises and finished products	272,097 million yen
Work-in-process	100,245 million yen
Raw materials and supplies	11,173 million yen
2. Accumulated depreciation on property, plant and equipment	1,109,992 million yen
3. Assets offered as collateral and collateralized loans	
(1) Assets offered as collateral (carrying amounts as of the end of fiscal year)	
Buildings and structures	65,191 million yen
Machinery, equipment and vehicles	97,913 million yen
Tools, furniture and fixtures	15,607 million yen
Land	241,612 million yen
Inventories	68,911 million yen
Other	47,891 million yen
Total	<u>537,125 million yen</u>
(2) Collateralized loans	
Short-term loans payable	34,099 million yen
Long-term loans payable (including those due within one year)	40,930 million yen
Bonds payable (including those due within one year)	350 million yen
Total	<u>75,379 million yen</u>
4. Contingent liabilities for guarantee and similar agreements	
Guarantees of loans and similar agreements	
Auto Alliance (Thailand) Co., Ltd.	7,705 million yen
Mazda Logistica de Mexico S.A. de C.V.	568 million yen
Kobe Mazda	501 million yen
Others	51 million yen
Total	<u>8,825 million yen</u>
5. In accordance with the Law to Partially Revise the Land Revaluation Law (Law No. 19, enacted on March 31, 2001), land owned by the Company for business uses was revalued. The unrealized gains on the revaluation are included in net assets as "Land Revaluation", net of deferred taxes. The deferred taxes on the unrealized gains are included in liabilities as "Deferred tax liability related to land revaluation".	
Date of revaluation: March 31, 2001	
Method of revaluation:	
The fair value of land was determined based on official notice prices that are assessed and published by the Commissioner of the National Tax Administration, as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Article 119 of 1998 Cabinet Order, promulgated on March 31, 1998). Reasonable adjustments, including those for the timing of assessment, are made to the official notice prices.	
The amount of difference between the aggregate fair value of the revalued land as of the end of this period and that at the time of revaluation as stipulated in Article 10 of the Land Revaluation Law was:	97,283 million yen

Notes to Consolidated Statements of Operations

Reserve for product warranties 40,708 million yen

With regard to the specific airbag inflator installed in a part of Mazda vehicles, which were manufactured and sold by Mazda group, the Company posted the reserve for product warranties in extra-ordinary losses, since they are likely to be its liability and the amount of the loss can be reasonably estimated.

Notes to Consolidated Statement of Changes in Net Assets

1. Type and total number of issued shares as of March 31, 2016

Common stock 599,875,479 shares

2. Matters concerning dividends from surplus

(1) Amount of dividends paid:

Resolution	Type of stock	Total amount of dividends (Million yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 23, 2015	Common stock	5,978	10.00	March 31, 2015	June 24, 2015
Board of Directors held on November 5, 2015	Common stock	8,967	15.00	September 30, 2015	December 4, 2015

(2) Dividends for which the record date falls during the fiscal year under review, but the effective date falls during the next fiscal year:

The following will be proposed at the ordinary general meeting of shareholders to be held on June 28, 2016.

Resolution	Type of stock	Resource of dividends	Total amount of dividends (Million yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 28, 2016	Common stock	Retained earnings	8,967	15.00	March 31, 2016	June 29, 2016

3. Type and number of shares underlying the stock acquisition rights as of March 31, 2016

Not applicable

Notes on Financial Instruments

1. Overview of financial instruments

Mazda Group manages its cash mainly through short-term deposits. Mazda Group's sources of finance include loans from banks and other financial institutions, issuance of bonds, and finance lease transactions.

Mazda Group seeks to reduce counterparty credit risks related to trade notes, accounts receivable, and loans receivable according to internal control rules and procedures. Credit risks related to securities are minimal, as these securities consist mainly of certificate of deposits of creditworthy financial institutions. Investment securities consist mainly of stocks. Mazda Group measures the fair value of listed stocks on a quarterly basis.

The net position of accounts receivables and payables denominated in foreign currencies are, in principle, hedged mainly through foreign exchange forward contracts, in order to reduce foreign exchange risk.

Cash financed through loans payable, issuance of bonds, and finance lease transactions are used as operating funds (which are mostly short-term) and for capital investment in facilities and equipment (long-term).

Interest rate risks related to some long-term loans payable are hedged by fixing the interest rate through interest rate swap transactions. Mazda Group conducts derivative transactions within the bounds of actual demand, in compliance with internal control rules and procedures.

2. Fair value of financial instruments and other information

As of March 31, 2016 (the consolidated balance sheet date of the current period), the carrying amounts on the consolidated balance sheet, the fair values, and the differences between these amounts, respectively, of financial instruments were as follows.

(Amounts in millions of yen)

	Carrying amount on consolidated balance sheet	Fair value	Difference
Assets			
(1) Cash and deposits	457,655	457,655	-
(2) Trade notes and accounts receivable (*1)	198,767	198,767	-
(3) Securities			
Available-for-sale securities	141,200	141,200	-
(4) Investment securities			
Available-for-sale securities	12,447	12,447	-
(5) Long-term loans receivable (*2)	2,381	2,381	-
Liabilities			
(1) Trade notes and accounts payable	374,637	374,637	-
(2) Other accounts payable	35,360	35,360	-
(3) Short-term loans payable	117,143	117,143	-
(4) Bonds	20,350	20,450	100
(5) Long-term loans payable	474,459	479,449	4,990
(6) Lease obligations	5,180	5,218	38
Derivative instruments (*3)	(660)	(660)	-

(*1) Accounts receivable are presented net of allowance for doubtful receivables (carrying amount on the consolidated balance sheet: 127 million yen), which are recognized on the basis of each individual accounts receivable.

(*2) Long-term loans receivable are presented net of allowance for doubtful receivables (carrying amount on the consolidated balance sheet: 2,455 million yen), which are recognized on the basis of each individual loans receivable. The amount presented includes long-term loans receivable due within one year (carrying amount on the consolidated balance sheet: 527 million yen), which are presented on the consolidated balance sheet as a part of "Other" in current assets.

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

(Note 1) Basis of measuring fair value of financial instruments and information on securities and derivative instruments.

Assets

(1) Cash and time deposits

All deposits are short-term. Hence, their carrying amounts approximate their fair values. Accordingly, carrying amounts are used as the fair values of deposits.

(2) Trade notes and accounts receivable

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

(3) Securities

Securities consist mainly of certificate of deposits of creditworthy financial institutions and are settled within short periods of time. Hence, their carrying amounts approximate their fair values. Accordingly, carrying amounts are used as the fair values of these securities.

- (4) Investment securities
As for listed stocks included in investment securities, their quoted prices on the stock exchange are used as their fair values.
- (5) Long-term loans receivable
Mazda Group's long-term loans receivable consist of variable interest loans. As such, the interest rate on these loans reflect the market rate of interest within short periods of time. Also, the credit standings of borrowers of these loans have not changed significantly since the execution of these loans. Accordingly, the carrying amounts are used as the fair values of these loans receivable.
For loans receivable at a high risk, the fair value is calculated mainly based on amounts estimated to be collectible through collateral and guarantees.

Liabilities

- (1) Trade notes and accounts payable, (2) Other accounts payable, and (3) Short-term loans payable
These payables are settled within short periods of time. Hence, their carrying amounts approximate their fair values. Accordingly, carrying amounts are used as the fair values of these payables.
- (4) Bonds
The fair value of bonds issued by Mazda Group is based on the market price where such price is available. Otherwise, the sum of the present value of principal and interest payments is used as the fair value of bonds payable. The discount rates used in computing the present value reflect the time to maturity as well as credit risk.
- (5) Long-term loans payable, and (6) Lease obligations
The fair value of these liabilities is calculated by discounting the principal and interest payments to present value, using the imputed interest rate that would be required to newly transact a similar borrowing or lease. For some long-term loans payable with variable interest rates, interest rate swaps are used as a hedge against interest rate fluctuations. When such interest rate swaps meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the long-term loans payable. In such cases, the net interest on the long-term loans payable is used in calculating the present value. (See note on "Derivative instruments" below.)

Derivative instruments

The fair value of foreign exchange forward contracts is computed by using the quoted forward exchange rate as of the balance sheet date.
The interest rate swaps, that are used as a hedge against variable interest rate on long-term loans payable and meet certain hedging criteria, are accounted for integrally with those loans payable.
In effect, the fair value of such interest rate swaps are included in the fair value of the loans payable for which the swap contract was executed. (See note on "Liabilities (5) Long-term loans payable" above.)

(Note 2) Market prices of unlisted stocks included in available-for-sale securities (carrying amount on the consolidated balance sheet: 2,464 million yen), investment in affiliates' stocks (carrying amount on the consolidated balance sheet: 121,152 million yen) and certain other instruments are not available. Also, measuring the fair value of such instruments is deemed highly difficult, since future cash flows from these instruments cannot be estimated. Accordingly, these instruments are excluded from "Assets (3) Securities" and "Assets (4) Investment securities".

Note to Per Share Information

Net Assets per share of common stock	1,595.83 yen
Net income per share of common stock	224.85 yen

(Note) As described in "Changes in Accounting Policies", we have adopted the Accounting Standard for Business Combinations, etc., and we are in compliance with transitional accounting as stipulated in article 58-2 (4) of the Business Combinations Accounting Standard, article 44-5 (4) of the Consolidation Accounting Standard and article 57-4 (4) of the Business Divestitures Accounting Standard. The effect of this change on net assets per share of common stock and net income per share of common stock were immaterial.

Notes to Significant Subsequent Event

Not applicable

Unconsolidated Balance Sheet

(As of March 31, 2016)

ASSETS		LIABILITIES	
Account title	Amount	Account title	Amount
	Mil.yen		Mil.yen
Current Assets	1,064,055	Current Liabilities	669,840
Cash and deposits	307,905	Trade notes payable	54
Accounts receivable - Trade	261,276	Accounts payable - Trade	298,867
Securities	141,200	Long-term loans payable due within one year	122,372
Finished products	62,614	Lease obligations	1,349
Work in process	84,761	Accounts payable - Other	18,521
Raw materials and supplies	4,929	Accrued expenses	65,626
Prepaid expenses	1,834	Income tax payable	25,099
Deferred tax assets	60,709	Advances received	636
Accounts receivable - Other	64,013	Unearned revenue	290
Short-term loans receivable	43,069	Deposits received	30,215
Other	31,872	Reserve for warranty expenses	104,723
Allowance for doubtful receivables	(127)	Forward exchange contracts	2,088
Non-Current Assets	887,402	Non-current Liabilities	399,276
Property, plant and equipment	597,423	Bonds	20,000
Buildings	82,262	Long-term loans payable	223,307
Structures	13,368	Lease obligations	2,615
Machinery and equipment	160,341	Deferred tax liability related to land revaluation	64,719
Vehicles	2,323	Employees' and executive officers' severance and retirement benefits	33,822
Tools, furniture and fixtures	22,917	Reserve for loss on business of subsidiaries and affiliates	39,609
Land	284,290	Reserve for environmental measures	638
Leased assets	3,592	Long-term guarantee deposited	3,937
Construction in progress	28,330	Asset retirement obligations	6,300
Intangible assets	21,305	Other	4,329
Software	21,300	Total Liabilities	1,069,116
Leased assets	5		
		NET ASSETS	
Investments and other assets	268,674		Mil.yen
Investment securities	7,447	Capital and Retained Earnings	733,798
Stocks of subsidiaries and affiliates	194,280	Common stock	258,957
Investments in capital	3	Capital surplus	242,650
Investments in capital of subsidiaries and affiliates	34,234	Capital reserve	168,847
Long-term loans receivable from subsidiaries and affiliates	14,170	Other capital surplus	73,803
Long-term prepaid expenses	6,258	Retained earnings	234,414
Deferred tax assets	10,469	Other earned surplus	234,414
Other	4,096	Unappropriated retained earnings	234,414
Allowance for doubtful receivables	(2,283)	Treasury stock	(2,223)
		Valuation and Translation Adjustments	148,543
		Net unrealized gain/(loss) on available-for-sale securities	3,025
		Deferred gains/(losses) on hedges	(434)
		Land revaluation	145,952
		Total Net Assets	882,341
Total Assets	1,951,457	Total Liabilities and Net Assets	1,951,457

(In Japanese yen rounded to millions)

Unconsolidated Statement of Operations

(For the Year Ended March 31, 2016)

Account title	Amount	
		Mil.yen
Net sales		2,606,527
Cost of sales		2,157,676
Gross profit on sales		448,851
Selling, general and administrative expenses		312,507
Operating income		136,344
Non-operating income		
Interest income	1,665	
Interest income of securities	289	
Dividends income	23,359	
Rental income	4,573	
Other	1,127	31,013
Non-operating expenses		
Interest expense	7,371	
Interest paid on bonds	203	
Foreign exchange loss	8,684	
Other	3,014	19,272
Ordinary income		148,085
Extraordinary income		
Gain on sales of property, plant and equipment	244	
Gain on sales of investment securities	45	
Gain on sales of subsidiaries and affiliates' stocks	1	
Reversal of allowance for investment loss	1	291
Extraordinary losses		
Loss on sales of property, plant and equipment	166	
Loss on retirement of property, plant and equipment	4,387	
Impairment loss	772	
Reserve for product warranties	40,708	
Loss on valuation of investments in capital of subsidiaries and affiliates	552	
Reserve for loss on business of subsidiaries and affiliates	2,076	48,661
Income before income taxes		99,715
Income taxes - Current	28,554	
Income taxes - Deferred	(29,465)	(911)
Net income		100,626

(In Japanese yen rounded to millions)

Unconsolidated Statement of Changes in Net Assets

(For the Year Ended March 31, 2016)

	Capital and Retained Earnings					
	Common stock	Capital surplus		Retained earnings	Treasury stock	Total Capital and Retained earnings
		Capital reserve	Other capital surplus	Other earned surplus Unappropriated retained earnings		
	Mil.yen	Mil.yen	Mil.yen	Mil.yen	Mil.yen	Mil.yen
Balance at April 1, 2015	258,957	168,847	73,803	148,700	(2,217)	648,090
Changes during the period:						
Dividends paid				(14,946)		(14,946)
Net income				100,626		100,626
Purchase of treasury stock					(6)	(6)
Sale of treasury stock			0		0	0
Land revaluation				34		34
Changes in items other than capital and retained earnings, net						
Total changes during the period	-	-	0	85,714	(6)	85,708
Balance at March 31, 2016	258,957	168,847	73,803	234,414	(2,223)	733,798

	Valuation and Translation Adjustments				Total Net Assets
	Net unrealized gain/(loss) on available-for-sale securities	Deferred gains/(losses) on hedges	Land revaluation	Total valuation and translation adjustments	
	Mil.yen	Mil.yen	Mil.yen	Mil.yen	Mil.yen
Balance at April 1, 2015	1,492	681	142,586	144,759	792,849
Changes during the period:					
Dividends paid					(14,946)
Net income					100,626
Purchase of treasury stock					(6)
Sale of treasury stock					0
Land revaluation					34
Changes in items other than capital and retained earnings, net	1,533	(1,115)	3,366	3,784	3,784
Total changes during the period	1,533	(1,115)	3,366	3,784	89,492
Balance at March 31, 2016	3,025	(434)	145,952	148,543	882,341

(In Japanese yen rounded to millions)

Notes to Unconsolidated Financial Statements

Note on the Assumptions as Going Concern

Not applicable

Notes on Important Accounting Policies

1. Valuation Standards and Methods of Assets

(1) Securities:

Stocks of subsidiaries and affiliates:

Stated at cost on a historical cost basis, based on a moving-average method

Available-for-sale securities:

With available fair value:

Stated at fair value, which represents the market prices at the balance sheet date. (Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount.

Realized gains/losses on the sale of such securities are computed using a moving-average cost.)

Without available fair value:

Stated at cost on a historical cost basis based on a moving-average method

(2) Derivative instruments:

Mainly a fair value method

(3) Inventories:

Stated on a historical cost basis based on an average method. (The carrying value in the balance sheet is determined by the lower of cost or net realizable value.)

2. Depreciation and Amortization Methods of Non-current Assets

(1) Property, plant and equipment (excluding leased assets)

Mainly depreciated using the straight-line method over the estimated useful lives of the assets with a residual value at the end of useful lives to be a memorandum value.

(2) Intangible assets (excluding leased assets)

Software is amortized on a straight-line basis over the available period of internal use, i.e. 5 years.

(3) Leased assets

For finance leases which do not transfer ownership, depreciation or amortization expense is recognized on a straight-line basis over the lease period. For leases with a guaranteed minimum residual value, the contracted residual value is considered to be the residual value for financial accounting purposes. For other leases, the residual value is zero.

3. Standards for Allowances

(1) Allowance for doubtful receivables

Allowance for doubtful receivables provides for the losses from bad debt. The amount estimated to be uncollectible is recognized. For receivables at an ordinary risk, the amount is estimated based on the past default ratio. For receivables at a high risk, the amount is calculated based on financial standing of the debtor.

(2) Reserve for warranty expenses

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

(3) Employees' and executive officers' severance and retirement benefits

Employees' and executive officers' severance and retirement benefits provide for the costs of severance and retirement benefits to employees and executive officers. For employees' severance and retirement benefits, the amount estimated to have been incurred as of the end of the current fiscal year is recognized based on the estimated amount of liabilities for severance and retirement benefits and the estimated fair value of the pension plan assets at the end of the current fiscal year.

a) Method of attributing expected benefit to periods

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

b) Method of amortization of actuarial gains or losses and prior service cost

The recognition of prior service cost is deferred on a straight-line basis over a period equal to or less than the average remaining service period of employees at the time such cost is incurred (12 years). The

recognition of actuarial differences is also deferred on the straight-line basis over a period equal to or less than the average remaining service period of employees at the time such gains or losses are realized (13 years). The amortization of net gains or losses starts from the fiscal year immediately following the year in which such gains or losses arise.

For executive officers' retirement benefits, the liability is provided for the amount that would be required by the internal corporate policy if all the eligible executive officers retired at the balance sheet date.

(4) Reserve for loss on business of subsidiaries and affiliates

Reserve for loss on business of subsidiaries and affiliates provides for losses from business of subsidiaries and affiliates. The amount is estimated in light of the financial positions and other conditions of the subsidiaries and affiliates.

(5) Reserves for environmental measures

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

4. Other accounting treatments

(1) Accounting for hedging activities

Full-deferral hedge accounting is applied. Also, for certain interest rate swap contracts that are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest swap contract is added to or deducted from the interest on the assets or liabilities for which the interest rate swap contract was executed.

(2) Accounting method for retirement benefits

In the unconsolidated financial statements, accounting treatment for unrecognized actuarial gains or losses and unrecognized prior service cost differ from that of in the consolidated financial statements.

(3) Accounting for national and local consumption taxes

Tax-excluding method is applied.

In addition, any non-deductible consumption taxes associated with asset purchases are recorded as an expense during the current fiscal year.

(4) Adoption of consolidated taxation system

Consolidated taxation system with domestic subsidiaries has been adopted.

Notes to Unconsolidated Balance Sheet

1. Accumulated depreciation on property, plant and equipment

	940,389 million yen
2. Short-term receivables from subsidiaries and affiliates	284,424 million yen
3. Long-term receivables from subsidiaries and affiliates	14,193 million yen
4. Short-term payables to subsidiaries and affiliates	95,610 million yen
5. Long-term payables to subsidiaries and affiliates	2,619 million yen
6. Assets offered as collateral and collateralized loans	

(1) Assets offered as collateral (carrying amounts as of the end of fiscal year)

Buildings	39,057 million yen
Structures	5,080 million yen
Machinery and equipment	95,818 million yen
Tools, furniture and fixtures	15,469 million yen
Land	163,127 million yen
Others	<u>1,866 million yen</u>
Total	<u>320,417 million yen</u>

(2) Collateralized loans

Long-term loans payable	23,180 million yen
(including those due within one year)	

7. Contingent Liabilities for guarantee and similar agreements

Guarantee of loans and similar agreement	
Mazda Motor Manufacturing de Mexico S.A. de C.V.	58,022 million yen
Mazda Motor Logistics Europe N.V.	47,635 million yen
Mazda Motor of America, Inc.	13,295 million yen
AutoAlliance (Thailand) Co., Ltd.	7,705 million yen
Kanto Mazda Co., Ltd.	4,550 million yen
Mazda Motor de Mexico S.de R.L.de C.V.	3,879 million yen
Tohoku Mazda Co., Ltd.	3,566 million yen
<u>Others</u>	<u>13,901 million yen</u>
Total	<u>152,553 million yen</u>

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

Date of revaluation: March 31, 2001

Method of revaluation:

The fair value of land was determined based on official notice prices that are assessed and published by the Commissioner of the National Tax Administration, as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Article 119 of 1998 Cabinet Order, promulgated on March 31, 1998). Reasonable adjustments, including those for the timing of assessment, are made to the official notice prices.

The amount of difference between the aggregate fair value of the revalued land as of the end of this period and that at the time of revaluation as stipulated in Article 10 of the Land Revaluation Law was 97,283 million yen.

Notes to Unconsolidated Statement of Operations

1. Amount of transactions with subsidiaries and affiliates

Sales	2,086,242 million yen
Purchase	505,325 million yen
Selling, general and administrative expenses	62,406 million yen
Non-operating transactions	28,857million yen

2. Reserve for product warranties 40,708 million yen

With regard to the specific airbag inflator installed in a part of Mazda vehicles, which were manufactured and sold by Mazda, the Company posted the reserve for product warranties in extra-ordinary losses, since they are likely to be its liability and the amount of the loss can be reasonably estimated.

Notes to Unconsolidated Statement of Changes in Net Assets

Type and number of treasury stock as of the end of fiscal year:

Common stock 2,051,153 shares

Notes on Accounting for Deferred Tax

The significant components of deferred tax assets and deferred tax liabilities:

Deferred taxes assets:

Allowance for doubtful receivables	734 million yen
Accrued employees' bonuses	5,901 million yen
Reserve for warranty expenses	32,140 million yen
Reserve for loss on business of subsidiaries and affiliates	12,065 million yen
Reserve for retirement benefits	10,086 million yen
Loss on impairment of fixed assets	2,858 million yen
Valuation loss on investment securities	46,670 million yen
Accrued expenses, etc.	14,451 million yen
Others	<u>19,333 million yen</u>
Total gross deferred tax assets	144,238 million yen
Less valuation allowance	<u>(70,835) million yen</u>
Total deferred tax assets	73,403 million yen

Deferred tax liabilities:

Disposal expenses associated with asset retirement obligations, etc.	<u>(2,225) million yen</u>
Net deferred tax assets	<u><u>71,178 million yen</u></u>

Deferred tax liabilities related to land revaluation:

Deferred tax assets related to land revaluation	548 million yen
Less valuation allowance	(548) million yen
Deferred tax liabilities related to land revaluation	<u>(64,719) million yen</u>
Net deferred tax liability related to land revaluation	<u><u>(64,719) million yen</u></u>

(Additional Information)

(Adjustment of deferred tax assets and liabilities for enacted changes in tax rates)

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

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

Due to this change in statutory income tax rates, net deferred tax assets as of March 31, 2016 decreased by 3,177 million yen and deferred income tax expense recognized for the year ended March 31, 2016 and net unrealized gain/(loss) on available-for-sale securities increased by 3,238 million yen and 70 million yen, respectively. And deferred gains/(losses) on hedges decreased by 9 million yen. Further, the balance of deferred tax liabilities relating to land revaluation decreased by 3,400 million yen and land revaluation in net assets increased by the same amount.

Notes to Related Party Transactions

Subsidiaries, etc.

(In millions of yen)

Status	Name	% of voting rights held	Relationship	Description of transaction	Transaction Amount *3	Account title	Year-end balance *4
Subsidiary	Mazda Motor International Co., Ltd.	Direct: 100%	-Sale of Mazda - brand products -Dispatch of directors	Sales of automobiles *1	464,025	Accounts receivable -Trade	23,924
Subsidiary	Mazda Motor of America, Inc.	Direct: 100%	-Sale of Mazda - brand products -Dispatch of directors	Sales of automobiles *1	697,090	Accounts receivable -Trade	77,666
				Inter-company cash management *2	27,005	Loans receivable	26,835
Subsidiary	Mazda Motor Logistics Europe N.V.	Direct: 100%	-Sale of Mazda brand products -Dispatch of directors	Guarantee of loans and similar agreement	47,635	Guarantee of loans	47,635
Subsidiary	Mazda Motor Manufacturing de Mexico S.A.de C.V.	Direct: 70%	-Manufacturing and sale of Mazda brand products -Dispatch of directors	Guarantee of loans and similar agreement	58,022	Guarantee of loans	58,022
				Purchase of automobiles *1	212,152	Accounts payable - Trade	17,059

Transaction terms and the policy on the determination of transaction terms, etc.

*1 Price and the other transaction terms are determined in the same way as other ordinary transactions.

*2 Interest rate applied to the inter-company cash management was reasonably determined with due consideration on market interest rates. Transaction amount indicates the average balance during the period.

*3 Transaction amount does not include consumption tax.

*4 Year-end balance includes the consumption tax.

Notes to Per Share Information

Net Assets per share of common stock	1,475.92 yen
Net income per share of common stock	168.32 yen

Notes to Significant Subsequent Event

Not applicable

Copy of Accounting Auditor's Report regarding Consolidated Financial Statement (English Translation)

Independent Auditor's Report

May 12, 2016

The Board of Directors
Mazda Motor Corporation

KPMG AZSA LLC

Kohei Komatsubara (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Atsushi Nagata (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Mazda Motor Corporation as at March 31, 2016 and for the year from April 1, 2015 to March 31, 2016 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of Mazda Motor Corporation and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Copy of Accounting Auditor's Report (English Translation)

Independent Auditor's Report

May 12, 2016

The Board of Directors
Mazda Motor Corporation

KPMG AZSA LLC

Kohei Komatsubara (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Atsushi Nagata (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Mazda Motor Corporation as at March 31, 2016 and for the year from April 1, 2015 to March 31, 2016 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Mazda Motor Corporation for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Copy of Audit Report of the Audit & Supervisory Board (English Translation)

Audit Report

The Audit & Supervisory Board Members have deliberated, based on reports prepared by each Audit & Supervisory Board Member, on directors' performance of their official duties during the 150th fiscal term beginning April 1, 2015, and ending March 31, 2016, and as a result formulated this report with the unanimous agreement of all members.

1. Methods and content of audits by the Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board established audit policy, activity plan, sharing of audit activities, etc. for this fiscal term, and received reports of each Audit & Supervisory Board Member on his audit activities and the results. The Board also received reports on the performance of duties of the directors, et al. and the accounting auditor, and requested explanations from them as necessary.
- (2) Based on the Standard for Audit by the Audit & Supervisory Board Members set forth by the Audit & Supervisory Board and pursuant to the audit policy, activity plan, sharing of audit activities, etc. for this fiscal term, the Audit & Supervisory Board Members endeavored to maintain good communication with the directors, executive officers, the internal auditing division, other employees, et al. of the Company, gather information and maintain a proper environment for audits. The Audit & Supervisory Board Members conducted audits using the following methods:

The Audit & Supervisory Board Members attended important meetings, including Board of Directors meetings; received reports from the directors, executive officers, employees, et al. on the performance of their duties and requested explanations as necessary; reviewed important documents, etc., including those on important decisions; and investigated operations and assets at the company's head office and its major places of business. In addition, with regard to the Company's subsidiaries, the Audit & Supervisory Board Members endeavored to maintain good communication and share information with the directors, Audit & Supervisory Board Members, et al. of subsidiaries and received reports on their operations from them as necessary.

With regard to the resolution by the Board of Directors on the creation and operation of a system to ensure that directors execute their duties as described in the business report in conformance with laws and regulations and the articles of incorporation and of other systems necessary to ensure the appropriateness of operations of the Company and the corporate group made up of its subsidiaries pursuant to Paragraphs 1 and 3 of Article 100 of the Companies Act Implementation Regulation, as well as the status of the system created and operated based on the resolution ("Internal Control System"), the Audit & Supervisory Board Members received regular reports from directors, executive officers and employees on the system's structure and operation, requested explanations as necessary and expressed their opinions.

The Audit & Supervisory Board Members monitored and verified that the accounting auditor maintained an independent point of view and conducted appropriate accounting audits and received reports from the accounting auditor on the execution of their duties and requested explanations as necessary. The Audit & Supervisory Board Members also received notification from the accounting auditor that they had created and operated "a system to ensure that accounting auditors perform their duties appropriately" (pursuant to each item of Article 131 of the Companies Act Accounting Regulations) in accordance with the "Standards for Quality Control of Audits" (October 28, 2005, Business Accounting Council) etc., and requested explanations as necessary.

Based on the above methods, the Audit & Supervisory Board Members reviewed the business report and its detailed statements, the (unconsolidated) financial statements (balance sheet, profit & loss statement, statement of changes in net assets and explanatory notes) and their detailed statements, and the consolidated financial statements (consolidated balance sheet, consolidated profit & loss statement, consolidated statement of changes in net assets and consolidated explanatory notes).

2. Audit results

(1) Results of the audit of the business report, etc.

The business report and its attached specification are deemed to correctly show the company's situation in accordance with laws and regulations and the Articles of Incorporation.

No material facts regarding misconduct or violations of laws and regulations or of the articles of incorporation were found as to the directors' performance of their duties.

The content of resolution by the Board of Directors concerning the Internal Control System is deemed appropriate. We did not find any matter to be mentioned with respect to the directors' performance of their duties pertinent to the System.

(2) Results of the audit of financial statements and their attached specifications

The methods and results of the audit by the accounting auditor, KPMG AZSA LLC, are deemed appropriate.

(3) Results of the audit of consolidated financial statements

The methods and results of the audit by the accounting auditor, KPMG AZSA LLC, are deemed appropriate.

May 12, 2016

Audit & Supervisory Board, Mazda Motor Corporation

Nobuyoshi Tochio, Audit & Supervisory Board Member (full-time)

Hirofumi Kawamura, Audit & Supervisory Board Member (full-time)

Isao Akaoka, Audit & Supervisory Board Member

Masahide Hirasawa, Audit & Supervisory Board Member

Takao Hotta, Audit & Supervisory Board Member

Note: Messrs. Isao Akaoka, Masahide Hirasawa and Takao Hotta are outside Audit & Supervisory Board Members as stipulated under Item 16 of Article 2 and Paragraph 3 of Article 335 of the Companies Act.