

FY2006 Consolidated Financial Results

For the Year Ended March 31, 2007

English Translation from the Original Japanese-Language Document



April 27, 2007

Company Name : **Mazda Motor Corporation** (Tokyo Stock Exchange/Code No. 7261)
 URL : <http://www.mazda.co.jp>
 Representative Person : Hisakazu Imaki, Representative Director, President and CEO
 Contact Person : Tetsuya Fujimoto, General Manager, Accounting Department, Phone (082) 282-111
 General Meeting of the Shareholder: : Scheduled for June 26, 2007
 Payment of Dividends : Scheduled for starting from June 27, 2007
 Filing of *Yuka Shoken Hokokusho*, statutory annual business and financial report : Scheduled for June 27, 2007

(in Japanese yen rounded to millions, except amounts per share)

1. Consolidated Financial Highlights (April 1, 2006 through March 31, 2007)

(1) Consolidated Financial Results

	Sales		Operating Income		Ordinary Income		Net Income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2006	3,247,485	11.2	158,532	28.4	127,753	25.9	73,744	10.5
FY2005	2,919,823	8.3	123,435	48.8	101,470	38.9	66,711	45.7

Note: Changes in sales, operating income, ordinary income, and net income from the previous period are shown in percentage.

	Net Income per Share	Net Income per Share (Diluted)	Return on Equity	Ordinary Income to Total Assets	Operating Income to Sales
	yen	yen	%	%	%
FY2006	52.59	52.19	16.9	6.9	4.9
FY2005	51.53	47.25	20.0	5.7	4.2

Notes: Equity in net income of unconsolidated subsidiaries and affiliated companies

FY2006 6,151 million yen
FY2005 8,976 million yen

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Equity Ratio	Equity Per Share
	million yen	million yen	%	yen
FY2006	1,907,752	479,882	24.8	336.45
FY2005	1,788,659	398,024	22.3	284.28

Notes on shareholders' equity, equity ratio and equity per share of FY2006:

- Equity for calculation of equity ratio and equity per share **FY2006 473,403 million yen**
- Presentation of the minority interests in consolidated subsidiaries: Commencing in the year ended March 31, 2007, the minority interests are presented as a separate component of the shareholders' equity; however, the minority interests are excluded from the calculation of the equity ratio and the equity per share. See Adoption of New Accounting Standards in the notes to the consolidated financial statements.
- Recognition of the stock acquisition rights in the shareholder's equity: Commencing in the year ended March 31, 2007, the fair value of stock option is recognized, as stock acquisition rights, in the shareholder's equity as a separate component for the amounts amortized in expense. However, the stock acquisition rights are excluded from the calculation of the equity ratio and the equity per share. See the Adoption of New Accounting Standards in the notes to the consolidated financial statements.

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Ending Cash & Cash Equivalents
	million yen	million yen	million yen	million yen
FY2006	116,358	(95,363)	9,346	242,505
FY2005	114,598	(80,987)	(43,452)	208,658

2. Dividends

	Dividends per share			Amount of Annual Dividends	Dividends Payout Ratio (Consolidated)	Annual Dividends per equity (Consolidated)
	Interim	Year-end	Full-Year			
	yen	yen	yen	million yen	%	%
FY2005	-	5.00	5.00	7,001	9.7	2.0
FY2006	-	6.00	6.00	8,442	11.4	1.9
FY2007 (Forecast)	3.00	3.00	6.00		9.9	

3. FY2007 Consolidated Financial Forecast (April 1, 2007 through March 31, 2008)

	Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share	
	million yen	%	million yen	%	million yen	%	million yen	%	yen	
1st. Half	1,580,000	3.8	60,000 (14.0)		50,000 (11.6)		25,000 (8.1)		17.77	
Full Year	3,320,000	2.2	160,000 0.9		140,000 9.6		85,000 15.3		60.41	

Note: Changes in sales, operating income, ordinary income, and net income from the previous period are shown in percentage.

4. Other

(1) Changes in Consolidation scope: None

(2) Accounting changes:

- 1) Adoption of new accounting standards Yes
2) Other None

Note: See Adoption of New Accounting Standards in the notes to the consolidated financial statements.

(3) Common Stock

1) Shares issued (including treasury stock) **FY2006** 1,414,878,813 shares **FY2005** 1,407,342,954 shares
2) Treasury shares **FY2006** 7,845,934 shares **FY2005** 7,248,917 shares

(Reference)

1. Unconsolidated Financial Highlights (April 1, 2006 through March 31, 2007)

(1) Unconsolidated Financial Results

	Sales		Operating Income		Ordinary Income		Net Income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2006	2,327,073	14.5	88,803	32.6	84,464	40.4	51,062	364.9
FY2005	2,032,115	9.8	66,961	165.8	60,177	253.8	10,984	78.7

Note: Changes in sales, operating income, ordinary income, and net income from the previous period are shown in percentage.

	Net Income per Share	Net Income per Share (Diluted)
	yen	yen
FY2006	36.41	36.14
FY2005	8.48	7.78

(2) Unconsolidated Financial Position

	Total Assets	Shareholders' Equity	Equity Ratio	Equity Per Share
	million yen	million yen	%	yen
FY2006	1,496,657	509,663	34.0	362.17
FY2005	1,395,553	465,460	33.4	332.44

Notes on shareholders' equity, equity ratio, and equity per share of FY2006:

- 1) Equity for calculation of equity ratio and equity per share **FY2006** 509,596 million yen
2) Recognition of the stock acquisition rights in the shareholder's equity: Commencing in the year ended March 31, 2007, the fair value of stock option is recognized, as stock acquisition rights, in the shareholder's equity as a separate component for the amounts amortized in expense. However, the stock acquisition rights are excluded from the calculation of the equity ratio and the equity per share. See the Adoption of New Accounting Standards in the notes to the consolidated financial statements.

2. FY2007 Unconsolidated Financial Forecast (April 1, 2007 through March 31, 2008)

	Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share	
	million yen	%	million yen	%	million yen	%	million yen	%	yen	
1st. Half	1,090,000	(1.2)	39,000	(9.6)	37,000	(10.3)	21,000	(23.1)	14.92	
Full Year	2,390,000	2.7	106,000	19.4	98,000	16.0	58,000	13.6	41.22	

Note: Changes in sales, operating income, ordinary income, and net income from the previous period are shown in percentage.

The financial projection is the judgment of our management based on the information presently available. By nature, such financial projection is subject to uncertainty and a risk. Therefore, we advise against making an investment decision by solely relying on this projection. Variables that could affect the actual financial results include, but are not limited to, economic environments related to our business areas and fluctuations in yen-to-dollar and other exchange rates. For further information on the above financial projection, please refer to pages from 4 to 5.

1. Financial Results

The Japanese economy has experienced a long-term stable growth period that has surpassed the Izanagi economic boom period, known to be the longest sustained economic growth period in postwar Japan. Private consumption, however, has not fully recovered. This is especially true in the automotive market in which concerns about sluggish new car sales (registered vehicles) and other issues still remain. Overseas, U.S. housing loan issues have created some anxiety regarding future economic trends. In other parts of the world, there are geopolitical risks in Asia and the Middle East which impact the world financial markets. Correspondingly, the world economy has experienced dynamic changes during the past year. In addition, though the price escalation of crude oil and other materials have stabilized, prices still remain high, creating uncertainty in the future.

In the domestic automotive industry, total demand declined to 5.62 million units, down 4% from the prior year, due to weakening of registered vehicle performance, which declined 8%. Conversely, micro car demand increased 4%. Demand in the U.S. was at 16.51 million units, down 3%, 18.77 million units for Europe, up 2%, and 4.53 million units for China, up 29% from the previous fiscal year.

In this environment, the Mazda Group continued its product-lead growth strategy from the prior fiscal year. During this fiscal year, in May of 2006, we introduced the CX-7, the new crossover SUV, first in North America followed by Australia and Japan. The North American-specific model CX-9, the 7-passenger crossover SUV, went into production in October and sales started in January of 2007. In the commercial vehicle segment, we launched the new Familia Van in January of 2007 with an enlarged cargo space and improved interior versatility. The Titan small truck went through a full redesign and now offers greater convenience and fully meets the latest environment and fuel economy standards.

Mazda is undertaking several initiatives to respond to future environmental concerns that our company is facing. In May 2006, an industry-government-academia joint research project, in which Mazda participated, developed a industry-first bioplastic made of natural materials for use in vehicle interior parts. This new bioplastic uses less amounts of fossil fuels and consequently emits lower amounts of carbon dioxide. The bioplastic will be used for some of our products to be sold from the next fiscal year. We have fully introduced the Three Layer Wet Paint System at paint shops in our plants, and achieved the lowest CO2 level in the automotive industry. We plan to continue our efforts on our unique water-based paints to achieve cleaner paint shops. We have also been independently developing a rotary hydrogen vehicle that does not emit CO2 gases. As the Mazda RX-8 Hydrogen RE vehicle runs on either gasoline or hydrogen, it is considered highly practical. Also, as the vehicle can be manufactured at relatively low cost, it is considered to have high potential to make contributions to commercialization of hydrogen energy. Since March 2006, Mazda has supplied seven of these vehicles to government and private enterprises. In February this year, with the cooperation of the Hokkaido Regional Development Bureau of the Japanese government's Ministry of Land, Infrastructure and Transport (MLIT), Mazda conducted cold weather testing of the hydrogen-powered vehicle near the city of Muroran, where it was also utilized in various events and work-related activities.

(1) Analysis of Financial Results

(Financial Results for the Year Ended March 31, 2007)

As for the retail volume by market during this fiscal year, retail volume in Japan was 261,000 units, down 8.6% year over year. In North America, the volume was 380,000 units, up 8.0 % from the previous year, driven by the introduction of new models. The volume in Europe was 301,000 units, up 6.7%, with effects of sales of new

diesel engine vehicles. The volume in China was 129,000 units, down 0.7 percent from the prior year, and the volume in the other regions was 231,000 units, up 1.5%. The global retail volume totaled 1,302,000 units, up 2.0% year over year.

Consolidated sales revenue increased ¥327.7 billion or 11.2% year-on-year to ¥3,247.5 billion. With volume and mix improvements due to the introduction of the CX-7 and CX-9, the impact of the yen's depreciation, and cost reduction efforts including offsets to raw material price hikes, consolidated operating profit was ¥158.5 billion, an increase of ¥35.1 billion or 28.4% year over year. Operating ROS increased 0.7 percentage points from the previous year to 4.9%. The consolidated ordinary profit was up ¥26.3 billion or 25.9% to ¥127.8 billion, and the consolidated net income was up ¥7.0 billion or 10.5% to ¥73.7 billion. The net income of the previous fiscal year, however, included the one-time impact of extraordinary items such as gains from the transfer of retirement benefit obligations of the substitutional portion to the government, and impairment losses. Excluding the extraordinary profit and loss, net income would be 26.2% higher than the prior year. We achieved record high profits at all levels. We also recorded an extraordinary loss of ¥2 billion for the loss on appraisal for vehicles onboard the car-carrying vessel, *Cougar Ace*, which listed and became stricken at sea to the south of the Aleutian Islands in late July 2006.

(Financial Projections for the Year Ending March 31, 2008)

Our global retail volume is projected to be 1,350,000 units next fiscal year, up 3.7% from this fiscal year. Looking at retail volume projection by market, the volume in Japan is projected to be almost flat year on year at 262,000 units or up 0.5%, and in North America the volume is expected to be 403,000 units, up 6.1% due to the full-year contribution of new models launched this year. In Europe, the volume is projected to increase 5.6% to 321,000 units, while in China it is projected to decrease 18.7% to 105,000 units. In other regions, projected volume is 259,000 units, up 13.7% from this year. The exchange rate assumption is ¥115 to the US dollar, and ¥153 to the Euro.

As for consolidated financial projections for next fiscal year, sales revenue is projected at ¥3,320.0 billion, up 2.2%, and operating profit is projected to increase 0.9% to ¥160 billion (operating ROS is expected to be almost flat at 4.8%). These forecasts reflect volume and mix improvements partially offset by cost increases such as development costs and depreciation. Consolidated ordinary profit is expected to increase 9.6% to ¥140 billion, and consolidated net income is projected to be ¥85 billion, up 15.3%. Research and development costs are projected to be ¥120 billion.

		First half	Compared to the prior year			Full year	Compared to the prior year	
Consolidated	Sales Revenue	¥1,580 billion	up 3.8%	Sales Revenue	¥3,320 billion	up 2.2%		
	Operating Profit	¥60 billion	down 14.0%	Operating Profit	¥160 billion	up 0.9%		
	Ordinary Profit	¥50 billion	down 11.6%	Ordinary Profit	¥140 billion	up 9.6%		
	Net Income	¥25 billion	down 8.1%	Net Income	¥85 billion	up 15.3%		
			First half	Compared to the prior year			Full year	Compared to the prior year
	Unconsolidated	Sales Revenue	¥1,090 billion	down 1.2%	Sales Revenue	¥2,390 billion	up 2.7%	
Operating Profit		¥39 billion	down 9.6%	Operating Profit	¥106 billion	up 19.4%		
Ordinary Profit		¥37 billion	down 10.3%	Ordinary Profit	¥98 billion	up 16.0%		
Net Income		¥21 billion	down 23.1%	Net Income	¥58 billion	up 13.6%		

(2) Analysis on Financial Position

(Analysis on Assets, Liabilities, Shareholders' Equity and Cash Flows)

Total assets as of March 31, 2007 were ¥1,907.8 billion, ¥119.1 billion more than a year ago. Total financial debt at the end of the fiscal year was ¥474.7 billion, ¥19.3 billion more than a year ago. Total liabilities amounted to ¥1,427.9 billion, up ¥46.4 billion from a year ago.

Total shareholders' equity at the end of the fiscal year increased ¥81.9 billion to ¥479.9 billion. The equity ratio rose 2.5 percentage points to 24.8%.

Net cash provided by operating activities was ¥116.4 billion, primarily due to income before income taxes of ¥118.5 billion that includes depreciation and amortization expense of ¥47 billion. Net cash used in investing activities amounted to ¥95.4 billion, mainly reflecting ¥79.6 billion capital investments in facilities and equipment. As a result, consolidated cash flow (operating and investing activities) was ¥21 billion. Net cash provided by financing activities was ¥9.3 billion, mainly reflecting issuance of bonds of ¥40 billion and long-term loans of ¥55.1 billion, despite repayment of loans and payment of dividends.

After deducting cash and cash equivalents of ¥242.5 billion at the end of the fiscal year from financial debt, net financial debt at the end of the fiscal year totaled ¥232.2 billion, an improvement of ¥14.6 billion compared to the previous fiscal year-end. The net debt-to-equity ratio improved 13 percentage points year on year to 49%.

(Trends of Cash Flow Related Data)

	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Equity Ratio	11.1%	12.4%	15.1%	22.3%	24.8%
Fair Value Equity Ratio	14.8%	23.5%	25.2%	56.0%	48.1%
Cash-Flow-To-Total-Debt Ratio	7.6	6.8	3.9	4.0	4.1
Interest Coverage Ratio	5.3	5.0	9.7	9.8	7.2

Equity Ratio: Shareholders' Equity / Total Assets

Fair Value Equity Ratio: Gross Market Capitalization / Total Assets

Cash flow to Total debt: Total Debt / Cash Flow

Interest Coverage Ratio: Cash Flow / Interest Payments

- 1) All indicators are calculated on the basis of consolidated financial values.
- 2) Gross Market Capitalization is based on the total number of shares issued excluding treasury stock.
- 3) Cash Flow means the cash flow provided by operating activities
- 4) Total Debt includes all debts that interests are paid on among debts booked in consolidated balance sheet.

(Projections for Assets, Liabilities, Shareholders' Equity and Cash Flows for the Next Fiscal Year)

Finance Lease, which does not involve ownership transfer and was treated off-balance previously, is treated on-balance and assets and liabilities are expected to increase about ¥40 billion in the next fiscal year. We do not expect any other critical changes to the balance sheet.

As capital investment in facilities and equipment is an important strategic move for further future growth, we plan capital expenditures of ¥94.0 billion in the next fiscal year, which exceeds the capital investment we spent in this fiscal year. We will continue to achieve positive free cash flow in the next fiscal year and further promote a healthier and more robust balance sheet in a steady manner.

(3) Our Basic Policy on Distribution of Earnings and Dividends for This and Next Fiscal Years

Our policy on distribution of earnings is to declare dividends by carefully considering each fiscal year's financial results and business environment. Our intent is to provide our stockholders with dividends on a stable basis. We will increase the year-end dividend by ¥1 to ¥6 per share to reward our shareholders for their continuing support. We plan to declare an interim dividend of ¥3 per share and a year-end dividend of ¥3 per share next fiscal year. Our policy on earnings retained in the company is to utilize the financial resources to enhance our business competitiveness, e.g., capital investment in facilities and equipment and investments in research and development.

(4) Risks

(Cautionary Statement with Respect to Forward-Looking Statements)

Information included in this material with respect to the Mazda Group's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of the Mazda Group. We caution you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements. Therefore, you should not place undue reliance on them. In addition, you should not rely on any obligation of us to update or

revise any forward-looking statements, whether as a result of new information, future events or otherwise. We disclaim any such obligation. Risks and uncertainties that might affect the Mazda Group include, but are not limited to:

1) The global economic environment related to the Mazda Group's business

The Mazda Group sells products in Japan and around the world, including North America, Europe and Asia. An economic downturn or declining demand in these markets could adversely affect Mazda's business results and financial position.

2) Exchange rates, particularly between the yen and the U.S. dollar and euro.

Mazda Group exports products from Japan to the rest of the world and consequently its business results and financial position are exposed to the effects of fluctuations in exchange rates. An appreciation of the yen, particularly against the U.S. dollar and euro, could lower the Mazda Group's profitability and ability to compete on price.

Mazda uses forward-exchange contracts and other instruments in some of its transactions to minimize the impact of exchange rate risk. However, a weakening of the yen could result in a loss of contingent gains.

3) The success of the Mazda Group's joint ventures and alliances

The Mazda Group is involved in joint activities with other companies under technology alliances, joint ventures and in other forms with respect to the development, production and sales of products. These joint activities are designed to optimize resources, facilitate their prioritization and generate synergies. However, a disagreement over management, financial or other matters between the parties involved could mean that the joint activities fail to deliver the results expected. This could adversely affect the Mazda Group's business results and financial position.

4) Environmental and other public regulations

The Mazda Group's operations in each country where it does business are subject to various government regulations such as those pertaining to environmental problems, automobile safety, fuel consumption and exhaust emissions. Observance of new regulations could result in substantial additional costs which could adversely affect the Mazda Group's business results and financial position.

5) Market competitiveness

The Mazda Group competes with a large number of companies in the global automobile market. Maintaining and enhancing the Group's ability to compete in this environment is crucial to ensuring growth. Consequently, the Mazda Group is implementing a range of initiatives to boost its competitiveness in product development, manufacturing, sales and other areas. However, the Mazda Group's business results and financial position could be affected in the event that it fails to launch appealing products at opportune times, due to a failure to accurately ascertain market trends or as a result of issues related to technological capabilities and manufacturing. The same holds true if the Mazda Group fails to take effective steps to respond to customer sense of value or changes thereof through its dealership network or sales methods. Under those circumstances, its sales shares and product prices could also deteriorate.

6) Procurement of raw materials and parts

The Mazda Group relies on numerous suppliers outside the Group for the procurement of materials and components. However, due to tight supply-demand balances, constraints at suppliers, or changes to and breaches of supply contracts, the Mazda Group may face difficulties in procuring the necessary level of

materials and components for volume production, leading to a rapid increase in the price of materials procured. Any failure to cover the cost of these increases through internal efforts to boost productivity, pass on price rises to customers or other measures, may lead to a deterioration in output or higher costs, which could adversely affect the Mazda Group's business results and financial position.

7) Risks associated with international business activities

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

- Adverse political and economic developments
- Impediments arising from changes in laws and regulations
- Potential adverse impact from tax regulations
- Difficulties in attracting and securing personnel
- Undeveloped infrastructure
- Strikes and other labor disputes
- Terrorist incidents, war, disease and other factors leading to social disorder

8) Protection of intellectual property

In order to maintain competitiveness, the Mazda Group is working to accumulate and protect technologies and expertise that help it to develop unique products, and also working to prevent itself from infringing on third-party intellectual property rights. Nonetheless, in the event of a disputed infringement of third-party intellectual property rights by the Mazda Group, the Group may be subject to substantial damages claims or be forced to halt the production and sale of products. This could also adversely affect the Mazda Group's business results and financial position.

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

9) Defective products

While striving to improve the quality of its products to meet the requirements of the market, the Mazda Group also does its utmost to ensure the safety of its products. However, the Group cannot guarantee that large-scale product recalls or other issues will not occur due to product defects arising from unforeseen circumstances. Such events may lead to significant costs or a loss of trust in the Group, which could adversely affect the Mazda Group's business results and financial position.

10) Risks associated with natural disasters and accidents

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

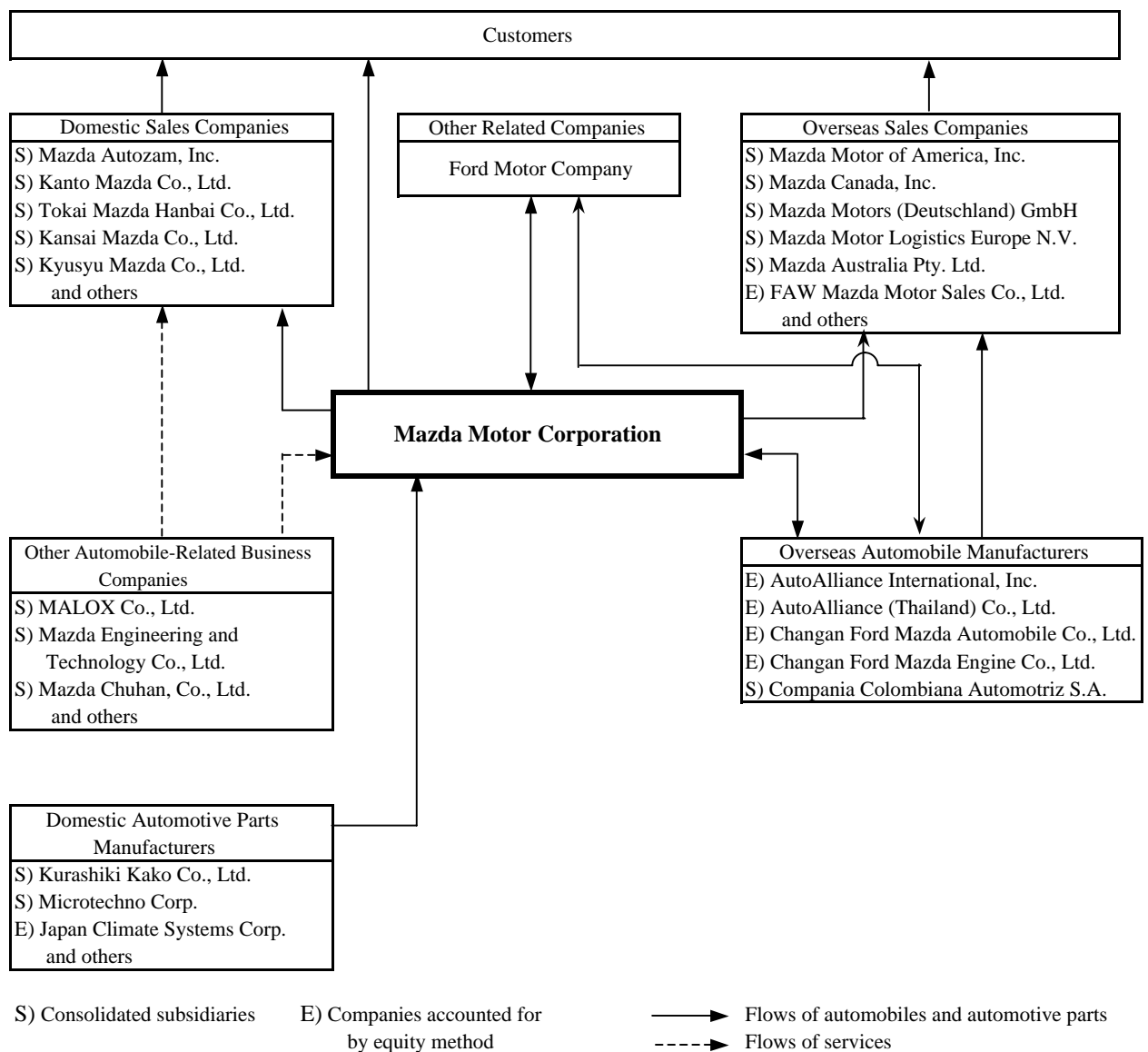
2. Mazda Group of Companies

Mazda group of companies consists of Mazda Motor Corporation, 58 consolidated subsidiaries and 13 equity method-applied companies and is mainly engaged in the manufacturing and sales of automobiles and automotive parts as well as in other automobile-related businesses.

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

In addition, Mazda Motor Corporation, having an equity relationship with Ford Motor Company, has expanded its relationship with Ford to a strategic cooperative relationship on a global scale.

The following diagram approximately illustrates the roles of Mazda Motor Corporation and its main related companies in conducting the group's business:



Note: None of the consolidated subsidiaries is listed at a stock exchange in Japan.

Also, there have been no material changes to the consolidation scope and application of equity method since the filing of the latest *Yuka Shoken Hokokusho* on June 28, 2006.

Therefore, the information on the consolidation scope and the application of equity method is omitted.

3. Management Policy

(1) Our Corporate Vision, Mission and Values

Mazda's Corporate Vision is comprised of a "Vision" (corporate objectives) along with a statement of "Mission" (roles and responsibilities) and "Value" (the values Mazda seeks to produce). These principles help express the ways in which Mazda and Mazda's employees understand their roles and responsibilities as they press toward the achievement of these aims. Through the realization of this Corporate Vision, we aim to consistently augment corporate value, which we view as leading to meeting the expectations of our stakeholders -- including shareholders, customers, suppliers, employees and the community -- and also leading to realizing sustainable development for society and for Mazda.

- Vision : To create new value, excite and delight our customers through the best automotive products and services.
- Mission : With passion, pride and speed, we actively communicate with our customers to deliver insightful automotive products and services that exceed their expectations.
- Value : We value integrity, customer focus, creativity, efficient and nimble actions and respect highly motivated people and team spirit. We positively support environmental matters, safety and society. Guided by these values, we provide superior rewards to all people associated with Mazda.

(2) Issues to be addressed and the long- and mid-term corporate business strategy

(Status of the mid-term plan and issues to be addressed)

We built the foundation for future full-scale growth and product-led growth under the "Mazda Momentum" mid-term plan, which covered fiscal years 2004 through the end of fiscal year 2006. We implemented the four key initiatives, which are Reinforcement of R&D, Strengthening of Key Markets, Enhancement of global efficiencies and synergies and Personnel Development.

As a result of implementation of these four initiatives to build the foundation for the future, we achieved two targets, operating profit of more than ¥100 billion and net debt-to-equity below 100%, one year early during the Mazda Momentum period. However, our consolidated wholesale volume was 1.18 million units as compared with the target of 1.25 million units, reflecting lower industry demand in Japan as well as increasing competition in key markets, and our focus to strengthen the Mazda brand.

The Mazda Group achieved various positive results during Mazda Momentum. However, under these circumstances, we fully understand that there are still challenges we need to address from next fiscal year, which include:

- Continue to Strengthen the Brand, Owner Loyalty and Quality
- Improve Business Efficiency in All Areas
- Build the Global Production Framework
- Further Reinforce Research and Development

(New Mid-term Plan)

Based on our long-term strategy that looks 10 years ahead, Mazda developed and announced a new mid-term plan, the “Mazda Advancement Plan”, in March 2007. Through the strategies set in the plan, we will address the above-mentioned challenges. The new mid-term plan covers 4 years from FY2007 through FY2010. We see this 4-year period as the time to position Mazda for the future by accelerating structural reforms centered on “Monotsukuri (manufacturing) innovation”. We will also focus on improving the brand value and business efficiency while maintaining a steady growth rate.

For Mazda to make a great leap forward in the future, we need to deepen our synergies with Ford, improve Mazda’s brand value, and increase business efficiencies. We set three numerical targets for FY2010 in the Mazda Advancement Plan: a global retail volume of over 1.6 million units, operating profit of over 200 billion yen, and an operating ROS of 6%. For the dividend payout ratio, we will make stable dividend disbursements and endeavor to make steady improvements.

Synergies with Ford that have progressed in a number of areas will continue to be a top priority for Mazda. We will establish a real “win-win” partnership with Ford. At the same time, through our focus on product, quality, and customer retention improvement, we will further evolve Mazda’s “Zoom-Zoom” brand essence and enhance brand value. We will also seek increased business efficiencies by placing particular emphasis on key models as well as Monotsukuri (manufacturing) innovation and cost optimization that significantly improve product competitiveness and manufacturing efficiency through integrated effort of R&D, manufacturing and purchasing departments.

Through these initiatives, we will accelerate our structural reform to achieve quantum leaps in our future growth.

Overview of the New Mid-term Plan

1. FY2010 Targets

Global retail volume of over 1.6 million units

Operating profit of over 200 billion yen

Operating ROS of 6 percent

Stable payout of dividends

2. Action items

(1) Brand-related

1. North America

- Strengthen the product lineup by introducing products that reflect the voice of the customer. Improve customer satisfaction at all touchpoints.
- Accelerate development of next-generation dealerships that are consistent with Mazda’s brand strategy. Improve sales productivity at exclusive dealers.
- Strengthen marketing initiatives to deepen relationships with Mazda’s younger customer base.
- Work toward gaining 100 percent control of distributors in the United States and Canada.

2. Japan

- Strengthen product offerings in the registered vehicle segment.
- Move forward with establishing dealers in the Tokyo metropolitan region in areas without dealer representation at present. Grow profitability at dealers.
- Shift to next-generation dealer outlets in alignment with Mazda’s brand strategy.
- Achieve outstanding satisfaction levels for customers throughout the vehicle ownership experience.

3. Europe

- Deliver advanced powertrains which will improve customer satisfaction.
- Sustain profitability in key mature markets by improving sales productivity and forging ahead with dealer openings in major urban areas.
- Enter selected emerging markets.

4. China

- Achieve a smooth launch of operations at the Nanjing plant.
- Develop the China dealer network to support sales of 300,000 units per year.
- Execute efficient product launches.

5. ASEAN and Australia

- Strengthen the ASEAN market(s) model lineup and launch the CX-7 and CX-9 models in Australia.
- Reinforce sales in growth markets by focusing on urban areas.
- Strengthen the ASEAN regional sales company. Improve customer satisfaction levels in Australia.

(2) Products and Technology

- Over the course of the next four years, annually increase R&D investment by 30 percent as well as raise capital investment expenditures by 50 percent compared to the last four years.
- Enhance Mazda's business structure through an evolution of current key model lineups and by promoting a new business model.
- With evolved Zoom-Zoom attributes, accelerate the development of next-generation technology for further business growth after 2011.

(3) Production System

1. Increase production capacity in Japan

- Expand production capacity in Japan to 996,000 units in FY2007 through increasing production at the Hiroshima plant by 31,000 units and by 67,000 units at the Hofu plant.
- Concurrently raise engine production capacity.

2. Overseas production facilities

- Smoothly launch the Nanjing plant in China that will introduce an evolved Mazda Manufacturing System.
- Improve quality and cost competitiveness at production facilities in Thailand and the U.S.

3. Future production capacity expansion policy

- Build sales in all markets and develop overseas production capacity by taking into account the balance in each market of sales demand and resource availability.
- Maintain domestic production capacity levels and transfer the technical excellence developed in Japan to other regions.

(4) Human Resources Development

1. Promote the training of people who can drive globally-oriented, 'One Mazda'-style growth.
2. Develop people who energize each workplace.
3. Foster a dynamic work environment where employees can thrive.

4. Consolidated Financial Statements

(1) Consolidated Statement of Income

For the Years Ended March 31, 2007 and 2006

		(in millions of yen)		
		FY2005	FY2006	Increase/ (Decrease)
	For the years ended	March 31, 2006	March 31, 2007	
Net sales	1	2,919,823	3,247,485	327,662
Costs of sales	2	2,110,934	2,322,644	211,710
Gross profit on sales	3	808,889	924,841	115,952
Selling, general and administrative expenses	4	685,454	766,309	80,855
Operating income	5	123,435	158,532	35,097
Non-operating income				
Interest and dividend income	6	2,359	2,877	518
Equity in net income of unconsolidated subsidiaries and affiliates	7	8,976	6,151	(2,825)
Other	8	6,584	5,575	(1,009)
Total	9	17,919	14,603	(3,316)
Non-operating expenses				
Interest expense	10	11,662	16,254	4,592
Foreign exchange loss	11	19,088	19,914	826
Other	12	9,134	9,214	80
Total	13	39,884	45,382	5,498
Ordinary income	14	101,470	127,753	26,283
Extraordinary profits				
Profit on sale of tangible fixed assets	15	309	1,361	1,052
Profit on sale of investment securities	16	1,409	43	(1,366)
Compensation received for the exercise of eminent domain	17	472	-	(472)
Insurance claim income	18	996	-	(996)
Gain on the transfer to the government of the substitutional portion of employee pension fund liabilities	19	59,611	-	(59,611)
Other	20	237	44	(193)
Total	21	63,034	1,448	(61,586)
Extraordinary losses				
Loss on retirement and sale of tangible fixed assets	22	6,742	4,741	(2,001)
Loss on impairment of fixed assets	23	36,650	3,356	(33,294)
Loss on sale of investment securities	24	2	59	57
Inventory valuation loss related to car-carrying vessel accident	25	-	1,979	1,979
Other	26	3,642	616	(3,026)
Total	27	47,036	10,751	(36,285)
Income before income taxes	28	117,468	118,450	982
Income taxes				
Current	29	26,439	36,776	10,337
Prior year	30	10,201	3,229	(6,972)
Deferred	31	12,454	2,973	(9,481)
Minority interests of consolidated subsidiaries	32	1,663	1,728	65
Net income	33	66,711	73,744	7,033

(2) Consolidated Balance Sheet
March 31, 2007 and March 31, 2006

		(in millions of yen)		
		FY2005	FY2006	Increase/ (Decrease)
		As of March 31, 2006	March 31, 2007	
ASSETS				
Current Assets:				
Cash and time deposits	1	208,765	247,566	38,801
Trade notes and accounts receivable	2	164,220	172,958	8,738
Inventories	3	256,652	282,432	25,780
Deferred taxes	4	94,685	97,184	2,499
Other	5	58,062	58,598	536
Allowance for doubtful receivables	6	(6,739)	(2,816)	3,923
Total current assets	7	775,645	855,922	80,277
Fixed Assets:				
Tangible fixed assets:				
Buildings and structures	8	146,967	149,660	2,693
Machinery and vehicles	9	183,280	192,465	9,185
Tools, furnitures and fixtures	10	28,004	25,284	(2,720)
Land	11	445,562	442,901	(2,661)
Construction in progress	12	26,622	46,630	20,008
Other	13	66	214	148
Total tangible fixed assets	14	830,501	857,154	26,653
Intangible fixed assets	15	24,792	28,871	4,079
Investments and other fixed assets				
Investment securities	16	87,641	98,754	11,113
Long-term loans receivable	17	6,265	6,063	(202)
Deferred taxes	18	51,296	48,449	(2,847)
Other	19	20,311	16,418	(3,893)
Allowance for doubtful receivables	20	(7,163)	(3,271)	3,892
Investment valuation allowance	21	(629)	(608)	21
Total investments and other fixed assets	22	157,721	165,805	8,084
Total fixed assets	23	1,013,014	1,051,830	38,816
Total Assets	24	1,788,659	1,907,752	119,093

(in millions of yen)

		FY2005	FY2006	Increase/ (Decrease)
	As of	March 31, 2006	March 31, 2007	
LIABILITIES				
Current Liabilities:				
Trade notes and accounts payable	1	307,217	300,577	(6,640)
Short-term loans payable	2	82,134	70,340	(11,794)
Long-term loans payable due within one year	3	62,373	42,164	(20,209)
Bonds due within one year	4	200	20,200	20,000
Bonds with stock acquisition rights due within one year	5	-	1,131	1,131
Other accounts payable	6	104,668	97,758	(6,910)
Accrued expenses	7	187,096	219,367	32,271
Reserve for warranty expenses	8	29,088	42,555	13,467
Other	9	64,087	71,144	7,057
Total current liabilities	10	836,863	865,236	28,373
Fixed Liabilities:				
Bonds	11	65,200	85,000	19,800
Bonds with stock acquisition rights	12	3,437	-	(3,437)
Long-term loans payable	13	242,065	255,849	13,784
Deferred tax liability related to land revaluation	14	93,713	93,773	60
Employees' and executive officers' severance and retirement benefits	15	125,004	111,565	(13,439)
Directors' and corporate auditors' retirement benefits	16	1,590	1,460	(130)
Other	17	13,579	14,987	1,408
Total fixed liabilities	18	544,588	562,634	18,046
Total Liabilities	19	1,381,451	1,427,870	46,419
Minority Interests in Consolidated Subsidiaries	20	9,184	-	-
SHAREHOLDERS' EQUITY				
Common stock	21	148,360	-	-
Capital surplus	22	132,385	-	-
Retained earnings	23	24,005	-	-
Land revaluation	24	135,372	-	-
Net unrealized gain on available-for-sale securities	25	1,285	-	-
Foreign currency translation adjustments	26	(41,072)	-	-
Treasury stock	27	(2,311)	-	-
Total Shareholders' Equity	28	398,024	-	-
Total Liabilities, Minority Interests and Shareholders' Equity	29	1,788,659	-	-
SHAREHOLDERS' EQUITY				
Paid-In Capital and Retained Earnings:				
Common stock	30	-	149,513	-
Capital surplus	31	-	133,393	-
Retained earnings	32	-	90,024	-
Treasury stock	33	-	(3,338)	-
Total paid-in capital and retained earnings	34	-	369,592	-
Valuation and Translation Adjustments:				
Net unrealized gain on available-for-sale securities	35	-	1,034	-
Net loss on derivative instruments	36	-	(865)	-
Land revaluation	37	-	136,097	-
Foreign currency translation adjustments	38	-	(31,528)	-
Pension adjustments recognized by an overseas consolidated subsidiary	39	-	(927)	-
Total valuation and translation adjustments	40	-	103,811	-
Stock Acquisition Rights	41	-	67	-
Minority Interests in Consolidated Subsidiaries	42	-	6,412	-
Total Shareholders' Equity	43	-	479,882	-
Total Liabilities and Shareholders' Equity	44	-	1,907,752	-

**(3) Consolidated Statement of Capital Surplus and Retained Earnings
And Consolidated Statement of Shareholder's Equity**

**Consolidated Statement of Capital Surplus and Retained Earnings
For the year ended March 31, 2006**

		(in millions of yen)
	For the years ended	FY2005 March 31, 2006
CAPITAL SURPLUS		
Balance at the beginning of the period	1	104,435
Increases due to:		
Issuance of new shares for the exercise of bonds with stock acquisition rights	2	28,065
Decreases due to:		
Treasury stock transactions	3	115
Balance at the end of the period	4	<u>132,385</u>
RETAINED EARNINGS		
Balance at the beginning of the period	5	(34,581)
Increases due to:		
Net income	6	66,711
Decreases due to:		
Dividends	7	3,648
Land revaluation	8	4,477
Balance at the end of the period	9	<u>24,005</u>

Consolidated Statement of Shareholders' Equity

For the Years Ended March 31, 2007

(In millions of yen)

		Paid-In Capital and Retained Earnings				Total
		Common stock	Capital surplus	Retained earnings	Treasury stock	Paid-In Capital and Retained Earnings
Balance at March 31, 2006	1	148,360	132,385	24,005	(2,311)	302,439
Changes during the period:						
Exercise of stock acquisition rights	2	1,153	1,153			2,306
Cash dividends paid	3			(7,001)		(7,001)
Net income	4			73,744		73,744
Acquisition of treasury stock	5				(1,672)	(1,672)
Re-issuance of treasury stock	6		(145)		645	500
Land revaluation	7			(724)		(724)
Net changes in accounts other than paid-in capital and retained earnings	8					-
Net changes during the period	9	1,153	1,008	66,019	(1,027)	67,153
Balance at March 31, 2007	10	149,513	133,393	90,024	(3,338)	369,592

(In millions of yen)

		Valuation and Translation Adjustments								Total
		Net unrealized gain on available-for-sale securities	Net loss on derivative instruments	Land revaluation	Foreign currency translation adjustments	Pension adjustments recognized by an overseas consolidated subsidiary	valuation and translation adjustments	Stock Acquisition Rights	Minority Interests in Consolidated Subsidiaries	Total Shareholders' Equity
Balance at March 31, 2006	11	1,285	-	135,372	(41,072)	-	95,585	-	9,184	407,208
Changes during the period										
Exercise of stock acquisition rights	12						-			2,306
Cash dividends paid	13						-			(7,001)
Net income	14						-			73,744
Acquisition of treasury stock	15						-			(1,672)
Re-issuance of treasury stock	16						-			500
Land revaluation	17						-			(724)
Net changes in accounts other than paid-in capital and retained earnings	18	(251)	(865)	725	9,544	(927)	8,226	67	(2,772)	5,521
Net changes during the period	19	(251)	(865)	725	9,544	(927)	8,226	67	(2,772)	72,674
Balance at March 31, 2007	20	1,034	(865)	136,097	(31,528)	(927)	103,811	67	6,412	479,882

(4) Consolidated Statement of Cash Flows
For the Years Ended March 31, 2007 and 2006

		(in millions of yen)	
		FY2005	FY2006
For the years ended		March 31, 2006	March 31, 2007
Cash flows from operating activities			
Income before income taxes	1	117,468	118,450
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	2	45,805	47,045
Loss on impairment of fixed assets	3	36,650	3,356
Allowance for doubtful receivables	4	(206)	(981)
Investment valuation allowance	5	(115)	(21)
Reserve for warranty expenses	6	4,734	13,281
Employees' and executive officers' severance and retirement benefits	7	(71,087)	(13,479)
Interest and dividend income	8	(2,359)	(2,877)
Interest expense	9	11,662	16,254
Equity in net income of unconsolidated subsidiaries and affiliates	10	(8,976)	(6,151)
Loss/(gain) on sale of fixed assets	11	5,961	3,380
Loss/(gain) on sale of investment securities	12	(1,407)	16
Insurance proceeds	13	(996)	-
Decrease/(increase) in trade notes and accounts receivable	14	(17,577)	(3,061)
Decrease/(increase) in inventories	15	10,332	(14,741)
Increase/(decrease) in trade notes and accounts payable	16	10,974	(16,654)
Increase/(decrease) in other current liabilities	17	(15,989)	22,313
Other	18	(243)	3,323
Subtotal	19	124,631	169,453
Interest and dividends received	20	2,838	5,445
Interest paid	21	(11,292)	(16,358)
Insurance proceeds received	22	15,554	-
Income taxes paid	23	(17,133)	(42,182)
Net cash provided by operating activities	24	114,598	116,358
Cash flows from investing activities:			
Purchase of investment securities	25	(8,875)	(5,876)
Sale of investment securities	26	2,823	92
Purchase of investments in subsidiaries affecting scope of consolidation	27	31	-
Acquisition of tangible fixed assets	28	(75,548)	(77,131)
Proceeds from sale of tangible fixed assets	29	3,949	5,031
Decrease/(increase) in short-term loans receivable	30	228	(1,280)
Long-term loans receivable made	31	(110)	(60)
Collections of long-term loans receivable	32	162	317
Other	33	(3,647)	(16,456)
Net cash used in investing activities	34	(80,987)	(95,363)
Cash flows from financing activities			
Increase/(decrease) in short-term loans payable	35	(8,845)	(11,689)
Proceeds from long-term loans payable	36	67,102	55,091
Repayment of long-term loans payable	37	(89,102)	(61,933)
Proceeds from issuance of bonds	38	25,000	40,000
Redemption of bonds	39	(30,400)	(200)
Cash dividends paid	40	(3,648)	(7,000)
Other	41	(3,559)	(4,923)
Net cash (used in)/provided by financing activities	42	(43,452)	9,346
Effects of exchange rate fluctuations on cash and cash equivalents	43	3,860	3,506
Net increase/(decrease) in cash and cash equivalents	44	(5,981)	33,847
Cash and cash equivalents at beginning of the period	45	214,639	208,658
Cash and cash equivalents at end of the period	46	208,658	242,505

Notes to Consolidated Financial Statements

1. Consolidation Scope and Application of Equity Method

1) Consolidated Subsidiaries	58	
Overseas	22	Mazda Motor of America, Inc., Mazda Motors (Deutschland) GmbH and other
Domestic	36	18 dealers and 18 other
2) Equity Method-Applied Companies	13	
Overseas	5	Auto Alliance International, Inc., Auto Alliance (Thailand) Co., Ltd. and other
Domestic	8	3 automotive parts sales companies and 5 other

2. Changes in Consolidation Scope and Application of Equity Method

1) Consolidated Subsidiaries		
Newly added:	1	
Overseas	1	Mazda South East Asia, Limited (established)
Excluded:	1	
Domestic	1	Mazda Enfini Okayama Co., Ltd. (liquidated)
2) Equity Method-Applied Companies		
Excluded:	1	
Domestic	1	Nagaoka Mazda Co., Ltd. (liquidated)

3. Accounting Periods of Consolidated Subsidiaries

The year-end consolidated balance sheet date is March 31. Among the consolidated subsidiaries, 8 companies, Compania Colombiana Automotriz S.A., Mazda Sales (Thailand) Co., Ltd., Mazda Motor (China) Co., Ltd., P.T. Mazda Motor Indonesia, Mazda South East Asia, Limited, Mazda Motor de Mexico, S. de R.L de C.V., Mazda Servicios de Mexico, S. de R.L de C.V., and Mazda Motor Rus, OOO have a year-end balance sheet date different from the year-end consolidated balance sheet date, all of which are December 31.

In preparing the consolidated financial statements, for 5 of the 8 companies, Compania Colombiana Automotriz S.A., Mazda Sales (Thailand) Co., Ltd., Mazda Motor (China) Co., Ltd., P.T. Mazda Motor Indonesia and Mazda South East Asia, Limited, 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 of these subsidiaries and the consolidated balance sheet date. On the other hand, for the other 3 companies, Mazda Motor de Mexico, S. de R.L de C.V., Mazda Servicios de Mexico, S. de R.L de C.V., and Mazda Motor Rus, OOO, special purpose financial statements prepared for consolidation as of the consolidated balance sheet date are used to supplement the companies' statutory financial statements.

Until the year ended March 31, 2006, Mazda Motors of New Zealand Limited had a year-end different from the consolidated year-end of March 31. However, commencing in the year ended of March 31, 2007, Mazda Motors of New Zealand Limited changed its fiscal year-end to match the consolidated fiscal year-end of March 31. Accordingly, the consolidated operating results for the year ended March 31, 2007 consisted of 15 months of operations from January 1, 2006 to March 31, 2007 for Mazda Motors of New Zealand Limited. The effects of this change on the consolidated statement of income for the year ended March 31, 2007 were immaterial.

4. Accounting Policies

1) Valuation Standards and Methods of Significant Assets

a) Securities

Available-for-sale securities

With available fair value:

Recorded at fair value estimated based on quoted market prices on the balance sheet date, with unrealized gains and losses excluded from income and reported in a separate component of shareholders' equity net of tax. The bases of cost are on a historical cost basis mainly based on a moving average method.

Without available fair value:

Recorded at cost on a historical cost basis mainly on a moving average

- | | |
|----------------------------|---|
| | method |
| b) Derivative instruments: | Mainly fair value method |
| c) Inventories: | Mainly a historical cost basis based on an average method |
- 2) Depreciation and Amortization Methods of Significant Fixed Assets
- a) Tangible Fixed Assets
Mainly straight-line method. Useful lives and residual values are estimated by a method equivalent to the provisions of the Japanese income tax law.
- b) Intangible Fixed Assets
Straight-line method with periods of useful life estimated by a method equivalent to the provisions of the Japanese income tax law. Software for internal use is amortized on a straight-line basis over the period of internal use, i.e., 5 years.
- 3) Standards for Recognition of Reserves
- a) 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.
- b) 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. 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). The amortization of net gains or losses starts from the fiscal year immediately following the year in which such gains or losses are realized. 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.
- c) Directors' and corporate auditors' retirement benefits
Directors' and corporate auditors' retirement benefits provide for the payment of retirement benefits to directors and corporate auditors. The equivalent of the amount that would be required by the internal corporate policy if all the directors and corporate auditors retired at the end of this fiscal year is recognized.
- d) 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 and receivables from debtors under bankruptcy proceedings, the amount is estimated based on the financial standing of the debtor.
- e) Investment valuation allowance
Investment valuation allowance provides for losses from investments. The amount is estimated in light of the financial standings of the investee companies.
- 4) Accounting policies of foreign consolidated subsidiaries
Among the foreign consolidated subsidiaries, Compania Colombiana Automotriz S.A. prepares its financial statements based on the accounting principles generally accepted in Colombia to reflect adjustments for the country's inflationary economy and changing prices.

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 shareholders' equity accounts, which are translated at the historical rates. Income statements of consolidated overseas subsidiaries are translated at average rates of the subsidiaries' fiscal years, with the translation differences prorated and included in the shareholders' equity as foreign currency translation adjustments and minority interests.

6) Accounting for Leases

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

7) Accounting for Hedging Activities

Full-deferral hedge accounting is mainly applied. Also, for certain interest 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 swap contract was executed.

8) Accounting for Consumption Taxes

Tax-excluding method

5. Valuation of Assets and Liabilities of Consolidated Subsidiaries

The assets and liabilities of consolidated subsidiaries are valued at fair value at the time of acquisition and are recognized in the consolidated balance sheet in the entirety.

6. 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.

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

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

Adoption of New Accounting Standards

1. Presentation of Shareholders' Equity in the Consolidated Balance Sheet

Commencing in the year ended March 31, 2007, Mazda Motor Corporation (“the Company”) and its consolidated domestic subsidiaries (together the “Domestic Companies”) adopted the Accounting Standards Board of Japan (“ASBJ”) Statement No. 5, *Accounting Standard for Presentation of Net Assets in the Balance Sheet*, and the ASBJ Guidance No. 8, *Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet*, both issued by the ASBJ on December 9, 2005¹. Also, commencing in the year ended March 31, 2007, the Domestic Companies adopted the ASBJ Statement No.1 (revised 2006), *Accounting Standard for Treasury Shares and Appropriation of Legal Reserve*, and the ASBJ Guideline No.2 (revised 2006), *Guidance on Accounting Standard for Treasury Shares and Appropriation of Legal Reserve*, both last revised by the ASBJ on August 11, 2006.

The adoption of the new standards has no impacts in income. If the shareholders' equity of the consolidated balance sheet at March 31, 2007 had been presented under the standards effective until the prior period, the total shareholders' equity would have been 475,195 million yen.

As the accounting standards for the preparation of the consolidated financial statements were revised, commencing in the year ended March 31, 2007, the consolidated financial statements were prepared in accordance with the revised standards.

2. Accounting for Share-based Payment

Commencing in the year ended March 31, 2007, the Domestic Companies adopted the ASBJ Statement No. 8, *Accounting Standard for Share-based Payment*, issued by the ASBJ on December 27, 2005 and the ASBJ Guidance No. 11 (revised 2006), *Guidance on Accounting Standard for Share-based Payment*, last revised by the ASBJ on May 31, 2006².

The effects of adopting the new standard for the year ended March 31, 2007 were to decrease operating income, ordinary income and income before income taxes by 67 million yen. The effects of adopting the new standards on the segment information are discussed in the applicable section of the notes to the consolidated financial statements.

¹ **Presentation of the minority interests in consolidated subsidiaries:** Until the year ended March 31, 2006, the minority interests in consolidated subsidiaries were presented in the “mezzanine” section of the consolidated balance sheet between the liabilities and the shareholders' equity. Commencing in the year ended March 31, 2007, the minority interests are presented in the balance sheet as a separate component of the shareholders' equity. In the calculation of the equity ratio and the equity per share, however, the minority interests are excluded from the shareholders' equity.

² **Recognition of the stock acquisition rights in the shareholder's equity:** Commencing in the year ended March 31, 2007, the fair value of stock option is recognized, as stock acquisition rights, in the shareholder's equity as a separate component for the amounts amortized in expense. However, the stock acquisition rights are excluded from the calculation of the equity ratio and the equity per share.

Footnotes

(Consolidated Statement of Income)

(in millions of yen)	
FY2005	FY2006
March 31, 2006	March 31, 2007
95,730	107,553

1. The aggregate amounts of research and development expenses

2. Prior year income taxes

Prior year income taxes recorded in the year ended March 31, 2007 are primarily for the taxes that the Company expects to pay on transactions between the Company and its domestic dealerships. The Company bears part of the expenses that its dealerships incur for sales and promotional activities. Recent internal investigation has unveiled transactions that are not deductible for the purpose of income tax filing due to inappropriate documentation for invoices and payments as well as unclear grounds for the determination of the amounts to be borne by the Company.

As a result, the Company has recognized the estimated additional taxes for the prior three years of 3,229 million yen, as prior year income taxes in the consolidated statement of income for the year ended March 31, 2007.

The estimated amount of 3,229 million yen is net of deferred taxes of 293 million yen on those portions of prefectural taxes that are deductible in the future federal income tax filings.

(Consolidated Balance Sheet)

1. Accumulated depreciation on tangible fixed assets 1,040,875 **1,045,146**

2. In accordance with the Law to Partially Revise the Land Revaluation Law (Law No. 19, enacted on March 31, 2001), land owned by Mazda for business uses was revalued. The unrealized gains on the revaluation are included in the shareholders' equity as "Land Revaluation" for the amount net of deferred taxes.

The deferred taxes on the unrealized gains are included in the liabilities as "Deferred Tax Liability Related to Land Revaluation".

Timing of revaluation: As of March 31, 2001

Method of revaluation:

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

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 is:

84,197 million yen

3. Assets offered as collateral and collateralized loans

Assets offered as collateral	476,513	463,142
Collateralized loans	107,884	87,520

4. Contingent liabilities for guarantee and similar agreements 35,712 **30,435**

5. Notes and other receivables discounted

Discounted notes receivable	63	348
Factoring of receivables with recourse	23,391	24,471

6. Pension adjustments recognized by an overseas consolidated subsidiary

Commencing in the year ended March 31, 2007, the consolidated subsidiary in the United States adopted the Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. The amount (net of tax) that the consolidated subsidiary recognized, in the balance sheet, as a component of the other accumulated comprehensive income in the shareholders' equity is recognized, in the consolidated balance sheet, as "pension adjustments recognized by an overseas consolidated subsidiary" as a separate component of the valuation and translation adjustments of the shareholders' equity.

(Consolidated Statement of Shareholders' Equity)

1. Stock issued

(In thousands of shares)

Type of stock	Number of shares issued at March 31, 2006	Increases	Decreases	Number of shares issued at March 31, 2007
Common stock	1,407,342	7,536	-	1,414,878

The number of shares issued increased during the period due to:

Exercise of stock acquisition right 7,536 thousand shares

2. Treasury stock

(In thousands of shares)

Type of stock	Number of treasury shares at March 31, 2006	Increases	Decreases	Number of treasury shares at March 31, 2007
Common stock	7,248	2,205	1,608	7,845

The number of treasury shares increased during the period due to:

Acquisition of treasury stock to meet the needs related to stock options 2,103 thousand shares
Purchase of less-than-one-unit shares from shareholders 102 thousand shares

The number of treasury shares decreased during the period due to:

Re-issuance of treasury stock to meet the needs related to stock options 1,603 thousand shares
Requests for additional purchase of less-than-one-unit shares by shareholders 5 thousand shares

3. Stock acquisition rights

Company name	Detail	Type of stock	Thousands of shares				Balance at Mar. 31, 2007 (Million yen)
			Number of shares at Mar. 31, 2006	Increase	Decrease	Number of shares at Mar. 31, 2007	
Mazda Motor Corporation	Stock acquisition rights granted as stock options	Common stock	-	-	-	-	67

Stock acquisition rights granted as stock options was not vested.

4. Dividends

Dividend payment

Resolution	Type of stock	Total amount of dividends (Million yen)	Dividends per share (Yen)	Reference date	Effective date
Ordinary General Meeting of Shareholders held on June 27, 2006	Common stock	7,001	5	Mar. 31, 2006	Jun. 28, 2006

Dividend whose reference date is attributable to the current period but to be effective after the current period.

Resolution	Type of stock	Resource of dividends	Total amount of dividends (Million yen)	Dividends per share (Yen)	Reference date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2007	Common stock	Retained earnings	8,442	6	Mar. 31, 2007	Jun. 27, 2007

(In millions of yen)

(Consolidated Statement of Cash Flows)

	FY2005 (March 31, 2006)	FY2006 (March 31, 2007)
--	----------------------------	----------------------------

1. Reconciliation of cash and time deposits in the consolidated balance sheet to cash and cash equivalents in the consolidated statement of cash flows

Cash and time deposits	208,765	247,566
Time deposits with original maturities that exceed 3 months	(107)	(5,061)
Cash and cash equivalents	208,658	242,505

2. Significant non-cash transactions:

Exercise of stock acquisitions rights		
Increases in common stock	28,065	1,153
Increases in capital surplus	28,065	1,153
Decreases in bonds with stock acquisition rights	56,130	2,306

Segment Information

1. Information by Industry Segment

Mazda Motor Corporation and its consolidated subsidiaries are primarily engaged in the manufacture and sale of passenger and commercial vehicles. Net sales, operating income (loss) and assets related to this industry have exceeded 90% of the respective consolidated amounts. Accordingly, information by industry segment is not shown.

2. Information by Geographic Areas

		(in millions of yen)					
FY2006		North		Other		Elimination	
(Year ended March 31, 2007)	Japan	America	Europe	areas	Total	or corporate	Consolidated
Net sales:							
Outside Customers	1,226,988	991,192	774,837	254,468	3,247,485	-	3,247,485
Inter-area	1,347,406	7,074	19,899	1,638	1,376,017	(1,376,017)	-
Total	2,574,394	998,266	794,736	256,106	4,623,502	(1,376,017)	3,247,485
Costs and expenses	2,451,263	982,810	779,242	246,517	4,459,832	(1,370,879)	3,088,953
Operating income (loss)	123,131	15,456	15,494	9,589	163,670	(5,138)	158,532
Total identifiable assets	1,663,264	219,947	166,276	56,074	2,105,561	(197,809)	1,907,752

		(in millions of yen)					
FY2005		North		Other		Elimination	
(Year ended March 31, 2006)	Japan	America	Europe	areas	Total	or corporate	Consolidated
Net sales:							
Outside Customers	1,213,283	823,447	655,370	227,723	2,919,823	-	2,919,823
Inter-area	1,056,948	7,397	18,275	1,106	1,083,726	(1,083,726)	-
Total	2,270,231	830,844	673,645	228,829	4,003,549	(1,083,726)	2,919,823
Costs and expenses	2,169,998	816,941	664,074	220,237	3,871,250	(1,074,862)	2,796,388
Operating income (loss)	100,233	13,903	9,571	8,592	132,299	(8,864)	123,435
Total identifiable assets	1,556,200	202,238	143,626	48,148	1,950,212	(161,553)	1,788,659

Notes:

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

a) Method: Segmentation by geographic adjacency

b) Principal countries or regions belonging to each segment

North America: U.S.A. and Canada

Europe: Germany, Belgium and U.K.

Other areas: Australia and Colombia

2) As discussed in the accounting for share-based payment section of the adoption of new accounting standards, commencing in the year ended March 31, 2007, the Domestic Companies adopted the ASBJ Statement No. 8, *Accounting Standard for Share-based Payment*, issued by the ASBJ on December 27, 2005 and the ASBJ Guidance No. 11 (revised 2006), *Guidance on Accounting for Share-based Payment*, last revised by the ASBJ on May 31, 2006.

The effects of adopting the new standard on the consolidated statement of income for the year ended March 31, 2007 were to increase the operating expenses and to decrease the operating income in the Japan segment by 67 million yen.

3. Overseas Sales

FY2006 (Year ended March 31, 2007)	(in millions of yen)			
	North America	Europe	Other areas	Total
Overseas sales	1,017,874	789,135	553,149	2,360,158
Consolidated sales	-	-	-	3,247,485
Percentage of overseas sales to consolidated sales	%	%	%	%
	31.3	24.4	17.0	72.7

FY2005 (Year ended March 31, 2006)	(in millions of yen)			
	North America	Europe	Other areas	Total
Overseas sales	843,988	668,941	519,232	2,032,161
Consolidated sales	-	-	-	2,919,823
Percentage of overseas sales to consolidated sales	%	%	%	%
	28.9	22.9	17.8	69.6

Notes:

- 1) Overseas sales include exports by Mazda Motor Corporation and its domestic consolidated subsidiaries as well as sales (other than exports to Japan) by overseas consolidated subsidiaries.
- 2) Method of segmentation and principal countries or regions belonging to each segment
 - a) Method: Segmentation by geographic adjacency
 - b) Principal countries or regions belonging to each segment

North America:	U.S.A. and Canada
Europe:	Germany and U.K.
Other areas:	Australia, Thailand and China

Footnotes that are omitted.

The following footnotes are omitted from the timely disclosure of the consolidated financial results since the Company judges the needs to include these footnotes in the timely disclosure to be less significant.

- Lease transactions
- Related party transactions
- Income taxes
- Fair Value Information of Securities
- Derivatives
- Retirement benefits
- Share-based payment

Information on Amounts Per Share of Common Stock

	FY2005 Year Ended March 31, 2006 <hr/> (Yen)	FY2006 Year Ended March 31, 2007 <hr/> (Yen)
Equity per share of common stock	284.28	336.45
Net income per share of common stock:		
Basic	51.53	52.59
Diluted	47.25	52.19

Note: Bases of calculation of net income (basic and diluted) per share of common stock are as follows:

	FY2005 Year Ended March 31, 2006 <hr/> (Million Yen) (Thousand Shares)	FY2006 Year Ended March 31, 2007 <hr/> (Million Yen) (Thousand Shares)
Net income as reported in the consolidated statement of income	66,711	73,744
Net income on common stock	66,711	73,744
Average number of shares of common stock outstanding	1,294,533	1,402,315
Adjustments made on net income	-	-

Increase in the number of shares of common stock used in calculating net income per share of common stock, diluted:

	FY2005 Year Ended March 31, 2006 <hr/> (Thousand Shares)	FY2006 Year Ended March 31, 2007 <hr/> (Thousand Shares)
Convertible bonds type-bonds with stock acquisition rights	115,998	8,442
Stock options	1,455	2,272
Increase in the number of shares of common stock	117,453	10,714

Numbers of potential shares of common stock that are excluded from the calculation of net income per share of common stock, diluted, due to a lack of dilution effects:

	FY2005 Year Ended March 31, 2006 <hr/> (Thousand Shares)	FY2006 Year Ended March 31, 2007 <hr/> (Thousand Shares)
Stock options by the method to issue stock acquisition rights in accordance with the resolution of the 140th general meeting of the shareholders held on June 27, 2006	-	2,043,000
Number of shares of common stock	-	2,043,000
Type of potential shares of stock		Common stock
Exercise period		From July 1, 2008 To June 30, 2011

Exercise conditions

(FY2006)

The stock acquisition rights are exercised in exchange for payment of 776 yen per share. Other conditions are in accordance with the resolutions of the general meeting of the shareholders and the board of directors as well as the contracts between the Company and the holders of the stock acquisition rights.

Unconsolidated Statement of Income
For the Years Ended March 31, 2007 and 2006

(in Japanese yen rounded to millions)

		FY2005 (Apr.2005-Mar.2006)	FY2006 (Apr.2006-Mar.2007)	Increase/ (Decrease)
Net sales	1	2,032,115	2,327,073	294,958
Cost of sales	2	1,675,976	1,925,901	249,925
Gross profit on sales	3	356,139	401,172	45,033
Selling, general and administrative expenses	4	289,178	312,370	23,192
Operating income	5	66,961	88,803	21,842
Non-operating income				
Interest and dividend income	6	12,506	18,246	5,740
Other	7	5,345	5,388	43
Total	8	17,851	23,634	5,782
Non-operating expenses				
Interest expense	9	5,453	5,577	124
Exchange loss	10	16,603	19,716	3,112
Other	11	2,578	2,679	101
Total	12	24,635	27,972	3,337
Ordinary income	13	60,177	84,464	24,287
Extraordinary profits				
Profit on sale of tangible fixed assets	14	22	133	111
Profit on sale of investment securities for affiliates	15	920	-	(920)
Compensation received for the exercise of eminent domain	16	472	-	(472)
Insurance proceeds	17	996	-	(996)
Gain on the transfer to the Government of the substitutional portion of employee pension fund liabilities	18	55,191	-	(55,191)
Other	19	225	-	(225)
Total	20	57,826	133	(57,693)
Extraordinary losses				
Loss on sale of tangible fixed assets	21	46	190	144
Loss on retirement of tangible fixed assets	22	4,917	3,660	(1,257)
Loss on impairment of fixed assets	23	19,375	695	(18,680)
Loss on sale of investment securities for affiliates	24	-	59	59
Valuation loss on investment securities	25	255	29	(226)
Valuation loss on investment securities for affiliates	26	556	193	(363)
Valuation loss on investments	27	268	-	(268)
Loss on restructuring of affiliates	28	3,013	1,206	(1,807)
Reserve for loss on restructuring of affiliates	29	584	-	(584)
Loss on investment valuation	30	30,005	3,759	(26,246)
Other	31	133	14	(119)
Total	32	59,151	9,804	(49,347)
Income before income taxes	33	58,852	74,794	15,941
Income taxes				
Current	34	14,867	20,510	5,643
Prior year	35	10,166	3,229	(6,937)
Deferred	36	22,835	(7)	(22,842)
Net income	37	10,984	51,062	40,077
Retained earnings/(deficit) brought forward	38	15,099	-	-
Reversal of land revaluation	39	(4,477)	-	-
Reversal of earned surplus reserve	40	15,752	-	-
Unappropriated retained earnings/(deficit)	41	37,357	-	-

Unconsolidated Balance Sheet

As of March 31, 2007 and 2006

(in Japanese yen rounded to millions)

		FY2005	FY2006	Increase/ (Decrease)
		(Mar. 31, 2006)	(Mar. 31, 2007)	
Assets				
Current assets				
Cash and time deposits	1	138,331	174,919	36,587
Accounts receivable	2	161,574	185,193	23,619
Finished products	3	36,797	30,379	(6,418)
Raw materials	4	2,683	3,892	1,208
Work in process	5	25,106	26,774	1,669
Supplies	6	2,151	2,620	469
Prepaid expenses	7	1,226	2,947	1,722
Deferred taxes	8	35,728	39,761	4,033
Accounts receivable - Other	9	41,529	33,566	(7,963)
Short-term loans receivable	10	32,902	42,269	9,367
Other	11	6,591	7,286	695
Allowance for doubtful receivables	12	(5,780)	(2,677)	3,103
Total current assets	13	<u>478,839</u>	<u>546,929</u>	<u>68,091</u>
Fixed assets				
Tangible fixed assets:				
Buildings	14	80,788	82,105	1,316
Structures	15	16,229	16,743	514
Machinery and equipment	16	165,182	172,388	7,206
Transportation equipment	17	2,106	2,391	285
Tools, furniture and fixtures	18	14,745	14,688	(57)
Land	19	316,046	314,618	(1,429)
Construction in progress	20	25,699	44,774	19,075
Total tangible fixed assets	21	<u>620,796</u>	<u>647,706</u>	<u>26,911</u>
Intangible fixed assets:				
Software	22	16,237	18,235	1,999
Investments and other fixed assets:				
Investment securities	23	4,433	4,032	(400)
Investment securities for affiliates	24	240,757	247,126	6,369
Investments	25	12	12	-
Investment for affiliates	26	13,780	17,994	4,213
Long-term loans receivable	27	1,467	1,467	-
Long-term loans receivable for employees	28	0	1	1
Long-term loans receivable for affiliates	29	2,700	2,673	(27)
Accounts and loans receivable from debtors under bankruptcy proceeding	30	3,590	2	(3,588)
Long-term prepaid expenses	31	4,782	5,837	1,054
Deferred taxes	32	38,854	35,900	(2,954)
Other	33	5,500	5,131	(369)
Allowance for doubtful receivables	34	(5,677)	(2,114)	3,563
Investment valuation allowance	35	(30,516)	(34,275)	(3,759)
Total investments and other fixed assets	36	<u>279,682</u>	<u>283,785</u>	<u>4,103</u>
Total fixed assets	37	<u>916,715</u>	<u>949,727</u>	<u>33,013</u>
Total assets	38	<u>1,395,553</u>	<u>1,496,657</u>	<u>101,103</u>

(in Japanese yen rounded to millions)

		FY2005 (Mar. 31, 2006)	FY2006 (Mar. 31, 2007)	Increase/ (Decrease)
Liabilities				
Current liabilities				
Trade notes payable	1	941	278	(663)
Accounts payable - Trade	2	228,491	228,171	(320)
Short-term loans payable	3	1,640	730	(910)
Long-term loans payable due within one year	4	45,243	28,388	(16,855)
Bonds due within one year	5	-	20,000	20,000
Bonds with stock acquisition right due within one year	6	-	1,131	1,131
Other accounts payable	7	13,727	16,960	3,234
Income tax payable	8	21,196	16,867	(4,328)
Accrued expenses	9	75,982	84,192	8,210
Unearned revenue	10	1,672	1,883	211
Deferred revenue	11	-	2	2
Deposit received	12	15,970	20,393	4,422
Reserve for warranty expenses	13	26,671	40,705	14,034
Reserve for loss on restructuring of affiliates	14	584	-	(584)
Other	15	4,324	3,870	(454)
Total current liabilities	16	436,441	463,571	27,130
Fixed liabilities				
Bonds	17	65,000	85,000	20,000
Bonds with stock acquisition rights	18	3,437	-	(3,437)
Long-term loans payable	19	226,907	249,929	23,022
Deferred tax liability related to land revaluation	20	93,713	93,773	60
Employees' and executive officers' severance and retirement benefits	21	100,036	89,843	(10,193)
Directors' and corporate auditors' retirement benefits	22	837	744	(93)
Guaranty money received	23	2,324	2,773	449
Other	24	1,398	1,361	(37)
Total fixed liabilities	25	493,652	523,423	29,771
Total liabilities	26	930,093	986,993	56,901
Shareholders' equity				
Common stock	27	148,360	-	-
Capital surplus				
Capital reserve	28	58,250	-	-
Other capital surplus	29	74,135	-	-
Surplus from decrease in Capital reserve	30	74,135	-	-
Total Capital surplus	31	132,385	-	-
Earned surplus				
Appropriated for optional purpose	32	13,274	-	-
Appropriated for advanced depreciation deduction of fixed assets	33	12,442	-	-
Appropriated for special depreciation	34	796	-	-
Appropriated for World Exposition	35	36	-	-
Unappropriated retained earnings/(deficit)	36	37,357	-	-
Total earned surplus	37	50,631	-	-
Land revaluation	38	135,372	-	-
Net unrealized gain/(loss) on available-for-sale securities	39	1,018	-	-
Treasury stock	40	(2,306)	-	-
Total shareholders' equity	41	465,460	-	-
Total liabilities and shareholders' Equity	42	1,395,553	-	-

(in Japanese yen rounded to millions)

	FY2005		FY2006	Increase/
	(March 31, 2006)		(March 31, 2007)	(Decrease)
Shareholders' Equity				
Paid-In Capital and Retained Earnings:				
Common stock	43	-	149,513	-
Capital surplus				
Capital reserve	44	-	59,403	-
Other capital surplus	45	-	73,990	-
Total Capital surplus	46	-	133,393	-
Retained earnings				
Other earned surplus	47	-	93,968	-
Appropriated for deduction of fixed assets	48	-	10,778	-
Appropriated for special depreciation	49	-	421	-
Unappropriated retained earnings	50	-	82,770	-
Total retained earnings	51	-	93,968	-
Treasury Stock	52	-	(3,333)	-
Total paid-in capital and retained earnings	53	-	373,541	-
Valuation and Translation Adjustments:				
Net unrealized gain on				
available-for-sale securities	54	-	803	-
Net loss on derivative instruments	55	-	(845)	-
Land revaluation	56	-	136,097	-
Total valuation and translation adjustments	57	-	136,055	-
Stock Acquisition Rights	58	-	67	-
Total Shareholders' Equity	59	-	509,663	-
Total Liabilities and Shareholders' Equity	60	-	1,496,657	-

Appropriation of retained earnings and
Unconsolidated Statement of Shareholders' Equity

Appropriation of retained earnings

For the Years Ended March 31, 2006 and 2005

(in Japanese yen rounded to millions)

	FY 2005
	Mar. 31, 2006
Unappropriated retained earnings/(deficit)	37,357
Reversal of reserve for advanced depreciation deduction of fixed assets	856
Reversal of reserve for special depreciation	205
Reversal of reserve for World Exposition	36
Total	38,455
They will be appropriated as follows:	
Dividends	7,001 (5 yen per share)
Reserve for advanced depreciation deduction of fixed assets	258
Reserve for special depreciation	33
Retained earnings/(deficit) carried forward	31,163

Unconsolidated Statement of Shareholders' Equity

The year ended March 31, 2007

		(in Japanese yen rounded to millions)					
		Paid-In Capital and Retained Earnings					
		Capital surplus		Retained earnings			
		Common stock	Capital reserve	Other Capital surplus	Other earned surplus*	Treasury stock	Total paid - In Capital and Retained earnings
Balance at March 31, 2006	1	148,360	58,250	74,135	50,631	(2,306)	329,070
Changes during the period:							
Exercise of stock acquisition rights	2	1,153	1,153				2,306
Cash dividends paid	3				(7,001)		(7,001)
Reserve for land revaluation	4				(790)		(790)
Reversal for land revaluation	5				65		65
Net income	6				51,062		51,062
Acquisition of treasury stock	7					(1,672)	(1,672)
Re-issuance of treasury stock	8			(145)		646	501
Net changes during the period	9	1,153	1,153	(145)	43,337	(1,026)	44,471
Balance at March 31, 2007	10	149,513	59,403	73,990	93,968	(3,333)	373,541

		(in Japanese yen rounded to millions)					
		Valuation and Translation Adjustments					
		Net unrealized gain (loss) on available-for-securities	Net gain (loss) on derivative instruments	Land revaluation	Total Valuation and translation adjustments	Stock acquisition rights	Total Shareholders' Equity
Balance at March 31, 2006	11	1,018	-	135,372	136,390	-	465,460
Changes during the period:							
Exercise of stock acquisition rights	12					-	2,306
Cash dividends paid	13					-	(7,001)
Reserve for land revaluation	14					-	(790)
Reversal for land revaluation	15					-	65
Net income	16					-	51,062
Acquisition of treasury stock	17					-	(1,672)
Re-issuance of treasury stock	18					-	501
Net changes in accounts other than paid- in capital and retained earnings	19	(215)	(845)	724	(335)	67	(268)
Net changes during the period	20	(215)	(845)	724	(335)	67	44,203
Balance at March 31, 2007	21	803	(845)	136,097	136,055	67	509,663

* breakdown of other earned surplus

		(in Japanese yen rounded to millions)					
		Reserve for deduction of fixed assets	Reserve for special depreciation	Reserve for World exposition	Unappropriated retained earnings	Other earned surplus	
Balance at March 31, 2006	22	12,442	796	36	37,357	50,631	
Changes during the period:							
Cash dividends paid	23				(7,001)	(7,001)	
Transfer to reserve *1 (deduction of fixed assets)	24	276			(276)	-	
Transfer from reserve *1 (deduction of fixed assets)	25	(1,940)			1,940	-	
Transfer to reserve *2 (special depreciation)	26		33		(33)	-	
Transfer from reserve *2 (special depreciation)	27		(409)		409	-	
Transfer from reserve *3 (World exposition)	28			(36)	36	-	
Reserve for land revaluation	29				(790)	(790)	
Reversal for land revaluation	30				65	65	
Net income	31				51,062	51,062	
Net changes during the period	32	(1,664)	(376)	(36)	45,413	43,337	
Balance at March 31, 2007	33	10,778	421	-	82,770	93,968	

*1 Breakdown of transfer to and from reserve (deduction of fixed assets)

As approved by the general meeting of shareholders in June 2006 : Transfer to reserve 258 million yen Transfer from reserve 856 million yen
As of the year ended March 31, 2007: Transfer to reserve 17 million yen Transfer from reserve 1,083 million yen

*2 Breakdown of transfer to and from reserve (special depreciation)

As approved by the general meeting of shareholders in June 2006 : Transfer to reserve 33 million yen Transfer from reserve 205 million yen
As of the year ended March 31, 2007: Transfer to reserve - million yen Transfer from reserve 203 million yen

*3 Breakdown of transfer to and from reserve (World exposition)

As approved by the general meeting of shareholders in June 2006 : Transfer to reserve - million yen Transfer from reserve 36 million yen

6. Other

Production and Sales Information

1. Production Volume

Type	FY2005 (April 2005 to March 2006)	FY2006 (April 2006 to March 2007)	Increase/ (Decrease)
	units	units	units
Passenger cars	838,760	912,110	73,350
Trucks	65,460	55,121	(10,339)
Vehicles Total	904,220	967,231	63,011

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

	FY2005	FY2006	Increase/ (Decrease)
AutoAlliance International, Inc.	74,260 units	71,534	(2,726) units
AutoAlliance (Thailand) Co., Ltd.	35,003 units	43,566	8,563 units

2. Sales Volume and Revenue

Type	FY2005 (April 2005 to March 2006)		FY2006 (April 2006 to March 2007)		Increase/ (Decrease)	
	Volume	Revenue	Volume	Revenue	Volume	Revenue
Vehicles	units 1,148,653	million yen 2,121,485	units 1,176,673	million yen 2,385,710	units 28,020	million yen 264,225
Knockdown Parts (Overseas)	-	123,812	-	102,467	-	(21,345)
Parts	-	227,671	-	257,853	-	30,182
Others	-	446,855	-	501,455	-	54,600
Total	-	2,919,823	-	3,247,485	-	327,662

Sales Volume by Market

Type	FY2005 (April 2005 to March 2006)	FY2006 (April 2006 to March 2007)	Increase/ (Decrease)
	units	units	units
Japan	290,012	263,673	(26,339)
North America	350,780	395,658	44,878
Europe	291,529	297,499	5,970
Others	216,332	219,843	3,511
Overseas Total	858,641	913,000	54,359
Total	1,148,653	1,176,673	28,020

Note: Above volume indicates consolidated wholesales volume by market.

FY2006 Financial Summary (Consolidated)

April 27, 2007
Mazda Motor Corporation

(in 100 millions of yen)

(in thousands of units)

(Upper left: Ratio on sales)

			FY2005 (Apr.05-Mar.06)		FY2006 (Apr.06-Mar.07)		FY2007 (Apr.07-Mar.08) Projection	
				%		%		%
	Domestic	1	8,877	5.0	8,873	(0.0)	8,900	0.3
	Overseas	2	20,321	9.8	23,602	16.1	24,300	3.0
	Net sales	3	29,198	8.3	32,475	11.2	33,200	2.2
	Operating income	4	1,234	4.2%	1,585	4.9%	1,600	4.8%
	Ordinary income	5	1,015	3.5%	1,278	3.9%	1,400	4.2%
	Income before taxes	6	1,175	4.0%	1,185	3.6%	1,300	3.9%
	Net income	7	667	2.3%	737	2.3%	850	2.6%
	Operating income/(loss) by geographic area	8-11	1,002	45.7	1,231	10.5	149	15.3
	Japan	8	1,002		1,231		149	
	North America	9	139		155		(12)	
	Europe	10	96		155		(133)	
	Other	11	86		96		246	
	Operating Profit Change							
	Volume & Mix	12			311		149	
	Exchange Rate	13			400		(12)	
	Product Enrichment	14			(187)		(133)	
	Cost Reduction	15			121		246	
	Marketing Expense	16			1		(50)	
	Other	17			(295)		(185)	
	Total	18			351		15	
	Average rate for the period	19	113 yen/US\$ 138 yen/EUR		117 yen/US\$ 150 yen/EUR		115 yen/US\$ 153 yen/EUR	
	Transaction rate	20	110 yen/US\$ 137 yen/EUR		115 yen/US\$ 145 yen/EUR		115 yen/US\$ 151 yen/EUR	
	Capital investment	21	721		796		940	
	Depreciation and amortization	22	458		470		650	
	R & D cost	23	957		1,076		1,200	
	Total assets	24	17,887		19,078			
	Shareholders' equity	25	3,980		4,799			
	Financial debt	26	4,554		4,747			
	Net financial debt	27	2,468		2,322			
	Cash flow	28	336		210			
	Performance of operations	29			Sales and profits increased for 6 consecutive years. Highest ever profits at all levels.		Sales and profits to increase for 7 consecutive years. Highest ever profits at all levels.	
	Domestic	30	285	0.4	261	(8.6)	262	0.5
	North America	31	352	3.2	380	8.0	403	6.1
	Europe	32	282	3.4	301	6.7	321	5.6
	China	33	130	35.4	129	(0.7)	105	(18.7)
	Other	34	227	8.8	231	1.5	259	13.7
	Overseas	35	991	7.9	1,041	5.0	1,088	4.5
	Global retail volume	36	1,276	6.1	1,302	2.0	1,350	3.7
	Number of employees (excluding dispatches)	37	36,626		38,004			

Notes:

- Commencing in the year ended March 31, 2007, the ASBJ Statement No.5, *Accounting Standard for Presentation of Net Assets* in the Balance Sheet, was adopted. See Adoption of New Accounting Standards in the notes to the consolidated financial statements.
- Global retail volume refers to the total retail units of Mazda-brand vehicles sold on a global basis.
North American volume includes the retail units of Mexico and Puerto Rico. Also, commencing in the year ending March 31, 2008, European volume includes the retail units of Turkey.
(The year-over-year ratio for FY2007 is calculated by including the volume of Turkey in European volume of FY2006.)

FY 2006 Financial Summary (Unconsolidated)

Apr.27, 2007
Mazda Motor Corporation

(in 100 millions of yen) (in thousands of units) (Upper left: ratio on sales)			FY2005 (Apr.05-Mar.06)		FY2006 (Apr.06-Mar.07)		FY2007 (Apr.07-Mar.08) Projection	
				%		%		%
Net Sales	Domestic	1	6,708	+6.5	6,738	+0.5	6,800	+0.9
	Export	2	13,613	+11.5	16,533	+21.4	17,100	+3.4
	Total	3	20,321	+9.8	23,271	+14.5	23,900	+2.7
Operating income	4	670	+165.8	888	+32.6	1,060	+19.4	
Ordinary income	5	602	+253.8	845	+40.4	980	+16.0	
Income before taxes	6	589	+287.8	748	+27.1	910	+21.7	
Net income	7	110	+78.7	511	+364.9	580	+13.6	
Average rate for the period	8		113Yen/US\$ 138Yen/EUR		117Yen/US\$ 150Yen/EUR		115Yen/US\$ 153Yen/EUR	
Transaction rate	9		110Yen/US\$ 137Yen/EUR		115Yen/US\$ 145Yen/EUR		115Yen/US\$ 151Yen/EUR	
Capital investment	10		567		623		790	
Depreciation and amortization	11		308		313		490	
R & D cost	12		800		947		1,080	
Total assets	13		13,956		14,967			
Shareholders' Equity	14		4,655		5,097			
Financial debts	15		3,485		3,884			
Net financial debts	16		2,101		2,185			
Wholesales	Domestic	17	311	+0.7	285	(8.4)	282	(1.0)
	North America	18	296	+13.3	383	+29.1	356	(6.9)
	Europe	19	260	+7.9	276	+6.3	318	+14.9
	Others	20	196	+6.9	202	+3.2	223	+10.7
Wholesales	21		1,063	+6.9	1,146	+7.8	1,179	+2.9
Domestic production units	22		904	+11.3	967	+7.0	1,034	+6.9
Number of employees (Excluding dispatchees)	23		18,995		19,772			

* Commencing in the year ended March 31, 2007 in the Mazda Motor Corporation ("the Company") adopted the Accounting Standards Board of Japan ("ASBJ") Statement No.5, *Accounting Standards for Presentation of Net Assets in the Balance Sheet*, and the ASBJ Guidance No.8, *Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet*, both issued by the ASBJ on December 9, 2005.