Annual Report 2010

Year ended March 31, 2010

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Gearing up, Going Forward—Resuming the Offensive—

As a result of far-reaching cost improvements, Mazda achieved an operating profit for the March 2010 fiscal year. Mazda will strengthen its investment in R&D, while at the same time aiming to increase sales in order to resume the offensive going forward. President and CEO Takashi Yamanouchi recaps the March 2010 fiscal year and explains Mazda's management strategy going forward.

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Forward-Looking Statements

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

CORPORATE VISION

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, and efficient and nimble actions. We 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.

Mazda marked the 90th anniversary of its founding in January 2010. During the past 90 years, the Company has faced various changes and difficulties, but we have always been able to overcome these challenges through hard work, imagination, and creativity.

Mazda aims to be a brand that has a clear presence, with the strong support of "customers who love cars, and enjoy driving." We want to provide cars that "always excite, look inviting to drive, are fun to drive, and make you want to drive them again." We will continue to make cars that embody this spirit going forward, to provide even more customers with a Mazda ownership experience that cannot be obtained elsewhere.

Consolidated Financial Highlights

Mazda Motor Corporation and Consolidated Subsidiaries
Years ended March 31

March 2010 Fiscal Year Highlights

- Achieved a ¥37.8 billion improvement in operating income, to a full-year operating profit of ¥9.5 billion. Converted to a cost structure that is able to maintain profitability at 80% domestic plant utilization, even in a strong yen environment.
- Generated positive free cash flow of ¥67.4 billion.
- Global sales volume totaled 1,193,000 units for the year, with a turnaround to year-on-year growth from the second half. Increased brand value in major markets with improved residual value*.
- Funds were procured via a capital increase for environmental and safety measures and to strengthen the financial structure. This led to a 55 percentage point improvement in the net debt-to-equity ratio, to 74%.

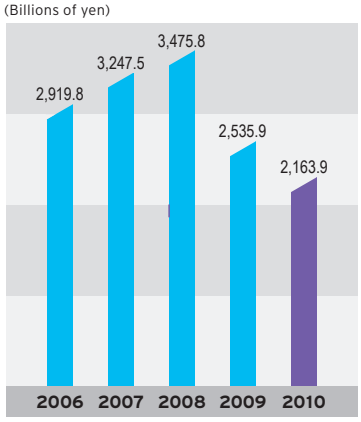
* Value of a vehicle after a certain period of time has passed. A standard for indicating brand value.

	Millions of yen					Thousands of U.S. dollars*1
	2006	2007	2008	2009	2010	2010
For the year:						
Net sales	¥2,919,823	¥3,247,485	¥3,475,789	¥2,535,902	¥2,163,949	$23,268,269
Operating income (loss)	123,435	158,532	162,147	(28,381)	9,458	101,699
Income (loss) before income taxes	117,468	118,450	143,117	(51,339)	(7,265)	(78,118)
Net income (loss)	66,711	73,744	91,835	(71,489)	(6,478)	(69,656)
Capital expenditures	72,070	79,641	75,518	81,838	29,837	320,828
Depreciation and amortization*2	45,805	47,045	74,217	84,043	76,428	821,806
Research and development costs	95,730	107,553	114,400	95,967	85,206	916,194
Free cash flow*3	33,611	20,995	10,209	(129,244)	67,394	724,667
At the year-end:						
Total assets	1,788,659	1,907,752	1,985,566	1,800,981	1,947,769	20,943,753
Equity*4	407,208	479,882	554,154	414,731	509,815	5,481,882
Financial debt	455,409	474,684	504,979	753,355	722,128	7,764,817
Net financial debt	246,751	232,179	281,085	532,631	375,825	4,041,129
	Yen					U.S. dollars*1
Amounts per share of common stock:						
Net income (loss)*5	¥ 51.53	¥ 52.59	¥ 65.21	¥ (52.13)	¥ (4.26)	$(0.05)
Cash dividends applicable to the year*6	5.00	6.00	6.00	3.00	3.00	0.03
Equity*7	284.28	336.45	391.82	314.98	286.92	3.09
	%					
Management indexes:						
Return on asset (ROA)	3.8	4.0	4.7	(3.8)	(0.3)	
Return on equity (ROE)*8	20.0	16.9	17.9	(14.8)	(1.4)	
Equity ratio*8	22.3	24.8	27.8	22.9	26.1	
Net debt-to-equity ratio*8	62	49	51	129	74	

( ) indicates minus

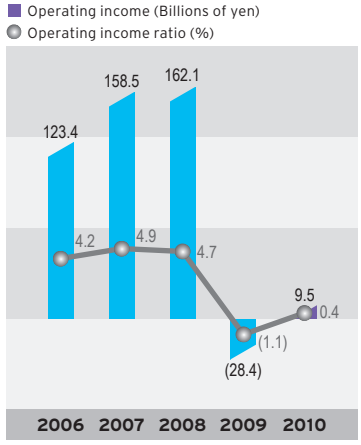
Notes:
1. The translation of the Japanese yen amounts into U.S. dollars is presented solely for the convenience of readers, using the prevailing exchange rate on March 31, 2010, of ¥93 to US$1.
2. Amortization expenses are not included for the March 2006 and 2007 fiscal years.
3. Free cash flow represents the sum of net cash flows from operating activities and from investing activities.
4. Equity for the March 2006 fiscal year has been adjusted to include minority interests, to conform with the figures shown for the March 2007 and subsequent fiscal years.
5. The computations of net income (loss) per share of common stock are based on the weighted-average number of shares outstanding during each fiscal year.
6. Cash dividends per share represent actual amounts applicable to the respective year.
7. The amounts of equity used in the calculation of equity per share, return on equity, and equity ratio exclude minority interests (and, from the March 2007 fiscal year, stock acquisition rights).
8. The amounts of equity exclude minority interests (and, from the March 2007 fiscal year, stock acquisition rights).

Net sales



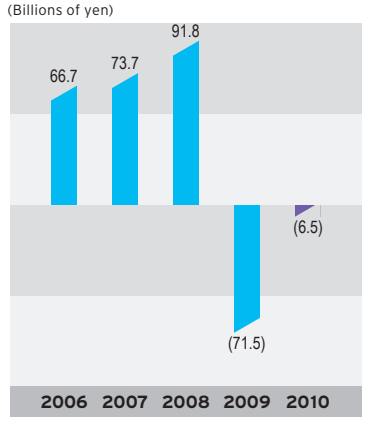
(Years ended March 31)

Operating income / Operating income ratio



(Years ended March 31)

Net income

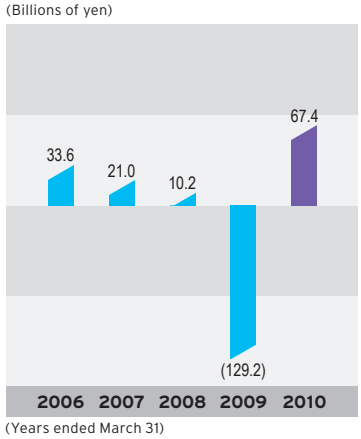


(Years ended March 31)

ROE / ROA

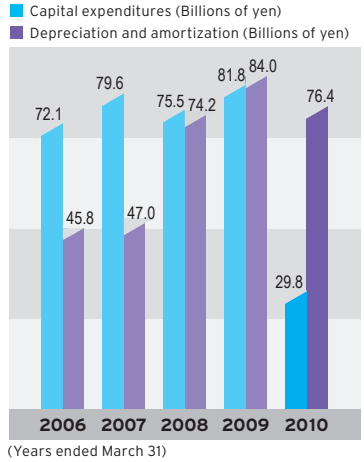
(Years ended March 31)

Free cash flow



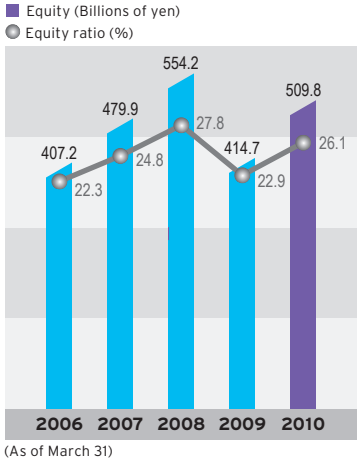
(Years ended March 31)

Capital expenditures / Depreciation and amortization



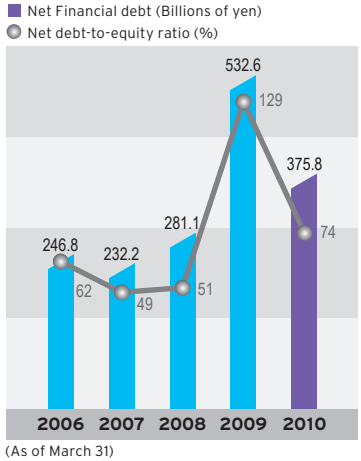
(Years ended March 31)

Equity / Equity ratio



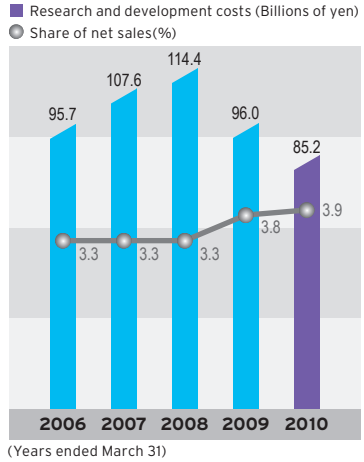
(As of March 31)

Net Financial debt / Net debt-to-equity ratio



(As of March 31)

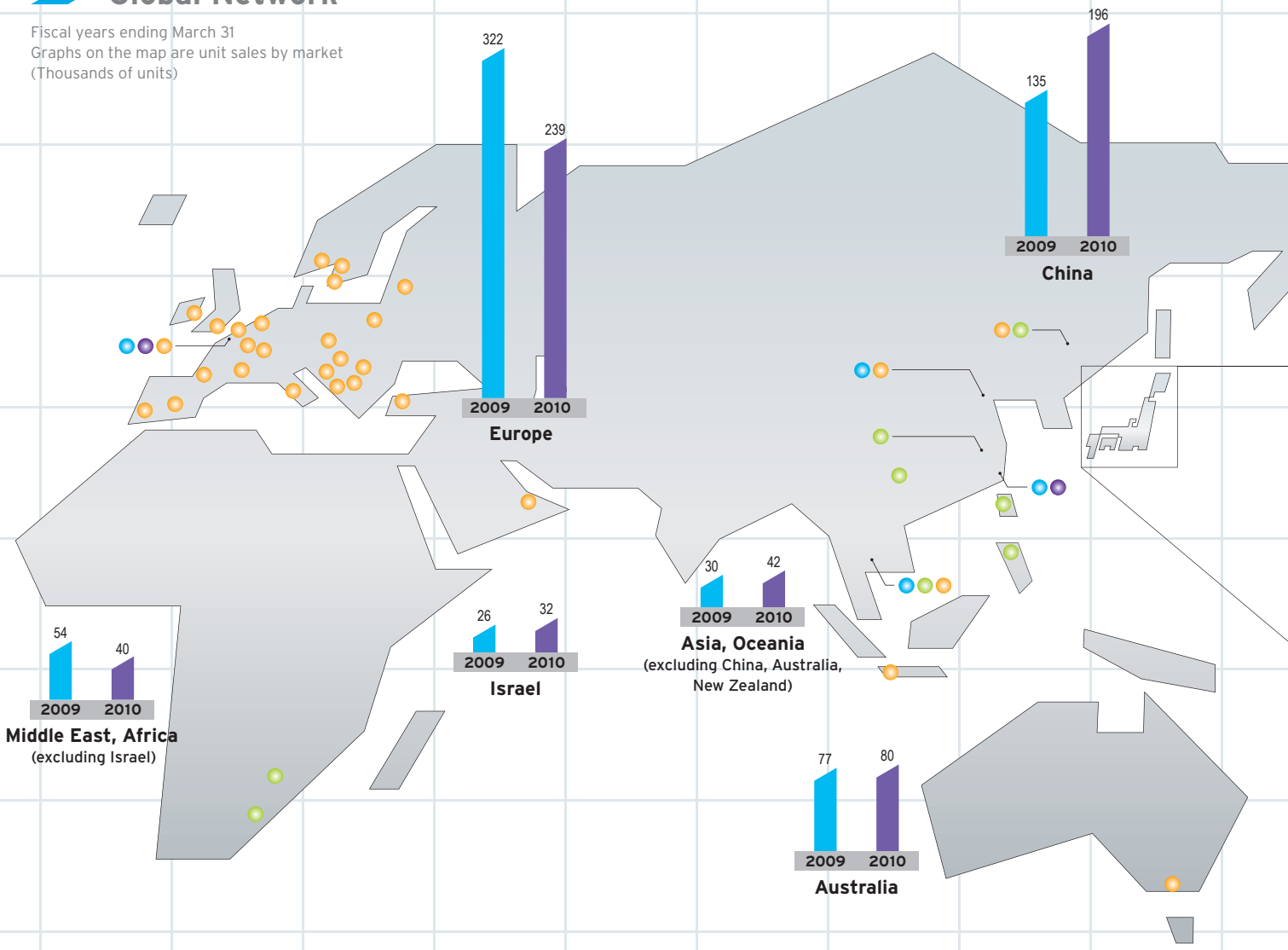
Research and development costs / Share of net sales



(Years ended March 31)

Global Network

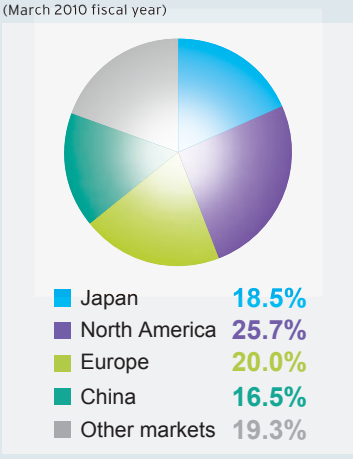
Fiscal years ending March 31
Graphs on the map are unit sales by market
(Thousands of units)



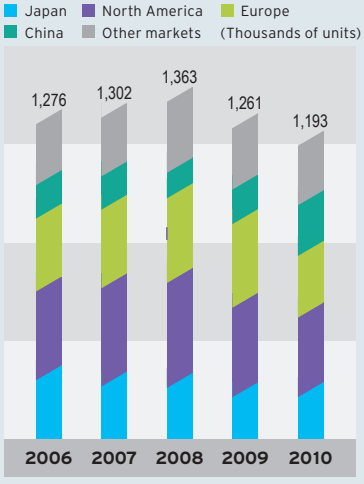
Sales and production volumes

Global sales volume

(March 2010 fiscal year)

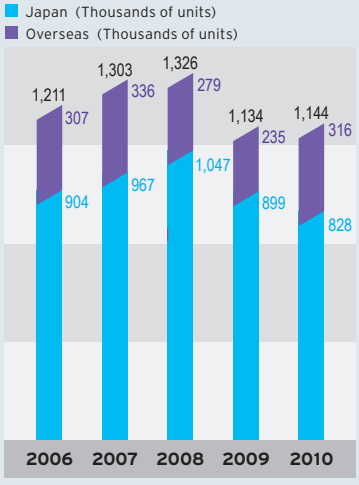


Sales trend by major market

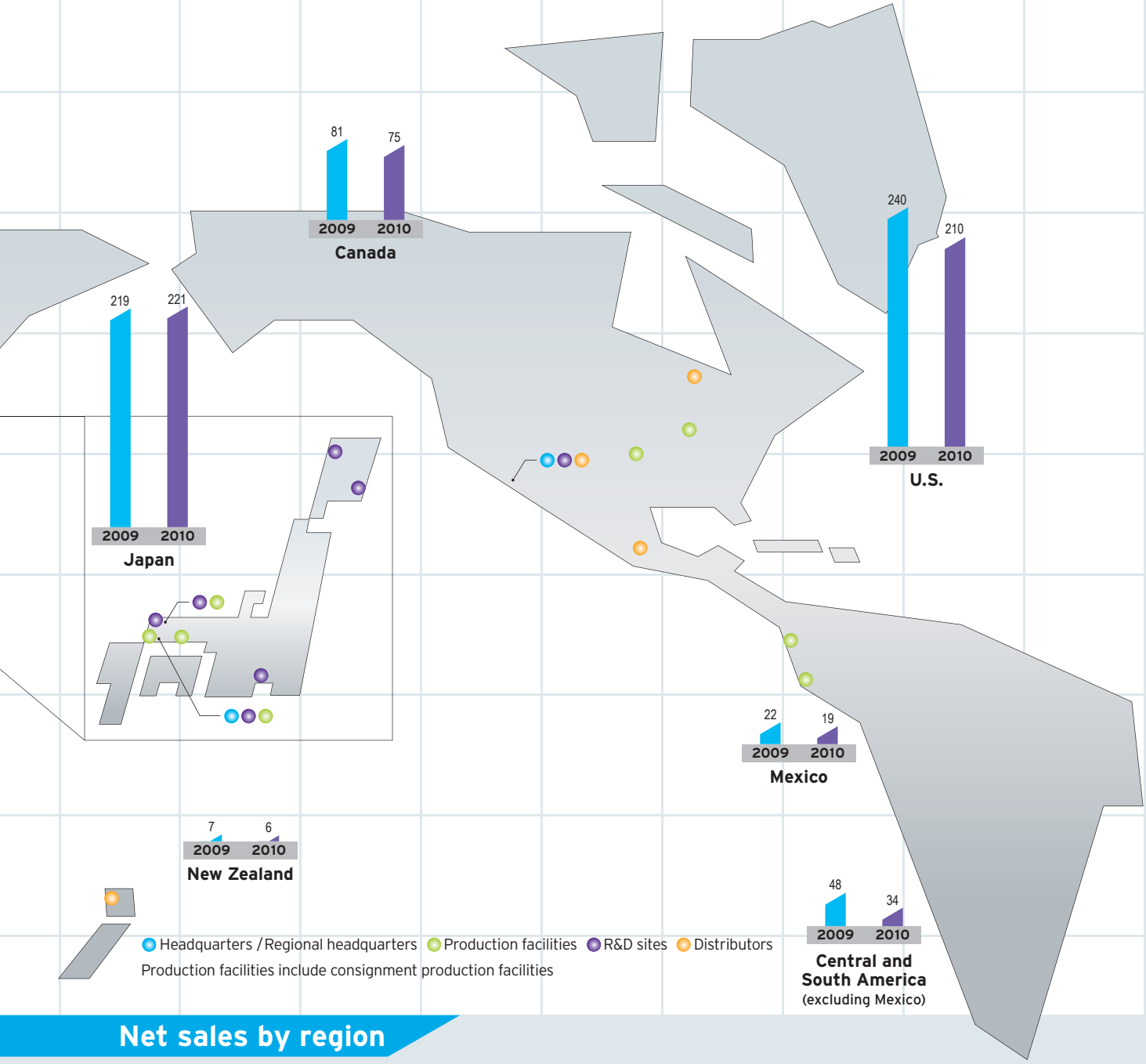


(Years ended March 31)

Trend in production volume



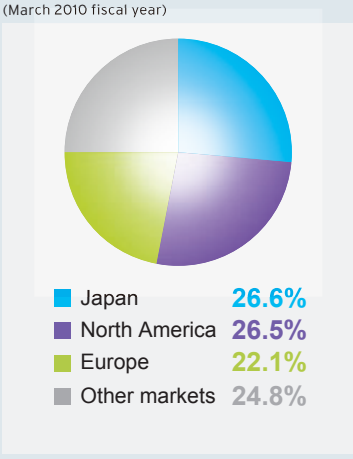
(Years ended March 31)



Net sales by region

Composition of net sales

(March 2010 fiscal year)



Consolidated net sales

	Billions of yen				
	2006	2007	2008	2009	2010
Japan	887.7	887.3	880.1	620.3	575.0
North America	844.0	1,017.9	1,015.3	697.6	574.6
Europe	668.9	789.1	888.6	653.4	477.3
Other markets	519.2	553.2	691.8	564.6	537.0
Total	2,919.8	3,247.5	3,475.8	2,535.9	2,163.9

Takashi Yamanouchi Representative Director, Chairman of the Board, President and CEO

Gearing Up, Going Forward

—Resuming the Offensive—

I would like to express my deepest gratitude to our shareholders and investors for their ongoing understanding and support.

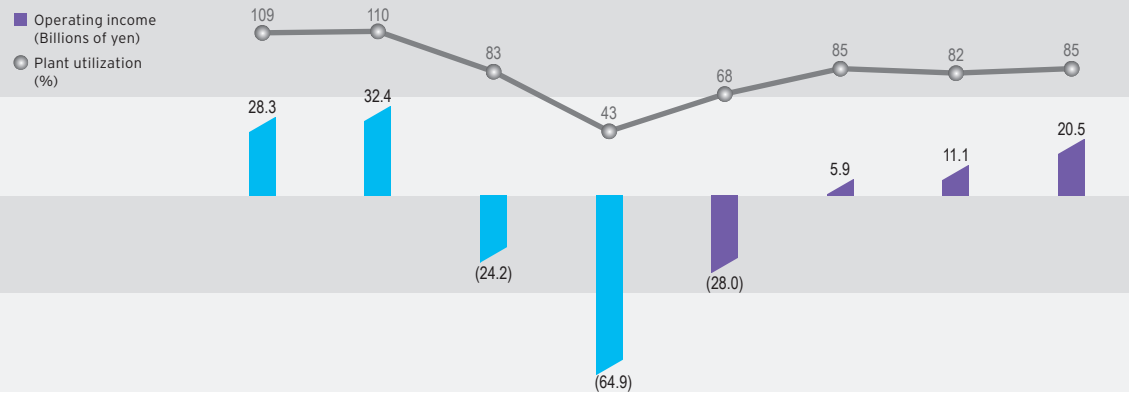
And my gratitude also extends not only to our customers, which goes without saying, but also to business partners, communities, and all stakeholders who have supported Mazda's growth and development.

Overview of March 2010 Fiscal Year

Outside stable emerging markets including the Chinese market, automotive demand during the fiscal year showed a gradual trend of recovery in all markets. Nevertheless, the pace of recovery was weak, and with the yen's continued appreciation the automotive industry continued to face a difficult operating environment.

At the beginning of the fiscal year, we made a commitment to streamline the cost structure to be able to generate a profit even at a domestic plant capacity utilization of 80% and despite the strong yen within one year. Since then, we have moved forward with streamlining the cost structure

Creating a cost structure that can generate a profit even at 80% utilization and despite a strong yen



	March 2009 fiscal year				March 2010 fiscal year			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Increase/(decrease) in inventory (Thousands of units)	(5)	9	39	(125)	(28)	(4)	29	(1)
U.S. dollar / yen	105	108	96	94	97	94	90	91
Euro / yen	163	162	127	122	133	134	133	126

Groupwide through improvements in variable costs, efficiency in fixed expenses, and elimination of waste, and as a result, achieved annual cost efficiencies and improvements in excess of ¥170 billion. We transformed the cost structure to be able to maintain profitability at a capacity utilization of 80%, which is roughly equivalent to 70% of our operations prior to the economic crisis.

Although net sales for the year declined 15%, to ¥2,163.9 billion, as a result of these efforts operating income rose ¥37.8 billion, to a ¥9.5 billion operating income. This was primarily because improvements in the cost structure more than offset the effects of lower global sales and the strong yen. Earnings showed a steady recovery from the second quarter, with profitability achieved in all profit categories and the size of profits growing. In addition, free cash flow remained positive from the second quarter, and reached ¥67.4 billion on a full-year basis.

Global sales declined 5%, to 1,193,000 units. The all new Mazda3 (Japanese name: Mazda Axela), a flagship model in the lineup, was successfully introduced. The new Mazda3's reception surpassed expectations in all markets and the sales target of 300,000 units for the year was exceeded by a wide margin, resulting in increased market share. In addition, the new "i-stop" environmental technology received wide recognition, including being named Technology of the Year by the RJC (Automotive Researchers' and Journalists' Conference of Japan) and receiving the 6th Eco-Products Award from Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

Mazda's brand value is increasing in all major regions as well. In the United States, sales continued to emphasize increasing brand value by reducing incentives and cutting back on fleet sales. The Mazda3 was named the Best Mid-Compact Car for value retention by ALG, Inc. The Mazda brand overall rose to third place in predicted resale value as well, up from sixth place in 2009. The curtailment of incentives also continues in Europe, and as a result the success of this program can be seen in the rise in residual value for Mazda vehicles in major European markets. Brand value is also rising in China, where the Mazda6 (Japanese name: Mazda Atenza) was rated the top brand among Japanese vehicles.

A capital increase via public offering and the sale of treasury stock shares was also carried out in the fall of 2009. This created a structure to proactively invest in eco-friendly and safety-related technologies, and at the same time strengthened the company's financial structure.

Progress under the Building Block Strategy

The Mazda SKY Concept* for developing next-generation powertrains was first shown at the Tokyo Motor Show held in the fall of 2009. The Mazda Kiyora, a next-generation compact car concept that incorporates technologies based on the SKY Concept with the aim of achieving ultra-low fuel consumption, was also exhibited.

Advances are also being made in hydrogen vehicles, and five Mazda Premacy Hydrogen RE Hybrid vehicles, which use a hybrid system to significantly enhance driving performance, were delivered to local governments and energy-related companies in Japan. Mazda was the world's first automobile manufacturer to lease hydrogen hybrid vehicles. The Electric Drive System Development Office was established in June 2009 to strengthen development in electric drive systems including hybrid systems. In addition, in March 2010 we concluded an agreement with Toyota Motor Corporation, which will provide Mazda with hybrid system technology under license. Mazda aims to develop, manufacture, and commence sales in Japan by 2013 of hybrid vehicles that incorporate hybrid systems and next-generation engines based on the SKY Concept.

In this way, Mazda is steadily moving forward with the development of environmental technologies based on the Building Block Strategy, which starts with thoroughly improving the basic performance of automobiles, including internal combustion engines, and then incorporating electric devices like idling stop, regenerative braking, and hybrid systems in stages thereafter.

* Concept name for engines and transmissions that are intended for launch from 2011 onward.

Outlook for Next Fiscal Year

Although I expect the economy to start to improve during the next year, I believe a fully-fledged recovery in automotive demand will require some more time. Given this situation, Mazda will strive to further strengthen sales while at the same time accelerate Monotsukuri Innovation to promote development efficiency and control levels of investment, and to further improve the cost structure.

We are forecasting revenue and profit growth, and profitability in all categories, in the March 2011 fiscal year, with a 5% increase in consolidated net sales, to ¥2,270.0 billion, operating income of ¥30.0 billion, and net income of ¥5.0 billion. We are targeting a continued positive free cash flow as well. In addition, we intend to bolster investment to develop next-generation products and environmental technologies, while at the same time returning to a growth track with the aim of increasing sales.

We are forecasting a 6% increase in global sales, to 1.27 million units. We will work to increase or maintain

Framework for Medium- and Long-Term Initiatives

5 Pillars	
Brand Value	Promoting projects globally to raise brand value
Monotsukuri Innovation	Increasing performance while improving costs through development efficiency and streamlined investment
Environmental and Safety Technologies	Steadily promoting environmental and safety measures based on the Building Block Strategy
Emerging Markets	Expanding and reinforcing production and sales structures in emerging markets in which Mazda has already established a presence
Ford Synergies	Pursuing further synergies

Medium- and Long-Term Outlook

March 2016 fiscal year	
Global Sales	1.70 million units
Operating Income	¥170.0 billion
ROS	5% or more

Mazda's share in major markets with continued product-led growth through the introduction of new models and aggressive sales promotion activities. In terms of products, in addition to the global launch of the new Mazda5 (Japanese name: Mazda Premacy), the Mazda2 (Japanese name: Mazda Demio) will be released in North America and the Mazda8 (Japanese name: Mazda MPV) in China.

Mazda has designated the March 2011 fiscal year as the year of "Resuming the Offensive," and we will strengthen our sales activities in line with conditions in each market. Maintaining our policy of increasing brand value globally, we will continue to work to improve residual value. We will also work to accelerate business growth in emerging markets like China and Thailand.

Framework for Medium- and Long-Term Initiatives

Mazda announced the mid-term plan "Mazda Advancement Plan (MAP)", which is based on our long-term strategy looking 10 years into the future, in March 2007. The operating environment suffered a drastic deterioration after the MAP was announced, and new measures based on this long-term growth strategy have consequently been considered to deal with these changes in the market and competitive environment. The economic outlook remains uncertain, but building on the MAP we have formulated the "Framework for Medium- and Long-Term Initiatives,"* which consists of advancing and developing (1) Brand Value, (2) Monotsukuri Innovation, (3) Environmental and Safety Technologies, (4) Emerging Markets, and (5) Ford Synergies. As progress is made under this framework, our medium- and long-term outlook for the March 2016 fiscal year, when all next-generation product groups will have been released, is for global sales of 1.70 million units, consolidated operating income of ¥170.0 billion, and ROS (consolidated operating income as a percentage of sales) of 5% or more.

* The Framework for Medium- and Long-Term Initiatives is discussed in detail in the Special Feature section.

1. Brand Value

Mazda aims to be a brand that has a significant market presence, despite being a medium-sized manufacturer, by supporting customers "who love cars and enjoy driving." Our global sales target for the March 2016 fiscal year is 1.70 million units, and we are pursuing projects to enhance brand value globally with a focus on brand loyalty.

2. Monotsukuri Innovation

Steady progress is being made, and we are currently within sight of achieving our initial target.

With regard to development efficiency, we expect to be able to achieve a 30% improvement through Integrated Planning and the Common Architecture Concept. We will also reduce future investment in production facilities by roughly 20%–60% from the current level with the creation of a flexible production system. In terms of next-generation products, we are working to both improve performance and improve costs, and anticipate steady progress in both areas in next-generation vehicles, engines, and automatic transmissions.

3. Environmental and Safety Technologies
Next-generation powertrains based on the Mazda SKY Concept as well as new next-generation products equipped with new platforms and equipments will be successively introduced from 2011. We will steadily move forward under our Building Block Strategy to provide all customers with the joy of driving and excellent environmental and safety performance promised in our Sustainable Zoom-Zoom concept. Although costs will be incurred for the development of these technologies and creation of a flexible production system, the results will be the key to "Resuming the Offensive" from 2011, and steady progress is being made in these areas.

4. Emerging Markets
With the transfer of Mazda3 production in China from Chongqing to the Nanjing Plant, we are aiming to respond to increased sales and improve costs and efficiency by consolidating the production of Mazda vehicles. In Thailand, production of the Mazda2 commenced at AutoAlliance (Thailand) Co., Ltd. (AAT) in the fall of 2009, and production of a 4-door Mazda2 sedan was also introduced in the spring of 2010. The Mazda2 models manufactured by AAT are showing greater-than-planned sales.

5. Ford Synergies
The distribution of power within the automobile industry has undergone major changes in recent years, with automakers pursuing alliances on a global scale. The market is undergoing rapid changes as well, as seen by China's overtaking the United States as the world's largest automobile market. In such an environment, Mazda and Ford Motor Company have agreed to maintain their strategic partnership, to pursue maximum cooperation in areas where both companies can benefit, and to further develop a mutually complimentary relationship.

Returns to Shareholders and Increasing Corporate Value

Returns to shareholders are one of Mazda's most important management policies. The full-year dividend for the March 2010 fiscal year was ¥3 per share, the same as in the previous year. Going forward, we aim to maintain a stable dividend and to steadily increase it after considering each year's earnings and the management environment.

In addition, I believe that building attractive cars that embody the Mazda spirit, while generating steady free cash flow and strengthening the financial structure, will lead to increased corporate value. Going forward, in addition to providing cars that "always excite, look inviting to drive, are fun to drive, and make you want to drive them again" to customers around the world, we will work to generate and increase cash flow through efficient development and investment based on Cost Innovation and Monotsukuri Innovation. Then, as profit accumulates, we will steadily move forward to strengthen the financial structure by reducing liabilities.

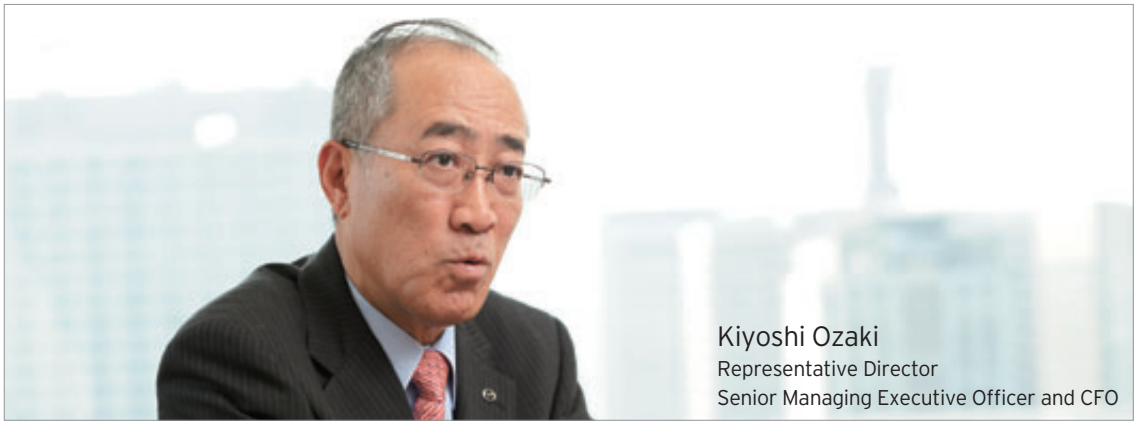
In Conclusion

Mazda currently produces more than 1.2 million cars annually, giving the Mazda brand a roughly 2%–3% share of the global automobile market. I want Mazda to have a market presence, despite being a medium-sized manufacturer, by providing customers who love cars and enjoy driving with Zoom-Zoom, environmentally friendly cars. A new Mazda5 is being released this year as we mark the 90th anniversary of Mazda's founding, and a new next-generation powertrains lineup incorporating next-generation powertrains will be launched from 2011. I hope that Mazda continues to receive the absolute trust and confidence of the customers who support us around the world.

I ask once again for the support and understanding of our shareholders and investors.

July 2010

Takashi Yamanouchi
Representative Director,
Chairman of the Board, President and CEO



Kiyoshi Ozaki
Representative Director
Senior Managing Executive Officer and CFO

Question **Full-year operating income rose from a ¥28.4 billion loss in the previous fiscal year to a ¥9.5 billion profit this year. What were the main factors behind this turnaround?**

Answer **Sales grew while profit was steadily created, and this balanced improvement led to a return to profitability.**

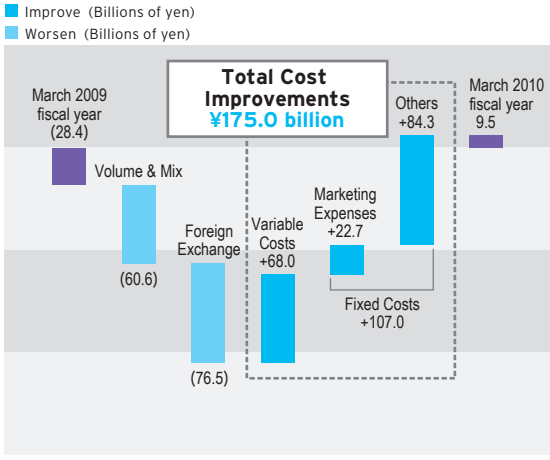
Mazda's consolidated earnings for the March 2010 fiscal year were significantly impacted in the first quarter by the global economic recession triggered by the financial crisis in the United States and the yen's appreciation. However, from the second quarter, sales turned around to a trend of growth and profit levels turned positive in all categories. This resulted in an operating profit for the full year of ¥9.5 billion, compared with an initially forecast ¥50.0 billion loss. Although a net loss of ¥6.5 billion was recorded for the full year, as with operating income, a turnaround to quarterly profitability was recorded from the second quarter.

There were three reasons why we were able to return to profitability. The first was that both net sales and sales volume grew significantly beyond initial forecasts. Second, the yen remained slightly weaker than we had estimated. The third reason was greater-than-anticipated progress in improving costs, as a result of the entire Group working together. Sales (quantity) grew while profit (quality) was steadily generated, and this improvement that balanced quality and quantity led to the return to profitability.

I believe the growth in sales volume was a reflection of the support that Mazda's automobile manufacturing has traditionally received from customers. I visited the United States and Europe during the year, and many local dealers were very happy about the Mazda lineup. When I talked with them, I truly felt that Mazda has been moving in the right direction by providing Zoom-Zoom cars.

The large-scale inventory reductions and adjustments carried out in response to the sudden drop in automotive demand following the financial crisis in the fall of 2008 were also successful. Inventory adjustments were completed as large production cuts bottomed out in the fourth quarter of the March 2009 fiscal year, and from the second quarter of the March 2010 fiscal year a cost structure was in place that was able to generate a profit even at 80% plant capacity utilization in Japan. As a result of these inventory adjustments, we were not forced to sell cars at substantial discounts when demand dropped, sales companies were not saddled with a major burden, and Mazda was consequently able to move forward.

Operating income change for the March 2010 fiscal year



Question **Please tell us more about the efforts to improve costs.**

Answer **Waste was eliminated from variable costs through Cost Innovation initiatives, and efficiency in fixed costs was improved, primarily in the area of advertising expenses.**

For the full year, variable and fixed costs improved by a combined ¥175.0 billion, which broke down as ¥68.0 billion in variable costs and ¥107.0 billion in fixed costs.

In addition to lower prices for materials, the improvement in variable costs reflected progress in eliminating waste through Cost Innovation initiatives. At the same time, we pursued increased efficiency in fixed costs, primarily in advertising expenses. This did not mean that we simply cut spending on advertising. Effective advertising continued, including the aggressive use of the Internet as a low-cost medium that enables close communication with customers. Other cost reduction efforts included directors voluntarily returning a portion of their compensation, wage reductions for middle management, and cutting back on business trips.

Question **What measures were taken during the fiscal year to strengthen Mazda's financial structure?**

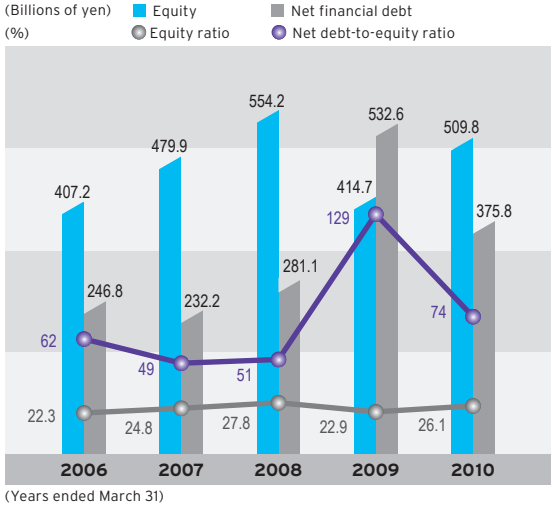
Answer **In addition to extensive cost improvements, funds procured through a capital increase strengthened the financial structure.**

With a recovery in domestic plant utilization and an improvement in operating capital, free cash flow turned around to a positive ¥67.4 billion from the previous year's negative ¥129.2 billion.

Funds for R&D and capital investment for cars stressing environmental and safety features were also procured through a capital increase via a public offering and the sales of treasury stock shares in November 2009.

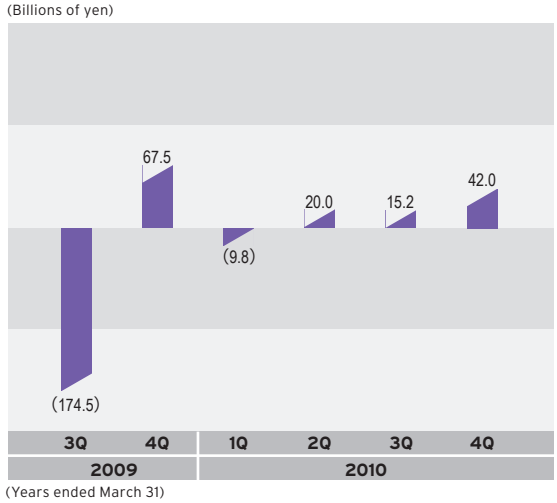
As a result, the equity ratio at the end of the March 2010 fiscal year stood at 26.1%, which was 3.2 percentage points higher than at the previous fiscal year-end, and the net debt-to-equity ratio improved by 55 percentage points, to 74%. We nevertheless

Financial position



(Years ended March 31)

Quarterly free cash flow



(Years ended March 31)

recognize that the outstanding amount of net financial debt remains at a high level. In the future, we would like to reduce net financial debt outstanding to zero, and also bring the equity ratio close to 50%, to be in line with other automakers. We do not have any plans at this time for another capital increase, however. Our basic policy going forward is to improve profitability and strengthen the financial structure.

Question **What do you see as the direction going forward for capital investment and R&D expenditures?**

Answer **We will effectively utilize the funds obtained from the capital increase, and invest to generate the maximum effect from a minimal investment.**

The March 2010 fiscal year saw a ¥52.0 billion reduction in capital investment, to ¥29.8 billion; a ¥10.8 billion decrease in R&D expenditures, to ¥85.2 billion; and a ¥7.6 billion reduction in depreciation expenses, to ¥76.4 billion. The investment amount for the year declined as the product lineup was completed, but I believe investment in new products and technologies is essential for the continuation of product-led growth. It is not enough, however, to simply invest funds. We must engage in effective investment that generates the maximum effect from a minimal investment. The Common Architecture Concept and flexible production systems that we have pursued to date under Monotsukuri Innovation is steadily bearing fruit. I am proud of the fact that Mazda is basically the only automaker that performs the machining for different, multiple types of engines on the same line. Even when new parts or new engines are introduced to the production line, they can be manufactured with little additional investment. We are also working on ways to take this process even further in the development of next-generation products and environmental technologies.

Going forward, we will make effective use of the funds obtained through the capital increase. The total amount procured was ¥93.3 billion, and of this amount, ¥60.0 billion will go to R&D, primarily for environmental and safety technologies, and the remainder will be used for capital investment. We expect capital investment in the March 2011 fiscal year to be ¥60.0 billion, with R&D investment of ¥100.0 billion, and I believe it will be necessary to maintain this level going forward.

Question **Mazda is highly sensitive to exchange rate movements. How are you dealing with this?**

Answer **We will place priority on raising efficiency at domestic plants, while at the same time strengthening production in highly competitive countries.**

Mazda's high export ratio means that we have a high sensitivity to changes in foreign exchange rates, but we are not addressing this by moving the majority of production overseas. At this point, I believe that exports from Japan can be fully competitive at an exchange rate of roughly ¥95/US$. The important thing is not to address the high sensitivity to exchange rates, but rather to produce at the lowest possible cost. Mazda's approach is to raise production efficiency at its domestic plants, which produce most of our vehicles, while at the same time strengthening production in highly competitive countries. In addition to our joint-venture plant with Changan Automotive Group and Ford in China, a new joint plant with Ford

for passenger vehicles was completed in Thailand during the March 2010 fiscal year. The plant in Thailand provides vehicles to the various ASEAN markets and to Australia. By continuing these activities, I believe that in the end we will be able to maintain profits even when the yen undergoes a sharp appreciation.

Question **What is your forecast for March 2011 fiscal year earnings?**

Answer **We are aiming for profitability in all categories through ongoing measures to improve earnings.**

We see most major markets turning around to a trend of recovery in the March 2011 fiscal year and subsequently remaining strong.

The Japanese market is currently experiencing a solid recovery, helped by a program of tax reductions and subsidies. With the subsidy program set to end, however, we anticipate very difficult conditions from this fall. Therefore, the challenge is to ensure solid sales during the first half to strengthen the operating base of domestic sales companies. A solid recovery is currently underway in North America, particularly in the United States, and we will be resuming the offensive this year. European economies are currently unstable as a result of the Greek crisis and the outlook for the business environment remains unclear, but I hope that dealers' sales capabilities will drive growth in sales volume. We expect solid growth to continue in China, which became the world's largest automobile market in 2009 and continues to have abundant demand. We are also aiming for steady growth in emerging Asian markets in addition to China.

Based on these assumptions, we are forecasting 5% growth in net sales to ¥2,270.0 billion in the March 2011 fiscal year, with operating income of ¥30.0 billion. We are aiming for profitability in all profit categories through ongoing efforts to improve earnings. We are also aiming for continued positive free cash flow. We are forecasting sales growth on an increase in global sales volume, but will also be careful to avoid keeping unnecessary inventories. By pursuing efficient investment, we intend to hold the amount of investment to within the level of depreciation expenses. We are concerned about higher prices for materials and the yen's further appreciation next year. Nevertheless, we intend to overcome these sources of concern by strengthening sales and controlling costs to achieve revenue and profit growth in all profit categories.

FOR INCREASED CORPORATE VALUE
Framework for Medium- and Long-Term Initiatives

5 PILLARS

Mazda pursues its strategy from a long-term perspective, and in 2007 announced a long-term vision that looked 10 years into the future and the four-year mid-term plan Mazda Advancement Plan (MAP). Since the financial crisis, however, the market structure has undergone major changes with a sudden drop in demand, a shift in demand to emerging markets, and the growing popularity of environmentally friendly cars. Mazda implemented a variety of emergency measures in response to this sudden deterioration in the operating environment, and has worked to improve earnings. At the same time, the Company has been studying long-term measures in light of the current operating environment.

While Mazda recognizes that the long-term strategy that we announced in 2007 has correctly read the times, considering the changes in the operating environment over the past few years, we formulated the "Framework for Medium- and Long-Term Initiatives." This framework builds on the main components of the MAP, and has at its core "Five Pillars" for further development. With the achievement of these measures as planned, Mazda is aiming for global sales of 1.70 million units, operating income of ¥170.0 billion, and ROS of 5% or more in the March 2016 fiscal year, when the next-generation product lineup will be in place.

5 PILLARS

Brand Value	Promoting projects globally to raise brand value
Monotsukuri Innovation	Increasing performance while improving costs through development efficiency and streamlined investment
Environmental and Safety Technologies	Steadily promoting environmental and safety measures based on the Building Block Strategy
Emerging Markets	Expanding and reinforcing production and sales structures in emerging markets in which Mazda has already established a presence
Ford Synergies	Pursuing further synergies

zoom-zoom

1 BRAND VALUE

Mazda has defined its brand DNA as a means of establishing a superior brand that creates a strong emotional bond with customers. In 2002, the term "Zoom-Zoom" was introduced as a clear expression of the Mazda brand. The Mazda6 was launched in the same year, and this was followed by the successive release of a new product lineup accompanied by brand building initiatives. As a result, Zoom-Zoom is now recognized around the world.

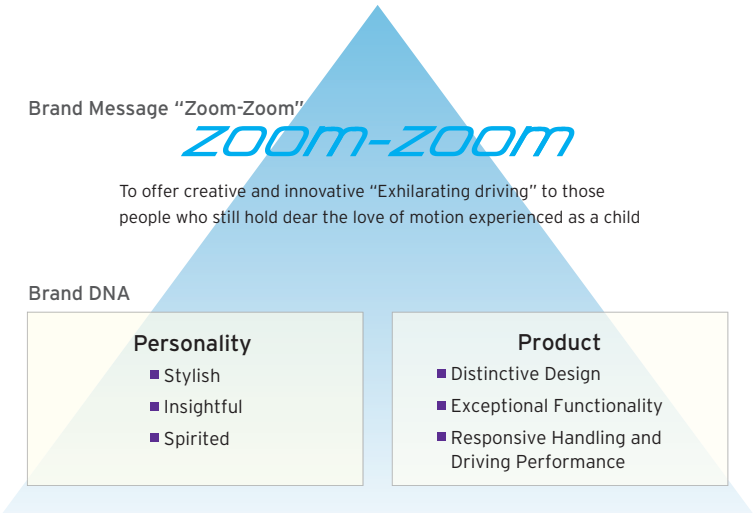
Going forward, Mazda will continue to pursue projects globally to increase brand value, with a focus on strengthening brand loyalty, to become a brand with a market presence based on the strong support of "customers who love cars, and enjoy driving."

Continuously Improving Residual Value*1

Continuously providing attractive, well-made products is essential to increasing the residual value of a product. The residual value of Mazda cars has been enhanced in major markets, with the publisher ALG, Inc.*2 naming the Mazda3 (Japanese name: Mazda Axela) as the car with the highest residual value in its segment in the United States, and the Mazda6 (Japanese name: Mazda Atenza) being recognized as the top Japanese automobile brand in China*3 during the March 2010 fiscal year. In the United States incentives were also cut and fleet sales were reduced. Going forward, we will continue to equip our cars with practical equipment and features and set prices appropriately, while at the same time providing customers with products that are high in quality and highly durable. We are also carrying out a variety of measures to further improve residual value with a focus on retail channels, including sales programs and certified used car programs.

*1. Value of a vehicle after a certain period of time has passed. A standard for indicating brand value.
*2. Automotive Lease Guide, Inc.
*3. Survey source: Japan Brand Strategy, Inc. / Searchina Co., Ltd.

World Wide Brand Positioning (WWBP)



Strengthening the Sales Network

Mazda is currently working to further strengthen its sales networks in major markets. The number of showrooms is being aggressively increased in China, which has become the world's largest automobile market. Management resources are being effectively deployed in North America, with regions being selected for strategic reinforcement and a shift to exclusive dealerships. A Retail Revolution showroom renovation program is also being carried out to provide a richer brand experience at U.S. dealerships in order to encourage further brand growth. This involves creating an environment in which customers experience Zoom-Zoom as soon as they walk in the door, and enhancing showroom services including providing an environment that emphasizes test drives as a way to experience the superior drive of Mazda vehicles. Mazda is also increasing the number of main dealers in Germany, and we are working to build optimal sales networks in all European markets.

Strengthening Brand Loyalty

Programs are being formulated and put in place to enhance customer loyalty toward the Mazda brand and encourage them to choose Mazda again. For example, customer relationship management, which deepens relationships with customers throughout the vehicle lifecycle, is being strengthened. This has already yielded results in Australia and Europe, and we are studying its introduction and further development in other markets. We are also pursuing a shift to new methods of communication. In the United States, for example, there is a very large "Generation Y" population, consisting of roughly 70 million people born after 1977. Mazda has been successful in attracting young customers relative to other automakers, and we will leverage stronger ties with this generation to increase sales.

2 MONOTSUKURI INNOVATION

Monotsukuri Innovation is Mazda's unique approach to providing a variety of models by having development, manufacturing, purchasing divisions and suppliers work together to achieve common architecture in platforms, parts, and systems across different models. Specifically, in the area of development, integrated planning that transcends market segments and model classes is used for models to be introduced in the future, and platforms and parts are designed and produced using common architectures. In the production area, efficiency has been raised with the construction of a flexible production system that can swiftly respond to changes in production volumes and the introduction of new models with minimal investment. With this combination of integrated planning, common use of parts, and flexible production, Mazda is able to provide competitive products and technologies while at the same time ensuring stable quality and low-cost production. The Monotsukuri Innovation program began in 2007 and is already showing results, and we will continue to build on this going forward.

Raising Development Efficiency

In the area of development, integrated planning is used to achieve common architectures for platform, parts, and systems, which are also designed in line with production lines, to shorten development cycles, make investment more efficient, develop competitive parts and technologies, and provide stable quality. This is leading to a 30% improvement in development efficiency compared with conventional development.

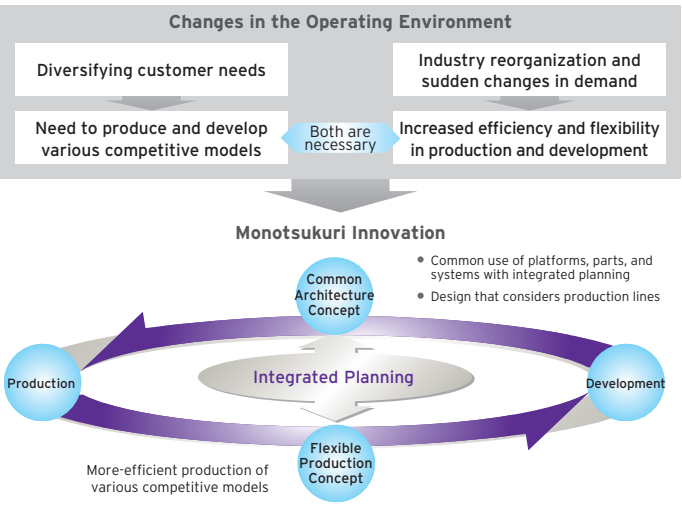
Significantly Streamlined Investment

Construction of a flexible production system is proceeding, with the aim of shortening production preparation periods, minimizing assets, fully utilizing production capacity, responding to sudden changes in hit products, and quickly developing models for respective markets. This makes it possible to produce optimal volumes of multiple models on the same line, even at a small volume for each model, which leads to enhanced cost competitiveness. As a result, we anticipate being able to reduce investment amounts by approximately 60% for gasoline engine production lines and by roughly 20% for vehicles.

Enhancing Performance while Improving Costs

Monotsukuri Innovation does not simply mean promoting the concept of common architectures to bring out the unique features of each model while reducing costs, it also means pursuing major technological advances. For example, we expect to improve costs by about 20% as we reduce the weight of vehicles (platform and upper body) by more than 100kg. Fuel efficiency is also being improved in engines and transmissions while maintaining costs at current levels. In addition, we expect to clear the next round of exhaust emission regulations in Europe (Euro6) and other global emission regulations.

Greater Efficiency through Monotsukuri Innovation



Steady Progress in Monotsukuri Innovation Activities

Increased development efficiency and saved investment
Significant increase (30%) in development efficiency from Integrated Planning and Common Architecture Concept
Major reductions (20%–60%) in future investments from construction of flexible production system

Raising performance while improving costs
100 kg or more weight reduction (equivalent to 5% improvement in fuel economy) in next-generation products
20% cost improvement in next-generation vehicles (platform and upper body)
15%–20% improvement in fuel economy and compliance with global exhaust emission regulations including Euro6 at current cost levels with next-generation engines (gasoline and diesel)
4%–7% improvement in fuel economy and significantly enhanced direct feeling at current cost levels with next-generation automatic transmissions

3 ENVIRONMENTAL AND SAFETY TECHNOLOGIES

Spurred by heightened environmental awareness, the development of hybrid and electric vehicles is proceeding around the world, and is expected to accelerate going forward. At Mazda, we see petroleum resources as the main energy source, and internal combustion engines as the main power technology, in global markets in 2020. We expect the use of hybrid technologies and other electric device technologies to spread and grow in stages over time, but these technologies are based on internal combustion engines. From this perspective, we consider the improvement of internal combustion engines themselves, as the base technology, an important first issue, and we believe major progress can be expected in reducing the total amount of CO_2 emissions.

Raising Average Fuel Economy by 30%

Mazda has set a target of improving the average fuel economy of all its cars sold globally by at least 30% from the 2008 level by 2015, under the Sustainable Zoom-Zoom long-term vision for technology development. Steady progress is being made based on the Building Block Strategy, which starts with thoroughly improving the basic performance (base technologies) of automobiles, including internal combustion engines, and then incorporating electric devices like idling stop, regenerative braking*, and hybrid systems in stages. Going forward, we will accelerate our efforts with the aim of offering all customers "enjoyable driving" and "superior environmental and safety features."

* A system that utilizes the kinetic energy created during deceleration to generate electricity

Base Technology Development Entering Introduction Stage

We have chosen the name Mazda SKY Concept for Mazda's development concept for next-generation powertrains (a car's engine and transmission), which is the core base technology. We intend to introduce powertrains based on this concept globally from 2011. The Mazda SKY-G next-generation gasoline direct injection engine and the Mazda SKY-Drive next-generation automatic transmission will be introduced in Japan and the United States in 2011, and in Europe and China in 2012. We plan to introduce the Mazda SKY-D next-generation clean diesel engine in Japan, the United States, and Europe in 2012.

Development of various powertrain functions is also on track. The Mazda SKY-G is expected to be able to raise both power and fuel economy by 15%. In addition, fuel economy for C/D-class cars equipped with Mazda SKY-D and Mazda SKY-Drive is expected to be 43 miles / gallon (U.S. highway mode), which would be higher than for a hybrid vehicle in the same class. In addition, Mazda plans to release a hybrid car that combines a hybrid system and a next-generation SKY-G gasoline engine, starting with the domestic market by 2013.

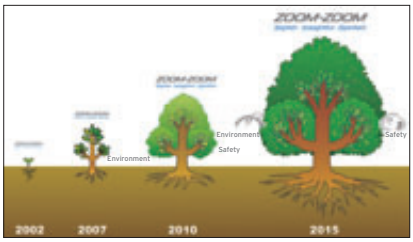
Basic Policy

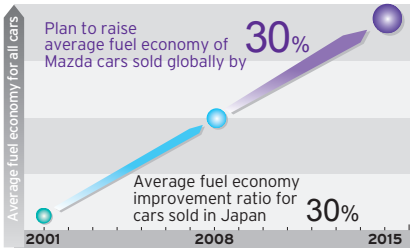
Provide all customers who purchase Mazda cars with the joy of driving and excellent environmental and safety performance.

Mazda announced its "Sustainable Zoom-Zoom" long-term vision for technology development in March 2007. This vision commits us to make "cars that always excite, look inviting to drive, are fun to drive, and make you want to drive them again," and to help achieve "an exciting, sustainable future for cars, people and the Earth."

Commitment

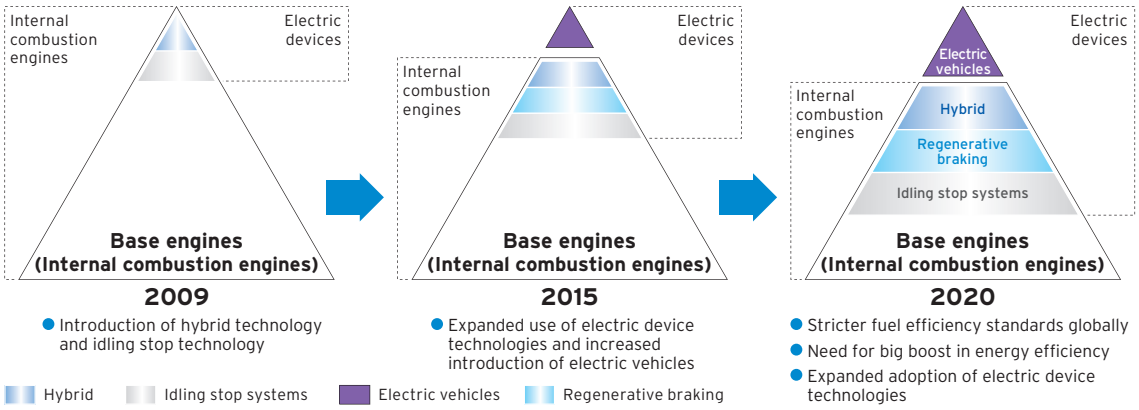
Raise the average fuel economy of the Mazda vehicle fleet sold worldwide by 30% by 2015, compared with March 2008 fiscal year levels.





Anticipated Expansion in Adoption of Environmental Technologies (Through 2020)

Graphic representation of global market share of powertrain technologies



Reducing Weight by 100 kg or more

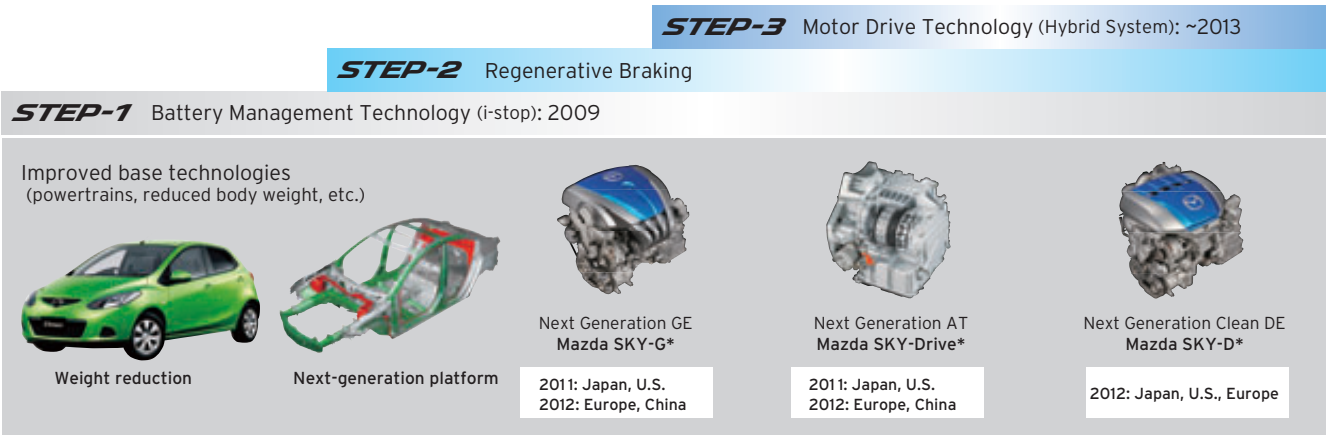
Traditionally, adding features like collision safety functions to cars has meant that new models are heavier than the ones they replace. At Mazda, we believe that weight reduction is important for increasing driving performance and also for improving fuel economy, and we are developing models for 2011 and thereafter that will be 100 kg or more lighter than current models, and aiming for further reductions of an additional 100 kg or more from 2016.

Growing Popularity of "i-stop"

The new Mazda3, released in 2009, was the first car equipped with Mazda's proprietary "i-stop" idling stop system. This system provides a natural driving feel that does not make the driver feel uncomfortable when the engine stops and starts, along with improved fuel efficiency of 7%–10% (10–15 mode in Japan), and has received numerous awards, including the 2010 RJC Technology of the Year prize in Japan and the 2009 Technology Innovation of the Year award by the magazine *Car**, one of South Africa's leading automotive magazines. In 2010, i-stop was included in certain grades of the all new Mazda Premacy that was released in Japan in July.

* South Africa's largest automotive magazine in terms of circulation.

Mazda's Building Block Strategy



*Concept name for engines and transmissions that are intended for launch from 2011 onward

Development of Hydrogen Rotary Engine Vehicles

Currently, Mazda has incorporated hydrogen rotary in two models. The Mazda RX-8 Hydrogen RE is being leased in Japan and Norway and the Mazda Premacy Hydrogen RE Hybrid is being leased in Japan, and both models have been well received.

Mazda Premacy Hydrogen RE Hybrid—the Latest Hydrogen Rotary Engine Vehicle

Mazda's hydrogen rotary engine vehicles have superior environmental features, using hydrogen as a fuel and producing zero CO_2 emissions when running, and with a very convenient dual-fuel engine that can switch over to run on gasoline if the hydrogen fuel runs out.

The Mazda Premacy Hydrogen RE Hybrid is the latest hydrogen rotary engine vehicle. The hybrid system improves energy efficiency and achieves greater acceleration, and can run on hydrogen for up to 200 kilometers. A total of five of these vehicles are bei ng leased this year to local governments and energy-related companies.

Safety Initiatives

Mazda considers improving safety performance to be one of the basic elements of automobile manufacturing, and is working toward the achievement of an "accident-free automotive society" from the three perspectives of "cars," "people," and "roads and infrastructure."

Maximum Rating in European Comprehensive Safety Evaluation

In November 2009, the Mazda3 (European specifications) was awarded the maximum five-star rating by the European New Car Assessment Programme*1 (Euro NCAP) in its 2009 combined safety performance test. This comprehensive rating combines four areas of assessment: Adult Occupant Protection, Child Occupant Protection, Pedestrian Protection, and Safety Assist.

The Mazda3 was also named the 2009 Top Safety Pick by the U.S. Insurance Institute for Highway Safety (IIHS)*2 in crash testing, placing the Mazda3 among the safest cars in the world.

*1. An independent agency formed by traffic-related regulators of European countries, Euro NCAP has conducted automobile safety evaluations since 1997.
*2. IIHS is a nonprofit organization of the U.S. insurance industry.

Introduction of a Brake Override System (BOS)

A brake override system (BOS) stops a car by giving priority to the braking function when the brake and accelerator are pressed simultaneously in unexpected situations, as a means of preventing accidents and reducing vehicle damage. Beginning with the new Mazda5 (Japanese name: Mazda Premacy) being released in 2010, BOS will be successively included as standard equipment in all new passenger vehicles sold globally going forward.

In addition to research and development into the latest technologies, Mazda is also working to introduce safety features from a customer perspective.

Activities for a Safe Society Utilizing ITS

The intelligent transport system (ITS) uses telecommunications technology to bring together cars, people, and the traffic environment, and is receiving attention as a potential system for easing traffic congestion and reducing number of accidents.

Mazda is actively participating in projects related to research and development and the construction of the ITS in cooperation with national and local governments as well as related companies in order to achieve a safe automotive society for everyone. As an automobile manufacturer, Mazda is also developing equipment for ITS-compatible vehicles and analyzing ITS data.

In addition to safety, a project was launched in 2009 to focus on environmental protection, and progress is being made in creating a joint public-private sector road and traffic system.

Major Initiatives in Mazda's Plan for Technology Development

Powertrain	Technology Initiatives	Targets
Gasoline engines	Smart idling stop system • Introduced Mazda's proprietary "i-stop" smart idling stop system to the Mazda3, Mazda Biante, and new Mazda5.	Improve fuel economy by 7% to 10% (in Japan)
	Next-generation direct-injection gasoline engine • Globally introduce redesigned gasoline engines from 2011 onward for substantial improvements in power and fuel economy.	Increase power by 15% Improve fuel economy by 15%
	Flex-fuel engine • Introduced flex-fuel engines compatible with E85 in North America in the March 2010 fiscal year.	E85 (fuel containing 85% bioethanol) compatibility
Diesel engines	Next-generation clean diesel engines • Introduce in Japan, U.S., and Europe from 2012.	Power: Significantly higher torque at high and low speeds Improve exhaust emission performance Improve fuel economy by 20%
Transmissions	Next-generation automatic transmissions • Introduce new automatic transmissions in 2011 that have a superior driving feel and fuel economy equivalent to manual transmissions.	Achieve driving feel equivalent to manual transmissions Improve fuel economy by 4% to 7% (in Japan)
Next-generation rotary engines	Next-generation rotary engines • Developing new gasoline rotary engines with significantly improved power and fuel economy.	Significant improvement in power and fuel economy
Hydrogen rotary engines	Hydrogen rotary engines Mazda RX-8 Hydrogen RE • Participating in Norway's HyNor Project. Started leasing the Mazda RX-8 Hydrogen RE in Norway in fall 2009. Mazda Premacy Hydrogen RE Hybrid • Launched leasing program in March 2009. Extended power and driving range from the Mazda RX-8 Hydrogen RE by adding newly developed hybrid system. Planning to introduce New Hydrogen RE vehicles with power equivalent to that of 3.0-liter gasoline piston engine vehicle and improved driving range (400 km).	Increase power by 40% (Premacy) Driving range of 200km (Premacy) Power equivalent to 3.0 liter gasoline piston engine. Driving distance of 400km (New Hydrogen RE vehicles)
Hybrid vehicles	Gasoline hybrid car • Introduce vehicles that combine Mazda's next-generation powertrain and Toyota Motor's hybrid system, starting in Japan by 2013.	

Design and Platform	Technology Initiatives	Targets
Design and Platform	Next-generation platform • From 2011 onward, roll out vehicles using a new platform in stages aiming for a weight reduction of 100kg or more.	Reduce weight by 100kg or more

Vehicle Technology	Technology Initiatives	Targets
Safety	Human machine interface (HMI) / Dynamic safety • Introducing safety technologies embodying the Zoom-Zoom spirit, such as HMI functions that support driver perception and judgement, and dynamic safety features that allow for the easy operation of hazard-avoidance functions.	Develop HMI to support correct awareness and judgement when driving Develop easy-to-operate hazard-avoidable dynamic functions
	Preventing congestion and accidents with ITS • Continuing safety related activities in cooperation with social infrastructure related organizations.	Develop a driving-support system compatible with transport infrastructure
Material technologies and manufacturing technologies	Mazda biomaterials technology (bioplastics, biofabrics) • Developed carbon-neutral bioplastics and biofabrics derived from plants in cooperation with industry, government, and academia and used them in the Mazda Premacy Hydrogen RE Hybrid. Commenced leasing of this vehicle in March 2009. • Planning to develop bioplastics technology from nonfood cellulose biomass sources by 2013 and plan to put it to use in Mazda vehicles.	
	Aqua-tech paint (water-based painting technology) • Further enhanced the Three Layer Wet Paint System to further reduce VOC emissions by 57% through innovative water-based paint technologies, and introduced the technology in 2009. Making progress toward realizing the world's cleanest paint shops.	Reduce VOC emissions by 57%
	Bumper recycling technology • Since 2005, recycled damaged bumpers collected by dealers, etc., into material for new car bumpers and increasingly used in new cars. • In March 2009, developed automated technology covering all stages of recycling old bumpers, from pulverizing through to the manufacture of recycled materials.	

4 EMERGING MARKETS

Automotive demand in China and other emerging markets in Asia, including Thailand, is showing solid growth in line with those countries' economic growth. As it strengthens and expands its production and sales networks, Mazda is focusing on the Chinese and ASEAN markets, where Mazda has already established a presence. In China, production of core models has been consolidated for increased competitiveness, and the number of showrooms is being increased. In addition, a new passenger vehicle plant in Thailand has begun producing the Mazda2 for the ASEAN and Australian markets.

Activities in China

Production of the Mazda3 vehicles that were previously made in Chongqing was moved to the Nanjing plant in May 2010. This transfer is intended to increase production capacity for the Mazda3 and improve costs, and is seen further boosting the already strong sales of the Mazda3. The sales network is also being expanded to meet the solid growth in demand being seen in China. The number of showrooms increased by 43 during the year, to 264, and we will continue to aggressively expand going forward.

In terms of products, the Mazda6 is highly regarded in China, and its strong market support is evidenced by its top brand rating among Japanese cars and its No. 4 rating overall (top for a Japanese car) in terms of emotional value (one's own sense of value and style)*. We also plan to introduce the new Mazda8 (Japanese name: Mazda MPV) at the end of 2010. In addition to expanding the sales network, we intend to leverage these products for further sales growth.

* Survey source: Japan Brand Strategy, Inc. / Searchina Co., Ltd.

Activities in ASEAN Markets

AutoAlliance (Thailand) Co., Ltd. (AAT), Mazda's joint venture with Ford Motor Company, completed construction of a new passenger vehicle plant in July 2009, increasing AAT's annual production capacity to 275,000 units (including CKD). The new plant will produce the Mazda2 (Japanese name: Mazda Demio) primarily for ASEAN markets. In line with economic development, demand in the B (compact) segment in ASEAN markets is growing, and we are aiming to use the Mazda2 to increase Mazda's market presence.

We also continue to explore other new business opportunities in emerging markets.

AutoAlliance (Thailand)

AutoAlliance (Thailand) Co., Ltd. (AAT) is a joint venture with Ford Motor Company located in Thailand's Rayong Province. Production commenced in 1998 with pickup trucks for the Thai market and other regions, and a new passenger vehicle plant, completed in July 2009, incorporates a flexible production system and other state-of-the-art production technologies, and has significantly raised AAT's levels of quality, safety, and environmental friendliness. Pursuing utmost efficiency, existing facilities at the pickup truck plant are being used to the fullest extent possible for parts warehousing and office space. The new paint shop accommodates both pickup truck and passenger vehicle production, using the environmentally friendly Three Layer Wet Paint System. This paint system achieves a significant improvement in paint quality while also greatly reducing emissions of volatile organic compounds (VOCs) and CO_2. This new plant is an important production center in terms of Mazda's global strategy, and is seen as supporting further business growth in ASEAN markets.

		Location	Scope of activities
①	Mazda Motor (China)	Shanghai	Headquarters for the Chinese market
②	Mazda Motor (China) Beijing Branch	Beijing	Branch
③	Mazda South East Asia	Bangkok	Headquarters for the ASEAN markets
①	Mazda Motor (China) China Engineering Support Center	Shanghai	Technology and market trend studies in the Chinese market
①	FAW Mazda Motor Sales	Changchun	Distributors
②	Changan Ford Mazda Automobile	Beijing	
③	Mazda Sales (Thailand)	Bangkok	
④	PT. Mazda Motor Indonesia	Jakarta	
⑤	Mazda Australia	The State of Victoria	
⑥	Mazda Motors of New Zealand	Auckland	

			Models produced
①	FAW Car	Changchun	Mazda6
②	Changan Ford Mazda Automobile	Chongqing	Mazda3 (moved to Nanjing in May)
③	Changan Ford Mazda Automobile (Nanjing Company)	Nanjing	Mazda2, Mazda3
④	Changan Ford Mazda Engine	Nanjing	Vehicle engines
⑤	AutoAlliance (Thailand)	Rayong Province	Mazda BT-50, Mazda2
⑥	Ford Lio Ho Motor	Chung Li	Mazda3, Mazda5, Mazda Tribute
⑦	Ford Motor Company Philippines	Santa Rosa	Mazda3

5 FORD SYNERGIES

Mazda's largest shareholder, Ford, sold a portion of its shareholding in November 2008, reducing its ownership percentage to 11.0% from 33.4%. Nevertheless, the strategic relationship between the two companies, including operations at AAT, remains unchanged. We will pursue further synergies going forward.

Medium- and Long-Term Outlook

Outlook for the March 2016 fiscal year

- Global sales 1.70 million units
- Operating Income ¥170.0 billion (record high)
- ROS 5% or more

This is based on March 2010 fiscal year demand estimates, exchange rates, market shares, etc., and assumes that progress of the "Five Pillars" explained in this section proceeds on plan. These targets represent high hurdles in light of recent circumstances including the yen's appreciation, high prices for materials, and environmental measures, but we are aiming for further growth beyond this medium- and long-term forecast through initiatives currently being explored, including entering new emerging markets and the development and introduction of electric vehicles.

Outlook for Global Sales

(Thousands of units)

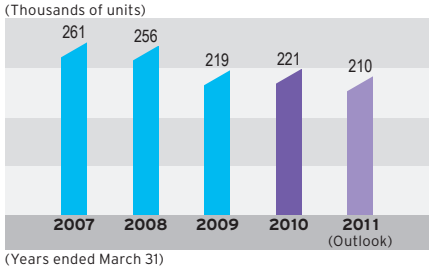
	March 2016 fiscal year	Compared with March 2010 fiscal year
Japan	200	-21
North America	530	+223
United States	400	+190
Europe	300	+61
China	400	+204
Other markets	270	+40
Total	1,700	+507

At a Glance

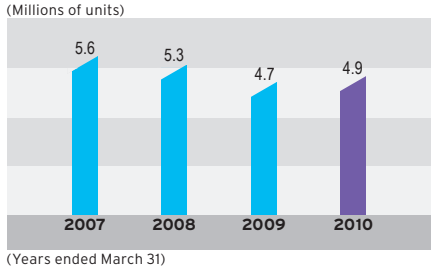
JAPAN

Sales for the year **221,000** units

Market share **4.5%**



(Years ended March 31)

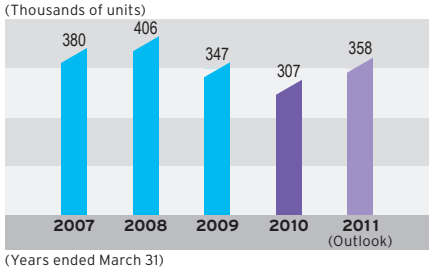


(Years ended March 31)
Source: Japan Automobile Manufacturers Association

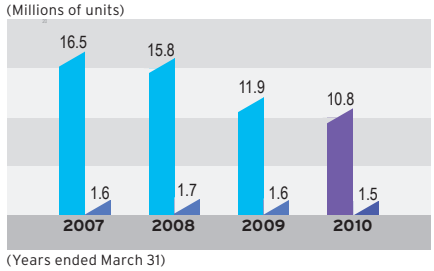
NORTH AMERICA

Sales for the year **307,000** units

Market share (U.S.) **1.9%**



(Years ended March 31)



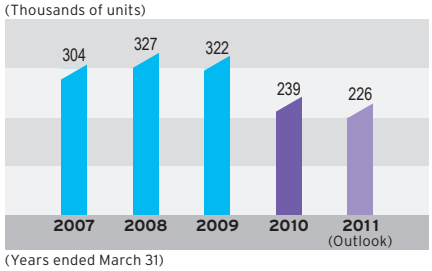
(Years ended March 31)
U.S. Canada

EUROPE

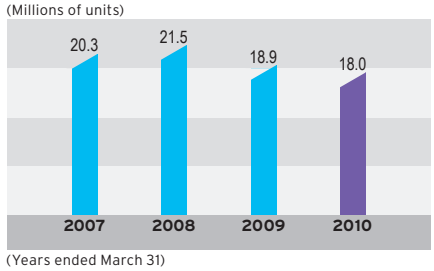
Sales for the year **239,000** units

Market share* **1.3%**

* European market share is as a percentage of the total market for passenger vehicles and light commercial vehicles.



(Years ended March 31)

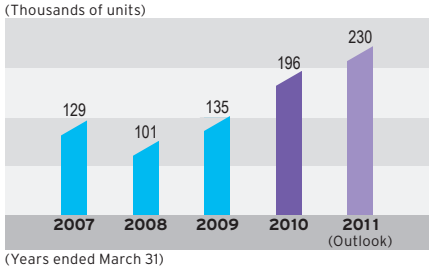


(Years ended March 31)

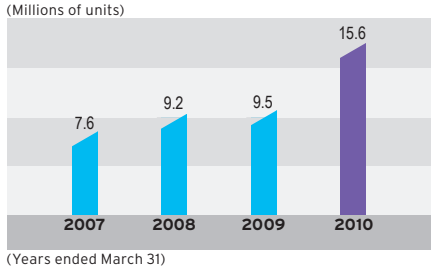
CHINA

Sales for the year **196,000** units

Market share **1.3%**



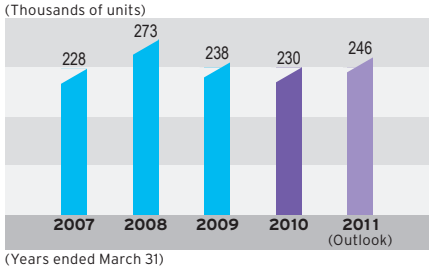
(Years ended March 31)



(Years ended March 31)

OTHER MARKETS

Sales for the year **230,000** units



(Years ended March 31)

MARKET TRENDS	MAZDA'S SALES
■ Total domestic demand in the first half was lower year-on-year on stagnant corporate activity and sluggish consumer spending because of the global economic recession. ■ Total demand grew from the second half on tax reductions and subsidies for environmentally friendly cars, with particular growth in demand for smaller cars and hybrid vehicles. The market turned toward recovery and demand grew 4% for the full year.	■ Introduction of the new Mazda Axela led to 1% growth in sales volume, to 221,000 units. ■ Fourth-quarter sales rose 30% year-on-year on strong sales of the Mazda Demio, new Mazda Axela, and Mazda Premacy. ■ Installation rates for Mazda's "i-stop," winner of the 2010 RJC Technology of the Year Award, far exceeded initial plans. ■ Planning for 5% decline in March 2011 fiscal year sales volume, to 210,000 units.
■ Measures to spur demand, including assistance for replacement purchases, showed some success, but the North American market was strongly impacted by the global recession and total demand declined 9% in the United States and 3% in Canada.	■ Sales volume declined 12%, to 307,000 units. ■ Excluding fleet sales, share of sales in the United States reached a 10-year high. ■ Brand value continued to rise with reduced incentives and curtailed fleet sales. ■ Mazda3 (Japanese name: Mazda Axela) named car with highest residual value in its segment (mid-compact) by ALG* in the United States. Mazda brand's overall ranking rose to third from sixth. * Automotive Lease Guide, Inc. ■ Planning for 17% growth, to 358,000 units, in sales for the March 2011 fiscal year.
■ Total demand contracted 5%. Government measures to support purchases showed some success, and the market maintained the previous year's level despite the weak economy. In particular, scrappage incentives proved effective and demand grew for small and compact cars (the A and B segments). ■ By country, the extension of scrappage incentives was particularly effective in the United Kingdom, and second-half total demand grew 27% year-on-year. On the other hand, Russia was hit hard by the financial crisis and the market contracted 48% for the full year.	■ Sales volume down 26%, to 239,000 units, mostly from the decline in Russia. ■ United Kingdom had second-highest sales volume ever. Mazda2 (Japanese name: Mazda Demio) maintained top-level residual value* in its class (B segment). * Value of a vehicle after a certain period of time has passed. A standard for indicating brand value. ■ Russian inventories reduced to appropriate level. ■ Planning for a 5% decline in March 2011 fiscal year sales, to 226,000 units.
■ China grew to become the world's largest auto market, with a 65% increase in total demand, to 15.58 million units. Purchasing sentiment strengthened on government stimulus measures to support the economy and policies to spur automotive demand. ■ Local brands showed particularly rapid growth, as the main beneficiaries of the policies to spur demand. At the same time, competition among Japanese, U.S., and European brands intensified.	■ With solid sales of core models Mazda2, Mazda3, and Mazda6 (Japanese name: Mazda Atenza), sales volume rose 46%, to 196,000 units. ■ Solid progress was made in expanding the sales network, with 43 new showrooms bringing the total number to 264. ■ The Mazda brand is making steady market inroads, including the Mazda6 being recognized as the top Japanese automobile brand*. * Survey source: Japan Brand Strategy, Inc. / Searchina Co., Ltd. ■ Planning for 17% increase in sales, to 230,000 units, in March 2011 fiscal year.
■ Australia: Market grew 2%, to 976,000 units. ■ New Zealand: Market contracted 20%, to 71,000 units. ■ Thailand: Market grew 8%, to 608,000 units, supported by Asia's robust economic growth.	■ Full-year sales volume down 4%, but fourth quarter saw 28% year-on-year growth. ■ Record high sales volume in Australia on 3% growth. ■ Highest market share in 10 years in New Zealand. ■ 76% growth in Thailand, for second-highest sales year. ■ Planning for 7% growth in March 2011 fiscal year, to 246,000 units.

JAPAN

Sales volume for the year rose 1%, to 221,000 units, on the introduction of the new Mazda Axela and solid sales of the Mazda Demio and Mazda Premacy.

Mazda Premacy

Overview of March 2010 Fiscal Year Results

Boosted by "eco-car" tax reductions and subsidies for new car purchases, total demand for the year grew 4%, to 4.88 million units.

Mazda's sales volume grew 1%, to 221,000 units, on solid sales of the new Mazda Axela, introduced in June 2009, as well as the Mazda Demio and Mazda Premacy, and from government measures to stimulate the economy. The new Mazda Axela combines superior drivability with the latest environmental and safety features including Mazda's proprietary "i-stop" idling stop system and was very well received as an environmentally-friendly sporty car, with sales significantly exceeding plan. The percentage of Mazda Axela's equipped with i-stop was roughly 50%*1, and more than 70%*2 for the Mazda Biante. This strong customer reception for Mazda's proprietary i-stop environmental device was a major success in terms of building the Mazda brand based on the Sustainable Zoom-Zoom concept of providing all customers with the joy of driving along with superior environmental and safety features.

Sales showed year-on-year growth from the third quarter, and the fourth quarter was particularly strong with a 30% year-on-year increase. Market share declined 0.1 percentage point for the full year, to 4.5%, on intensified competition as other manufacturers strengthened their product lineups, especially in hybrid vehicles, but Mazda recorded a year-on-year increase in market share every month from January through March 2010.

*1. Of registrations from June 2009 through March 2010
*2. Of registrations from July 2009 through March 2010

March 2011 Fiscal Year Forecast

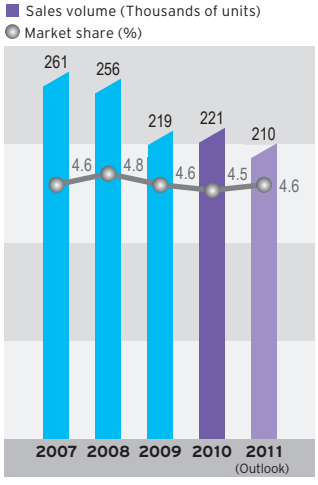
With the program of subsidies for new car purchases ending in September, we expect a rush in total demand in the first half of the March 2011 fiscal year, but in the wake of that rush we are forecasting a difficult second half.

Mazda is planning for a 5% decline in its sales volume, to 210,000 units. We will emphasize measures to capture the increase in demand from the subsidy program to the fullest extent possible during the first half. During the second half, we will work to spur demand through measures with the timely release of special edition models.

In terms of products, the new Mazda Premacy, launched in July 2010, has strong customer appeal and is being positioned as a pillar of our sales plan, along with building the Mazda brand as a product that embodies Sustainable Zoom-Zoom. We will also work to increase sales volumes by introducing special edition models of the Mazda Demio, Mazda Axela, and Mazda Biante with attractive features to meet the needs of customers.

On the sales front, we are strengthening our ties with dealerships, and working to be able to continue to partner in activities with a primary emphasis on the perspective of the customer. Specifically, we will enhance showrooms and staffing, and strengthen customer relationship management (CRM) that is more closely tied to the vehicle lifecycle, thereby enhancing brand loyalty and brand value by creating a stronger emotional connection between customers and Mazda.

Sales volume



(Years ended March 31)

NORTH AMERICA

Sales volume declined 12%, to 307,000 units, but turned around to a recovery in the fourth quarter with 4% year-on-year growth.

Mazda3

Overview of March 2010 Fiscal Year Results

Total demand in the North American market contracted 9% in the United States, to 10.77 million units, and 3% in Canada, to 1.5 million units. Mazda's North American sales volume declined 12%, to 307,000 units. The sales level recovered in the fourth quarter, however, to 4% year-on-year growth. In the United States, we continued to emphasize brand value enhancement by cutting back on incentives and reducing fleet sales, and sales volume declined 13%, to 210,000 units. Our sales volume in Canada declined 8%, to 75,000 units. The decline in Canada was mostly a reflection of intensified competition in the C-segment, which accounts for roughly half of the Canadian market. In Mexico, our strategy for strengthening the brand showed steady progress, and with our solid sales network and product strength, strong sales were recorded.

Sales were driven by three models—the Mazda3, Mazda CX-7, and Mazda CX-9. The new Mazda3 was named the car with the highest residual value (mid-compact segment) by ALG*. Since its U.S. release in February 2009, the Mazda3's sales volume has grown and its segment share has increased 0.4 percentage points, to 5.2%.

In addition, the high inventory level at the end of the previous fiscal year was reduced to an appropriate level by the end of the first quarter, and remained at an appropriate level at the end of the fiscal year.

* Automotive Lease Guide, Inc.

March 2011 Fiscal Year Forecast

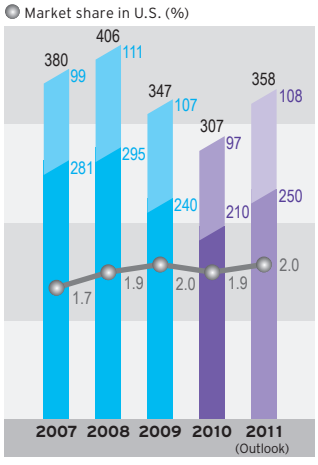
We are forecasting a trend of gradual recovery for the U.S. economy in the March 2011 fiscal year, and expect the automobile market to rebound from the previous year. On the other hand, we see the Canadian market remaining flat with the March 2010 fiscal year.

Mazda is planning for 19% sales volume growth in the United States, to 250,000 units, and for an 11% increase in Canada, to 84,000 units. We expect solid sales to continue in Mexico, reflecting the strength of the Mazda brand and our products in the market, and are planning for 18% growth, to 22,000 units.

In addition to the strong-selling Mazda3, Mazda6, Mazda CX-7, and Mazda CX-9, we will work to develop a new customer base and increase sales by introducing the Mazda2 to the market. We are also looking for a contribution to the Mazda brand from the new Mazda5, with its appeal of new brand value (styling, range of features, etc.). We therefore see product-led growth continuing, with these new products leading the way. Our showroom strategy is to study and pursue optimal showroom development that takes into account the market environment.

We will also continue to cut back on incentives and reduce fleet sales, to leverage increased residual value into sales growth. We will also continue to strengthen marketing and sales activities to further enhance brand value.

Sales volume



(Years ended March 31)

EUROPE

Sales volume declined 26%, to 239,000 units. Measures including incentive cutbacks were introduced to raise brand value.

Mazda3

Overview of March 2010 Fiscal Year Results

The European market contracted 5%, to 18.03 million units. Helped by scrappage incentives and other government measures to support sales, total demand held at the previous year's level despite the global economic recession.

Mazda's sales volume declined 26%, to 239,000 units. In Germany, sales were lower year-on-year on curtailed incentives. In the United Kingdom, however, the extension of scrappage incentives proved highly effective, and Mazda had record single-month sales in September. Sales from September remained strong, and grew 11% for the full year. Mazda's market share also rose for the eighth consecutive year, reaching 2.2%. Russia was severely impacted by the financial crisis, and Mazda's sales volume declined 68%, to 22,000 units, with a 1.0 percentage point decline in market share, to 1.8%.

In terms of sales, we continued to promote a shift to directly operated distributors. The portion of sales volume by these distributors for all of Europe grew to roughly 90% in the March 2010 fiscal year. In addition, efforts to reduce incentives and improve residual value continued, based on our fundamental strategy of steadily increasing brand value. This proved effective, as the residual value of Mazda cars rose in major markets. In particular, the Mazda2 maintained its top-level position in residual value in the B segment in the United Kingdom.

Inventories were reduced to appropriate levels in Russia, where the market environment rapidly deteriorated from the second half of the March 2009 fiscal year, and since then inventories are being closely monitored across Europe and maintained at appropriate levels.

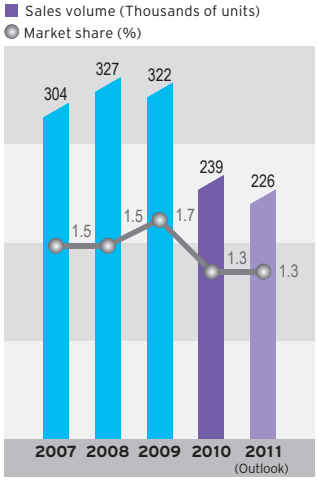
March 2011 Fiscal Year Forecast

With scrappage incentives in European countries ending, we are forecasting a decline in total demand in the March 2011 fiscal year. Mazda is planning on a 5% decline in its sales volume, to 226,000 units. By major market, the plan is for roughly flat sales of 51,000 units, in Germany, a 13% decline, to 44,000 units, in the United Kingdom, a 21% decline, to 18,000 units, in Russia, a 7% decline, to 12,000 units, in France, and a 3% decline, to 14,000 units, in Italy.

In terms of products, we intend to launch the new Mazda5 full-scale in the second half. We will work to spur demand with special edition models, such as the popular Mazda CX-7 with a diesel engine, the Mazda3 that was launched in the previous year, and the 90th Anniversary Edition Mazda2 and Mazda6. We will continue to introduce special edition models going forward, to meet the needs of customers in a difficult sales environment.

In terms of sales, we will continue to strengthen the sales network. We will also build on measures introduced during the March 2010 fiscal year to steadily enhance brand value.

Sales volume



(Years ended March 31)

* Market share for Europe is the share of demand for passenger vehicles and Light commercial vehicles.

CHINA

Sales volume rose 46%, to a record 196,000 units, led by the Mazda2, Mazda3, and Mazda6.

Mazda2

Overview of March 2010 Fiscal Year Results

Total demand in the Chinese market grew significantly, by 65%, to 15.58 million units. This was mostly the result of stronger purchasing sentiment from the government's large-scale stimulus measures to support the economy and policies to spur automotive demand. However, the market growth was driven by local brands, which were the main beneficiaries of the policies to spur demand, and Japanese, U.S., and European brands, including Mazda, lost market share.

Despite this intense competition, Mazda achieved record sales volume with a 46% increase, to 196,000 units. In addition to the boost from overall market growth, this reflected the success of Mazda's ongoing activities in areas including effective marketing, strengthening of the product lineup, brand building, and an expanded sales network.

In addition to increased product recognition for the Mazda2 and Mazda3, sales promotion activities took advantage of automobile acquisition tax reductions. A new model of the Mazda6 was introduced in June 2009 while sales of the previous model continued, and this proved successful as well. With these three models in place, unit sales grew significantly.

In addition to the new Mazda6, the product lineup was further enhanced to embody the Mazda brand with the introduction of the Mazda MX-5 (Japanese name: Mazda Roadstar) in June 2009, the Mazda CX-7 in November, and the new Mazda3 5-door hatchback in January 2010.

These activities had the combined effect of enhancing Mazda's brand image, as was evidenced by the Mazda6 being recognized as the top Japanese automobile brand in China*.

The sales network saw an increase of 43 showrooms during the year, bringing the total number of showrooms as of the fiscal year-end to 264. Mazda is building a highly competitive sales network through an increase in the number of showrooms and enhancing the selling capacity of each showroom.

* Survey source: Japan Brand Strategy, Inc. / Searchina Co., Ltd.

March 2011 Fiscal Year Forecast

We are looking for market growth to slow as measures to spur demand are scaled back and in the wake of the previous year's rapid growth, and are forecasting a roughly 6% increase in total demand, to approximately 16.50 million units. With government measures giving stronger support to vehicles with low fuel consumption, which are mostly local brands, we expect demand to continue to be driven by local brand vehicles.

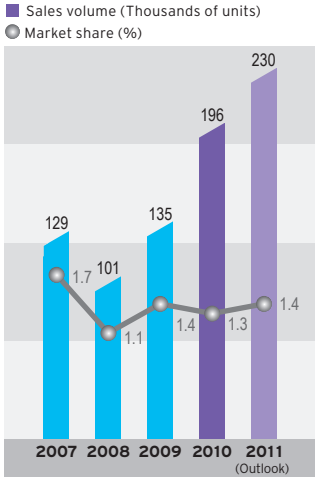
Despite this increased competition, Mazda is planning for an above-market increase in sales volume with 17% growth, to 230,000 units.

We intend to further strengthen the product lineup in order to achieve this plan, and have already introduced a new Mazda6 5-door hatchback in April 2010 and a Mazda3 with minor changes in June, and the Mazda8 (Japanese name: Mazda MPV) is scheduled for release at the end of the calendar year.

In addition, we plan to expand the sales network to have a 300-showroom network in place by the end of December 2010, representing an increase of 36 from the previous fiscal year-end. New showroom openings going forward will focus on inland areas where significant growth is forecast.

We will also emphasize dealership management and staff training, utilizing Mazda Motor (China) training centers in Beijing, Shanghai, and Shenzhen established in 2009.

Sales volume



(Years ended March 31)

OTHER MARKETS

Sales volume in other markets totaled 230,000 units, for a 4% decline.

Solid sales volume was maintained, driven by the Mazda3, Mazda CX-7, and Mazda CX-9.

Mazda BT-50

Overview of March 2010 Fiscal Year Results and March 2011 Fiscal Year Forecast

Sales volume in other markets for the March 2010 fiscal year declined 4%, to 230,000 units. We are forecasting sales of 246,000 units for the March 2011 fiscal year.

Results and forecast by major region were as follows.

Australia

The Australian market grew 2%, to 976,000 units. With strong sales of the Mazda3, Mazda CX-7, and Mazda CX-9, Mazda's sales grew 3%, to a record 80,000 units. Our market share also rose 0.2 percentage points, to a record 8.2%. In addition, proactive measures to raise the level of customer service resulted in Mazda being ranked among the top tier of the industry in terms of customer satisfaction.

Following the previous year's growth in demand as a result of the government's economic stimulus measures, we are forecasting a decline in total demand in the March 2011 fiscal year. Our plan for Mazda's sales volume is for a 2% decline, to 78,000 units. We plan to introduce the freshened Mazda2 5-door hatchback and a new Mazda2 sedan produced by AutoAlliance (Thailand) Co., Ltd. (AAT). We will also continue to work to maintain or improve a high level of customer satisfaction.

New Zealand

Total demand in New Zealand declined 20%, to 71,000 units, and Mazda's sales volume was down 16%, at 5,800 units. As a result, Mazda's market share rose 0.4 percentage points, to a record 8.1%. Contributions were seen from the new Mazda3, and the freshened Mazda CX-7.

For the March 2011 fiscal year, we are forecasting a 2% market contraction, to 70,000 units, and planning for a 4% decline in Mazda's sales volume, to 5,500 units.

Thailand

The Thai market grew 8%, to 608,000 units. Mazda's sales volume rose 76%, to 18,000 units, marking our second-highest sales volume ever in Thailand. Our market share also rose 1.1 percentage points, to a record 3.0%. Advertising activities were successful in spurring presale demand, and the Mazda2 produced by AAT contributed to increased sales.

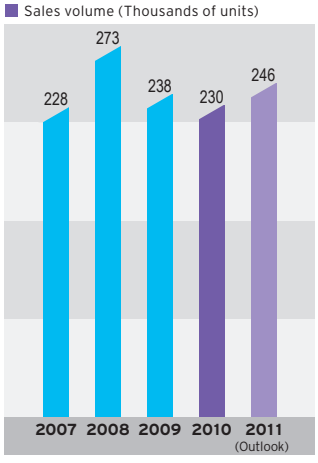
We are forecasting marginal market growth in the March 2011 fiscal year, but our plan for Mazda's sales volume is for a 55% increase, to 28,000 units.

Israel

Total demand grew 6%, to 183,000 units. On the strength of the Mazda3, Mazda's sales were No. 1 in the industry for the 14th consecutive year, at 32,000 units. Our market share also rose 1.9 percentage points, to 17.3%, marking the third consecutive year in which Mazda had the top market share.

We are planning for a 3% decline in sales for the March 2011 fiscal year, to 31,000 units.

Sales volume



(Years ended March 31)

Major Product Lineup

MAZDA2

(Japanese name: Mazda Demio)

Global sales volume

200,000

Sales markets

MAZDA3

(Japanese name: Mazda Axela)

Global sales volume

413,000

Sales markets

MAZDA6

(Japanese name: Mazda Atenza)

Global sales volume

223,000

Sales markets *2

MAZDA BIANTE

Global sales volume

11,000

Sales market

MAZDA5

(Japanese name: Mazda Premacy)

Global sales volume

79,000

Sales markets

MAZDA8

(Japanese name: Mazda MPV)

Global sales volume

8,000

Sales markets

MAZDA CX-7

Global sales volume

53,000

Sales markets

MAZDA CX-9

Global sales volume

37,000

Sales markets

MAZDA MX-5

(Japanese name: Mazda Roadster)

Global sales volume

21,000

Sales markets

MAZDA RX-8

Global sales volume

5,000

Sales markets

MAZDA BT-50

Global sales volume

50,000

Sales markets

Sales market: Japan North America Europe China Other

*1. Global sales volume is for the March 2010 fiscal year, sales markets are as of March 31, 2010.

*2. Model tailored to the North American market.

Corporate Governance / Internal Controls

Mazda is enhancing its corporate governance and strengthening its internal controls with the aim of increasing management transparency and expediting decision making.

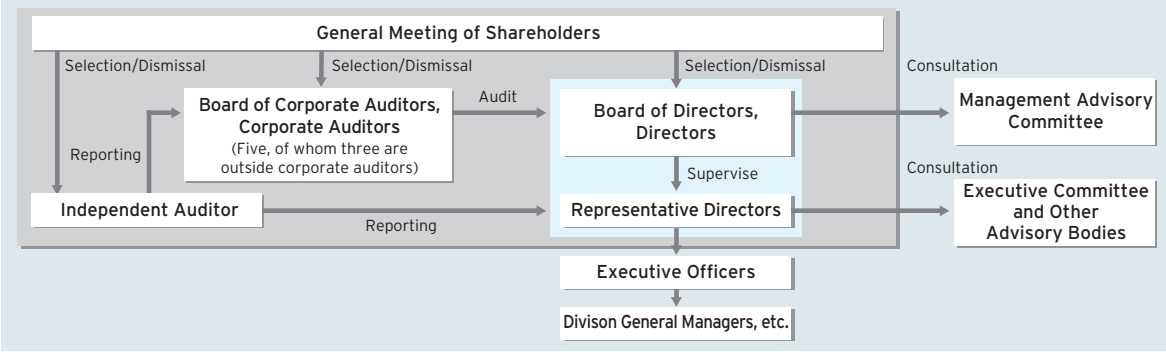
Corporate Governance

Mazda views the enhancement of corporate governance as one of its most important management issues, and along with statutory bodies including the General Meeting of Shareholders, Board of Directors, and Board of Corporate Auditors, we have introduced an executive officer system to separate execution and management functions.

This is intended to expedite decision making by increasing the effectiveness of the Board of Directors as a supervisory body, enhancing the deliberations of the Board of Directors, and delegating authority to executive officers.

As of June 30, 2010, Mazda had 33 executive officers, including nine of whom serve concurrently as directors.

Corporate Governance Framework



Management Advisory Committee

The Management Advisory Committee, made up of outside experts and the entire Board of Directors, meets four times per year with the objective of increasing management soundness and transparency.

The outside experts are chosen from a wide variety of fields based on their specialist knowledge and insights, and their opinions are reflected in the Company's management.

Management Audit Function

Mazda's Board of Corporate Auditors has five members, including three external corporate auditors who have no business relationships or other interests with Mazda, and audits the directors in the performance of their duties as per an annual audit plan formulated by the Board of Corporate Auditors. KPMG AZSA LLC is retained under contract as Mazda's independent auditor.

● Cooperation among parties responsible for auditing

- A "Three-Way Audit Meeting" of the independent auditor, the full-time corporate auditors, and the Internal Control Department is held regularly, primarily to discuss the status of progress with regard to auditing under the Japanese Sarbanes-Oxley Act and make proposals for business and accounting auditing.
- Regular meetings of the full-time corporate auditors and the Global Auditing Department are held monthly to exchange opinions in further detail regarding issues identified in audits.

Directors' and Auditors' Compensation

The total amount of compensation paid to directors and corporate auditors is within the limit approved at the annual General Meeting of Shareholders. Compensation paid to directors and corporate auditors during the March 2010 fiscal year was as follows.

Mazda has an established policy for determining the amount of directors' compensation, which is based on a structure linked to the company's performance and each individual director's performance. Goals are set at the beginning of the fiscal year, and an evaluation is made at the end of the fiscal year according to designated criteria and processes for measuring the

	Persons	Amount (millions of yen)
Directors	9	506
Corporate Auditors (of which, Outside Auditors)	6 (4)	101 (33)
Total	15	607

*1. The numbers of directors and corporate auditors shown above include one director who retired as of November 19, 2009, and one corporate auditor who retired as of the conclusion of the 143rd annual General Meeting of Shareholders held on June 24, 2009.

*2. The amounts paid to directors do not include the employee's portion of compensation for directors who serve concurrently as employees. However, none of the nine directors shown above serve concurrently as employees.

*3. The amounts of compensation shown above include ¥6 million paid in the form of stock options to directors.

degree of achievement of those goals, and based on this evaluation a final decision is made by the president. Compensation for corporate auditors is decided by an agreement among the corporate auditors.

Internal Controls

With the aim of highly transparent management, Mazda initiated a program of self-examination of internal controls in 1998, and this is currently carried out at all consolidated subsidiaries in Japan and around the world.

The Global Auditing Department, a specialized department, provides support to ensure that these activities to promote internal controls proceed smoothly at all divisions and consolidated subsidiaries.

● Support Structure for Internal Controls by Global Auditing Department

- Develop and introduce M-SACS dedicated system for self-examination of internal controls
- When shortcomings regarding internal controls are found or are identified by external parties, we make improvements promptly and provide a range of software support to ensure that the information is provided to the Global Auditing Department, a specialized department.
- Facilitators are dispatched within the head office or to Group companies for internal control activities (self improvement, problem identification, etc.).
- Work together with related departments to support training and internal control activities at domestic Group companies.

Internal Auditing Framework

The Global Auditing Department conducts internal audits at the parent company to ensure that management goals, policies, and plans comply with various laws and regulations, to ensure management soundness and efficiency. In addition, internal auditing departments that are independent of business divisions are established at main centers in light of sales in North America, Europe, Australia, and South America. These departments work in close cooperation with the head office to carry out audits including evaluations of internal controls. Specialized internal control departments are also set up at major domestic sales companies and are primarily engaged in the auditing of showrooms.

These internal auditing departments include many auditors with advanced specializations and public certifications including CIA (Certified Internal Auditor) and CISA (Certified Information System Auditor), and at the same time efforts are being made to cultivate quality auditors. (There were 10 certified auditors as of the end of March 2010.)

Message from an External Corporate Auditor

Isao Akaoka
Corporate Auditor
Chairman and President, Prefectural University of Hiroshima

To All Stakeholders

Since my appointment as an corporate auditor at Mazda, I have had numerous opportunities for direct contact with directors and a wide range of employees. In addition to attending meetings of the Board of Directors and discussions with executive officers, I travel on observation tours to plants and subsidiaries, and participate in improvement exhibitions and other events. In the course of these encounters, I am often deeply inspired by Mazda employees' dedication and forward-looking attitude toward improvement. Moreover, their managers and supervisors consistently recognize each individual's achievements and draw their superiors' attention to each worker's results. I also noticed that directors and employees are free to speak openly and frankly to senior management, who evaluate their input fairly and display genuine gratitude for feedback. When I witness the atmosphere of openness and mutual respect Mazda has instilled in its enterprise, my heart is filled with admiration. Building on Mazda's culture of openness in business and management, I'd like to speak frankly whenever possible to help create an even stronger, more effective corporate governance.

Risk Management

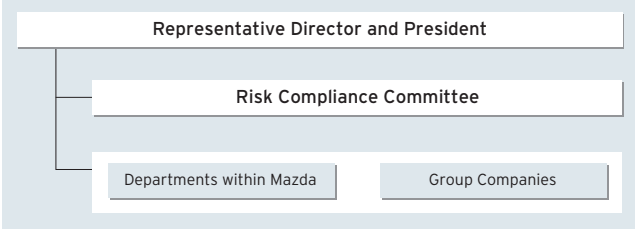
Risk management at Mazda is defined as "minimizing potential risks that could obstruct the continuous, stable progress of business activities," and measures are being pursued to benefit, gain the confidence of, and meet the expectations of stakeholders.

Risk Management Framework

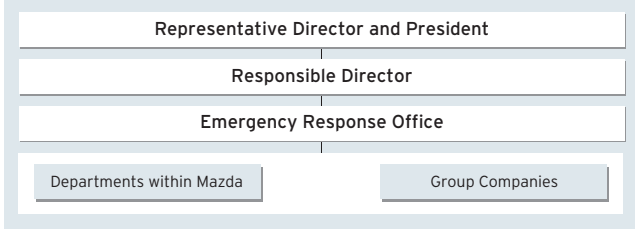
All Mazda directors and employees are expected to take the initiative for risk management in accordance with the Basic Risk Management Policy, Risk Management Regulations, and other related internal regulations. Individual business risks are managed by the department in charge of that business area, while departments that carry out business on a Companywide basis are responsible for carrying out appropriate management of respective Companywide risks.

In the event of emergency situations like a major incident or accident, we will take measures that we deem appropriate, including the establishment of an emergency response task force if needed.

Standard Risk Management Structure



Emergency Risk Management Structure



Information Security

Mazda strives to ensure information security Groupwide by appropriately managing and protecting the personal information customers entrust to us and other important information in our care.

The general manager of each division is responsible for the appropriate management of the information handled by their division, based on the information management policies and rules formulated by the Compliance Administration Department, which is the department responsible for the centralized management of information handled throughout the Company.

● IT security Management Rules

The IT Solution Division formulates IT security management rules. The division works to ensure information security Groupwide by providing the head office and affiliated companies with guides for implementing information security and with support for strengthening management systems.

Compliance

Mazda does not view compliance as simply complying with legal regulations, we believe that internal guidelines and social norms (society's expectations and requests) apply as well. These ideas are specified in the Mazda Corporate Ethics Code of Conduct, which is the benchmark for ensuring that our business activities are fair and honest. Overseas, Mazda's compliance guidelines require that employees not only follow international rules and all applicable laws, but also that they respect local history, culture, and customs.

Mazda Global Hotline

Mazda established the Ethics Advisory Office in 1999 to handle employee inquiries about compliance and conduct investigations on ethical matters. In September 2007, the scope of the office was expanded to include domestic and overseas Group companies, and it was renamed the Mazda Global Hotline as a contact point for receiving information. The Mazda Corporate Ethics Code of Conduct states that "Persons who report incidences of violation of the law and persons who cooperate in investigations of alleged violations shall not be subjected to retribution or disadvantageous treatment."

To ensure that all employees are aware of this hotline, we have distributed cards with the contact information to all head office employees, and introduced the hotline to Group companies in Japan and overseas via the Company intranet.

CSR at Mazda

While striving to meet the requests and expectations of its stakeholders, Mazda also carries out its CSR through its daily business activities to contribute to the development of a sustainable society.

Basic Approach

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

6 Areas and 3 Important Themes

Referencing the Charter of Corporate Behavior issued by the Japan Business Federation (Nippon Keidanren), Mazda evaluates its CSR activities in the six areas of Environmental Protection, Customer Satisfaction, Respect for People, Social Contributions, Compliance, and Information Disclosure.

Through our interaction with various stakeholders, we have further designated three of these areas as important themes for special action because they are particularly sought by society and Mazda is able to make a contribution.

- Environmental Protection: Along with being a pressing issue for humanity, this is the highest priority issue for automakers
- Respect for People: The foundation of society, including the human resource development that is the foundation of our corporate activities
- Social Contributions: Contributing to local communities as a good corporate citizen

Six Areas of CSR Operations

Environmental Protection	Developing environmentally responsible products, taking measures against global warming, recycling automobiles, etc.
Customer Satisfaction	Developing compelling products, improving customer satisfaction and the Company's service brand, improving product reliability, etc.
Respect for People	Taking consideration of the work environment, promoting work-life balance, cultivating a climate of respect for human rights, etc.
Social Contributions	Participating in local community activities, promoting traffic safety, supporting social welfare, etc.
Compliance	Enforcing internal controls, ensuring appropriate transactions, promoting and thoroughly implementing the Corporate Ethics Code of Conduct, etc.
Information Disclosure	Actively disseminating information about CSR initiatives, communicating with stakeholders, disclosing financial statements, etc.

CSR Promotion Organization

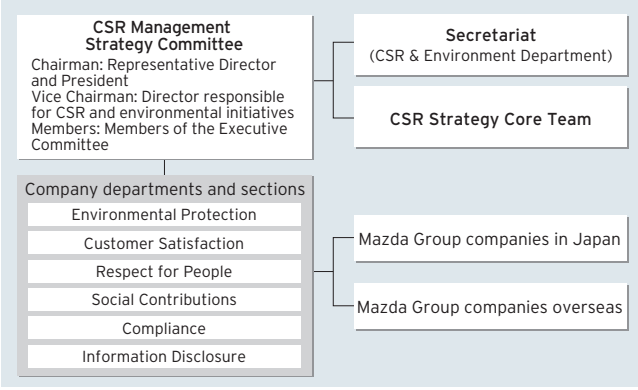
Internal departments carry out their operations based on goals and plans formulated with an understanding of the policies and guidelines determined by the CSR Management Strategy Committee, and in cooperation with other Group companies.

● CSR Management Strategy Committee
- Meetings: Twice annually
- Participants: Chairman—Representative Director and President; Vice Chairman—Director responsible for CSR and environmental initiatives; Members—Members of the Executive Committee
- Activities: Deliberate the CSR activities that are expected of Mazda from a global perspective, in consideration of changes in the social environment.
  ① Establish policies and designate priority issues
  ② Report on progress in addressing issues

● Structure in each department
- Each department: Set operational targets and plans for medium and long term, and for each fiscal year.

● CSR Strategy Core Team
- Meetings: As required
- Members: Working members of CSR-related departments
- Activities: Discuss in advance proposals to be made to the CSR Management Strategy Committee and propose guidelines for specific activities based on policies set by the CSR Management Strategy Committee.

Organization



History of the CSR Structure

2004	**CSR Committee established** • Company-wide CSR activities began
2007	**CSR Promotion Department established**
2008	**CSR Committee reorganized as the CSR Management Strategy Committee** • Integrated CSR activities and management • Global perspective reinforced
2009	**CSR & Environment Department established** • Promotes activities both globally and across departments • Former CSR Promotion Department renamed Compliance Administration Department as specialized organization for compliance

Board of Directors, Auditors and Executive Officers (As of June 24, 2010)

Directors

Takashi Yamanouchi
Representative Director and Chairman of the Board

Masaharu Yamaki
Representative Director

Kiyoshi Ozaki
Representative Director

Thomas A. H. Pixton
Representative Director

Seita Kanai
Director

Masazumi Wakayama
Director

Yuji Harada
Director

Akira Marumoto
Director

Masamichi Kogai
Director

Corporate Auditors

Junichi Yamamoto
(Full time)

Kazuyuki Mitate
(Full time)

Ichiro Sakai
Isao Akaoka
Masahide Hirasawa

Executive Officers

※ President & CEO

Takashi Yamanouchi

※ Executive Vice President

Masaharu Yamaki
Assistant to President; Oversight R&D, Production, Purchasing, and Quality

※ Senior Managing Executive Officer and CFO

Kiyoshi Ozaki
Oversight of Corporate Planning, Product Profit Control and in charge of Financial Services and Cost Innovation

※ Senior Managing Executive Officers

Thomas A. H. Pixton
Assistant to President; Oversight of Ford Relationship

Seita Kanai
In charge of R&D and Program Management; President, Mazda Engineering & Technology Co., Ltd.

Masazumi Wakayama
Oversight of Global Marketing, Global Sales and Customer Service

Yuji Harada
In charge of CSR, Environment and Corporate Communications; Assistant to the CFO; Assistant in charge of Fleet Sales

Akira Marumoto
In charge of Corporate Planning, Product Strategy and Product Profit Control; Assistant to the Officer in charge of Cost Innovation

Masamichi Kogai
In charge of Production, Business Logistics and IT Solution; Assistant to the Officer in charge of Cost Innovation; Assistant to the Officer in charge of R&D

※ denotes the executive officers who also hold the post of director

Managing Executive Officers

James J. O'Sullivan
President and CEO, Mazda Motor of America, Inc. (Mazda North American Operations)

Keishi Egawa
Executive Vice President and COO, Mazda Motor of America, Inc. (Mazda North American Operations)

Nobuhide Inamoto
In charge of Domestic Business; General Manager, Domestic Business Div.

Yasuto Tatsuta
Assistant to the Officer in charge of R&D (in charge of "Monotsukuri" Innovation) and President, Toyo Advanced Technologies Co., Ltd.

Satoshi Tachikake
In charge of Quality Assurance

Hirotaka Kanazawa
In charge of Vehicle Development, Electric Drive System Development and Technical Research Center; Assistant to the Officer in charge of Cost Innovation

Koji Kurosawa
In charge of Secretariat, Global Auditing, Human Resources, Corporate Services, Compliance, Risk Management and Mazda Hospital

Kozo Kawakami
In charge of Customer Service; President, Mazda Parts Co., Ltd.

Yuji Nakamine
In charge of Overseas Sales; General Manager, Overseas Sales Div.; President, Mazda South East Asia Ltd.

Jeffrey H. Guyton
President and CEO, Mazda Motor Europe GmbH

Noriaki Yamada
In charge of China Business; Chairman and CEO, Mazda Motor (China) Co., Ltd.

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

Executive Officers

Toshinori Kusuhashi
President, AutoAlliance (Thailand) Co., Ltd.

Hiroshi Yamamoto
In charge of Fleet Sales in the Domestic Business; President, Mazda Chuhan Co., Ltd.

Minoru Mitsuda
Assistant to the Officer in charge of Corporate Planning; In charge of Corporate Liaison; Oversight of Tokyo Office (Resident in Tokyo)

Masafumi Nakano
General Manager, Hiroshima Plant

Kiyotaka Shobuda
General Manager, Production Engineering Div.

Kiyoshi Fujiwara
In charge of Product Planning and Powertrain Development

Masahiro Moro
Assistant to the oversight of Global Sales; In charge of Global Marketing

Akira Koga
General Manager, Corporate Planning Div.

Paul R. Randle
General Manager, R&D Liaison Office

Takashi Furutama
General Manager, Product Profit Control Div.

Philip J. Waring
COO,Sales & Marketing, Mazda Motor Europe GmbH

Nariaki Uchida
General Manager, Hofu Plant

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Eleven-Year Summary of Consolidated Financial Statements

Mazda Motor Corporation and Consolidated Subsidiaries
Years ended March 31

	2010	2009	2008	2007	2006
For the year*2:					
Net sales	**¥2,163,949**	¥2,535,902	¥3,475,789	¥3,247,485	¥2,919,823
Domestic	**574,982**	620,336	880,132	887,327	887,662
Overseas	**1,588,967**	1,915,566	2,595,657	2,360,158	2,032,161
North America	**574,640**	697,600	1,015,315	1,017,874	843,988
Europe	**477,337**	653,382	888,555	789,135	668,941
Other areas	**536,990**	564,584	691,787	553,149	519,232
Cost of sales	**1,710,699**	2,021,851	2,485,905	2,322,644	2,110,934
Selling, general and administrative expenses	**443,792**	542,432	827,737	766,309	685,454
Operating income (loss)	**9,458**	(28,381)	162,147	158,532	123,435
Income (loss) before income taxes	**(7,265)**	(51,339)	143,117	118,450	117,468
Net income (loss)	**(6,478)**	(71,489)	91,835	73,744	66,711
Capital expenditures*3	**29,837**	81,838	75,518	79,641	72,070
Depreciation and amortization*4	**76,428**	84,043	74,217	47,045	45,805
Research and development costs	**85,206**	95,967	114,400	107,553	95,730
Free cash flow*5	**67,394**	(129,244)	10,209	20,995	33,611
At the year-end:					
Total assets	**¥1,947,769**	¥1,800,981	¥1,985,566	¥1,907,752	¥1,788,659
Equity*6	**509,815**	414,731	554,154	479,882	407,208
Financial debt	**722,128**	753,355	504,979	474,684	455,409
Net financial debt	**375,825**	532,631	281,085	232,179	246,751
Average number of shares outstanding (in thousands)	**1,519,652**	1,371,456	1,408,368	1,402,315	1,294,533
Number of employees	**38,987**	39,852	39,364	38,004	36,626
Amounts per share of common stock:					
Net income (loss)*7	**¥ (4.26)**	¥(52.13)	¥ 65.21	¥ 52.59	¥ 51.53
Cash dividends applicable to the year*8	**3.00**	3.00	6.00	6.00	5.00
Equity*9	**286.92**	314.98	391.82	336.45	284.28
Operating income ratio	**0.4 %**	(1.1)%	4.7%	4.9%	4.2%
Return on equity (ROE)*10	**(1.4)%**	(14.8)%	17.9%	16.9%	20.0%
Equity ratio*10	**26.1 %**	22.9 %	27.8%	24.8%	22.3%

Notes: 1. The translation of the Japanese yen amounts into U.S. dollars is presented solely for the convenience of readers, using the prevailing exchange rate on March 31, 2010, of ¥93 to US$1.
2. The consolidated operating results for the year ended March 31, 2004 consist of 15 months of operations for the major overseas subsidiaries that changed their fiscal year-ends.
3. Capital expenditures are calculated on an accrual basis.
4. Amortization expenses are not included for the March 2007 fiscal year and preceding fiscal years.
5. Free cash flow represents the sum of net cash flows from operating activities and from investing activities.
6. Prior-year amounts have been reclassified to conform to figures for the March 2007 fiscal year and subsequent fiscal years presentation to include minority interests.
7. The computations of net income (loss) per share of common stock are based on the average number of shares outstanding during each fiscal year.
8. Cash dividends per share represent actual amounts applicable to the respective years.
9. The amounts of equity used in the calculation of equity per share, return on equity, and equity ratio exclude minority interests (and, from the March 2007 fiscal year, stock acquisition rights).
10. The amounts of equity exclude minority interests (and, from the March 2007 fiscal year, stock acquisition rights).

Millions of yen						Thousands of U.S. dollars*1
2005	2004	2003	2002	2001	2000	**2010**
¥2,695,564	¥2,916,130	¥2,364,512	¥2,094,914	¥2,015,812	¥2,161,572	**$23,268,269**
845,620	846,231	818,271	811,050	911,968	955,460	**6,182,602**
1,849,944	2,069,899	1,546,241	1,283,864	1,103,844	1,206,112	**17,085,667**
761,684	936,718	845,241	776,889	618,076	627,371	**6,178,925**
634,233	659,813	368,045	228,120	236,324	341,386	**5,132,656**
454,027	473,368	332,955	278,855	249,444	237,355	**5,774,086**
1,972,574	2,165,160	1,725,058	1,551,410	1,555,130	1,628,814	**18,394,613**
640,043	680,796	588,798	514,951	475,619	507,647	**4,771,957**
82,947	70,174	50,656	28,553	(14,937)	25,111	**101,699**
73,847	54,072	28,134	15,508	(242,442)	22,678	**(78,118)**
45,772	33,901	24,134	8,830	(155,243)	26,155	**(69,656)**
67,881	45,644	44,080	56,641	47,285	48,867	**320,828**
40,036	37,900	36,989	44,890	49,531	51,800	**821,806**
90,841	87,807	87,800	94,964	83,617	76,126	**916,194**
35,900	49,128	47,054	30,623	52,257	126,638	**724,667**
¥1,767,846	¥1,795,573	¥1,754,017	¥1,734,895	¥1,743,627	¥1,469,533	**$20,943,753**
275,841	230,937	200,546	180,892	166,123	257,371	**5,481,882**
528,145	630,360	678,205	686,318	777,292	770,610	**7,764,817**
313,506	358,129	403,483	456,874	484,677	537,017	**4,041,129**
1,216,245	1,217,692	1,219,050	1,221,750	1,222,495	1,222,494	
35,680	35,627	36,184	37,824	39,601	43,818	
Yen						U.S. dollars*1
¥ 37.63	¥ 27.84	¥ 19.80	¥ 7.23	¥(126.99)	¥ 21.39	**$(0.05)**
3.00	2.00	2.00	2.00	—	2.00	**0.03**
220.22	182.91	159.22	141.52	129.96	200.98	**3.09**
%						
3.1%	2.4%	2.1%	1.4%	(0.7)%	1.2%	
18.7%	16.3%	13.2%	5.3%	(76.7)%	8.4%	
15.1%	12.4%	11.1%	10.0%	9.1 %	16.7%	

Review of Results of Operations and Financial Position

HIGHLIGHTS OF THE MARCH 2010 FISCAL YEAR

- Sales volume declined on a drop in automotive demand, and although net sales declined as a result, profitability was maintained at the operating income level for the full year as a result of inventory adjustments and thorough cost improvements.
- The new Mazda3 was released, and global sales volume totaled 1,193,000 units.
- The residual value of Mazda cars showed a steady improvement in major markets, and brand value continued to increase.
- A transformation was made to a cost structure that can maintain profitability at 80% domestic plant capacity utilization even in a strong yen environment.

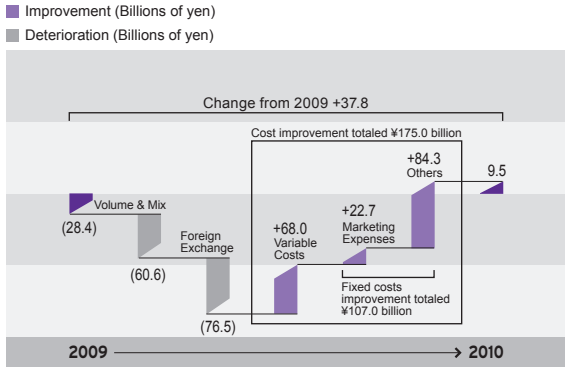
FAQ REGARDING THE YEAR'S RESULTS

Q. What was the breakdown of cost improvements?

Cost improvements during the March 2010 fiscal year totaled ¥175.0 billion.

Variable costs improved by ¥68.0 billion, on progress in strengthening Cost Innovation initiatives and lower prices for materials. Fixed costs improved by ¥107.0 billion, reflecting greater efficiency in advertising activities and improvements in other fixed expenses. As a result, we were able to transform to a cost structure that can maintain profitability at 80% domestic plant capacity utilization even in a strong yen environment.

Operating profit change 2010 compared with 2009



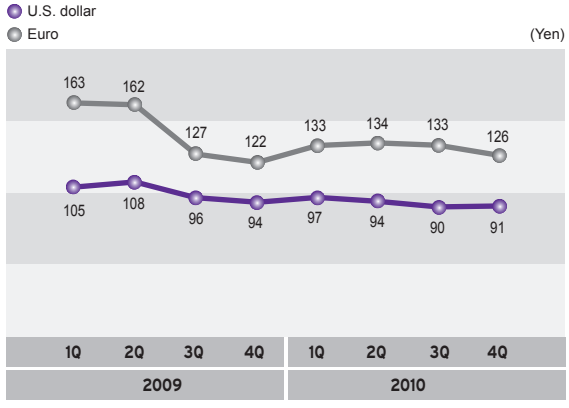
(Years ended March 31)

Q. What impact did foreign exchange rate movements have on earnings?

With an export ratio of approximately 80%, Mazda is highly susceptible to exchange rate movements. For the March 2010 fiscal year, a movement of ¥1 against the U.S. dollar had a ¥2.3 billion impact on operating income, and against the euro the impact of a ¥1 movement was ¥1.2 billion.

Mazda uses forward exchange contracts to avoid the risks of exchange rate and interest rate fluctuations and maintain a stable cash flow. These transactions are entered into based on internal regulations, and our policy is to limit these transactions to actual demand and to hedge 70% of our exposure up to six months ahead.

Foreign exchange rate movements



(Years ended March 31)

Q. What is your basic approach toward strengthening the financial base?

During the March 2010 fiscal year, we procured ¥93.3 billion through a capital increase that included a public offering, and as a result equity as of the fiscal year-end increased ¥95.1 billion. At the same time, an improvement in working capital led to reduced borrowings, and net interest-bearing debt declined ¥156.8 billion from the previous fiscal year-end. As a result, the net debt-to-equity ratio at the end of the year stood at 74%, a major 55 percentage point improvement from the previous fiscal year-end.

Going forward, we will secure long-term, stable funds while working to strengthen the financial base using profits to bolster equity and positive cash flow to reduce net interest-bearing debt.

OVERVIEW OF THE MAZDA GROUP

The consolidated financial statements for the March 2010 fiscal year include the accounts of Mazda Motor Corporation, 52 consolidated subsidiaries (26 overseas and 26 in Japan) and 14 equity-method affiliates (5 overseas and 9 in Japan).

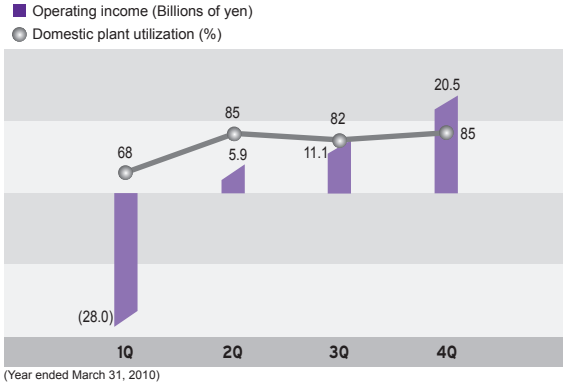
BUSINESS CONDITIONS

The economic environment in which the Mazda Group operated emerged from its lows during the March 2010 fiscal year, the result of economic measures put in place by governments around the world in the wake of the economic recession triggered by the financial crisis in the United States. Although automotive demand outside strong emerging markets like China showed a trend of gradual recovery, it did not constitute a full-fledged rebound, and with the yen's continued appreciation the difficult operating environment continued. Compared with the prior year, the size of the domestic automobile industry grew 4%, to 4.88 million units. Total demand in the United States fell 9%, to 10.77 million units, and in Europe, including Russia, total demand was down 5%, at 18.03 million units. The Chinese market grew 65%, to 15.58 million units.

CONSOLIDATED FINANCIAL RESULTS

Against the backdrop of a continued difficult business environment, Mazda made steady progress in implementing measures to improve earnings. Adjustments of inventories to appropriate levels were completed during the first quarter, while at the same time cost improvement activities were accelerated, and measures were strengthened to convert to a streamlined and lean management structure, with fixed cost reductions in excess of ¥100.0 billion. As a result, we were able to achieve the transformation to a cost structure that is able to maintain profitability at 80% domestic plant capacity utilization in a strong yen environment.

Operating income/Domestic plant utilization

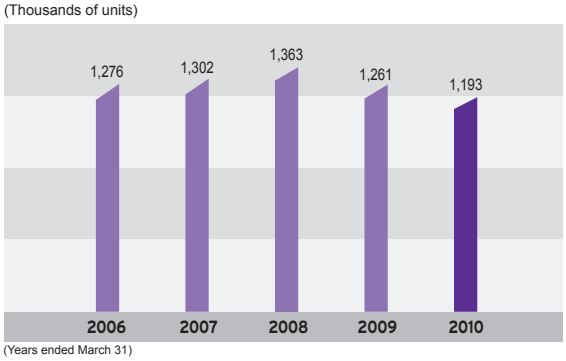


(Year ended March 31, 2010)

With a decline in global sales and the yen's appreciation against major currencies, Mazda's consolidated results showed a decline in revenue, but with a turnaround to a full-year operating profit as the result of a range of measures to improve costs. Although a net loss was recorded for the full year, profitability was achieved and the amount of profit grew in all profit categories from the second quarter as earnings showed a steady recovery.

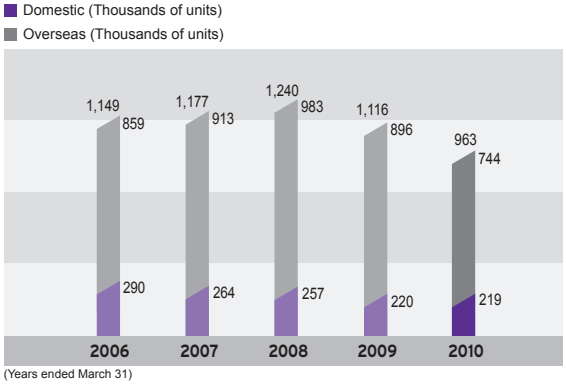
In terms of sales volumes for the year in major markets, a 1% increase year-over-year, to 221,000 units, was recorded in Japan from the introduction of the new Mazda Axela, despite a decline in sales of existing models. North American sales were down 12%, at 307,000 units. Sales in Europe were 26% lower, at 239,000 units, primarily from a decline in Russia. Large growth was recorded in China, with a 46% increase in sales, to 196,000 units, driven by the Mazda6 (Japanese name: Mazda Atenza). Other markets saw a 4% decline, to 230,000 units. In total, global sales were down 5%, at 1,193,000 units. Consolidated wholesales for the year were 14% lower, at 963,000 units.

Global sales volume



(Years ended March 31)

Consolidated wholesales



(Years ended March 31)

Results by Geographic Segment

(Japan)

Net sales declined ¥178.1 billion (9%) from the prior year, to ¥1,867.2 billion, and operating income rose ¥125.8 billion, to a ¥30.8 billion operating profit. Although sales declined on lower vehicle wholesales, operating income improved on fixed cost reductions and other cost improvements.

(North America)

Net sales were ¥112.7 billion (16%) lower year-to-year, at ¥572.1 billion, and operating income declined ¥44.8 billion, to a loss of ¥19.3 billion. This mostly reflected lower vehicle wholesales and a stronger yen.

(Europe)

Net sales were down ¥163.8 billion (25%) year-over-year, at ¥488.7 billion, and operating income was ¥5.1 billion (59%) lower, at ¥3.5 billion. The declines were mainly because of lower vehicle wholesales and a stronger yen.

(Other areas)

Net sales declined ¥5.8 billion (3%) from the last year, to ¥225.2 billion, and operating income was down ¥4.3 billion (45%), to ¥5.4 billion, primarily as a result of the stronger yen.

Net Sales

Consolidated net sales for the March 2010 fiscal year declined ¥372.0 billion (15%) compared with the prior year, to ¥2,163.9 billion, on the effects of lower sales volume and the yen's appreciation against major currencies. The breakdown of consolidated net sales showed a decline in overseas sales of ¥326.7 billion (17%), to ¥1,588.9 billion, and a decline in sales in Japan of ¥45.3 billion (7%), to ¥575.0 billion.

By product, lower wholesales volume combined with the yen's appreciation against major currencies led to a ¥308.6 billion (16%) decline in vehicle sales, to ¥1,573.6 billion. Sales of knockdown parts for overseas production grew ¥35.4 billion (40%), to ¥124.5 billion, on increased shipments to China, while sales of parts declined ¥46.4 billion (17%), to ¥226.4 billion. Other sales declined ¥52.4 billion (18%), to ¥239.5 billion.

Operating Income

Operating income for the year grew ¥37.8 billion from the last year, to a ¥9.5 billion profit.

The main factor behind this growth was aggregate cost improvements of ¥175.0 billion from accelerated Cost Innovation initiatives. Variable costs were reduced by ¥68.0 billion, which included the effect of lower prices for materials, and fixed costs were reduced by ¥107.0 billion, mainly through increased efficiency in advertising spending. In terms of sales volume and product mix, the decline in demand in major markets depressed first-half sales volumes, having a major negative impact on operating income in the amount of ¥60.6 billion. The yen's appreciation had a ¥76.5 billion negative impact.

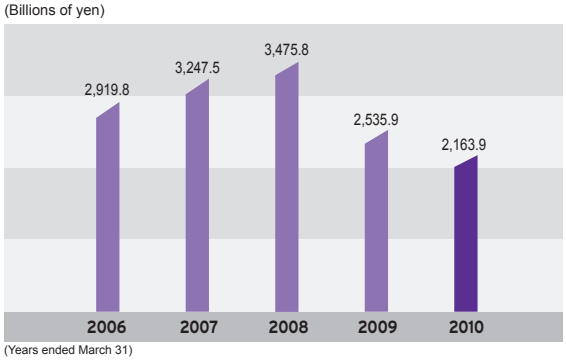
Selling, general and administrative expenses were reduced by ¥98.6 billion, to ¥443.8 billion. This reduction came primarily from restraining advertising spending as part of the Group's cost improvement activities.

Net Income

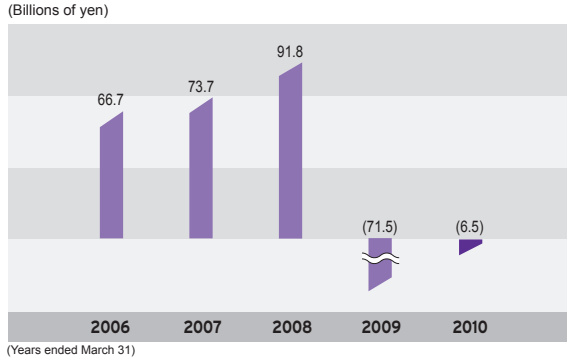
Net other expenses were ¥16.7 billion. This was mainly due to provisions that were recorded for losses from businesses of affiliates and for environmental measures. As a result, the loss before income taxes was reduced to ¥7.3 billion, from the previous year's ¥51.3 billion loss.

As a result, the consolidated net loss was reduced to ¥6.5 billion, from the previous year's ¥71.5 billion loss. Net loss per share of common stock was ¥4.26, compared with a net loss per share of ¥52.13 in the March 2009 fiscal year.

Net sales



Net income

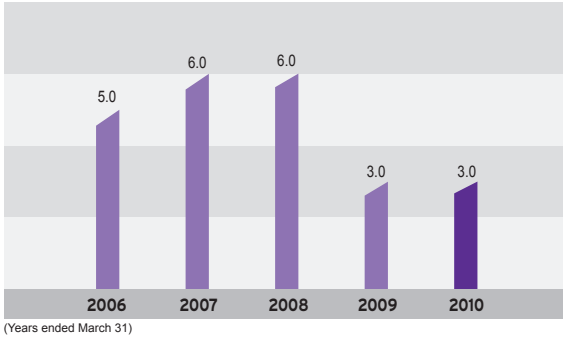


Dividend

Mazda's policy is to set a dividend that reflects each year's earnings and operating environment, and to pay a stable dividend while striving to increase the amount. For the March 2010 fiscal year, a year-end dividend of ¥3.0 per share was paid with no interim dividend. As a result, the full-year dividend was ¥3.0 per share.

Cash dividends applicable to the year

(Yen)



(Years ended March 31)

Capital Expenditures

Capital expenditures for the year were reduced by ¥52.0 billion from the previous fiscal year, to ¥29.8 billion. In addition to the product lineup being in place, this reduction was the result of the establishment of a flexible production system and improved investment efficiency. Depreciation and amortization expenses decreased ¥7.6 billion, to ¥76.4 billion.

In terms of production capacity, progress was made in building a flexible production system to increase productivity. A flexible production system will make it possible to shorten production lead times and to quickly develop models for various markets, and it will also contribute to making capital expenditures more efficient. In addition, a flexible production system will make it possible to enhance cost competitiveness by significantly reducing lead times in new model development. Along with the steady implementation of these measures at domestic plants, they will be simultaneously rolled out at overseas plants as well.

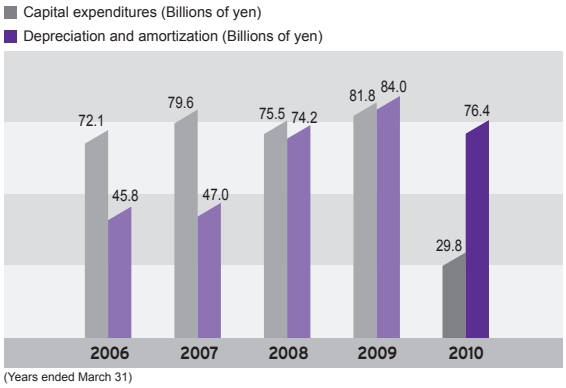
Research and Development

Research and development spending for the year was reduced by ¥10.8 billion year-on-year, to ¥85.2 billion. Development activities were made more efficient through the Integrated Planning and Common Architecture Concept of Monotsukuri Innovation. At the same time, investment for the development of next-generation products and environmental technologies was reinforced. The first global announcement on the Mazda SKY Concept*, a development concept for next-generation powertrains, was made in October 2009. This concept is based on next-generation engines and transmissions with dramatic improvements in environmental features and in power, and is scheduled for introduction from 2011. We intend to successively introduce models from 2011 that use these next-generation powertrains and have significantly improved environmental features and dynamic performance. Progress is also being made in developing hydrogen vehicles. Five Mazda Premacy Hydrogen RE Hybrid vehicles, which use a hybrid system to significantly enhance performance, were delivered to local governments and energy-related companies. Mazda is the world's first automobile manufacturer to lease hydrogen hybrid vehicles. In addition, an agreement was concluded on the supply under license of hybrid system technology with Toyota Motor Corporation in March 2010. Mazda aims to develop, manufacture, and by 2013 sell in Japan hybrid vehicles that incorporate the next-generation engines based on the Mazda SKY Concept with hybrid systems.

In this way, Mazda is steadily moving forward with the development of environmental technologies based on a Building Block Strategy that starts with thoroughly improving the basic performance of automobiles, including internal combustion engines, and then incorporating electric devices like idling stop, regenerative braking, and hybrid systems in stages thereafter.

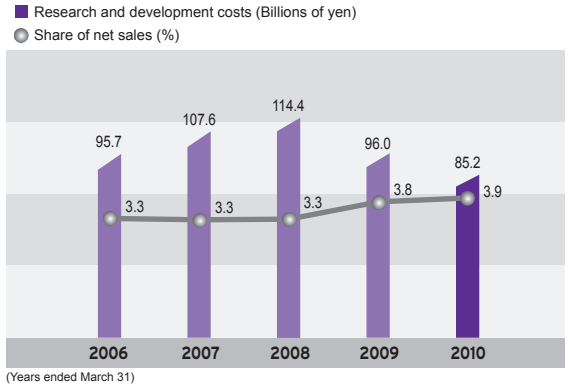
* Concept name for engines and transmissions that are intended for launch from 2011 onward.

Capital expenditures/Depreciation and amortization



(Years ended March 31)

Research and development costs/Share of net sales



(Years ended March 31)

Financial Position

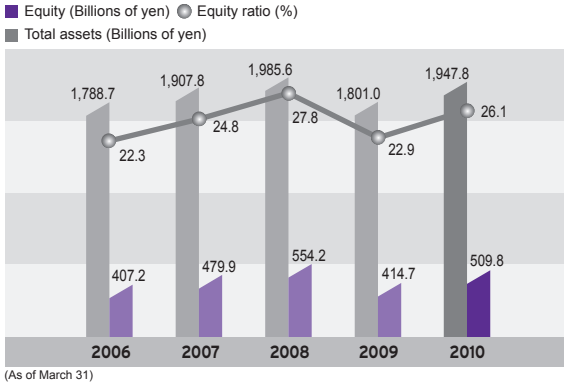
Total assets as of March 31, 2010, stood at ¥1,947.8 billion, which was ¥146.8 billion higher than at the previous year-end, on an increase in cash and deposits associated with the capital increase.

Cash and cash equivalents increased ¥125.6 billion, to ¥346.3 billion. Inventories were reduced ¥3.5 billion, to ¥210.9 billion. Net property, plant and equipment decreased ¥51.8 billion, to ¥825.6 billion.

Total short- and long-term interest-bearing debt decreased ¥31.2 billion, to ¥722.1 billion, on reduced borrowing from an improvement in working capital. After deducting the ¥346.3 billion year-end balance of cash and cash equivalents from interest-bearing debt, net interest-bearing debt decreased ¥156.8 billion, to ¥375.8 billion, resulting in a 55 percentage point improvement in the net debt-to-equity ratio, to 74%. Total liabilities as of the fiscal year-end grew ¥51.7 billion, to ¥1,438.0 billion, on an increase in trade notes and accounts payable associated with a recovery in production volumes.

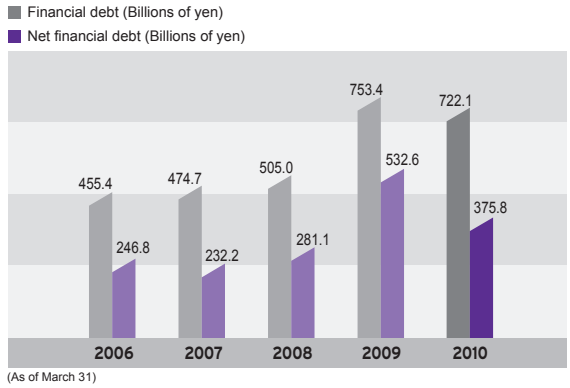
Equity as of the fiscal year-end increased ¥95.1 billion from the previous year-end, to ¥509.8 billion, with increases in common stock and the capital surplus from the issue of new shares, and by a decrease in treasury stock through re-issuance. Equity per share decreased ¥28.06, to ¥286.92, from ¥314.98 at the end of the previous year. Equity used for the calculation of equity ratio (i.e., total equity less minority interests and stock acquisition rights) grew ¥94.8 billion, to ¥507.9 billion, for a 3.2 percentage point rise in the equity ratio, to 26.1%.

Total assets/Equity/Equity ratio



(As of March 31)

Financial debt/Net financial debt



(As of March 31)

CASH FLOWS

Cash and cash equivalents as of March 31, 2010, totaled ¥346.3 billion, for an increase of ¥125.6 billion from the previous fiscal year-end, primarily due to the following factors. Although investing activities used cash in the amount of ¥44.3 billion, operating activities generated cash in the amount of ¥111.6 billion and financing activities generated ¥61.0 billion, from the issue of new shares and re-issuance of treasury stock shares in addition to funds procured via long-term borrowings.

(Cash Flow from Operating Activities)

Operating activities during the year generated net cash in the amount of ¥111.6 billion. The loss before income taxes was ¥7.3 billion, while depreciation and amortization was ¥76.4 billion. Working capital improved on a recovery in domestic plant capacity utilization.

(Cash Flow from Investing Activities)

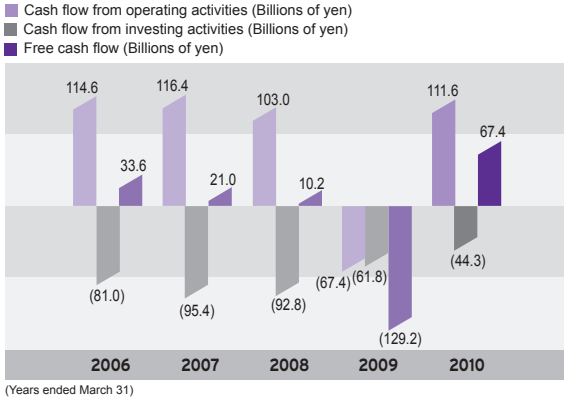
Investing activities used net cash in the amount of ¥44.3 billion, the main components of which were ¥20.7 billion of capital expenditures for the acquisition of plant and equipment and ¥20.0 billion in outlays for the purchase of short-term investments.

(Cash Flow from Financing Activities)
Financing activities generated net cash in the amount of ¥61.0 billion, primarily from funds procured via long-term borrowings, the issuance of new shares, and the re-issuance of treasury stock shares.

Free cash flow—the sum of cash flows from operating and investing activities—was positive in the amount of ¥67.4 billion for the year.

Fund procurement during the year consisted of ¥78.4 billion in long-term borrowing and ¥93.3 billion from the capital increase carried out in October and November, 2009.

Cash flows



(Years ended March 31)

SIGNIFICANT CONTRACTS, ETC.

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%. On November 19, 2008, Ford sold a portion of its shareholding, reducing its stake in Mazda to 13.8%. Subsequently, Mazda carried out a capital increase via public offering in October 2009, and a capital increase via third-party allotment in November 2009, which reduced Ford's shareholding to 11.0% of Mazda's total shares outstanding. Nevertheless, there has been no change in the strategic relationship between the two companies; Ford remains Mazda's largest shareholder and the two companies continue to operate joint businesses and use common platforms and powertrains.

MARCH 2011 FISCAL YEAR OUTLOOK

Our consolidated financial forecasts for the March 2011 fiscal year are shown below. In addition to the expectation that a full-fledged recovery in automotive demand will require some more time, we are anticipating a continued strong yen and higher prices for materials. Against this backdrop, we will strive to reinforce sales while at the same time aim for profitability in all profit categories, by steadily working to improve earnings in order to create a more robust cost structure. Our exchange rate assumptions for the year are ¥90/U.S. dollar and¥125/euro.

- Global sales volume: 1.27 million units (a 6% increase from the March 2010 fiscal year)
- Net sales: ¥2,270.0 billion (5% increase)
- Operating income: ¥30.0 billion (217% increase)
- Net income: ¥5.0 billion

(March 2011 fiscal year outlook was released as of April 27, 2010.)

Business Risks

Significant risks that could affect the Mazda Group's business results and financial position include those listed below. This, however, does not represent a comprehensive list of all the risks faced by the Mazda Group.

1. Economic Conditions Impacting the Mazda Group

The Mazda Group sells products in Japan and around the world, including in North America, Europe, and Asia. An economic downturn or declining demand in any one of these markets could adversely affect the Mazda Group's business results and financial position. Demand has recently been improving in some major markets as a result of scrapping incentives* and other government measures to spur demand. Nevertheless, it is difficult to anticipate what effect the end of these measures will have on demand, and a sudden change in the trend in demand could adversely affect the Mazda Group's business results and financial position.

* A system of subsidies for the purchase of a new car to replace an older car.

2. Exchange Rates, Especially the Dollar-Yen and Euro-Yen Rates

The 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 short-term exchange rate risk. However, a weakening of the yen could result in opportunity losses.

3. Alliances and Mergers

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 Regulations

The Mazda Group operates under a variety of legal regulations in the countries in which it conducts business, including regulations related to fuel economy, exhaust gases, vehicle safety, and levels of pollutants emitted at its manufacturing plants. The tightening of these legal regulations in the future could lead to increased 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, including declines in market share or product prices, in the event it fails to launch appealing products at appropriate times because of 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 address or respond to changes in customers' sense of value through its dealership network or sales methods.

6. Procurement of Materials and Parts

The Mazda Group relies on numerous suppliers outside the Group for the procurement of materials and parts. However, due to tight supply–demand balances, constraints at suppliers, or changes to and/or breaches of supply contracts, the Mazda Group may face difficulties in procuring the necessary level of materials and parts 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, passing 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. 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. In these markets, the Group is subject to the following potential risks, which could affect the Mazda Group's business results and financial position:

- 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 its technologies and expertise that help it to develop unique products. At the same time, the Group is taking steps to prevent the infringement of third-party intellectual property rights. Nonetheless, in the event of a disputed infringement of third-party intellectual property rights by the Mazda Group, the Mazda Group may be subject to substantial damages claims or be forced to halt the production and sale of its products. This could also adversely affect the Mazda Group's business results and financial position.

The Mazda Group's intellectual property is not subject to complete protection in certain regions. In the event that third parties use the Group's intellectual property 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 Mazda's business results and financial position.

10. 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 Mazda Group to supply products may be severely disrupted in the event of a major earthquake, typhoon or other natural disaster, or fire or other accident, which could adversely affect the Mazda Group's business results and financial position.

Consolidated Balance Sheets

Mazda Motor Corporation and Consolidated Subsidiaries
March 31, 2010 and 2009

ASSETS	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
Current assets:			
Cash and cash equivalents	¥ 346,303	¥ 220,724	$ 3,723,688
Short-term investments	20,000	—	215,054
Trade notes and accounts receivable	172,489	132,355	1,854,720
Inventories (Note 6)	210,872	214,388	2,267,441
Deferred taxes (Note 14)	60,311	67,985	648,505
Other current assets	89,525	93,961	962,635
Allowance for doubtful receivables	(2,263)	(2,736)	(24,333)
Total current assets	897,237	726,677	9,647,710
Property, plant and equipment:			
Land (Note 7)	433,827	441,265	4,664,806
Buildings and structures	427,777	433,895	4,599,753
Machinery and equipment	795,983	794,880	8,558,957
Tools, furniture, fixtures and other	187,720	194,221	2,018,495
Leased property	60,035	75,180	645,538
Construction in progress	19,510	20,289	209,785
	1,924,852	1,959,730	20,697,334
Accumulated depreciation	(1,099,281)	(1,082,329)	(11,820,226)
Net property, plant and equipment (Note 8)	825,571	877,401	8,877,108
Intangible assets	23,351	27,078	251,086
Investments and other assets:			
Investment securities:			
Affiliated companies	77,055	65,576	828,548
Other	8,965	8,278	96,398
Long-term loans receivable	5,813	6,004	62,505
Deferred taxes (Note 14)	88,182	72,940	948,194
Other investments and other assets	27,174	22,946	292,193
Allowance for doubtful receivables	(4,298)	(4,346)	(46,215)
Investment valuation allowance	(1,281)	(1,573)	(13,774)
Total investments and other assets	201,610	169,825	2,167,849
Total assets	¥ 1,947,769	¥ 1,800,981	$ 20,943,753

See accompanying notes.

LIABILITIES AND EQUITY	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
Current liabilities:			
Short-term debt (Note 9)	¥ 80,836	¥ 127,219	$ 869,204
Long-term debt due within one year (Note 9)	85,009	61,613	914,075
Trade notes and accounts payable	271,118	176,504	2,915,247
Accrued expenses	179,154	185,817	1,926,387
Reserve for warranty expenses	36,929	37,989	397,086
Other current liabilities	23,545	27,420	253,173
Total current liabilities	676,591	616,562	7,275,172
Long-term liabilities:			
Long-term debt due after one year (Note 9)	556,283	564,523	5,981,538
Deferred tax liability related to land revaluation (Note 7)	93,680	93,729	1,007,312
Employees' severance and retirement benefits (Note 10)	84,553	90,921	909,172
Reserve for loss from business of affiliates (Note 2)	5,862	—	63,032
Reserve for environmental measures (Note 2)	1,464	—	15,742
Other long-term liabilities	19,521	20,515	209,903
Total long-term liabilities	761,363	769,688	8,186,699
Equity:			
Capital and retained earnings:			
Common stock:			
Authorized: 3,000,000,000 shares			
Issued: 1,780,377,399 shares in 2010 and 1,418,509,399 shares in 2009 (Note 12)	186,500	150,068	2,005,376
Capital surplus (Note 12)	170,192	133,760	1,830,022
Retained earnings	80,268	86,874	863,097
Treasury stock (10,165,073 shares in 2010 and 106,954,832 shares in 2009)	(2,182)	(22,976)	(23,463)
Total capital and retained earnings	434,778	347,726	4,675,032
Valuation and translation adjustments:			
Net unrealized gain on available-for-sale securities	131	160	1,409
Net loss on derivative instruments	(1,498)	(1,230)	(16,108)
Land revaluation (Note 7)	136,160	136,032	1,464,086
Foreign currency translation adjustments	(61,583)	(69,483)	(662,183)
Pension adjustments recognized by a foreign consolidated subsidiary	(79)	(86)	(849)
Total valuation and translation adjustments	73,131	65,393	786,355
Stock acquisition rights	445	340	4,785
Equity attributable to shareholders of Mazda Motor Corporation	508,354	413,459	5,466,172
Minority interests in consolidated subsidiaries	1,461	1,272	15,710
Total equity	509,815	414,731	5,481,882
Total liabilities and equity	¥1,947,769	¥1,800,981	$20,943,753

Consolidated Statements of Operations

Mazda Motor Corporation and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Net sales	¥2,163,949	¥2,535,902	$23,268,269
Cost and expenses:			
Cost of sales	1,710,699	2,021,851	18,394,613
Selling, general and administrative expenses	443,792	542,432	4,771,957
	2,154,491	2,564,283	23,166,570
Operating income/(loss)	9,458	(28,381)	101,699
Other income/(expenses):			
Interest and dividend income	2,076	3,552	22,323
Interest expense	(13,947)	(14,224)	(149,968)
Equity in net income/(loss) of affiliated companies	8,667	(2,665)	93,194
Other, net (Note 13)	(13,519)	(9,621)	(145,366)
	(16,723)	(22,958)	(179,817)
Loss before income taxes	(7,265)	(51,339)	(78,118)
Income taxes (Note 14):			
Current	7,212	16,332	77,549
Deferred	(8,192)	4,271	(88,086)
	(980)	20,603	(10,537)
Loss before minority interests	(6,285)	(71,942)	(67,581)
Minority interests in consolidated subsidiaries	(193)	453	(2,075)
Net loss	¥ (6,478)	¥ (71,489)	$ (69,656)

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net loss (Note 2):			
Basic	¥(4.26)	¥(52.13)	$(0.05)
Cash dividends applicable to the year	3.00	3.00	0.03

See accompanying notes.

Consolidated Statements of Equity

Mazda Motor Corporation and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen								
	Equity attributable to shareholders of Mazda Motor Corporation								
	Capital and retained earnings					Valuation and translation adjustments	Stock acquisition rights	Minority interests in consolidated subsidiaries	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total				
March 31, 2008	¥150,068	¥133,838	¥167,332	¥ (4,549)	¥446,689	¥105,501	¥209	¥1,755	¥554,154
Effect of changes in accounting policies applied to foreign subsidiaries on the beginning balance of retained earnings	—	—	(1,554)	—	(1,554)	—	—	—	(1,554)
Treasury stock	—	(78)	—	(18,427)	(18,505)	—	—	—	(18,505)
Net loss	—	—	(71,489)	—	(71,489)	—	—	—	(71,489)
Cash dividends paid	—	—	(8,453)	—	(8,453)	—	—	—	(8,453)
Land revaluation	—	—	16	—	16	(16)	—	—	—
Adjustments for prior year deferred taxes by a foreign subsidiary	—	—	1,022	—	1,022	—	—	—	1,022
Net unrealized loss on available-for-sale securities	—	—	—	—	—	(385)	—	—	(385)
Net loss on derivative instruments	—	—	—	—	—	(5,388)	—	—	(5,388)
Foreign currency translation adjustments	—	—	—	—	—	(35,393)	—	—	(35,393)
Pension adjustments recognized by a foreign subsidiary	—	—	—	—	—	1,074	—	—	1,074
Stock acquisition rights from granting of share-based payment	—	—	—	—	—	—	131	—	131
Minority interests in consolidated subsidiaries	—	—	—	—	—	—	—	(483)	(483)
March 31, 2009	¥150,068	¥133,760	¥ 86,874	¥(22,976)	¥347,726	¥ 65,393	¥340	¥1,272	¥414,731
Issuance of new common stock	**36,432**	**36,432**	**—**	**—**	**72,864**	**—**	**—**	**—**	**72,864**
Treasury stock	**—**	**—**	**—**	**20,794**	**20,794**	**—**	**—**	**—**	**20,794**
Net loss	**—**	**—**	**(6,478)**	**—**	**(6,478)**	**—**	**—**	**—**	**(6,478)**
Land revaluation	**—**	**—**	**(128)**	**—**	**(128)**	**128**	**—**	**—**	**—**
Net unrealized loss on available-for-sale securities	**—**	**—**	**—**	**—**	**—**	**(29)**	**—**	**—**	**(29)**
Net loss on derivative instruments	**—**	**—**	**—**	**—**	**—**	**(268)**	**—**	**—**	**(268)**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**7,900**	**—**	**—**	**7,900**
Pension adjustments recognized by a foreign subsidiary	**—**	**—**	**—**	**—**	**—**	**7**	**—**	**—**	**7**
Stock acquisition rights from granting of share-based payment	**—**	**—**	**—**	**—**	**—**	**—**	**105**	**—**	**105**
Minority interests in consolidated subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**189**	**189**
March 31, 2010	**¥186,500**	**¥170,192**	**¥ 80,268**	**¥ (2,182)**	**¥434,778**	**¥ 73,131**	**¥445**	**¥1,461**	**¥509,815**

	Thousands of U.S. dollars (Note 1)								
	Equity attributable to shareholders of Mazda Motor Corporation								
	Capital and retained earnings					Valuation and translation adjustments	Stock acquisition rights	Minority interests in consolidated subsidiaries	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total				
March 31, 2009	$1,613,634	$1,438,280	$934,129	$(247,054)	$3,738,989	$703,151	$3,656	$13,677	$4,459,473
Issuance of new common stock	**391,742**	**391,742**	**—**	**—**	**783,484**	**—**	**—**	**—**	**783,484**
Treasury stock	**—**	**—**	**—**	**223,591**	**223,591**	**—**	**—**	**—**	**223,591**
Net loss	**—**	**—**	**(69,656)**	**—**	**(69,656)**	**—**	**—**	**—**	**(69,656)**
Land revaluation	**—**	**—**	**(1,376)**	**—**	**(1,376)**	**1,376**	**—**	**—**	**—**
Net unrealized loss on available-for-sale securities	**—**	**—**	**—**	**—**	**—**	**(312)**	**—**	**—**	**(312)**
Net loss on derivative instruments	**—**	**—**	**—**	**—**	**—**	**(2,882)**	**—**	**—**	**(2,882)**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**84,947**	**—**	**—**	**84,947**
Pension adjustments recognized by a foreign subsidiary	**—**	**—**	**—**	**—**	**—**	**75**	**—**	**—**	**75**
Stock acquisition rights from granting of share-based payment	**—**	**—**	**—**	**—**	**—**	**—**	**1,129**	**—**	**1,129**
Minority interests in consolidated subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,033**	**2,033**
March 31, 2010	**$2,005,376**	**$1,830,022**	**$863,097**	**$ (23,463)**	**$4,675,032**	**$786,355**	**$4,785**	**$15,710**	**$5,481,882**

See accompanying notes.

Consolidated Statements of Cash Flows

Mazda Motor Corporation and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Cash flows from operating activities:			
Loss before income taxes	¥ (7,265)	¥(51,339)	$ (78,118)
Adjustments to reconcile loss before income taxes to net cash provided by/(used in) operating activities:			
Depreciation and amortization	76,428	84,043	821,806
Loss on impairment of fixed assets	2,495	28,262	26,828
Allowance for doubtful receivables	(457)	882	(4,914)
Investment valuation allowance	(225)	965	(2,419)
Reserve for warranty expenses	(1,060)	(13,546)	(11,398)
Employees' severance and retirement benefits	(5,815)	(10,367)	(62,527)
Reserve for loss from business of affiliates	5,862	—	63,032
Reserve for environmental measures	1,464	—	15,742
Interest and dividend income	(2,076)	(3,552)	(22,323)
Interest expense	13,947	14,224	149,968
Equity in net (income)/loss of affiliated companies	(8,667)	2,665	(93,194)
Loss on sale/disposition of property, plant and equipment, net	3,012	2,456	32,387
Gain on sale of investment securities, net	(3)	(77)	(32)
Gain on sale of investments in affiliates	(440)	—	(4,731)
(Increase)/decrease in trade notes and accounts receivable	(35,431)	51,972	(380,978)
Decrease in inventories	16,230	54,309	174,516
Increase/(decrease) in trade notes and accounts payable	94,467	(158,708)	1,015,774
Decrease in other current liabilities	(4,857)	(42,046)	(52,226)
Other	(22,077)	8,576	(237,387)
Subtotal	125,532	(31,281)	1,349,806
Interest and dividends received	4,334	7,974	46,602
Interest paid	(13,834)	(13,800)	(148,753)
Income taxes paid	(4,386)	(30,311)	(47,160)
Net cash provided by/(used in) operating activities	111,646	(67,418)	1,200,495
Cash flows from investing activities:			
Purchase of short-term investments	(20,000)	—	(215,054)
Purchase of investment securities	(4,731)	(11,044)	(50,871)
Sale of investment securities	20	147	215
Acquisition of property, plant and equipment	(20,718)	(49,011)	(222,774)
Proceeds from sale of property, plant and equipment	4,229	5,424	45,473
Acquisition of intangible assets	(4,314)	(6,463)	(46,387)
Decrease/(increase) in short-term loans receivable	932	(1,008)	10,022
Long-term loans receivable made	(141)	(213)	(1,516)
Collections of long-term loans receivable	270	234	2,903
Sale of investments in subsidiaries affecting scope of consolidation	204	—	2,194
Other	(3)	108	(33)
Net cash used in investing activities	(44,252)	(61,826)	(475,828)
Cash flows from financing activities:			
(Decrease)/increase in short-term debt	(47,389)	8,492	(509,559)
Proceeds from long-term debt	80,883	228,816	869,710
Repayment of long-term debt	(66,158)	(72,355)	(711,376)
Proceeds from issuance of common stock	73,537	—	790,720
Cash dividends paid	—	(8,453)	—
Cash dividends paid to the minority shareholders of consolidated subsidiaries	(2)	(27)	(22)
Treasury stock transactions	19,765	(18,505)	212,527
Other	315	(960)	3,387
Net cash provided by financing activities	60,951	137,008	655,387
Effect of exchange rate fluctuations on cash and cash equivalents	(2,766)	(16,372)	(29,742)
Net increase/(decrease) in cash and cash equivalents	125,579	(8,608)	1,350,312
Cash and cash equivalents at beginning of the year	220,724	223,894	2,373,376
Increase in cash and cash equivalents due to additional subsidiaries newly consolidated	—	5,438	—
Cash and cash equivalents at end of the year	¥346,303	¥220,724	$3,723,688

See accompanying notes.

1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

Consolidated foreign subsidiaries maintain their accounting records and prepare their financial statements in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. Prior to the year ended March 31, 2009, in preparing the consolidated financial statements, in principle, the financial statements of consolidated foreign subsidiaries were used, without reflecting reconciling adjustments from accounting principles of various countries to Japanese GAAP, as allowed under then-effective Japanese GAAP. As discussed in Note 3, commencing in the year ended March 31, 2009, the Company and its consolidated foreign subsidiaries adopted Practical Issues Task Force ("PITF") No. 18, *Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements*, issued by the Accounting Standards Board of Japan ("ASBJ") on May 17, 2006. Accordingly, adjustments were made to the financial statements of consolidated foreign subsidiaries to reconcile from the accounting principles of the respective countries of domicile to either IFRS or the United States generally accepted accounting principles ("U.S. GAAP") as necessary, plus adjustments for the six items specified in PITF No. 18 from IFRS or U.S. GAAP to Japanese GAAP as necessary in consolidation.

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2010, which was ¥93 to U.S.$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2 SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The accompanying consolidated financial statements include the Company and significant companies, over which the Company has power of control through majority voting rights or existence of certain conditions evidencing control by the Company. Investments in affiliates, over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for by the equity method.

The consolidated financial statements include the Company and 52 subsidiaries (54 in the year ended March 31, 2009). In addition, 14 affiliates (14 in the year ended March 31, 2009) are accounted for by the equity method.

The consolidated year-end balance sheet date is March 31. Among the consolidated subsidiaries, nine companies (nine at March 31, 2009) have a year-end balance sheet date of December 31, which is different from the consolidated balance sheet date. In preparing the consolidated financial statements, for six of the nine companies, the financial statements of these companies with the December 31 year-end balance sheet date are used. However, adjustments necessary in consolidation are made for material transactions that have occurred between the balance sheet date of these subsidiaries and the consolidated year-end balance sheet date. For the other three companies, special purpose financial statements that are prepared for consolidation as of the consolidated balance sheet date are used to supplement the companies' statutory financial statements.

In the elimination of investments in subsidiaries, the assets and liabilities of subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

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

Foreign currency translation

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

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

Cash and cash equivalents

The Company and its consolidated subsidiaries consider all highly liquid investments with maturities of three months or less at the time of acquisition to be cash equivalents.

Securities

Securities are classified as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

The Company and its consolidated subsidiaries do not have trading securities or held-to-maturity debt securities. Equity securities issued by subsidiaries and affiliated companies which, based on the applicable materiality provisions of Japanese GAAP, are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of valuation and translation adjustments within equity. Realized gains and losses on the sale of such securities are computed using moving-average cost. Available-for-sale securities without available fair market values are stated mainly at moving-average cost.

If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies and available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as a loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge to income in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

Inventories

Inventories are stated at the lower of cost (determined principally by the average method), or net realizable value. For information on the new accounting standard on inventories adopted by the Company and its consolidated domestic subsidiaries (together the "Domestic Companies") in the year ended March 31, 2009, refer to Note 3.

Property, plant and equipment (except for leased property)

Property, plant and equipment are stated mainly at cost. Depreciation is computed principally using the straight-line method over the estimated useful lives, net of the estimated residual values of the assets. For the Domestic Companies, useful lives and residual values are estimated by a method equivalent to the provisions of the Corporate Tax Code of Japan. In the year ended March 31, 2009, the Domestic Companies changed the estimated useful lives of property, plant and equipment in calculating depreciation expense in accordance with the revised Corporate Tax Code of Japan. Refer to Note 3 for more details.

Intangible assets (except for leased property)

Intangible assets are amortized principally on the straight-line method over the estimated useful lives of the assets. For the Domestic Companies, useful lives are estimated by a method equivalent to the provisions of the Corporate Tax Code of Japan. Software for internal use is amortized on a straight-line basis over the period of internal use, i.e., 5 years.

Leased property

Finance leases are capitalized in the balance sheet. Depreciation or amortization expense is recognized on a straight-line basis over the lease period. For leases with a guaranteed minimum residual value, the contracted residual value is considered to be the residual value for financial accounting purposes. For other leases, the residual value is zero.

Allowance for doubtful receivables

Allowance for doubtful receivables provides for the losses from bad debt. The amount estimated to be uncollectible is recognized. For receivables of ordinary risk, the amount is estimated based on the past default ratio. For receivables of high risk and receivables from debtors under bankruptcy proceedings, the amount is estimated based on the financial standing of the debtor.

Investment valuation allowance

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

Reserve for warranty expenses

In order to match the recognition of after-sales expenses to product (vehicle) sales revenues, an amount estimated based on product warranty provisions and actual costs incurred in the past, taking future prospects into consideration, is recognized.

Employees' severance and retirement benefits

The Domestic Companies provide various types of post-employment benefit plans, including lump-sum plans, defined benefit pension plans, and defined contribution pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service, and certain other factors. Also, consolidated foreign subsidiaries provide defined benefit and/or contribution plans.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

Employees' severance and retirement benefits are provided based on the estimated amounts of projected benefit obligation and the fair value of the plan assets. Prior service costs are recognized in expenses in equal amounts mainly over 12 years, which is within the average of the estimated remaining service periods of employees, and actuarial gains and losses are recognized in expenses using the straight-line basis mainly over 13 years, which is within the average of the estimated remaining service periods, commencing with the following period.

Reserve for loss from business of affiliates

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

Reserve for environmental measures

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

(Additional Information)

In the year ended March 31, 2010, the Domestic Companies accrued expense related to disposal of PCB (polychlorinated biphenyl) waste for the estimated amount of future expenditure. The effect of this recognition on the consolidated statement of operations for the year ended March 31, 2010 was to increase loss before income taxes by ¥1,464 million ($15,742 thousand).

Income taxes

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

Research and development costs

Research and development costs are charged to income when incurred. For the years ended March 31, 2010 and 2009, research and development costs were ¥85,206 million ($916,194 thousand) and ¥95,967 million, respectively.

Derivatives and hedge accounting

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

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

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

Amounts per share of common stock

The computations of net income or loss per share of common stock are based on the average number of shares outstanding during each fiscal year. Diluted net income per share of common stock is computed based on the average number of shares outstanding during each fiscal year after giving effect to the diluting potential of common stock to be issued upon the exercise of stock acquisition rights and stock options.

For the year ended March 31, 2010 and 2009, only information on net loss per share of common stock is provided without information on diluted net loss per share of common stock to reflect the diluting effect in accordance with the applicable provisions of Japanese GAAP.

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

Reclassifications

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to this year's presentation.

3 ADOPTION OF NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES

Accounting for retirement benefits

Commencing in the year ended March 31, 2010, the Domestic Companies adopted ASBJ Statement No. 19, *Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)*, issued by the ASBJ on July 31, 2008. This new accounting standard requires that the Domestic Companies select assumed discount rates by referring to the rates of return on long-term government and other highly-rated bonds as of the date of their fiscal year-end. Previously, the Domestic Companies were allowed to select assumed discount rates by taking into consideration fluctuations in the yield of such bonds over a certain period.

Since the Domestic Companies start the amortization of actuarial differences from the fiscal year immediately following the year in which such differences arise, the adoption of this standard had no effects on the consolidated statement of operations for the year ended March 31, 2010.

Also, the unrecognized balance of the difference in projected benefit obligation that arose as a result of adopting this standard as of March 31, 2010 amounted to ¥2,673 million ($28,742 thousand).

Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

As discussed in Note 1, commencing in the year ended March 31, 2009, the Company and its consolidated foreign subsidiaries adopted PITF No. 18, and made necessary adjustments in preparing the consolidated financial statements.

In principle, Japanese GAAP requires that accounting policies and procedures applied by a parent company and its consolidated subsidiaries, including consolidated foreign subsidiaries, be unified (in terms of Japanese GAAP) for the purpose of preparing consolidated financial statements. However, prior to the year ended March 31, 2009, in preparing the consolidated financial statements, as a tentative measure, for consolidated foreign subsidiaries, Japanese GAAP allowed a parent company to use the financial statements of consolidated foreign subsidiaries prepared in conformity with the generally accepted accounting principles prevailing in the respective countries of domicile, without reflecting reconciling adjustments from accounting principles of various countries to Japanese GAAP.

PITF No. 18, which became effective as of April 1, 2008, revised the tentative measure. Under the revised tentative measure, PITF No. 18 allows a parent company to prepare consolidated financial statements, using consolidated foreign subsidiaries' financial statements which reflect adjustments to reconcile from the accounting principles of the respective countries of domicile to either IFRS or U.S. GAAP as necessary.

In addition, adjustments for the following six items specified in PITF No. 18 from IFRS or U.S. GAAP to Japanese GAAP should be made as necessary in the consolidation process unless the impact is immaterial:

(a) If the amortization of goodwill is not implemented, adjustments should be made to amortize it;
(b) If actuarial gains and losses of defined-benefit retirement plans are recognized outside profit and loss, adjustments should be made to recognize them in the income statement;
(c) If expenditures for research and development activities are capitalized, adjustments should be made to immediately expense them;
(d) If fair value measurement of investment properties is adopted or revaluation of property, plant and equipment and intangible assets is adopted, adjustments should be made for recording the depreciation expense calculated by applying the regular depreciation method;
(e) If retrospective treatment of a change in accounting policies is adopted, adjustments should be made to recognize the amount as profit and loss in the current fiscal year; and
(f) If minority interests are included in the current net income, adjustments should be made to exclude the minority interests from net income.

As a transition requirement of PITF No. 18, the balance of consolidated retained earnings as of April 1, 2008 was reduced by ¥1,554 million. Also, in the consolidated statement of operations for the year ended March 31, 2009, while the effect of adopting PITF No. 18 on operating loss was immaterial, loss before income taxes was increased by ¥3,119 million.

Also, in connection with adopting PITF No. 18, incentive expenses of consolidated foreign subsidiaries that were recognized in selling, general and administrative expenses in the prior periods are now recognized as a reduction to net sales. For the year ended March 31, 2009, such incentive expenses amounted to ¥146,697 million, and the effects of this change on the consolidated statement of operations for the year ended March 31, 2009 were to decrease net sales, gross profit on sales, and selling, general and administrative expenses each by the same amount.

Also, the effects of adopting PITF No. 18 on segment information are discussed in the applicable section of the notes to the consolidated financial statements.

Accounting standard for measurement of inventories

Commencing in the year ended March 31, 2009, the Domestic Companies adopted ASBJ Statement No. 9, *Accounting Standards for Measurement of Inventories*, issued by the ASBJ on July 5, 2006. As permitted under the superseded accounting standard, the Domestic Companies previously stated inventories at cost. The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value, which is defined as selling price less estimated additional manufacturing costs and estimated direct selling expenses.

The effects of adopting the new standard on the consolidated statement of operations for the year ended March 31, 2009 were to increase operating loss and loss before income taxes each by ¥2,461 million.

Also, the effects of adopting the new standard on segment information are discussed in the applicable section of the notes to the consolidated financial statements.

Change in accounting for materials sold to and purchased back from suppliers after fabrication

Prior to the year ended March 31, 2009, in the consolidated statements of operations, the Company accounted for materials sold to suppliers for the purpose of purchasing back from them after fabrication in such a manner that the transactions were recognized in both net sales and cost of sales, as the Company was emphasizing the contractual condition that the ownership title to the materials transfers through the transactions. Commencing in the year ended March 31, 2009, the Company changed accounting for these transactions to exclude the amounts from both net sales and cost of sales, as the Company now emphasizes the substance of the transactions that the materials are purchased back after fabrication.

The effects of this accounting change on the consolidated statement of operations for the year ended March 31, 2009 were to decrease net sales and cost of sales each by ¥152,097 million with no effects on operating loss and loss before income taxes.

Also, the effects of this accounting change on segment information are discussed in the applicable section of the notes to the consolidated financial statements.

Additional Information

Change in estimated useful lives of property, plant and equipment

As the Corporate Tax Code of Japan was revised on April 30, 2008 to implement certain changes to useful lives of property, plant and equipment, commencing in the year ended March 31, 2009, the Domestic Companies changed the estimated useful lives of property, plant and equipment in calculating depreciation expense in accordance with the revised Corporate Tax Code of Japan.

The effects of this change on the consolidated statement of operations for the year ended March 31, 2009 were to increase operating loss by ¥2,325 million and to increase loss before income taxes by ¥2,337 million.

The effects of this change on the segment information are discussed in the applicable section of the notes to the consolidated financial statements.

4 FINANCIAL INSTRUMENTS

(Additional Information)

Commencing in the year ended March 31, 2010, the Domestic Companies adopted the revised ASBJ Statement No. 10, *Accounting Standard for Financial Instruments*, and its Implementation Guidance—ASBJ Guidance No. 19, *Guidance on Disclosures about Fair Value of Financial Instruments*, both issued on March 10, 2008.

Qualitative information on financial instruments

Policies for using financial instruments

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

Details of financial instruments and the exposures to risk

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

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

Trade notes and accounts payable, as well as other accounts payable, are due within one year. Of these payables, those denominated in foreign currencies are subject to the risk of fluctuations in foreign exchange rates. However, the balance of such payables denominated in major currencies is constantly less than that of the accounts receivable denominated in the same foreign currency. For minor currencies where this does not apply, such payables are hedged, as necessary, through foreign exchange forward contracts, considering the transaction amounts and the degree of risk of foreign exchange rate fluctuation.

Loans payable, bonds payable, and finance lease obligations are mainly intended for financing cash required for capital investment. The longest time to maturity of these liabilities is 29 years and 3 months. Of these liabilities, those of the variable-interest-rate type are subject to the risk of interest rate fluctuations; part of them is hedged through derivative transactions (interest rate swaps).

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

Policies and processes for managing the risk

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

The Company and its consolidated subsidiaries manage credit risks, in compliance with internal control rules and procedures.

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

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

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

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

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

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

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

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

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

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

The liquidity risks of the Company and its consolidated subsidiaries are managed mainly through the preparation and update of the cash schedule by the Treasury Department.

Fair values of financial instruments

As of March 31, 2010, the carrying values on the consolidated balance sheet, the fair values, and the differences between these amounts, respectively, of financial instruments were as follows. Financial instruments whose fair value is deemed highly difficult to measure are excluded from the following table.

As of March 31, 2010	Millions of yen			Thousands of U.S. dollars		
	Carrying values	Fair values	Difference	Carrying values	Fair values	Difference
Assets						
1) Trade notes and accounts receivable	¥ 172,489	¥ —	¥ —	$ 1,854,720	$ —	$ —
Allowance for doubtful receivables (*1)	(791)	—	—	(8,505)	—	—
Trade notes and accounts receivable, net	171,698	171,650	(48)	1,846,215	1,845,699	(516)
2) Short-term investments and investment securities						
Available-for-sale securities	25,779	25,779	—	277,194	277,194	—
3) Long-term loans receivable (*2)	5,971	—	—	64,204	—	—
Allowance for doubtful receivables (*3)	(2,850)	—	—	(30,645)	—	—
Long-term loans receivable, net	3,121	3,121	—	33,559	33,559	—
	¥ 200,598	¥ 200,550	¥ (48)	$ 2,156,968	$ 2,156,452	$ (516)
Liabilities						
1) Trade notes and accounts payable	¥ 271,118	¥ 271,118	¥ —	$ 2,915,247	$ 2,915,247	$ —
2) Other accounts payable	17,777	17,777	—	191,151	191,151	—
3) Short-term loans payable	80,836	80,836	—	869,204	869,204	—
4) Long-term debt	641,292	648,464	7,172	6,895,613	6,972,731	77,118
	¥1,011,023	¥1,018,195	¥7,172	$10,871,215	$10,948,333	$77,118
Derivative instruments (*4)						
(a) Hedge accounting not applied	¥ 614	¥ 614	¥ —	$ 6,602	$ 6,602	$ —
(b) Hedge accounting applied	(2,434)	(2,434)	—	(26,172)	(26,172)	—
	¥ (1,820)	¥ (1,820)	¥ —	$ (19,570)	$ (19,570)	$ —

(*1) Allowance for doubtful receivables, which is recognized on the basis of each individual accounts receivable, is deducted.
(*2) Long-term loans receivable include those due within one year, which are included in "other current assets" on the consolidated balance sheet.
(*3) Allowance for doubtful receivables, which is recognized on the basis of each individual long-term loans receivable, is deducted.
(*4) Receivables and payables resulting from derivative transactions are offset against each other and presented on a net basis; when a net liability results, the net amount is shown in ().

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

As of March 31, 2010	Millions of yen	Thousands of U.S. dollars
	Carrying values	Carrying values
Available-for-sale securities		
Non-listed equity securities	¥ 3,186	$ 34,258
Investment in securities of affiliated companies	77,055	828,548
	¥80,241	$862,806

Basis of measuring fair value of financial instruments

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

Assets

1) Trade notes and accounts receivable

The fair values of these receivables are calculated by grouping the receivables according to their time to maturity, and then by discounting the amount of those receivables by group to present values. The discount rates used in computing the present values reflect the time to maturity as well as credit risk.

2) Short-term investments and investment securities

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

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

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

3) Long-term loans receivable
Long-term loans receivable consist of variable interest loans. As such, the interest rates on these loans reflect the market rates of interest within short periods of time. Also, the credit standings of borrowers of these loans have not changed significantly since the execution of these loans. Accordingly, the carrying values are used as the fair values of these loans receivable.

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

Liabilities
1) Trade notes and accounts payable, 2) Other accounts payable, and 3) Short-term loans payable
These payables are settled within short periods of time. Hence, their carrying values approximate their fair values. Accordingly, carrying values are used as the fair values of these payables.

4) Long-term debt
a) Bonds payable
The fair value of bonds issued by the Company and its consolidated subsidiaries is based on the market price where such a price is available. Otherwise, the sum of the present value of principal and interest payments is used as the fair value of bonds payable. The discount rates used in computing the present value reflect the time to maturity of the bonds as well as credit risk.
b) Long-term loans payable and c) Lease obligations
The fair value of these liabilities is calculated by the sum of the principal and interest payments discounted to present value, using the imputed interest rate that would be required to newly execute a similar borrowing or lease transaction.

For some long-term loans payable with variable interest rates, interest rate swaps are used as a hedge against interest rate fluctuations. When such interest rate swaps meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the long-term loans payable. In such cases, the resulting net interest on the long-term loans payable is used in calculating the present value. (Refer to “Derivatives and hedge accounting” under Note 2 “Significant Accounting Policies.”)

Derivative instruments
Refer to Note 15, “Derivative Financial Instruments and Hedging Transactions.”

As of March 31, 2010, scheduled amounts of redemption of securities with maturities and receivables were as follows:

	Millions of yen				Thousands of U.S. dollars			
	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years
Trade notes and accounts receivable	¥170,645	¥1,844	¥ —	¥ —	$1,834,892	$19,828	$ —	$ —
Short-term investments and investment securities								
Available-for-sale securities with maturities	20,000	—	—	—	215,054	—	—	—
Long-term loans receivable	158	4,369	537	907	1,699	46,978	5,774	9,753
	¥190,803	¥6,213	¥537	¥907	$2,051,645	$66,806	$5,774	$9,753

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

5 SECURITIES

The Company and its consolidated subsidiaries had no trading or held-to-maturity debt securities at March 31, 2010 and 2009.

Available-for-sale securities as of March 31, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2010	Acquisition costs	Carrying values	Unrealized gains	Acquisition costs	Carrying values	Unrealized gains
Stocks	¥ 4,446	¥ 4,686	¥240	$ 47,806	$ 50,387	$2,581
Other	95,776	95,776	—	1,029,850	1,029,850	—
	¥100,222	¥100,462	¥240	$1,077,656	$1,080,237	$2,581

	Millions of yen		
As of March 31, 2009	Acquisition costs	Carrying values	Unrealized gains
Stocks	¥ 4,465	¥ 4,712	¥247
Other	39,216	39,216	—
	¥43,681	¥43,928	¥247

In addition to the securities shown in the above tables, as of March 31, 2010 and 2009, there were unlisted equity securities with carrying values of ¥3,186 million ($34,258 thousand) and ¥3,190 million, respectively, which also fall in the category of available-for-sale securities. However, these securities were excluded from the above tables since their market values cannot be estimated.

6 INVENTORIES

Inventories as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2010	2009	2010
Finished products	¥157,745	¥171,412	$1,696,183
Work in process	42,341	29,648	455,280
Raw materials and supplies	10,786	13,328	115,978
	¥210,872	¥214,388	$2,267,441

7 LAND REVALUATION

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

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

The amounts of decrease in the aggregate fair value of the revalued land as of March 31, 2010 and 2009 from that at the time of revaluation, as stipulated in Article 10 of the Land Revaluation Law, were ¥87,836 million ($944,473 thousand) and ¥83,322 million, respectively.

8 IMPAIRMENT OF LONG-LIVED ASSETS

For the purpose of reviewing for impairment, assets are generally grouped by company; however, idle assets and assets for rent are individually reviewed for impairment.

For the years ended March 31, 2010 and 2009, the Domestic Companies recognized an impairment loss of ¥2,123 million ($22,828 thousand) and ¥2,218 million, respectively, on idle assets. Also, for the year ended March 31, 2009, an impairment loss of ¥2,366 million was recognized on goodwill, including the write-down of goodwill by a consolidated foreign subsidiary in Belgium. In addition, for the years ended March 31, 2010 and 2009, a consolidated foreign subsidiary in the United States reduced the carrying value of its leased property held for use in

production, resulting in an impairment loss of ¥372 million ($4,000 thousand) and ¥23,678 million, respectively, in the consolidated statement of operations. As a result, the total impairment loss that was recognized in the consolidated statement of operations for the years ended March 31, 2010 and 2009 amounted to ¥2,495 million ($26,828 thousand) and ¥28,262 million, respectively.

9 SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt as of March 31, 2010 and 2009 consisted of loans, principally from banks with interest averaging 1.26% and 1.50% for the respective years.

Long-term debt as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2010	2009	2010
Domestic unsecured bonds due serially 2009 through 2016 at rates of 0.56% to 1.87% per annum	¥ 95,950[(a)]	¥ 95,000	$1,031,721
Loans principally from banks:			
Secured loans, maturing through 2020	67,870	66,433	729,785
Unsecured loans, maturing through 2018	431,587	407,479	4,640,720
Lease obligations, maturing through 2039	45,885	57,224	493,387
	641,292	626,136	6,895,613
Amount due within one year	(85,009)	(61,613)	(914,075)
	¥556,283	¥564,523	$5,981,538

(a) As of March 31, 2010, certain of these unsecured bonds amounting to ¥950 million ($10,215 thousand) are bank-guaranteed under the condition that assets are pledged to the bank as collateral by the issuer of the bonds.

The annual interest rates applicable to long-term loans and lease obligations outstanding averaged 1.50% and 2.80%, respectively, for obligations due within one year and 1.70% and 3.24%, respectively, for obligations due after one year at March 31, 2010.

The annual interest rates applicable to long-term loans and lease obligations outstanding averaged 1.68% and 3.76%, respectively, for obligations due within one year and 1.86% and 4.39%, respectively, for obligations due after one year at March 31, 2009.

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

The annual maturities of long-term debt at March 31, 2010 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥ 85,009	$ 914,075
2012	173,416	1,864,688
2013	90,311	971,086
2014	95,268	1,024,387
2015	76,280	820,215
Thereafter	121,008	1,301,162
	¥641,292	$6,895,613

The assets pledged as collateral for short-term debt of ¥34,389 million ($369,774 thousand) and ¥53,690 million and long-term debt of ¥68,820 million ($740,000 thousand) and ¥66,433 million at March 31, 2010 and 2009, respectively, were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2010	2009	2010
Property, plant and equipment, at net book value	¥431,020	¥458,911	$4,634,624
Other	33	5,079	354
	¥431,053	¥463,990	$4,634,978

10 EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The liabilities for severance and retirement benefits as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2010	2009	2010
Projected benefit obligation	¥ 289,069	¥ 302,253	$ 3,108,269
Unrecognized prior service costs	17,152	19,428	184,430
Unrecognized actuarial differences	(53,833)	(95,144)	(578,849)
Less fair value of pension assets	(172,610)	(143,292)	(1,856,022)
Prepaid pension cost	4,775	7,676	51,344
Liability for severance and retirement benefits	¥ 84,553	¥ 90,921	$ 909,172

Severance and retirement benefit expenses for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	2010	2009	2010
Service costs—benefits earned during the year	¥11,344	¥12,195	$121,979
Interest cost on projected benefit obligation	6,518	6,486	70,086
Expected return on plan assets	(2,962)	(5,589)	(31,849)
Amortization of prior service costs	(2,423)	(2,232)	(26,054)
Amortization of actuarial differences	10,156	8,030	109,204
Severance and retirement benefit expenses	¥22,633	¥18,890	$243,366

The discount rates and the rates of expected return on plan assets were primarily 2.1% and 1.5%, respectively, for the year ended March 31, 2010. The respective rates were primarily 2.0% and 3.0% for the year ended March 31, 2009.

For both the years ended March 31, 2010 and 2009, the estimated amount of all retirement benefits to be paid at the future retirement dates is allocated equally to each service year using the estimated number of total service years.

For the years ended March 31, 2010 and 2009, accrued pension costs related to defined contribution plans amounted to ¥1,940 million ($20,860 thousand) and ¥2,079 million, respectively.

11 CONTINGENT LIABILITIES

Contingent liabilities as of March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. dollars
Factoring of receivables with recourse	¥ 340	$ 3,656
Guarantees of loans and similar agreements	11,854	127,462

12 EQUITY

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

Under the Corporate Law ("the Law"), in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve, must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit or could be capitalized by a resolution of the shareholder's meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law. Cash dividends charged to retained earnings during the fiscal year were year-end cash dividends for the preceding fiscal year and interim cash dividends for the current fiscal year.

The appropriations are not accrued in the consolidated financial statements for the corresponding period, but are recorded in the subsequent accounting period after shareholders' approval has been obtained. Retained earnings at March 31, 2010 include amounts representing year-end cash dividends of ¥5,311 million ($57,108 thousand), which were approved at the shareholders' meeting held on June 24, 2010. For the year ended March 31, 2009, no year-end dividends were appropriated.

13 OTHER INCOME/(EXPENSES)

The components of "Other, net" in Other income/(expenses) in the consolidated statements of operations for the years ended March 31, 2010 and 2009 were comprised as follows:

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	2010	2009	2010
Gain on sale of investment securities, net	¥ 10	¥ 77	$ 108
Gain on sale of investment in affiliates, net	440	—	4,731
Reversal of investment valuation allowance	227	—	2,441
Loss on retirement and sale of property, plant and equipment, net	(3,012)	(2,707)	(32,387)
Rental income	2,035	2,179	21,882
Loss on sale of receivables	(1,397)	(5,376)	(15,022)
Loss on impairment of long-lived assets	(2,495)	(28,262)	(26,828)
Foreign exchange (loss)/gain	(807)	29,057	(8,677)
Compensation received for the exercise of eminent domain	311	251	3,344
Reserve for loss from business of affiliates	(5,862)	—	(63,032)
Reserve for environmental measures	(1,464)	—	(15,742)
Other	(1,505)	(4,840)	(16,184)
	¥(13,519)	¥ (9,621)	$(145,366)

14 INCOME TAXES

For the years ended March 31, 2010 and 2009, since loss before income taxes was reported, the information on the reconciliation from statutory tax rate to effective tax rate is not provided in accordance with the applicable provisions of Japanese GAAP.

Deferred tax assets and liabilities reflect the estimated tax effects of loss carryforwards and accumulated temporary differences between assets and liabilities for financial accounting purposes and those for tax purposes. The significant components of deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2010	2009	2010
Deferred tax assets:			
Allowance for doubtful receivables	¥ 2,060	¥ 2,219	$ 22,151
Employees' severance and retirement benefits	32,970	34,989	354,516
Loss on impairment of long-lived assets	11,183	12,982	120,247
Accrued bonuses and other reserves	25,316	25,723	272,215
Inventory valuation	4,759	10,089	51,172
Valuation loss on investment securities, etc.	1,202	1,202	12,925
Net operating loss carryforwards	82,569	47,615	887,839
Other	56,159	63,065	603,860
Total gross deferred tax assets	216,218	197,884	2,324,925
Less valuation allowance	(59,949)	(45,888)	(644,613)
Total deferred tax assets	156,269	151,996	1,680,312
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	(6,225)	(6,662)	(66,935)
Other	(2,477)	(5,769)	(26,635)
Total deferred tax liabilities	(8,702)	(12,431)	(93,570)
Net deferred tax assets	¥147,567	¥139,565	$1,586,742

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

As of March 31	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Current assets—Deferred taxes	¥ 60,311	¥ 67,985	$ 648,505
Investments and other assets—Deferred taxes	88,182	72,940	948,194
Current liabilities—Other	(71)	(261)	(763)
Other long-term liabilities	(855)	(1,099)	(9,194)
Net deferred tax assets	¥147,567	¥139,565	$1,586,742

15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Company and its consolidated subsidiaries use foreign exchange forward contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuations in foreign currency exchange rates. Also, only for the purpose of mitigating future risks of fluctuations in interest rates with respect to borrowings, the Company and its consolidated subsidiaries use interest rate swap contracts.

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

Use of derivatives to manage these risks could result in the risk of a counterparty defaulting on a derivative contract. However, the Company believes that the risk of a counterparty defaulting is minimal since the Company and its consolidated subsidiaries use only highly credible financial institutions as counterparties.

Derivative transactions are conducted in compliance with internal control rules and procedures that prescribe transaction authority. The policies for derivative transactions of the Company and its consolidated subsidiaries are approved by the Company's President or Chief Financial Officer. Transactions are approved in advance by either the Company's Financial Services Division General Manager or Treasury Department General Manager. Based on these approvals, the Treasury Department conducts and books the transactions as well as confirms the balance between the counterparty of the derivatives contract. The operation of the transaction is segregated from its clerical administration, in order to maintain internal check within the Treasury Department, and is audited periodically by the Global Auditing Department. Derivative transactions are reported, upon execution, to the Company's Chief Financial Officer, Financial Services Division General Manager, and Treasury Department General Manager. The consolidated subsidiaries also follow internal control rules and procedures pursuant to those of the Company, obtain approval of the Company, and conduct and manage the transactions according to the approval.

The following summarizes hedging derivative financial instruments used by the Company and its consolidated subsidiaries and items hedged:

Hedging instruments:
- Forward foreign exchange contracts
- Interest rate swap contracts

Hedged items:
- Foreign currency-denominated transactions planned in the future
- Interest on borrowings

The following tables summarize fair value information as of March 31, 2010 and 2009 of derivative transactions for which hedge accounting has not been applied:

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2010	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Sell:						
U.S. dollar	¥25,583	¥(702)	¥(702)	$275,086	$(7,548)	$(7,548)
Euro	8,741	600	600	93,989	6,451	6,451
Canadian dollar	1,187	(38)	(38)	12,764	(409)	(409)
Sterling pound	3,508	195	195	37,720	2,097	2,097
Buy:						
U.S. dollar	1,398	46	46	15,032	495	495
Australian dollar	3,516	133	133	37,807	1,430	1,430
Thai baht	5,470	395	395	58,817	4,247	4,247
Japanese yen	3,067	(15)	(15)	32,979	(161)	(161)
	¥52,470	¥ 614	¥ 614	$564,194	$ 6,602	$ 6,602

	Millions of yen		
As of March 31, 2009	Contract amount	Estimated fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Sell:			
U.S. dollar	¥ 1,939	¥(107)	¥(107)
Canadian dollar	296	(4)	(4)
Australian dollar	2,409	(144)	(144)
Buy:			
Thai baht	2,260	(143)	(143)
Australian dollar	3,488	(135)	(135)
Japanese yen	348	(1)	(1)
	¥10,740	¥(534)	¥(534)

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

The following table summarizes fair value information as of March 31, 2010 of derivative transactions for which hedge accounting has been applied:

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2010	Contract amount	Thereof due after 1 year	Estimated fair value	Contract amount	Thereof due after 1 year	Estimated fair value
Interest rate swaps:						
On long-term loans payable:						
Where certain hedging criteria are not met (*1):	¥ 20,000	¥ —	¥ (74)	$ 215,054	$ —	$ (796)
Where certain hedging criteria are met (*2):	40,495	38,400	—	435,430	412,903	—
Forward foreign exchange contracts (*3):						
On accounts receivable and payable:						
Sell:						
U.S. dollar	66,944	—	(1,078)	719,828	—	(11,591)
Euro	28,707	—	1,245	308,677	—	13,387
Canadian dollar	31,587	—	(1,606)	339,645	—	(17,269)
Australian dollar	58,545	—	(2,195)	629,516	—	(23,602)
Sterling pound	9,112	—	318	97,979	—	3,419
Buy:						
Thai baht	17,523	—	956	188,419	—	10,280
	¥272,913	¥38,400	¥(2,434)	$2,934,548	$412,903	$(26,172)

(*1) The fair value of these interest rate swaps are based on prices presented by counterparty financial institutions.
(*2) The fair value of these interest rate swaps are, in effect, included in and presented with that of the hedged item□long-term loans payable. For details, refer to Note 4, "Financial Instruments."
(*3) The fair value of these forward foreign exchange contracts are based on prevailing forward exchange rates at the year-end date.

This information is not provided as of March 31, 2009 in accordance with applicable provisions of Japanese GAAP.

16 LEASES

The present values of future minimum lease payments under operating leases as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Operating leases		
As of March 31	2010	2009	2010
Current portion	¥ 2,464	¥ 2,852	$ 26,495
Non-current portion	11,678	13,845	125,570
	¥14,142	¥16,697	$152,065

17 SEGMENT INFORMATION

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of passenger and commercial vehicles. For the years ended March 31, 2010 and 2009, net sales and total identifiable assets related to this industry exceeded 90% of the total respective amounts of all the industry segments. Also, in terms of absolute value, operating income/(loss) related to this industry exceeded 90% of the larger of the total amount of operating income for all the industry segments for which operating income was recorded and the total amount of operating loss for all the segments for which operating loss was recorded. Accordingly, information by industry segment is not shown.

Net sales, operating income/(loss), and identifiable assets by geographic area for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen						
For the year ended March 31, 2010	Japan	North America	Europe	Other areas	Total	Elimination or corporate	Consolidated
Net sales:							
Outside customers	¥ 894,469	¥566,040	¥ 479,891	¥223,549	¥2,163,949	¥ —	¥2,163,949
Inter-segment	972,776	6,010	8,794	1,687	989,267	(989,267)	—
Total	1,867,245	572,050	488,685	225,236	3,153,216	(989,267)	2,163,949
Costs and expenses	1,836,457	591,353	485,180	219,859	3,132,849	(978,358)	2,154,491
Operating income/(loss)	¥ 30,788	¥ (19,303)	¥ 3,505	¥ 5,377	¥ 20,367	¥ (10,909)	¥ 9,458
Total identifiable assets	¥1,825,170	¥171,053	¥ 221,094	¥ 61,724	¥2,279,041	¥(331,272)	¥1,947,769

	Millions of yen						
For the year ended March 31, 2009	Japan	North America	Europe	Other areas	Total	Elimination or corporate	Consolidated
Net sales:							
Outside customers	¥ 988,829	¥677,348	¥640,904	¥228,821	¥2,535,902	¥ —	¥2,535,902
Inter-segment	1,056,562	7,426	11,552	2,242	1,077,782	(1,077,782)	—
Total	2,045,391	684,774	652,456	231,063	3,613,684	(1,077,782)	2,535,902
Costs and expenses	2,140,405	659,286	643,856	221,357	3,664,904	(1,100,621)	2,564,283
Operating (loss)/income	¥ (95,014)	¥ 25,488	¥ 8,600	¥ 9,706	¥ (51,220)	¥ 22,839	¥ (28,381)
Total identifiable assets	¥1,607,364	¥186,263	¥197,624	¥ 57,641	¥2,048,892	¥ (247,911)	¥1,800,981

For the year ended March 31, 2010	Thousands of U.S. dollars						
	Japan	North America	Europe	Other areas	Total	Elimination or corporate	Consolidated
Net sales:							
Outside customers	$ 9,617,946	$6,086,452	$5,160,118	$2,403,753	$23,268,269	$ —	$23,268,269
Inter-segment	10,459,957	64,623	94,559	18,139	10,637,278	(10,637,278)	—
Total	20,077,903	6,151,075	5,254,677	2,421,892	33,905,547	(10,637,278)	23,268,269
Costs and expenses	19,746,849	6,358,634	5,216,989	2,364,075	33,686,547	(10,519,977)	23,166,570
Operating income/(loss)	$ 331,054	$ (207,559)	$ 37,688	$ 57,817	$ 219,000	$ (117,301)	$ 101,699
Total identifiable assets	$19,625,484	$1,839,280	$2,377,355	$ 663,698	$24,505,817	$ (3,562,064)	$20,943,753

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. and Canada
Europe.....Germany, Belgium, and U.K.
Other areas .....Australia, Colombia, and Thailand

2) As discussed earlier in Note 3, commencing in the year ended March 31, 2009, the Company and its consolidated foreign subsidiaries adopted PITF No. 18, *Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements.* The effects of adopting PITF No. 18 on the operating income of the North America segment for the year ended March 31, 2009 were immaterial, but the effects on the Europe segment and on the Other areas segment were to decrease operating income by ¥2,898 million and to increase operating income by ¥3,125 million, respectively.
Also, in connection with adopting PITF No. 18, incentive expenses of consolidated foreign subsidiaries that were recognized in selling, general and administrative expenses in the prior periods are now recognized as a reduction to net sales. The effects of this change on the North America segment, Europe segment, and Other areas segment for the year ended March 31, 2009 were to decrease net sales by ¥73,289 million, ¥62,725 million, and ¥10,683 million, respectively. However, this change had no effect on operating income of any of the segments as the operating expense (selling, general and administrative expenses) of each segment decreased by the amount equal to the amount of decrease in net sales.

3) As discussed earlier in Note 3, commencing in the year ended March 31, 2009, the Domestic Companies adopted ASBJ Statement No. 9, *Accounting Standards for Measurement of Inventories.* The effect of adopting the new standard on the Japan segment for the year ended March 31, 2009 was to increase operating loss by ¥2,461 million.

4) As discussed earlier in Note 3, commencing in the year ended March 31, 2009, the Company changed accounting for materials sold to and purchased back from suppliers after fabrication. The effect of this change on the Japan segment for the year ended March 31, 2009 was to decrease net sales by ¥152,097 million. However, since operating expense (cost of sales) decreased by the same amount, operating loss was not affected.

5) As discussed earlier in Note 3, commencing in the year ended March 31, 2009, the Domestic Companies changed the useful lives of tangible fixed assets in calculating their depreciation expenses in accordance with the revised Corporate Tax Code of Japan. The effect of this change on the Japan segment for the year ended March 31, 2009 was to increase operating loss by ¥2,325 million.

International sales for the years ended March 31, 2010 and 2009 were as follows:

For the year ended March 31, 2010	Millions of yen			
	North America	Europe	Other areas	Total
International sales	¥574,640	¥477,337	¥536,990	¥1,588,967
Percentage of consolidated net sales	26.5%	22.1%	24.8%	73.4%

For the year ended March 31, 2009	Millions of yen			
	North America	Europe	Other areas	Total
International sales	¥697,600	¥653,382	¥564,584	¥1,915,566
Percentage of consolidated net sales	27.5%	25.8%	22.2%	75.5%

For the year ended March 31, 2010	Thousands of U.S. dollars			
	North America	Europe	Other areas	Total
International sales	$6,178,925	$5,132,656	$5,774,086	$17,085,667

Notes: 1) International 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. and Canada
Europe ..... Germany, U.K., and Russia
Other areas ..... Australia, China, and Thailand

18 RELATED PARTY TRANSACTIONS

(Additional Information)

Commencing in the year ended March 31, 2009, the Company and its consolidated subsidiaries adopted ASBJ Statement No. 11, *Accounting Standard for Related Party Disclosures*, and its Implementation Guidance—ASBJ Guidance No. 13, *Guidance on Accounting Standard for Related Party Disclosures*—both issued on October 17, 2006. Prior to the year ended March 31, 2009, only those transactions between the Company and its related parties were considered for disclosure as material related party transactions. Commencing in the year ended March 31, 2009, as a result of adopting these new standards, in addition to the transactions considered for disclosure in the prior years, those transactions between the Company's consolidated subsidiaries and the Company's related parties are also considered for disclosure as material related party transactions.

During the years ended March 31, 2010 and 2009, the Company's consolidated foreign subsidiary in the United States recognized, based on the applicable U.S. GAAP, lease obligations for certain tooling and other assets used in production that are owned by AutoAlliance International, Inc. ("AAI"), an affiliate which is accounted for by the equity method by the Company. For the year ended March 31, 2010, capital lease transactions amounted to ¥4,583 million ($49,280 thousand) while repayments of lease obligations and interest on lease obligations amounted to ¥4,510 million ($48,495 thousand) and ¥1,558 million ($16,753 thousand), respectively, and the ending balance of lease obligations was ¥25,827 million ($277,710 thousand). Also, for the year ended March 31, 2009, capital lease transactions amounted to ¥32,069 million, and the ending balance of lease obligations was ¥27,187 million. The actual payments of lease obligations are made through the Company.

During the year ended March 31, 2009, the Company purchased treasury stock from Ford Motor Company ("Ford"). Prior to November 19, 2008, Ford had owned one-third of the Company's voting interest, and the Company had been an (equity method-applied) affiliate of Ford. On November 19, 2008, Ford sold part of its shares of the Company's common stock, and of the total shares sold by Ford, the Company purchased 96,802,000 shares at ¥184 per share, or a total amount of ¥17,812 million, through ToSTNeT-3 Off-Hour Trading System of the Tokyo Stock Exchange. As a result, the Company is no longer an (equity method-applied) affiliate of Ford. However, Ford still remains a major shareholder of and, as such, a related party to the Company. As of March 31, 2009, Ford had a 14.9% voting interest of the Company.

During the year ended March 31, 2009, the Company's consolidated foreign subsidiaries in Europe liquidated their receivables with FCE Bank plc. ("FCE"), a subsidiary in Europe of Ford. The total amount of transactions during the year was ¥393,490 million. To the extent the transactions are subject to the guarantee extended to FCE by the Company's subsidiaries, the amount received is accounted for as a financial liability and reported as short-term debt in the consolidated balance sheet; otherwise, the transactions are accounted for as sale of receivables. The balance of short-term debt in the consolidated balance sheet as of March 31, 2009 was ¥5,472 million.

19 SUPPLEMENTARY CASH FLOW INFORMATION

Assets and liabilities related to finance lease transactions that were newly recognized in the year ended March 31, 2009 amounted to ¥34,291 million and ¥34,400 million, respectively.

20 SUBSEQUENT EVENTS

The following appropriation of retained earnings was approved at a shareholders' meeting held on June 24, 2010:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends: ¥3.00 ($0.03) per share	**¥5,311**	**$57,108**

Assurance by Key Management

June 24, 2010

To the best of our knowledge, after due inquiry, the financial statements and other financial information included in the company's annual report for the year ended March 31, 2010 are presented fairly, in all material respects, in conformity with the generally accepted accounting principles in Japan.

President and
Chief Executive Officer

Takashi Yamanouchi

Senior Managing Executive Officer and
Chief Financial Officer

Kiyoshi Ozaki

Independent Auditors' Report

To the Board of Directors of Mazda Motor Corporation

We have audited the accompanying consolidated balance sheet of Mazda Motor Corporation and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statement of operations, equity and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mazda Motor Corporation and subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

(1) As referred to in Note 3, effective April 1, 2008, Mazda Motor Corporation adopted new accounting standard "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (*"PITF No. 18"*).

(2) As referred to in Note 3, effective April 1, 2008, Mazda Motor Corporation changed accounting policy for materials sold to and purchased back from suppliers after fabrication.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Hiroshima, Japan
June 24, 2010

Corporate Data (As of March 31, 2010)

Name: Mazda Motor Corporation
Founded: January 1920
Capital: ¥186.5 billion
Number of Employees: 38,987 (consolidated)

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MAZDA WEB SITE ADDRESS
Additional information is available on Mazda's global web site.
URL: http://www.mazda.com
For investors:
URL: http://www.mazda.com/investors/

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Directory (As of March 31, 2010)

RESEARCH AND DEVELOPMENT SITES
Hiroshima Head Office, Mazda R&D Center (Yokohama),
Mazda North American Operations (U.S.),
Mazda Motor Europe (Germany), China Engineering Support Center

MANUFACTURING SITES

Japan
Hiroshima Plant (Head Office, Ujina), Hofu Plant (Nishinoura, Nakanoseki), Miyoshi Plant

Overseas
U.S.A., China, Taiwan, Thailand, Philippines, Zimbabwe, South Africa, Ecuador, Colombia

PRINCIPAL SUBSIDIARIES AND AFFILIATES

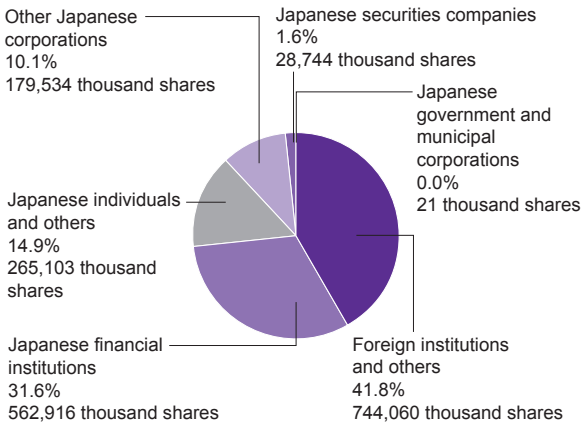
Company	Capital		Holding (%)
Mazda Motor of America, Inc.	240,000	Thousand USD	100.0
Mazda Canada Inc.	111,000	Thousand CAD	100.0
Mazda Motor Europe G.m.b.H	26	Thousand EUR	100.0*
Mazda Motor Logistics Europe N.V.	71,950	Thousand EUR	100.0
Mazda Motors (Deutschland) G.m.b.H	17,895	Thousand EUR	100.0*
Mazda Motors UK Ltd.	4,000	Thousand GBP	100.0*
Mazda Motor Russia, OOO	286	Thousand RUB	100.0
Mazda Australia Pty., Ltd.	31,000	Thousand AUD	100.0
Mazda Motor (China) Co., Ltd.	78,290	Thousand CNY	100.0
Kanto Mazda Co., Ltd.	3,022	Million JPY	100.0
Tokai Mazda Sales Co., Ltd.	2,110	Million JPY	100.0
Kansai Mazda Co., Ltd.	950	Million JPY	100.0
Kyushu Mazda Co., Ltd.	826	Million JPY	100.0
Mazda Autozam Inc.	1,725	Million JPY	100.0
Mazda Parts Co., Ltd.	1,018	Million JPY	99.7
Kurashiki Kako Co., Ltd.	310	Million JPY	75.0
Malox Co., Ltd.	490	Million JPY	99.6
Mazda Chuhan Co., Ltd.	1,500	Million JPY	100.0
Toyo Advanced Technologies Co., Ltd.	3,000	Million JPY	100.0
Mazda Motor International Co., Ltd.	115	Million JPY	100.0
AutoAlliance International, Inc.	760,000	Thousand USD	50.0
AutoAlliance (Thailand) Co., Ltd.	8,435,000	Thousand THB	50.0*
Changan Ford Mazda Automobile Co., Ltd.	2,787,156	Thousand CNY	15.0
Changan Ford Mazda Engine Co., Ltd.	1,114,586	Thousand CNY	25.0
FAW Mazda Motor Sales Co., Ltd.	125,000	Thousand CNY	40.0
SMM Auto Finance, Inc.	7,700	Million JPY	40.0

* Including voting rights held by subsidiaries.

Stock Information (As of March 31, 2010)

Authorized:	3,000,000,000 shares
Issued:	1,780,377,399 shares
Number of Shareholders:	79,444
Listing:	Tokyo Stock Exchange, First Section
Code:	7261
Fiscal Year-End:	March 31
Transfer Agent:	The Sumitomo Trust & Banking Co., Ltd. 5-33, Kitahama 4-chome, Chuo-ku, Osaka 540-8639, Japan

BREAKDOWN OF SHAREHOLDERS

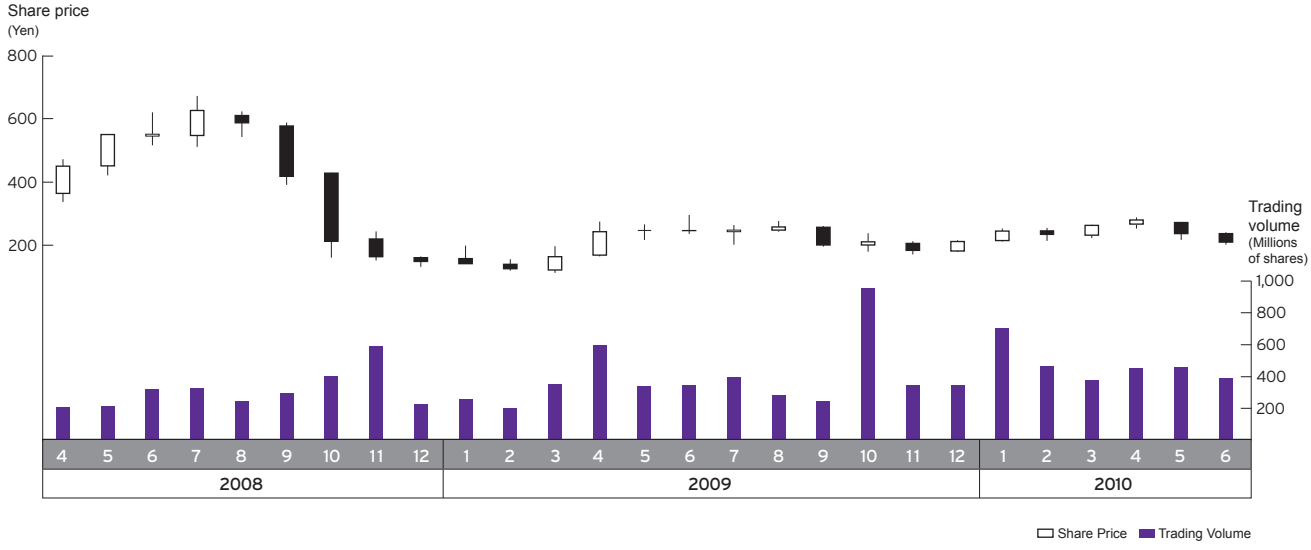


MAJOR SHAREHOLDERS

Shareholder	No. of Shares Owned (Thousands)	Ratio (%)
Ford Motor Company	195,493	11.0
The Chase Manhattan Bank 385036	89,738	5.1
Japan Trustee Services Bank, Ltd. (Trust)	86,867	4.9
The Master Trust Bank of Japan, Ltd. (Trust)	71,755	4.1
Mitsui Sumitomo Banking Corp.	51,824	2.9
Mitsui Sumitomo Insurance Co., Ltd.	46,683	2.6
Tokio Marine & Nichido Fire Insurance Co., Ltd.	40,410	2.3
Nippon Life Insurance Company	29,753	1.7
Sompo Japan Insurance Inc.	27,210	1.5
Northern Trust Co. AVFC Re Fidelity Funds	25,623	1.4

Note: The treasury stock of 10,131,155 shares is excluded in the calculation of the ratio.

SHARE PRICE AND TRADING VOLUME (Tokyo Stock Exchange, First Section)



Introducing Mazda's Investor Relations Internet Site

Mazda's Investor Relations Internet site offers a variety of information for investors, including earnings presentation materials, streaming video, financial results, and annual reports.

Investor Relations Internet Site

http://www.mazda.com/investors/

Sustainability Report 2010

Mazda issues a sustainability report recognizing that information disclosure of the corporate social responsibility (CSR) is an important responsibility to stakeholders. Mazda's approach to CSR is introduced in Executive Dialog at the beginning of the report. This is followed by narratives told by employees on the themes of "Environmental Protection," "Social Contributions," and "Respect for people," which Mazda has identified as the three Important Themes of its CSR. The Mazda Sustainability Report is available for download on Mazda's website, or a printed booklet is available upon request.

Corporate Social Responsibility

http://www.mazda.com/csr/

(scheduled to be uploaded at the end of September)

Mazda in Brief 2010

Mazda will also publish the "Mazda in Brief 2010" fact book which summarizes basic information about the Company.

This can be downloaded from the URL shown below.

Mazda in Brief 2010

http://www.mazda.com/profile/outline/library.html

(scheduled to be uploaded at the end of September)

Mazda Motor Corporation

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(Japanese name: Mazda Premacy)