Annual Report 2011

Year ended March 31, 2011

CONTENTS

2 Consolidated Financial Highlights

4 Global Network

6 Message from the CEO

8 Interview with the CEO

Reflecting solid sales and additional cost improvements, Mazda achieved a 2.5-fold increase in operating income in the March 2011 fiscal year, to ¥23.8 billion. In this first year of the SKYACTIV era, the Company is aiming to further increase sales in the March 2012 fiscal year through global launches of new, highly competitive products. President and CEO Takashi Yamanouchi recaps the March 2011 fiscal year and explains Mazda's management strategy going forward.

Special Feature

13 What is the Key for the Future?

In the special feature, we outline the two-part answer that will be the key for the future.

ANSWER 1

14 SKYACTIV TECHNOLOGY

ANSWER 2

18 EMERGING MARKET STRATEGY

22 Mazda Design

24 Major Product Lineup

26 Toward Sustained Growth

37 Financial Section

38 Interview with the CFO

Chief Financial Officer Kiyoshi Ozaki analyzes Mazda's results for the March 2011 fiscal year, explains the measures being taken to strengthen cost competitiveness and financial position, and outlines the Company's investment and financial strategy going forward.

41 Management Review

This Annual Report outlines Mazda's operating results by market within this management review section. This section summarizes Mazda's sales in its major markets including Japan, North America, Europe, and China.

75 Corporate Data

76 Stock Information

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 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 and respect highly motivated people and team spirit. We positively support environmental matters, safety and society. Guided by these values, we provide superior rewards to all people associated with Mazda.

zoom-zoom

CONSOLIDATED FINANCIAL HIGHLIGHTS

Mazda Motor Corporation and Consolidated Subsidiaries
Years ended March 31

HIGHLIGHTS

- **Achieved revenue and profit growth, with increases of 7% in net sales, to ¥2,325.7 billion, and 152% in operating income, to ¥23.8 billion.**
  Despite the impact of the Great East Japan Earthquake, this was the result of an emphasis on improving earnings through cost improvements and increased sales in emerging markets.
- **As in the previous fiscal year, positive free cash flow was maintained, at ¥1.6 billion.**
- **A net loss of ¥60.0 billion was recorded.**
  Extraordinary losses included an ¥8.5 billion reserve for business losses at a North American subsidiary and a ¥5.2 billion loss on disaster related to the Great East Japan Earthquake. In addition, given the uncertain impact of the earthquake on future earnings, the likelihood of recovery of deferred tax assets was carefully considered, and as a result ¥56.7 billion of those assets were written off and recorded as income taxes–deferred.
- **With strong sales in major markets, global sales volume grew 80,000 units, or 7%, to 1,273,000 units. Record sales volumes were achieved in several markets,** primarily in emerging markets.

	Millions of yen					Thousands of U.S. dollars*1
	2007	2008	2009	2010	**2011*8**	**2011**
For the year						
Net sales	¥3,247,485	¥3,475,789	¥2,535,902	¥2,163,949	**¥2,325,689**	**$28,020,349**
Operating income (loss)	158,532	162,147	(28,381)	9,458	**23,835**	**287,168**
Income (loss) before income taxes	118,450	143,117	(51,339)	(7,265)	**16,081**	**193,746**
Net income (loss)	73,744	91,835	(71,489)	(6,478)	**(60,042)**	**(723,398)**
Capital expenditures	79,641	75,518	81,838	29,837	**44,722**	**538,819**
Depreciation and amortization*2	47,045	74,217	84,043	76,428	**71,576**	**862,361**
Research and development costs	107,553	114,400	95,967	85,206	**90,961**	**1,095,916**
Free cash flow*3	20,995	10,209	(129,244)	67,394	**1,627**	**19,603**
At the year-end						
Total assets	¥1,907,752	¥1,985,566	¥1,800,981	¥1,947,769	**¥1,771,767**	**$21,346,590**
Equity	479,882	554,154	414,731	509,815	**430,539**	**5,187,217**
Financial debt	474,684	504,979	753,355	722,128	**693,000**	**8,349,398**
Net financial debt	232,179	281,085	532,631	375,825	**370,151**	**4,459,651**
	Yen					U.S. dollars*1
Amounts per share of common stock						
Net income (loss)*4	¥ 52.59	¥ 65.21	¥ (52.13)	¥ (4.26)	**¥ (33.92)**	**$(0.41)**
Cash dividends applicable to the year*5	6.00	6.00	3.00	3.00	**—**	**—**
Equity*6	336.45	391.82	314.98	286.92	**242.24**	**2.92**
	%					
Management indexes						
Return on assets (ROA)	4.0%	4.7%	(3.8)%	(0.3)%	**(3.2)%**	
Return on equity (ROE)*7	16.9	17.9	(14.8)	(1.4)	**(12.8)**	
Equity ratio*7	24.8	27.8	22.9	26.1	**24.2**	
Net debt-to-equity ratio*7	49	51	129	74	**86**	

( ) 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, 2011, of ¥83 to US$1.
2. Amortization expenses are not included for the March 2007 fiscal year.
3. Free cash flow represents the sum of net cash flows from operating activities and from investing activities.
4. 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.
5. Cash dividends per share represent actual amounts applicable to the respective year.
6. The amounts of equity used in the calculation of equity per share exclude minority interests and stock acquisition rights.
7. The amounts of equity exclude minority interests and stock acquisition rights.
8. Results information for the March 2011 fiscal year includes 15-month results for certain overseas subsidiaries that changed their fiscal year-end.

Net sales

Billions of yen

Operating income / Operating income margin

Billions of yen / %

Operating income
Operating income margin

Net income

Billions of yen

ROE / ROA

%

ROE
ROA

Free cash flow

Billions of yen

Capital expenditures / Depreciation and amortization

Billions of yen

Capital expenditures
Depreciation and amortization

Equity / Equity ratio

Billions of yen / %

Equity
Equity ratio

Net financial debt / Net debt-to-equity ratio

Billions of yen / %

Net financial debt
Net debt-to-equity ratio

Research and development costs / Share of net sales

Billions of yen / %

Research and development costs
Share of net sales

GLOBAL NETWORK

Years ended March 31
Graphs on the map are unit sales by market (Thousands of units)

Major Facilities

Japan

(number of dealerships: 1,087)

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

North America

(number of dealerships: 838)

Regional headquarters / R&D	12 Mazda North American Operations
Production facilities	13 AutoAlliance International
	14 Ford Motor Kansas City Assembly Plant*
Distributors	15 Mazda Motor of America
	16 Mazda Canada
	17 Mazda Motor de Mexico

Europe

(number of dealerships: 2,232)

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

Sales trend by major market

Thousands of units

Trend in production volume

Thousands of units

Consolidated net sales by region

Billions of yen

China

(number of dealerships: 312)

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

Asia, Oceania

(number of dealerships: 429)

Regional headquarters	30 Mazda South East Asia
Production facilities	31 AutoAlliance (Thailand)
	32 Ford Lio Ho Motor*
Distributors	33 Mazda Sales (Thailand)
	34 PT. Mazda Motor Indonesia
	35 Mazda Australia
	36 Mazda Motors of New Zealand

Central and South America, Middle East, Africa

(number of dealerships: 711)

Sales and service for dealers	37 Mazda Representative Office (Middle East)
Production facilities / Distributors	38 Compania Colombiana Automotriz
Production facilities	39 Manufacturas, Armadurias y Repuestos Equatorianos*
	40 Willowvale Mazda Motor Industries
	41 Ford Motor Company of Southern Africa*

(As of December 31, 2010)

* Consignment production facilities

NEW TECHNOLOGIES, STRONG PROGRESS

I would like to extend my gratitude to shareholders and other investors, and all of the Mazda Group's stakeholders including customers, suppliers, and local communities, for your continued support and understanding.

Before reviewing Mazda's operations, let me express my deepest condolences to all of the people and their families who have suffered as a result of the Great East Japan Earthquake that struck on March 11, 2011. The Mazda Group will continue to work with companies within and outside the Group to aid in the reconstruction of the affected regions.

Mazda's net sales and operating income for the March 2011 fiscal year both rose from the previous year, supported by strong sales in major markets. We have designated the March 2012 fiscal year as the first year of the SKYACTIV era, and intend to launch products in series that incorporate SKYACTIV TECHNOLOGY. Mazda is targeting a global sales volume of 1.7 million units in the March 2016 fiscal year, with operating income of ¥170.0 billion and ROS of 5% or more, as a Medium- and Long-Term Outlook. SKYACTIV TECHNOLOGY will be one of the key enablers driving this growth. As a company with strong brand value based on this technology, we aim to gain the support of customers who view Mazda as their "One and Only" car manufacturer. I am confident that as this key driver is rolled out globally, we will be able to achieve steady, continuous growth under the Framework for Medium- and Long-Term Initiatives formulated in 2010.

August 2011

Takashi Yamanouchi

Representative Director, Chairman of the Board, President and CEO

mazda

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

Q1 How would you recap the year, and what measures have you taken to restore production?

Operating income rose 2.5 times from the previous fiscal year

Although the overseas business environment showed a gradual trend of recovery during the year, supported by the growth of Asian and other emerging markets, there has been a sense of unease with concerns over financial instability in Europe triggered by the Greek debt crisis and rising crude oil prices. Domestically, the decline in production following the end of economic stimulus measures has been halted, exports and production are gradually increasing, and capital investment has picked up, but with the trend of a stronger yen continuing, business conditions nevertheless remain difficult. In addition, the Great East Japan Earthquake that struck on March 11 created further uncertainty, with manufacturing activity expected to decline and a mood of self-restraint dampening consumer sentiment. Against this backdrop, the Mazda Group is stepping up its efforts to improve costs with greater efficiency, while at the same time pursuing a variety of initiatives to improve earnings, including increasing sales in emerging markets and improving the model mix.

Net sales for the year rose ¥161.7 billion, or 7%, to ¥2,325.7 billion, due to an increase in sales volume and despite the continued appreciation of the yen to the major currencies. As a result of sales volume growth in major markets and measures to improve earnings, operating income rose ¥14.4 billion, or 152%, to ¥23.8 billion. In addition to a loss on disaster recognized in connection with the Great East Japan Earthquake and a reserve for loss from business of an affiliate in our North American operations, with the earthquake occurring immediately before the fiscal year-end and the uncertainty regarding the impact on the next year's results, we conservatively considered the likelihood of recovery of deferred tax assets, and as a result wrote off a portion of deferred tax assets. As a result, net income for the term was a loss of ¥60.0 billion.

Full-scale, stable production restarted from June

Following the earthquake, operations were suspended at our Hiroshima Plant and Hofu Plant from the night shift on March 14, but production of parts for repairs and for overseas production and of vehicles using "in-process" inventories temporarily restarted from March 22. In total, the effect on domestic production was a 46,000 unit reduction in production volume, and a roughly 10,000 unit reduction in terms of consolidated wholesales.

Subsequently, working together with suppliers, we were able to restart full-scale, stable production earlier than we had initially estimated. April of course saw the greatest impact from the earthquake, and production volume was roughly half of the April 2010 production volume, but the year-over-year production level rebounded to 90% in May, and we were able to restore normal operations, including overtime and holiday work, in June. We are planning on a 4% increase in domestic production volume for the March 2012 fiscal year, to 900,000 vehicles. Overseas production facilities that had been straight-time operations as of April also shifted to normal operations from the second half of the first quarter.

Q2 What are your earnings forecasts for the March 2012 fiscal year?

Forecasting profitability at all levels

When we announced our results for the March 2011 fiscal year in April, the effect of the Great East Japan Earthquake on Mazda's operating environment was still unclear, and we refrained from announcing forecasts for the March 2012 fiscal year. We subsequently announced forecasts on June 17, after we had mostly resumed full-scale, stable production, for net sales of ¥2,190.0 billion, with operating income of ¥20.0 billion, and net income of ¥1.0 billion.

We expect to return to profitability at all profit levels, while accelerating investment for the future and negating the impact of the yen's appreciation and high raw material prices.

Q3 The March 2012 fiscal year is the first year of the SKYACTIV era. What specific measures are you taking for the future?

Successively introduce models equipped with SKYACTIV TECHNOLOGY, beginning with the new Demio

Beginning in the March 2011 fiscal year, we released the new Premacy (overseas name: Mazda5), which is equipped with our proprietary "i-stop" idling stop system for superior environmental performance in Japan in July 2010. Sales also commenced overseas, in the European market in the fall of 2010 and in North America in January 2011, and the model's stylish exterior, flexible functionality that meets a variety of customer needs, and smooth, comfortable drive have been well received. We also launched a new compact car, the Mazda2 (Japanese name: Demio) in North America in August 2010, and a minivan, the Mazda8 (Japanese name: MPV) in the Chinese market at the end of 2010, with the aim of expanding our customer base and bolstering our product lineup in major overseas markets.

With the March 2012 fiscal year being the first year of the SKYACTIV era, we launched a new Demio, equipped with SKYACTIV TECHNOLOGY and able to achieve 30km/L in the 10–15 mode, in Japan on June 30. This new Demio has proven very popular, with total orders in the first month after its release totaling 13,500 units, more than twice the planned volume.

We also plan to launch a new Mazda3 (Japanese name: Axela) equipped with SKYACTIV engine and transmission in Japan, North America, and other major markets during the second half of 2011, and are looking for a global launch in 2012 of the new compact crossover SUV Mazda CX-5 that is fully equipped with SKYACTIV TECHNOLOGY.

New emphasis on Central and South America

Mazda has been considering entering emerging markets after China and ASEAN countries, and as a third pillar our strategy for emerging markets—in addition to strengthening our entry in growth markets and maintaining cost competitiveness—a decision has been made to strengthen the Central and South American business by establishing a vehicle production facility in Mexico and entering the Brazilian market.

These efforts have three aims.

First, we intend to build the facility in Mexico to establish a production structure for small cars, primarily for Central and South America. Next, following continued strong sales in Mexico, we intend to enter the growing Brazilian market and increase our sales in Central and South America. Then, we will make maximum use of synergies with our business partner Sumitomo Corporation, which has a wealth of experience and expertise in business in emerging markets.

Q4 What is the status of progress under the Framework for Medium- and Long-Term Initiatives formulated in 2010?

Quickly responding to a year of sudden changes in operating environment

The Framework for Medium- and Long-Term Initiatives was announced in April 2010, but over the roughly one year since then Mazda's operating environment has changed dramatically.

External factors including a persistent higher yen and a rise in prices for raw materials have pressured earnings. The sales environment also saw rapid advances by Korean and German manufacturers, leveraging the weakness of their own currencies, which put pressure on Japanese manufacturers. In particular, Korean manufacturers made gains in the United States, and this has intensified competition for sales. In terms of demand, there has been a noticeable delay in the recovery of developed markets, especially Japan and Europe, while on the other hand emerging markets such as China, ASEAN countries, and Central and South America are showing remarkable growth. Environmental awareness continues to grow as well.

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

We have therefore begun to implement five pillars to quickly address these dramatic changes in our operating environment that have occurred over the past year.

1. Brand Value

Mazda is pursuing a global project to enhance its brand value, with a focus on brand loyalty. As a result of further efforts made during the past year, our brand value continues to rise, as evidenced by our continued top-level position in residual value around the world.

Customer loyalty is also showing a trend of steady improvement in the United States and other major markets, indicating solid progress in enhancing brand value over the past year.

Going forward, we will utilize the successful introduction of SKYACTIV TECHNOLOGY to raise brand value as well as customer satisfaction and trust, through appropriate pricing and increased residual value, as we pursue higher transaction prices and innovation in global sales methods.

2. Monotsukuri Innovation

As a result of integrated planning, flexible production, and other initiatives:

- Development efficiency has increased more than 30%.
- Cost improvements in new-generation vehicles is at the 20% level.
- Efficiency in capital investment for production equipment rose by 20–60%.

With our new-generation vehicles, we expect to achieve weight reductions of more than 100 kilograms, Euro6 compliance with both SKYACTIV-G and SKYACTIV-D, and improvements in terms of both costs and performance.

Going forward, we will implement measures to further improve costs and address the exchange rate risk, in response

to the greater-than-expected appreciation of the yen and rise in raw material prices. First, we will improve costs in vehicles produced in Japan. We have decided to pursue additional cost improvements in both current and new-generation vehicles. Second, we plan to raise the percentage of overseas procurement to 30% from the current 20%. Then going forward, we intend to improve costs and reduce exchange rate risk by increasing production in emerging markets and other overseas locations, while raising the percentage of local procurement at the same time.

3. Environmental and Safety Technologies

Mazda is making steady progress in developing environmental technologies under our Building Block Strategy, which involves thoroughly enhancing a car's basic performance while adding electric devices one step at a time.

The new Demio, launched in Japan on June 30 as the first product equipped with SKYACTIV TECHNOLOGY, will be followed by a series of launches of new-generation vehicles equipped with superior environmental and safety technologies.

4. Emerging Markets

In China, which has grown into a major market, we are building a sales structure that can handle 400,000 units. With the consolidation of production of the Mazda3 at the Nanjing Plant and the introduction of new models, we are working to increase sales with the aim of continued growth going forward.

The ASEAN market is also showing significant growth in countries like Thailand, Indonesia, and Malaysia, and sales are growing along with increased production at AutoAlliance (Thailand) Co., Ltd. (AAT). In terms of production, AAT's passenger vehicle plant began manufacturing the Mazda2 hatchback in October 2009, and started manufacturing the Mazda2 sedan and the Mazda3 this fiscal year, and local assembly of the Mazda3 has also begun in Malaysia. In terms of sales, the AAT-manufactured Mazda2 has had a strong reception, and in the March 2011 fiscal year we achieved record sales volumes in Thailand, Indonesia, and Malaysia. We also commenced sales in Vietnam from March 2011. In addition, we will continue our study of local assembly in Russia.

5. Ford Synergies

Synergies with Ford include the all-new Mazda BT-50 pickup, which has been in joint development, with manufacturing at AAT and sales scheduled to start during the March 2012 fiscal year.

We continue to maintain our strategic cooperative relationship with Ford. Ford and Mazda have maintained a close relationship for more than 30 years, and going forward, we have agreed to cooperate in areas of mutual benefit like joint businesses, existing projects, and exchanges of technological information, and to maintain our win-win, strategic cooperative relationship.

Q5 What is your roadmap for the Medium- and Long-Term Outlook included in the Framework for Medium- and Long-Term Initiatives?

No changes in our commitment to growth

We are responding to a weaker external environment that includes uncertain demand in developed markets, raw material price hikes, and a stronger yen through the introduction of new-generation products, with the aim of bringing innovation to sales methods and further increasing brand value. We are also accelerating cost improvements through Monotsukuri Innovation.

Nothing in our "commitment to growth" has changed; by stepping up our efforts in emerging markets, we are working toward the Medium- and Long-Term Outlook for global sales volume of 1.7 million units, operating income of ¥170.0 billion, and ROS (consolidated operating income as a percentage of sales) of 5% or more.

Increasing profit with four growth drivers

The first growth driver is to significantly improve sales volumes and the product mix with the introduction of the models equipped with SKYACTIV TECHNOLOGY from the March 2012 fiscal year. The portion of vehicles equipped with SKYACTIV TECHNOLOGY is scheduled to increase to approximately 80% by the end of March 2016, and we expect this to bring about improvements in sales volumes and the product mix, along with significant profit growth. The second driver is to accelerate cost improvements through Monotsukuri Innovation. Third is to lift transaction prices by continuing to raise brand value through "Tsunagari Innovation," while at the same time pursuing the fourth driver of quantitative expansion through growth in emerging markets.

Update to Framework for Medium- and Long-Term Initiatives—Profit Growth Image

Growth Drivers

(1) Significantly improve sales volumes and product mix with SKYACTIV TECHNOLOGY
(2) Improve costs through acceleration of Monotsukuri Innovation
(3) Enhance brand value and strengthen sales capabilities through "Tsunagari Innovation"
(4) Grow in China, ASEAN, and other emerging markets

Schedule for new model launches
→ New Demio (Japan)
→ New Mazda3 (Japan, North America, etc.)
→ New CX-5

Major models will be successively equipped with SKYACTIV TECHNOLOGY
→ Have roughly 80% of all vehicles sold in March 2016 fiscal year equipped with SKYACTIV TECHNOLOGY

Q6 Finally, what is your fundamental policy regarding returns to shareholders?

View returns to shareholders as one of Mazda's most important management priorities

Our policy is to set the dividend each year to reflect factors including Mazda's earnings and our operating environment. With regard to the dividend for the March 2011 fiscal year, we have regretfully felt it necessary to forgo a dividend payment in light of the recording of a net loss for the term and the status of net assets.

We are steadily investing in SKYACTIV TECHNOLOGY and emerging markets to lay a foundation for Mazda's future growth. With our superior technologies, investing for Mazda's growth in rapidly growing emerging markets is essential to increasing corporate value.

With no signs of a reversal to the yen's appreciation, we expect the operating environment to remain difficult going forward. Nevertheless, the issue of returns to shareholders is one of our most important management priorities and we will strive to restore the dividend as quickly as possible.

I ask for the continued support of our shareholders and other investors as we chart the course for Mazda's future growth.

SPECIAL FEATURE

WHAT IS THE KEY FOR THE FUTURE?

A shift to smaller vehicles, even greater environmental awareness, the maturation of developed markets, and the remarkable growth of developing markets—the global automotive industry is undergoing a major paradigm shift. As the competitive environment becomes increasingly intense, has Mazda found an answer for future growth? In this special feature, we outline the two-part answer that will be the key for the future.

P.14 ANSWER 1

SKYACTIV TECHNOLOGY

Providing all customers with driving pleasure and outstanding environmental and safety performance

P.18 ANSWER 2

EMERGING MARKET STRATEGY

Pursuing a growth strategy, primarily in China and the ASEAN market, while strengthening our business in Central and South America as a third pillar

WHAT IS THE KEY FOR THE FUTURE?

ANSWER 1
SKYACTIV TECHNOLOGY

Providing all customers with driving pleasure and outstanding environmental and safety performance

The world is facing environmental problems such as global warming, the resolutions to which have become an urgent issue. To fulfill our responsibility as an automaker and to provide customers with cars that keep representing exceptional value, Mazda has been striving in recent years to meet the growing demand for environmental and safety performance in automobiles. We believe our job is to address such requirements while continuing to ensure the kind of driving pleasure that only Mazda can deliver.

Mazda's new-generation SKYACTIV TECHNOLOGY is a revolutionary technology for simultaneously achieving, without the least compromise, the seemingly contradictory goals of driving pleasure and outstanding environmental and safety performance.

New-generation technologies that embody the Sustainable Zoom-Zoom plan

Mazda announced its "Sustainable Zoom-Zoom" long-term vision for technological 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." Based on this plan, Mazda has announced that it will raise the average fuel economy of the Mazda vehicle fleet sold worldwide 30% by 2015, compared with the 2008 levels.

Building Block Strategy —The popularization of environmental technologies itself makes a real contribution

With the arrival of hybrid and electric vehicles in recent years, a car's functionality can be described as the comprehensive strength of its base technologies in the engine, transmission, body, and chassis, as well as electric devices like regenerative braking and hybrid systems.

Nevertheless, it is forecasted that gasoline- and diesel-fueled internal combustion engines will continue to account for the majority of automobile powertrains even as far ahead as 2020. We are therefore pursuing a Building Block Strategy of improving the base technologies for a car's basic performance, and gradually adding electric devices such as regenerative braking and hybrid systems. Our approach is to effectively reduce CO_2 emissions by providing all customers with driving pleasure and outstanding environmental and safety performance, rather than to rely heavily on a subset of environmentally friendly vehicles.Improving the efficiency of the internal combustion engines upon which cars are based, for example, allows for smaller electric devices like motors and batteries in hybrid vehicles as well.

This approach will make it possible to achieve Mazda's driving pleasure in hybrid vehicles.

Anticipated Expansion in Adoption of Environmental Technologies (Through 2020)

Graphic representation of global market share of powertrain technologies

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

* A system that converts a vehicle's kinetic energy during deceleration into electricity for reuse.

Mazda's Building Block Strategy

New-Generation SKYACTIV TECHNOLOGY

Mazda has named the breakthrough new-generation technology being developed under the Building Block Strategy SKYACTIV TECHNOLOGY, and this technology is successively being incorporated into new products sold from 2011 onward.

SKYACTIV TECHNOLOGY is an umbrella name for a range of breakthroughs. Rather than aiming for a best balance among conflicting targets, this technology makes it possible to significantly improve functionality and resolve all of these targets simultaneously. SKYACTIV TECHNOLOGY comprises the following three main technologies.

SKYACTIV TECHNOLOGY

1 Pursuing ideal combustion with highly efficient engines that achieve world-beating compression ratios

Mazda is focusing on the 70–80% of energy created by the engine that is lost before reaching the wheels as power. By pursuing ideal combustion, we have increased efficiency and made significant advances in fuel efficiency, power, exhaust functions, etc.

2 Pursuing ideal energy transfer with highly efficient transmissions

The transmission not only improves fuel economy, it also has a major influence on the car's performance. In the pursuit of ideal energy transfer, Mazda has developed transmissions that maximize engine performance by efficiently transmitting energy to the wheels and responding to the driver's intentions.

3 Pursuing ideal structure with a body and chassis that are lightweight yet rigid with outstanding crash safety performance

Reducing the weight of a vehicle not only improves fuel economy, it also dramatically improves the car's basic functions of "driving, turning, and stopping." In the pursuit of an ideal body structure, Mazda has applied new construction methods and replaced materials used for comprehensive weight reduction while maintaining high rigidity and crash safety with a lighter body weight.

ENGINES

1 Pursuing ideal combustion with highly efficient engines that achieve world-beating compression ratios

SKYACTIV-G

SKYACTIV-G new-generation highly efficient direct-injection gasoline engine

A new-generation highly efficient direct-injection gasoline engine that achieves the world's highest gasoline engine compression ratio and improves fuel efficiency and low- to mid-speed torque by 15%*

- Significantly improved engine efficiency thanks to the high compression combustion, resulting in 15% increases in fuel efficiency and torque
- Improved everyday driving thanks to increased torque at low- to mid-engine speeds
- A 4-2-1 exhaust system, cavity pistons, multihole injectors and other innovations enable the high compression ratio

* The 15% improvement in fuel efficiency and torque was calculated by comparing SKYACTIV-G to Mazda's current gasoline engine. Compression ratio, fuel economy and torque vary according to market, carline and transmission.

SKYACTIV-D

SKYACTIV-D new-generation highly efficient clean diesel engine

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

- 20% better fuel efficiency thanks to the low compression ratio of 14.0:1
- A new two-stage turbocharger realizes smooth and linear response from low to high engine speeds, and greatly increases low- and high-end torque
- Complies with global emissions regulations (Euro6 in Europe, Tier2Bin5 in North America, and the Post New Long-Term Regulations in Japan) without expensive NOx after-treatment

TRANSMISSIONS

2 Pursuing ideal energy transfer with highly efficient transmissions

SKYACTIV-DRIVE new-generation highly efficient automatic transmission

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

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

	Automatic transmission	CVT	Dual clutch transmission	Conventional automatic transmission	SKYACTIV-DRIVE
Fuel economy	At low speed	◎	◎		◎
	At high speed		◎	◎	◎
Ease of starting (uphill)		◎		◎	◎
Direct feel			◎		◎
Smooth shifting		◎			◎

◎ : Better

SKYACTIV-MT new-generation highly efficient manual transmission

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

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

PLATFORM

3 Pursuing ideal structure with a body and chassis that are lightweight yet rigid with outstanding crash safety performance

SKYACTIV-BODY

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

- High rigidity and lightness
- Crash safety performance that can meet the top criteria for crash safety assessments in all markets (US-NCAP, Euro-NCAP, IIHS, JNCAP, etc.)

SKYACTIV-CHASSIS

Lightweight chassis has improved comfort and security, while at the same time delivering Mazda's hallmark fun-to-drive feel

- Both high rigidity and light weight with newly developed front strut and rear multilink suspension
- Significantly improved ride quality from review of suspension and steering component functions, enhanced low- to mid-speed agility and high-speed stability, and increased comfort at all speeds

Scheduled introduction of SKYACTIV TECHNOLOGY

* Japanese name: Axela. To be sold in Japan from fall 2011.

WHAT IS THE KEY FOR THE FUTURE?

ANSWER 2
EMERGING MARKET STRATEGY

Pursuing a growth strategy, primarily in China and the ASEAN market, while strengthening the business in Central and South America as a third pillar

We expect global demand for automobiles to continue to grow over the long term, but with significant changes in the makeup of that demand. China has recently surpassed the United States as the world's largest automobile market, and demand in emerging markets like Brazil, the world's fourth-largest market, and India is overtaking demand in the developed markets such as Japan, the United States, and Europe.

Both automobile and parts manufacturers in developed markets continue to shift their production and development functions to emerging markets, and we believe the success or failure of business strategies in emerging markets will have a major impact on an automaker's future growth.

Mazda entered the Chinese market in earnest in 2001, and in the 2010 calendar year it became our largest single market by sales volume. As an update to our Framework for Medium- and Long-Term Initiatives, we announced in June 2011 that we would strengthen our activities in the ASEAN market, establish a vehicle production facility in Mexico, and enter the Brazilian market.

China

Mazda's sales volume in China during the March 2011 fiscal year rose 20%, to a record 236,000 units, on strong sales of our main models including the Mazda3 (Japanese name: Axela) and Mazda6 (Japanese name: Atenza).

In response to these strong sales in China, where demand continues to grow, we shifted production of the Mazda3 from Chongqing to the Nanjing Plant in May 2010. In addition, to increase sales of the popular Mazda3, we plan to launch a new, locally manufactured Mazda3 in 2011, as we pursue increased local production of products that meet the needs of customers.

We are also expanding our sales network. We are steadily increasing the number of showrooms, which stood at 312 as of the end of March 2011, marking an increase of 48 from the previous fiscal year-end. Going forward, we will expand into open areas in coastal regions while at the same time accelerating showroom openings in inland regions.

ASEAN Market

AutoAlliance (Thailand) Co., Ltd. (AAT) was established as a joint venture with Ford Motor Company in 1995, and in July 2009 a new passenger vehicle plant was completed and commenced production of the Mazda2 (Japanese name: Demio) primarily for the ASEAN market. With strong sales of the AAT-produced Mazda2, AAT is currently operating at its full capacity of 220,000 units annually (completed vehicle basis). AAT also began local assembly of the Mazda3 for the Thai market in January 2011. In addition, local assembly of the Mazda3 in Malaysia also commenced in January 2011.

In terms of sales, Mazda Sales (Thailand) Co., Ltd. and PT. Mazda Motor Indonesia are carrying out coordinated marketing activities and supervising sales in general, including the adjustment and expansion of sales networks, as the local sales companies responsible for the Thai and Indonesian markets, respectively.

Demand and sales volume in China

Sales volume (Thousands of units)
Demand (Millions of units)

Demand and sales volume in Thailand

Sales volume (Thousands of units)
Demand (Thousands of units)

Demand and sales volume in Indonesia

Sales volume (Thousands of units)
Demand (Thousands of units)

The ASEAN market is one of Mazda's most important markets. We will aim for further growth going forward by introducing new vehicles that meet the needs of customers in each ASEAN market, and by introducing new-generation technologies like SKYACTIV TECHNOLOGY. We will also choose the best balance in considerations like local production versus exports of completed vehicles, based on the situation in each country with regard to the tax structure and the extent of trade liberalization. At the same time, we will strengthen our business by expanding sales networks and through marketing activities that demonstrate the essence of the Mazda brand.

We also began selling cars in Vietnam in March 2011, and are continuously studying new business opportunities including entry into markets where Mazda has yet to establish a presence.

COLUMN

AutoAlliance (Thailand) Co., Ltd. (AAT)

Production capacity: 220,000 units / year **Models produced:** BT-50, Mazda2, Mazda3
Ownership: Mazda: 50%; Ford Motor Company: 50%

AutoAlliance (Thailand) Co., Ltd. (AAT) was established as a joint venture with Ford Motor Company in Rayong Province. Production of pickup trucks began in 1998, and in July 2009 a new, state-of-the-art passenger vehicle plant was completed. Pickup trucks are exported to more than 130 countries around the world, while production of the Mazda2 is only for the Thai and ASEAN markets, and the Mazda3 for the domestic Thai market. The new passenger vehicle plant uses the latest production technologies, such as flexible production, and in addition to dramatically raising the level of AAT's quality, safety, and environmental compatibility, the new plant is extremely efficient. The new paint shop handles both pickup trucks and passenger vehicles, and uses an 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.

A US$350 million investment in the pickup truck plant was announced in August 2010. This investment will be used for equipment upgrades for the production of Mazda's and Ford's new pickup trucks, supplier-related equipment expenses, and staff training to give employees the high level of skills necessary for the production of the new pickup trucks. AAT will continue to play an important role in Mazda's global strategy going forward.

Mazda2 produced at AAT

Central and South America

Mazda has concluded a basic agreement with our important business partner Sumitomo Corporation to establish a manufacturing business in Mexico and a sales business in Brazil, and preparations for the establishment of these businesses have already begun.

We have been considering entering new markets where Mazda has not previously had operations, following China and the ASEAN market, for some time. The decisions to establish a vehicle production facility in Mexico and to enter the Brazilian market were made with the aim of strengthening our business in Central and South America, as a third pillar in our business strategy for emerging markets, to enter and strengthen our business in growth markets, and maintain cost competitiveness.

These activities have three aims.

First, by building a vehicle assembly plant and engine assembly plant in Mexico, we will establish a production structure for compact vehicles, primarily for Central and South America. Next, after Mexico, where sales remain strong, we plan to enter the rapidly growing Brazilian market, and expand sales in Central and South America. Then, we will maximize synergies with Sumitomo Corporation, as a business partner with a wealth of experience and expertise in emerging market businesses.

Manufacturing in Mexico will be carried out as a joint-venture business with Sumitomo Corporation. The commencement of operations is scheduled for the March 2014 fiscal year, with annual production capacity of 140,000 units. We plan to produce the Mazda2 and Mazda3, primarily for the Central and South American region. The investment amount will be US$500 million, with the head office to be located in Salamanca city, Guanajuato State.

In regard to our sales business in Brazil, we will set up a distributor joint venture with Sumitomo Corporation. Sales are scheduled to commence in the March 2013 fiscal year, initially of vehicles imported from Japan, and then of vehicles imported from the Mexican plant when it is completed, with the aim of increasing sales in Brazil. The head office is located in Sao Paulo State.

The main benefit of production in Mexico for sales in Brazil is the utilization of the Agreement of Economic Complementation. Beyond Brazil, we intend to increase sales by making maximum use of free trade agreements with other Central and South American countries. In addition, the commencement of production at the Mexican plant can be expected to contribute to even further growth in the Mexican market, where we achieved record sales volume in the March 2011 fiscal year. We will work to improve costs by completely transferring Mazda production methods developed in Japan, and promoting extensive local procurement of parts. In addition to securing cost competitiveness, production at the plant in Mexico will also help to reduce foreign exchange rate risk.

1 Overview of Mexican manufacturing business

Commencement of operations:
March 2014 fiscal year

Production capacity: 140,000 units / year

Models to be produced: Mazda2, Mazda3

Region to be supplied: Primarily Central and South America

Investment amount: US$500 million

Head office: Salamanca City, Guanajuato State

2 Overview of Brazilian sales business

Commencement of operations:
March 2013 fiscal year

Vehicles to be supplied:
Vehicles manufactured in and imported from Japan in the March 2013 fiscal year; imports from Mexico plant planned when it is completed

Head office: Sao Paulo State

Sales volume in Mexico

Thousands of units / %

Sales volume
Market share

Demand in Mexico (actual, outlook)

Thousands of units

Source: IHS Automotive 2011 2Q Forecast

Demand in Brazil (actual, outlook)

Thousands of units

Source: IHS Automotive 2011 2Q Forecast

魂動 KODO—SOUL of MOTION

—Expressing living motion, strong and graceful—

Mazda Design to date has sought to represent various types of movement. In recent years, Mazda's unique design has expressed movement found in nature, like the grace and beauty of flowing wind or water.

Through this process, Mazda Design has come to focus on the strength and beauty shown by living things in the instant between motionlessness and action. For example, the instant of a sword strike in the ancient Japanese martial art of kendo, or the instant a cheetah pounces on its prey. This is the instant when accumulated force is released, containing a finely tuned balance of strength and streamlined beauty. It is in this instant, which requires maximum concentration, that we feel seduced by a sense of instantaneous power, speed, a dignified tension, and a sophisticated beauty.

Mazda Design seeks to convey the pure, ultimate form of motion at the instant of movement, and has defined this vitality and stirring of emotions as KODO.

The Mazda SHINARI, a four-door, four-seat, sports coupe concept car, is the expression of this KODO—Soul of Motion. Its form suggests strength from end to end, as if the car is about to leap out at any time, built around a tenacious frame, with the power to instantaneously release built-up force and the graceful beauty of movement.

Mazda MINAGI

The Mazda MINAGI is a concept car that is the first of a new generation of products to embody both new-generation SKYACTIV TECHNOLOGY and the KODO—Soul of Motion design theme. By integrating SKYACTIV TECHNOLOGY, which balances driving pleasure with outstanding environmental and safety performance, with the KODO design that evokes instantaneous power, this concept car provides unbridled joy and vitality. It expresses the nimble footwork of an animal stalking its prey, with muscular strength that embodies beauty in motion.

Mazda2
(Japanese name: Demio)

Global sales volume **208,000**

Sales markets

Mazda3
(Japanese name: Axela)

Global sales volume **420,000**

Sales markets

Mazda6
(Japanese name: Atenza)

Global sales volume **252,000**

Sales markets

Biante

Global sales volume **11,000**

Sales market

Mazda5
(Japanese name: Premacy)

Global sales volume **86,000**

Sales markets

Mazda8
(Japanese name: MPV)

Global sales volume **8,000**

Sales markets

MX-5
(Japanese name: Roadster)

Global sales volume **19,000**

Sales markets

RX-8

Global sales volume **3,000**

Sales markets

CX-7

Global sales volume **83,000**

Sales markets

CX-9

Global sales volume **45,000**

Sales markets

BT-50

Global sales volume **54,000**

Sales markets

Sales market: Japan North America Europe China Other

*1. Global sales volume is for the March 2011 fiscal year, sales markets are as of March 31, 2011

*2. Vehicle specifications differ by market.

*3. Images shown are of overseas models for the CX-9 and BT-50, and Japanese models for all others.

Sustainable Zoom-Zoom

Basic Policy

Provide All Customers who Purchase Mazda Vehicles with Driving Pleasure and Outstanding Environmental and Safety Performance

In March 2007, Mazda announced the Sustainable Zoom-Zoom long-term vision for technology development to help achieve an exciting, sustainable future for vehicles, people and the Earth. This vision commits Mazda to making vehicles that always excite and that embody a "Zoom-Zoom" feeling, meaning they look inviting to drive, are fun to drive and make you want to drive them again.

Zoom-Zoom tree

"The Zoom-Zoom tree", shown on the right, embodies the Zoom-Zoom concept and its spread throughout society. The tree absorbs the One Mazda* corporate culture as nutrients through firmly planted roots. As it continues to grow, the left branch represents the environment, the right branch represents safety, and the treetop embodies the Zoom-Zoom concept.

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

Basic Approach to the Environment

As vehicle ownership continues to expand around the world, Mazda must redouble its efforts to achieve cleaner exhaust emissions, cut CO_2 emissions through improved fuel economy, and help reduce the world's dependence on increasingly scarce fossil fuels. Mazda considers it necessary to develop an approach to automobile-related environmental issues using multiple solutions, taking into account various factors such as regional characteristics, vehicle characteristics and types of fuel.

Improving the Fuel Economy of Mazda Vehicles 30% by 2015

Even in 2020, Mazda expects that the world's key energy sources will continue to be mainly petroleum-based and that most vehicles will still be powered by internal combustion engines. With this outlook, Mazda is undertaking the following activities to meet its goal of raising the average fuel economy of the Mazda vehicles sold worldwide by 30% by 2015 compared with 2008 levels.

Comprehensive Improvement of Base Technologies

Through the introduction of its new-generation SKYACTIV TECHNOLOGY into vehicle models from 2011 onward, Mazda is making comprehensive improvements of base technologies. These technologies enhance the efficiency of powertrain components—engines and transmissions—reduce vehicle body weight and improve aerodynamics.

Development of the Building Block Strategy

In addition, Mazda is gradually adding electric devices to our base technologies. Mazda expects that these technologies will further contribute to the overall reduction of CO_2 emissions. Mazda calls this development approach the Building Block Strategy.

Gradual Application of Electric Devices Technologies (Building Block Strategy)

We aim to further boost environmental performance by gradually adding electric device technologies to base engines with excellent environmental performance.

* Hybrid vehicle with a battery that can be charged with household power supply

Building Block Strategy

STEP 1

Battery Management Technology
(Idling Stop System "i-stop")

The i-stop system automatically shuts the engine off temporarily when the vehicle is stopped. The use of i-stop alone can improve fuel economy by 7% to 10% (as measured in Japanese models). Mazda installed i-stop in the Axela/Mazda3 in 2009 and has been steadily expanding it to other models. The facelifted Demio, which was introduced in Japan in 2011, was equipped with Mazda's advanced i-stop system in combination with the SKYACTIV-G engine.

Major Progress

- Reduced fuel consumption when restarting the engine
- Increased operating frequency
- Increased energy recovery during deceleration

STEP 2

Regenerative Braking

This technology converts kinetic energy into electricity as the vehicle decelerates, which can be used later as needed. The effects of the system differ depending on what the regenerated electricity is used for, but the improvement in fuel economy is expected to be 5% or more.

STEP 3

Electric Drive Technology (Hybrid System)

This type of system improves overall energy efficiency using an electric motor to assist gasoline engines at times when fuel efficiency is low, such as when a vehicle is running at low engine speeds or during low-load operation. The combination of this hybrid system with the systems mentioned in steps 1 and 2 can produce a substantial boost in overall efficiency. The hybrid system will be licensed from Toyota Motor Corporation, and Mazda is aiming to begin sales of these vehicles by 2013 starting in Japan first.

Basic Approach to Safety

Mazda's aim is to achieve a safe, accident-free automotive society from the three perspectives of vehicles, people, and roads and infrastructure. To this end, the Company has formulated the Mazda Safety Policy and is working to deliver a steady stream of technologies and solutions based on it.

Our vision: A safe, accident-free automotive society

Mazda Safety Policy

Based on the awareness that striving for safe cars is one of the foundations of a worry-free life, Mazda is committed to the following:

1. Researching the ways in which customers use Mazda cars and the traffic environment in which they are being used
2. Deepening research into safety technology and reflecting the results of this research in Mazda's products in a way that offers customers the best available and appropriate technology
3. Contributing to the creation of safe societies through safety communication (products, technologies and safety education)

Developing Technologies for the Next Generation

Improvements in Base Technologies

New-Generation SKYACTIV TECHNOLOGY

Founded on the Sustainable Zoom-Zoom long-term vision for technology development, SKYACTIV TECHNOLOGY is an umbrella name for a range of breakthrough, new-generation technologies that dramatically improve driving pleasure as well as outstanding environmental and safety performance. SKYACTIV TECHNOLOGY is being incorporated into new products sold from 2011 onward.

* For further information about SKYACTIV TECHNOLOGY, please see the special feature section of this annual report, starting on page 14.

COLUMN

intelligent-Drive Master (i-DM)
—A new technology that embodies the principles of Sustainable Zoom-Zoom

Mazda has developed i-DM, a driver support system that encourages enjoyable, safe and eco-friendly driving. This technology is featured in the facelifted Demio (Japanese model).

Unlike conventional eco-friendly systems that regulate the driver, i-DM allows drivers to enjoy driving their own way, improves passenger comfort, and encourages safe and economical driving. Specifically, i-DM separately analyzes operation of the gas pedal, brake pedal and steering wheel in real time and displays the evaluation of the driver's inputs on a dashboard monitor.

Three-color display (green, blue, white) on the dashboard indicates driving status

Achievement of Weight Reductions of 100kg or More in 2011 Models Onward

A vehicle's weight affects its performance in many ways. Lighter vehicles not only perform better on the basic functions of driving, turning and stopping, but also in terms of economic efficiency and environmental performance, as represented by fuel efficiency. Mazda is moving forward with a range of approaches to reduce the weight of its vehicles.

New models from 2011 onward achieve weight reductions of 100kg or more through the incorporation of SKYACTIV-BODY and SKYACTIV-CHASSIS. Mazda is continuing its development efforts with the aim to decrease vehicle weight by a further 100kg or more for models released in 2016 and later.

Compatibility with Bioethanol Mixed Fuel

Mixed fuel consisting partly of bioethanol, which is made from plants, is attracting attention in North America and Europe for its effectiveness in reducing CO_2 emissions.

Mazda is proud to sell vehicles that are compatible with this eco-friendly fuel.

Current Status

U.S., Europe
Mazda vehicles that are compatible with E10 (gasoline mixed with 10% ethanol) are sold

Thailand
Mazda3 models compatible with E20 (gasoline mixed with 20% ethanol) were available beginning in the March 2008 fiscal year, and Mazda2 models corresponding to E20 became available beginning in the March 2010 fiscal year

North America
Tribute models compatible with E85 (gasoline mixed with 85% ethanol) became available beginning in the March 2010 fiscal year

Technologies for the Next Generation

Electric Vehicles

Taking the Mazda Demio as a model, Mazda has carried out in-house development of a new electric vehicle and plans to start a leasing program in Japan in spring 2012. Mazda aims to achieve a vehicle driving range of about 200km and is marketing the vehicle mainly toward local government organizations and corporate customers in Japan.

Development of the Hydrogen Rotary Engine

Hydrogen is clean energy that can be generated from various sources. Mazda has already introduced two models incorporating the Mazda hydrogen rotary engine: the Mazda RX-8 Hydrogen RE and the Mazda Premacy Hydrogen RE Hybrid. When the eco-friendly Mazda hydrogen rotary engine runs on hydrogen fuel, it produces zero CO_2 emissions. The engine also features a convenient dual-fuel system, so it can be switched to gasoline fuel for driving in areas without a hydrogen supply infrastructure. In Japan, Mazda has cumulatively delivered twelve of these vehicles on a lease basis to Iwatani Corporation, Hiroshima Prefecture, the City of Hiroshima, and Yamaguchi Prefecture. Mazda also delivered three of these vehicles in Norway and received much praise.

Mazda Premacy Hydrogen RE Hybrid

Safety Initiatives

Initiatives in Vehicles

Research and Development toward Creating Safer Automobiles

In order to comply with safety standards in countries around the world and to meet the criteria of NCAP* safety assessment tests, Mazda carries out numerous evaluation tests such as crash tests, rollover tests and roof strength tests. The Company's goal is to develop safer vehicles by minimizing damage in the event of an accident.

* Abbreviation of New Car Safety Assessment Program. It is an official crash test program for new vehicles conducted in major countries around the world. The safety of new vehicles is evaluated through simulated collisions.

Active Safety Technologies

Active safety technologies help drivers anticipate and avoid accidents. Mazda is undertaking technology development and implementing the various technologies from a range of perspectives.

Pre-Crash Safety Technologies

Pre-Crash Safety Technology helps vehicles minimize the impact and damage from a collision, in order to reduce injury to the driver and passengers as much as possible when an accident cannot be avoided.

Passive Safety Technologies

Passive safety technologies help mitigate injuries of the driver and passengers if an accident should occur. Mazda does much more than simply comply with the laws of each country and region; it also conducts tests for various types of potential collisions that may occur on the road, and has made steady progress in developing passive technologies for better protection of passengers and drivers.

Initiatives with People

Safety Education (in Japan)

Mazda is endeavoring to raise safety awareness among adults and children through safety-related exhibitions at the Mazda Museum in the Hiroshima Head Office, through the "Kids' Quiz on Traffic Safety" website for children, and other projects.

Initiatives in Roads and Infrastructure

Initiatives toward Realizing a Safe Automotive Society with ITS (in Japan)

Intelligent transport systems (ITS) use telecommunications technology to bring together cars, people, and the traffic environment. They have the potential for easing traffic congestion and reducing the number of accidents throughout Japan.

As an automotive maker, Mazda is actively participating in Japan's ITS project in cooperation with national government and local government bodies as well as related companies and the community in order to achieve a safe automotive society for everyone. By expanding the "ITS Spot services"*1 system, mainly on the highway throughout Japan by March 2011, Mazda and other automakers are working together with the Ministry of Land, Infrastructure, Transport and Tourism to promote widespread use of the system.

Furthermore, Mazda participates in the "Smart Traffic Flow Control" project*2 from not only a safety perspective, but also from an environmental protection perspective.

*1. This system has been mainly built on the highway in 1,600 spots throughout Japan and entered service in March 2011. The system provides various information including a wide range of traffic information and images by using high-speed and large-capacity road-vehicle communication, in which signals are transmitted between vehicles' navigation systems and ITS spots on the road infrastructure.
*2. A traffic flow management system that utilizes intelligent vehicle driving control to promote safety while ensuring a smooth, continuous flow of traffic.

TOPICS

Premacy Awarded Six Stars by JNCAP; Mazda3 Chosen as an IIHS 2011 Top Safety Pick

In April 2011, the Premacy (overseas name: Mazda5) was awarded a total of six stars, the highest rating by the Japan New Car Assessment Program (JNCAP)*1 as a result of crash tests evaluating occupant safety for the vehicle (awarded based on Japanese model specifications).

In March 2011, the U.S.-based Insurance Institute for Highway Safety (IIHS)*2 evaluated the Mazda3 (Japanese name: Axela) through crash testing and chose it as a 2011 Top Safety Pick in small cars, a top honor (awarded based on American model specifications). The Mazda3 received the top rating of "Good" in the crash-test categories of frontal collision, side collision, whiplash (neck) injury prevention, and roof strength during a rollover accident, achieving safety performance that is among the best in the world.

*1. A vehicle safety performance-testing program operated by the National Agency for Automobile Safety and Victim's Aid (NASVA). By evaluating safety performance of vehicles available in the market through testing and making the results public, NASVA strives to create an environment in which users can choose safe vehicles and in which safer vehicles become more widespread.
*2. A nonprofit organization active in the U.S. insurance industry that performs safety evaluations.

Premacy

Mazda3

Mazda CSR

Basic Approach

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

Six Areas and Three Key Themes

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

Six Areas of CSR Operations (* indicates "Three Key Themes")

Environmental Protection*	Developing environmentally responsible products, taking measures against global warming, recycling automobiles, etc.
Customer Satisfaction	Developing attractive products, improving customer satisfaction and the Company's service brand, improving product reliability, etc.
Respect for People*	Improving the working environment, promoting a healthy work-life balance, cultivating a climate of respect for other people, 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 in the Mazda Group, communicating with stakeholders, disclosing financial statements, etc.

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

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, which the president chairs, and in cooperation with other Group companies.

The CSR Management Strategy Committee deliberates the CSR activities that are expected of Mazda from a global perspective, in consideration of changes in the social environment.

External Evaluations of CSR (As of March 31, 2011)

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

Inclusion in the FTSE4Good Index series

FTSE4Good

An SRI index developed by the FTSE Group, which is a partnership firm jointly founded by the U.K. newspaper *Financial Times* and the London Stock Exchange.

Inclusion in the Morningstar Socially Responsible Investment Index

MS-SRI モーニングスター社会的責任投資株価指数 Morningstar Socially Responsible Investment Index

The first SRI index developed in Japan.

Mazda's carbon disclosure score was evaluated as "high" in Carbon Disclosure Project (CDP) Japan 500

On behalf of 534 investors with assets of US$64 trillion, the CDP organization conducts research and discloses information to better understand the risks and opportunities posed by climate change (information as of CDP2010 reporting timing).

CARBON DISCLOSURE PROJECT

For further information about other Mazda initiatives in CSR, please refer to *Mazda Sustainability Report 2011*. (http://www.mazda.com/csr/download/)

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, by enhancing the deliberations of the Board of Directors, and by delegating authority to executive officers.

As of June 30, 2011, Mazda's Board of Directors is composed of 11 members, two of whom are outside corporate directors with a high degree of independence.

Inauguration of an Outside Corporate Director System

At the shareholders' meeting held on June 24, 2011, Mazda appointed two outside corporate directors, inaugurating an outside corporate director system with the objective of further increasing management soundness and transparency. The outside corporate directors are expected to help strengthen the auditing functions of the Board of Directors and further boost the transparency of management by offering management advice based on their knowledge, experience, and insights, and by taking part in the decision-making process.

Management Auditing

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 full-time corporate auditors, the auditing company, and the Global Auditing Department is held four times every year, primarily to discuss the status of progress with regard to auditing under the Japanese Sarbanes-Oxley Act (J-SOX)* and the issues during business operations/accounting audit process.
- 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.

* The Japanese version of the Sarbanes-Oxley Act (original Sarbanes-Oxley Act is a U.S. federal law)

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 2011 fiscal year is indicated below.

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 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.

	People	Amount (millions of yen)
Directors	11	507
Corporate Auditors (of which, Outside Auditors)	6 (3)	103 (35)
Total	17	610

*1. The numbers of directors and corporate auditors shown above include two directors and one corporate auditor who retired as of the conclusion of the 144th Annual General Meeting of Shareholders held on June 24, 2010.
*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 eleven directors shown above serve concurrently as employees.
*3. The amounts of compensation shown above include ¥1 million paid in the form of stock options to directors.

Corporate Governance Framework

Internal Controls

Mazda initiated a program of self-examination of internal controls in 1998, and this is currently carried out at all consolidated Group companies in Japan and around the world.

Departments primarily responsible for internal controls cooperate with other related departments to provide training and support, working to promote internal controls to ensure that operations proceed smoothly in all departments and consolidated group companies.

Development of Internal Controls Framework

Mazda has in place its own framework of internal controls conforming to the COSO Report*, a global framework for internal controls, and the implementation standards of J-SOX. This framework helps to ensure the validity of financial reports, the promotion of compliance, the improvement of operational efficiency, and the maintenance of corporate assets.

* Report outlining a comprehensive framework for internal controls, released by the U.S. organization, Committee of Sponsoring Organizations of the Treadway Commission (COSO)

Internal Auditing Framework

The Global Auditing Department at the parent company conducts internal audits to ensure that the Company's management targets, policies, and plans comply with all applicable laws and regulations, and uphold the Company's sound and efficient management. In addition, in overseas Group companies in North America, Europe, Australia, and major operational centers in South America, the Group has established internal auditing departments that are fully independent from the operating departments. These departments work closely with the parent company to conduct a full range of auditing tasks, including internal control evaluations. Among Group companies in Japan, dedicated internal auditing departments are established at major dealerships, where they are chiefly engaged in the auditing of sales outlets.

These internal auditing departments are staffed with many auditing professionals of the highest caliber, bearing qualifications such as Certified Internal Auditor (CIA) and Certified Information System Auditor (CISA). The Company is also actively engaged in training the next generation of high-quality auditors. As of March 31, 2011, ten internal auditors in the parent company and eight in overseas subsidiaries hold qualifications.

COLUMN

Message from an External Corporate Auditor To All Stakeholders

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

As a corporate auditor at Mazda, I have a variety of opportunities for direct contact with directors and employees through attendance at meetings of the Board of Directors, meetings related to operational issues, and visits to plants and subsidiaries. At the same time, I have daily contact with Mazda's corporate activities through my various activities as a president of a university and as a citizen of my local community. Through this daily contact, I have seen the hard work done by employees to innovate and make improvements for the future, and management recognition and acknowledgement of those efforts and results when they talk to employees. Management also make sure to fully convey the successes of those efforts to third parties. I have great admiration for the people of Mazda and the way they have built a company that places great importance on mutual respect. Again, in the wake of the recent catastrophic earthquake, the entire company pulled together to do what was needed to restore operations, and I consider this kind of effort to be the foundation of the relationship of mutual trust at Mazda. Given this corporate culture and management stance, I hope to play a role in the establishment of effective corporate governance by expressing my opinions with candor and no sense of restraint.

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 operations 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

In 1999, Mazda established the Ethics Advisory Office 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 parent company employees, and introduced the hotline to Group companies in Japan and overseas via the Company Intranet.

Workflow of the Mazda Global Hotline

Risk Management

Mazda Risk Management is committed to taking appropriate measures to minimize various internal and external risks so as to ensure the continuous, stable progress of business activities.

Risk Management Framework

Based on the recognition that "all Mazda directors and employees are expected to take the initiative for risk management," the Company manages potential risks in reference to 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 according to the risk level.

Standard Risk Management Structure

Emergency Risk Management Structure

When incidents that fall outside the scope of existing risk management organizations and require a coordinated interdepartmental response occur, the Officer in charge of risk management will consult with the president, establish an emergency response office, and appoint a general manager of this office.

Information Security

Mazda strives to ensure information security by appropriately managing and protecting personal information and other important information. The general manager of each Division is responsible for the appropriate management of the information based on the information management policies and rules formulated by the department responsible for centralized management of information handled throughout the Company.

IT Security Management Rules

Mazda has IT security management rules in place. The Company works to ensure information security Group-wide by providing Group companies with guidelines for implementing information security and support for strengthening management systems.

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 its products in Japan and around the world, including in North America, Europe, and Asia. Accordingly, the Mazda Group is strongly affected by economic trends and demand fluctuations in each of these markets. As such, the Mazda Group strives to make accurate forecasts on economic trends and demand fluctuations especially in major markets. However, in the event of a sudden economic downturn or decline in demand, it is difficult to anticipate the effects to our business precisely. Hence, such an event could adversely affect the results of operations and the financial position of the Mazda Group. In addition, unexpected changes in or new adoptions of taxation and accounting standards in various countries could adversely affect the results of operations and the financial position of the Mazda Group.

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. Accordingly, cases such as the following may lead to a deterioration in output or higher costs, which could adversely affect the results of operations and the financial position of the Mazda Group: when the Mazda Group faces difficulties in procuring the necessary level of materials and parts for volume production, due to constraints at suppliers afflicted by disasters or deteriorations in logistics functions, or tight supply-demand balances, or changes to and/or breaches of supply contracts; when prices of materials procured by the Mazda Group rise sharply and cannot be offset by internal efforts to boost productivity, by passing on price rises to customers, or by other measures.

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.

Board of Directors, Auditors and Executive Officers (As of June 24, 2011)

Directors

Takashi Yamanouchi
Representative Director and Chairman of the Board

Kiyoshi Ozaki
Representative Director

Seita Kanai
Representative Director

Thomas A. H. Pixton
Representative Director

Yuji Harada
Director

Akira Marumoto
Director

Masamichi Kogai
Director

Hirotaka Kanazawa
Director

Yuji Nakamine
Director

Ichiro Sakai
Director

Taizo Muta
Director

Corporate Auditors

Junichi Yamamoto (Full time)

Kazuyuki Mitate (Full time)

Isao Akaoka

Masahide Hirasawa

Takao Hotta

Executive Officers

President and CEO*

Takashi Yamanouchi

Executive Vice President and CFO*

Kiyoshi Ozaki
Assistant to President; Oversight of Corporate Planning Domain; In charge of Financial Services and Global Auditing

Executive Vice President*

Seita Kanai
Assistant to President; Oversight of Technical Domain and Quality; In charge of promoting Monotsukuri Innovation and R&D Liaison Office

Senior Managing Executive Officer*

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

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, Profit Control, Product Strategy, Corporate Brand Enhancement and Cost Innovation

Masamichi Kogai
Oversight of Production and Purchasing; In charge of Business Logistics and IT Solution; Assistant to the Officer in charge of promoting Monotsukuri Innovation

Hirotaka Kanazawa
In charge of R&D; Assistant to the Officer in charge of promoting Monotsukuri Innovation; President, Mazda Engineering & Technology Co., Ltd.

Yuji Nakamine
Oversight of Global Marketing, Sales and Customer Service; In charge of Customer Tsunagari Innovation and Overseas Sales; President, Mazda South East Asia Ltd.

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

Managing Executive Officer

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

Keishi Egawa
In charge of New Emerging Market Operation; General Manager, Latin American Operation Preparation Office

Nobuhide Inamoto
In charge of Domestic Business and Fleet Sales

Satoshi Tachikake
In charge of Quality Assurance

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

Kozo Kawakami
In charge of Customer Service

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

Executive Officer

Toshinori Kusuhashi
President, AutoAlliance (Thailand) 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
In charge of Production; General Manager, Production Engineering Div.; Assistant to the Officer in charge of Cost Innovation

Kiyoshi Fujiwara
In charge of Product Planning, Program Management and Design; Assistant to the Officer in charge of Cost Innovation

Masahiro Moro
Assistant to the Officer with Oversight of Global Sales Domain and in charge of promoting Customer Tsunagari Innovation; In charge of Global Marketing

Akira Koga
Executive Vice President, Mazda Motor of America, Inc. (Mazda North American Operations)

Takashi Furutama
General Manager, Corporate Planning Div. and Profit Control Div.; Assistant to the Officer in charge of Cost Innovation

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

Nariaki Uchida
General Manager, Hofu Plant

Mitsuo Hitomi
General Manager, Powertrain Development Div.; Assistant to the Officer in charge of Cost Innovation

Takahisa Sori
General Manager, Vehicle Development Div.; Assistant to the Officer in charge of Cost Innovation

Masatoshi Maruyama
General Manager, Quality Div.

Takeshi Fujiga
General Manager, Human Resources Div.

Kazuhisa Fujikawa
General Manager, Purchasing Div.; Assistant to the Officer in charge of Cost Innovation

Kazuyuki Fukuhara
General Manager, Domestic Business Div.

FINANCIAL SECTION

38 Interview with the CFO

41 Management Review
Review of Operations / Review of Operations by Market / Financial Position / Cash Flows

48 Eleven-Year Summary of Consolidated Financial Statements

50 Consolidated Balance Sheets

52 Consolidated Statements of Operations and Comprehensive Operations

53 Consolidated Statements of Equity

54 Consolidated Statements of Cash Flows

55 Notes to Consolidated Financial Statements

Note: Results information for the March 2011 fiscal year includes 15-month results for certain overseas subsidiaries that changed their fiscal year-end. This had the result of increasing net sales by ¥27,747 million, operating income by ¥1,323 million, and income before income taxes by ¥1,414 million, reducing the net loss by ¥1,046 million, and increasing consolidated shipments by 16,000 units.

Kiyoshi Ozaki
Representative Director
Executive Vice President and CFO

Q1

Despite the effect of the earthquake, Mazda recorded a ¥14.4 billion increase in operating income for the March 2011 fiscal year. What were the factors behind this growth?

With the further strengthening of the yen and the Great East Japan Earthquake occurring at the end of the period, the March 2011 fiscal year was a very difficult year for automakers. Nevertheless, despite a more than ¥40 billion negative impact from the yen's appreciation and the effect of the earthquake, Mazda was able to record profit growth with a ¥14.4 billion increase in operating income. There were two major reasons for this. The first was strong global sales. Sales declined in Japan on a fall in demand due to the end of government subsidy programs and from the effect of the earthquake, but we were able to record steady growth in sales volume in the United States, China, ASEAN countries including Thailand, and Australia. The other reason was the success of ongoing cost improvements. In the area of variable costs, despite being faced with higher raw material prices, we were able to accelerate cost innovation initiatives to more than absorb the increase and improve costs by ¥11.2 billion. In terms of fixed costs, marketing expenses increased by ¥5.6 billion from stepped-up advertising activities for new model launches, but by pursuing cost improvement activities in all areas, we were able to improve fixed costs by ¥16.7 billion. The fact that we were able to make solid progress in terms of both sales and costs led to the increase in operating income.

On the other hand, we recorded extraordinary losses on damages from the Great East Japan Earthquake and a reserve for business losses at an affiliated company in North America. In addition, with the earthquake occurring just before the end of the fiscal year and the uncertain impact on results in the March 2012 fiscal year, we carefully examined the likelihood of recovery of our deferred tax assets, and conservatively wrote off a portion of those assets. As a result, we recorded a net loss of ¥60.0 billion. This was our third consecutive net loss, but operating income has shown a steady improvement over the past two years, indicating that the momentum of our business activities did not slow.

Operating income change for the March 2011 fiscal year

■ Operating income ■ Improve ■ Worsen

Q2

What is Mazda's current financial position?

Despite the recording of a net loss, we were able to maintain our equity ratio at the 24% level. Nevertheless, this is not yet in line with our competitors, and it goes without saying that further improvement of our financial position is an important management issue going forward.

To strengthen our financial position, we need to accumulate profit and at the same time streamline the balance sheet.

In terms of profit, major growth can be expected from the global launch of new products equipped with SKYACTIV TECHNOLOGY in the March 2012 fiscal year. Due to the timing of the launch, there will not be a full-year contribution, but we expect to see a boost from the second half of the fiscal year.

With regard to the balance sheet, the amount of investment will increase over the short term from the introduction of SKYACTIV vehicles and the proactive expansion of our business in emerging markets. Going forward, we will reduce inventories to the maximum extent possible, while in principle strengthening our financial position over the long term through the accumulation of profit.

Q3

The yen has appreciated even further, presenting significant difficulty for exporters. How are you addressing this?

The average exchange rate for the March 2010 fiscal year was ¥93/US$. During the March 2011 fiscal year, the yen appreciated even further, to an average rate of ¥86/US$. The yen's current strength cannot be dealt with at the company level, but that does not mean we can simply do nothing, either.

Our fundamental policy for addressing the yen's appreciation is to thoroughly improve costs for cars manufactured in Japan. To date, we have enhanced our cost competitiveness through Monotsukuri Innovation, but going forward we will need to further accelerate these efforts.

It is also important to maintain flexibility with regard to exchange rate fluctuations. For example, the percentage of parts procured overseas is increasing, and it may even be possible to procure parts within Japan at prices that reflect movements in exchange rates. We are also giving full consideration to increasing overseas production as a means of addressing the strong yen. As we move into new growth markets, we will consider local production while maintaining domestic production at a certain level.

Q4

A certain degree of major investment is required to achieve growth in emerging markets. What is your policy regarding fund procurement going forward and what methods are you considering?

In June 2011, Mazda and Sumitomo Corporation agreed to establish joint ventures for a production business in Mexico and a sales business in Brazil. Utilizing the strengths of both companies, we aim to strengthen our business in rapidly growing Central and South American markets while controlling investment risk. This type of cooperative development with business partners is also an important strategy for Mazda.

Mazda's basic policy with regard to fund procurement will continue to be to fund investment from operating cash flow, as in the past. Given the investment being made to expand our business in emerging markets and for new-generation SKYACTIV TECHNOLOGY, we will first work to maintain a positive free cash flow, and procure funds as required.

In addition, the increasing globalization of our business requires that going forward, we consider methods for procuring funds in a variety of currencies in addition to yen. Rather than deciding on the currency based solely on the lowest interest rate, we will procure funds in optimal currencies, with a strong awareness of the regions in which earnings are being generated.

Q5

What is your forecast for March 2012 fiscal year earnings?

We are forecasting net sales of ¥2,190.0 billion, with operating income of ¥20.0 billion and net income of ¥1.0 billion for the March 2012 fiscal year. We intend to overcome the impact of the yen's appreciation and high raw material prices, while accelerating investment for the future, and we expect to achieve full-year profitability at all levels. We expect a ¥20.0 billion operating loss for the first half, from sales opportunities lost because of product shortages resulting from the earthquake. Nevertheless, with the cooperation of our suppliers, we achieved full-scale, stable production from the second half of the first quarter. We will accelerate the pace of shipments in the second half, and expect a major improvement in operating income, to ¥40.0 billion, for the second half.

We will continue to accelerate cost improvements. To date, we have aimed for a 20% improvement when developing new vehicles, but going forward we will raise this by five percentage points and strive for improvements of 25%. This is not all, however. We will not stop at the 25% target; working together with our suppliers we will continuously strive to improve costs.

We are forecasting capital expenditures totaling ¥80.0 billion. With the March 2012 fiscal year being positioned as the first year of the SKYACTIV era, we plan to increase capital expenditures by roughly ¥35.0 billion from the March 2011 fiscal year, focusing on new-generation products. Similarly, we plan to increase research and development costs by ¥4.0 billion, to ¥95.0 billion.

With intensified market competition, the yen's continued strength, and high prices for raw materials, we can by no means be optimistic about our operating environment during the March 2012 fiscal year. Nevertheless, Mazda's sales momentum continues despite this environment. We intend to maintain profit through cost improvements that more than

offset the effect of the strong yen and high raw material prices, while at the same time proceeding with a steady pace of investment for the future.

Outlook for the March 2012 fiscal year

Billions of yen

	March 2012 fiscal year			March 2011 fiscal year	Increase / (decrease)
	First half	Second half	Full year		
Net sales	960.0	1,230.0	**2,190.0**	2,325.7	(135.7)
Operating income	(20.0)	40.0	**20.0**	23.8	(3.8)
Net income	(35.0)	36.0	**1.0**	(60.0)	61.0

Capital expenditures / Depreciation and amortization / Research and development costs

Billions of yen

Capital expenditures ■ Depreciation and amortization
■ Research and development costs

Q6

What do you see as the main points for enhancing corporate value going forward?

Mazda's Framework for Medium- and Long-Term Initiatives looks ahead to the March 2016 fiscal year, and includes five primary initiatives. These are the initiatives that we intend to pursue, but in terms of enhancing future corporate value, the main items at this time are "sales method innovation" and "cost innovation."

We are aiming to achieve "sales method innovation" through the effective promotion of SKYACTIV TECHNOLOGY-equipped vehicles. First, we want all employees, distributors, dealers, and suppliers to fully understand SKYACTIV TECHNOLOGY. We must understand SKYACTIV TECHNOLOGY ourselves before we can effectively convey the appeal of this remarkable technology to individual customers. Advertising is of course one method of conveying SKYACTIV's appeal, but we believe the best method is to have customers test-drive the vehicles. We want customers in Japan and major overseas markets as well to actually drive

these vehicles to experience first-hand their high level of driving performance, combined with fuel economy and other superior environmental features. In addition, we will offer these new products at prices that are affordable for a wider range of customers compared with hybrid and electric vehicles. By providing superior technology at an affordable price, we plan to raise transaction prices in order to draw the line at unnecessary price competition. By continuing to carry out and strengthen the programs to enhance brand value that we have implemented to date in major markets, including the curtailing of incentives, introduction of certified used car programs, and reinforcement of sales networks, while at the same time implementing global "sales method innovation" based on the introduction of SKYACTIV TECHNOLOGY, we are aiming for maximum results.

With regard to "cost innovation," we are first working to improve the cost of vehicles produced in Japan. We also plan to raise our overseas parts procurement ratio to 30% from 20%. In addition, we will expand overseas production in emerging markets going forward, and we will work to improve costs and reduce exchange rate risk by raising the percentage of local procurement.

There have been several macro environmental changes since the financial crisis in the fall of 2008, including the yen's prolonged appreciation, sharply higher prices for raw materials, and the effect of the earthquake. SKYACTIV TECHNOLOGY, the proprietary technology that we have been developing during that time, is about to debut. This will lead to solid enhancement of Mazda's brand value globally, and accelerate our efforts in rapidly growing emerging markets. The road to achieving the March 2016 fiscal year targets of ¥170.0 billion in operating income with ROS of 5% or more under our Medium- and Long-Term Outlook will not always be easy going, but I am convinced that moving forward one step at a time with the actions we need to take now is the only course for enhancing corporate value.

Review of Operations

(Operating Environment)

Although the Mazda Group's operating environment continued to show a gradual recovery during the March 2011 fiscal year, supported by economic growth in Asia and other emerging markets, conditions remain unstable because of concerns including financial instability in Europe triggered by the Greek debt crisis and rising crude oil prices. In Japan, the decline in production following the end of economic stimulus measures has been halted, with exports and production gradually increasing, and capital investment is recovering, but difficulties including the yen's continued appreciation remain. In addition, the Great East Japan Earthquake that struck on March 11 had a major impact on the domestic economy, leading to reduced manufacturing activity and depressed consumer sentiment. Against this backdrop, the Mazda Group implemented a variety of measures to improve earnings, including efforts to improve costs and raise efficiency, while at the same time increasing sales in emerging markets and improving the model mix.

(Global Sales Volume)

By market, Mazda's domestic sales declined by 7%, to 206,000 units, reflecting a decline in demand as government subsidy programs ended and from the effect of the Great East Japan Earthquake, and this was despite solid sales of the new Premacy (overseas name: Mazda5). Overseas, North American sales rose 12%, to 342,000 units, with a net increase from the introduction of the Mazda2 (Japanese name: Demio) during the year, and strong sales of the CX-7 and CX-9. In Europe, sales in Russia turned around to record growth, but overall demand declined and sales were 12% lower, at 212,000 units. With solid sales of leading models including the Mazda3 (Japanese name: Axela) and Mazda6 (Japanese name: Atenza), sales in China grew 20%, to 236,000 units. Sales in other markets rose 20%, to 277,000 units, on solid results in ASEAN markets and in Australia. As a result, global sales volume totaled 1,273,000 units, for a 7% increase from the previous year.

Consolidated wholesales for the year rose 14%, to 1.10 million units.

(Net Sales)

Despite the continued trend of a stronger yen relative to other major currencies, higher sales volume resulted in a ¥161.7 billion (7%) increase in net sales, to ¥2,325.7 billion. Consolidated net sales broke down as ¥1,784.2 billion overseas, for a ¥195.2 billion (12%) increase, and ¥541.5 billion in Japan, marking a ¥33.5 billion (6%) decline.

By product, vehicles sales rose ¥133.7 billion (8%), to ¥1,707.3 billion, on increased shipment volumes and despite the yen's continued appreciation against major currencies. Sales of knockdown parts for overseas production rose ¥17.4 billion (14%), to ¥141.9 billion, on solid shipments to China. Sales of parts declined ¥9.2 billion (4%), to ¥217.2 billion, and other sales grew ¥19.9 billion (8%), to ¥259.3 billion.

(Operating Income)

Operating income rose ¥14.4 billion (152%), to ¥23.8 billion. This growth was the result of various measures to improve earnings, including ¥11.2 billion of cost improvements, increased sales in emerging markets, and an improved model mix. The effect of sales volumes and the model mix offset the roughly ¥5.0 billion negative impact from the earthquake, making an additional ¥35.7 billion contribution. The yen's appreciation had a ¥43.7 billion negative foreign exchange impact.

Selling, general and administrative expenses were reduced by ¥5.6 billion (1%), to ¥438.2 billion. Although expenses increased with stepped-up advertising for the introduction of new models and development for the introduction of new-generation products, cost improvements in all areas more than absorbed these increases.

(Net Income)

Net other expenses were ¥7.8 billion. This included losses on disaster from the Great East Japan Earthquake, and a provision for business losses at an affiliated company in North America. This resulted in income before income taxes of ¥16.1 billion, compared with a ¥7.3 billion loss in the previous year.

The net loss for the year was ¥60.0 billion, compared with a year-earlier loss of ¥6.5 billion, with the net loss for the current year including a ¥56.7 billion write-off of deferred tax assets. The net loss per share of common stock was ¥33.92, compared with the previous year's ¥4.26 net loss per share.

(Segment Results)

Japan

Net sales rose ¥132.2 billion (7%) from the previous year, to ¥1,999.5 billion, and segment profit (operating income) grew ¥1.8 billion (6%), to ¥32.6 billion. This growth was the result of an increase in overseas vehicle shipments and measures to improve earnings, despite the effect of the Great East Japan Earthquake.

North America

Net sales rose ¥59.0 billion (10%), to ¥631.0 billion, but the segment loss (operating loss) grew ¥12.4 billion, to ¥31.7 billion. Although sales grew on an increase in vehicle shipments, this result reflected the yen's appreciation.

Europe

Net sales declined ¥50.5 billion (10%), to ¥438.2 billion, but segment profit (operating income) grew ¥4.4 billion (125%), to ¥7.9 billion. Despite lower vehicle shipments and the yen's appreciation, an improved model mix and fixed cost reductions contributed to profit growth.

Other Markets

Net sales rose ¥85.2 billion (38%), to ¥310.4 billion, and segment profit (operating income) grew ¥7.4 billion (138%), to ¥12.8 billion, mainly from an increase in vehicle shipments.

(Capital Expenditures)

Capital expenditures for the year grew ¥14.9 billion, to ¥44.7 billion. The majority of this amount was for manufacturing equipment for new models, which led to streamlining of production and more-efficient use of labor at the Hiroshima and Hofu plants, as well as for equipment for research and development for new products and technologies. Overseas expenditures were primarily investments for lease assets, and software.

Depreciation and amortization expenses declined ¥4.9 billion, to ¥71.6 billion.

(Research and Development)

Research and development costs increased ¥5.8 billion from the March 2010 fiscal year, to ¥91.0 billion.

An overview of Mazda's new-generation SKYACTIV TECHNOLOGY, and its core technologies of engines, transmissions, bodies, and chassis, was announced in October 2010. In the first use of this new technology, a new Demio was released in Japan in June 2011, equipped with the SKYACTIV-G new-generation direct-injection gasoline engine, which significantly increases combustion efficiency to achieve fuel economy of 30km/L (10-15 mode) without the assistance of an electric motor. Based on our Sustainable Zoom-Zoom long-term vision for technology development, Mazda aims to raise the average fuel economy of all its cars sold globally by at least 30% from the 2008 level by 2015, to provide customers with driving pleasure and outstanding environmental and safety performance.

Specifically, we are pursuing advances in environmental and safety technologies through our Building Block Strategy, centered on improving the car's basic performance through the development of new-generation powertrains (the engine and transmission) and the implementation of such initiatives as reducing the car's weight, and gradually adding electrical devices like idling stop systems, regenerative braking technologies, and hybrid systems. In March 2010, we reached an agreement with Toyota Motor Corporation to use Toyota's hybrid technology under license, with the aim of a 2013 domestic launch of hybrid vehicles that combine a hybrid system and SKYACTIV engine. In addition, in January 2011 we announced the internal development of an electric vehicle based on the Demio, with plans to commence domestic leasing from the spring of 2012. Mazda has also announced a new design theme called KODO—Soul of Motion, along with the Mazda SHINARI, a design concept car that embodies the new design theme. The Mazda MINAGI concept car, which combines SKYACTIV TECHNOLOGY with KODO—Soul of Motion, was exhibited at the Geneva Motor Show in March 2011. In April, a mass-production version of the Mazda MINAGI was announced as the Mazda CX-5. The new CX-5 compact, crossover SUV will be added to the global lineup in 2012 as the first product to fully incorporate SKYACTIV TECHNOLOGY.

Review of Operations by Market

(Japan)

Overview of March 2011 Fiscal Year Results

Total demand for the year declined 6%, to 4.60 million units. Demand during the first half was significantly higher than the previous year due to the effect of subsidy programs, but with the end of those programs combined with the effect of the Great East Japan Earthquake, the market showed a major contraction in the second half.

Mazda's sales volume declined 7%, to 206,000 units. Sales volume and market share grew during the first half by the launch of the new Premacy and by proactive sales promotions to capture as much of the increase in demand from subsidy programs as possible. On the other hand, as the second-half downturn in the wake of the subsidies' end was greater than anticipated, we strove to maintain sales volume with the introduction of limited-edition vehicles along with continuing sales promotions, especially for minivans. As a result, Mazda maintained its previous market share of 4.5%.

The new Premacy, introduced in July, has been well received, particularly by families, and sales have far exceeded plan. The main selling points have been the car's "attractive exterior design," "superior environmental functions including i-stop," "a variety of possible seat arrangements," and "ease of driving."

Mazda's proprietary "i-stop" idling stop system has proven especially popular among environmentally conscious families, and is being installed in a large portion of minivans, with installation rates at roughly 90% for the Biante and roughly 70% for the Premacy. This has also been very successful in building the Mazda brand, based on Sustainable Zoom-Zoom of providing all customers with driving pleasure along with outstanding environmental and safety performance.

March 2012 Fiscal Year Forecast

Total demand in the March 2012 fiscal year will be affected by automakers' ability to supply products as production recovers going forward, but with weakened consumer sentiment, we expect the environment for sales to remain difficult.

Mazda is planning for sales volume of 207,000 units, which is roughly flat with the March 2011 fiscal year. Beginning with the new Demio released in June 2011, the introduction of new-generation models equipped with SKYACTIV TECHNOLOGY

constitutes a major part of our sales plan, and we expect these vehicles to enhance the Mazda brand as products that embody Sustainable Zoom-Zoom.

The new Demio has achieved a superior drive with excellent fuel economy of 30km/L (10-15 mode). After the earthquake, purchasing behavior showed clear trends of "increased priority for fuel economy" and "downsizing." Taking advantage of this opportunity, we will proactively promote the new Demio's superior driving performance along with the fuel economy achieved with SKYACTIV TECHNOLOGY, and aim to sell 6,000 units per month.

In terms of sales, we will continue to work as a group to further strengthen our cooperation with sales companies and carry out sales activities based on a customer perspective. Specifically, we will work to further raise brand loyalty and brand value by enhancing showrooms and staffing—our primary point of contact with customers—and by creating a strong link between customers and Mazda over the course of lifecycles.

(North America)

Overview of March 2011 Fiscal Year Results

Total demand in the United States rose 12%, to 12.10 million units, and in Canada demand rose 4%, to 1.56 million units.

Mazda's North American sales volume grew 12%, to 342,000 units. U.S. sales volume grew 13%, to 238,000 units, driven by sales of major models, and our market share rose 0.1 percentage point, to 2.0%. Sales volume in Canada was roughly flat at 75,000 units, but our market share declined 0.2 percentage points, to 4.8%. The decline in Canadian market share was primarily because of intensified competition in the C-segment (compact car), which makes up roughly half of the Canadian passenger vehicle market. In Mexico, our strategy for strengthening the brand made steady inroads, and driven by strong sales of the Mazda3, we achieved record sales volume and market share.

In terms of products, the Mazda3, Mazda6, CX-7, and CX-9 showed solid growth in sales volume. In addition, the Mazda2, which had a full-scale launch in August 2010, has shown solid growth since 2011 in the United States as a result of aggressive sales promotions and a segment shift in line with higher gasoline prices.

In terms of sales, we continued to enhance brand value by curtailing incentives. The Mazda3 and CX-9 were top in their segments for residual value percentage. The CX-9 was recognized by ALG*1 with its 2011 award for having the highest residual value in its segment. Mazda also rose to 5th place, from 18th place in the previous year, in the 2011 IQS ranking by J.D. Power and Associates*2, showing that activities that have been underway to improve quality are yielding results.

*1 Automotive Lease Guide, Inc.
*2 J.D. Power and Associates, 2011 Initial Quality Study℠

Sales volume in North America

Thousands of units / %

March 2012 Fiscal Year Forecast

We are forecasting a 6% increase in U.S. demand, to 12.80 million units, and 1% growth in Canadian demand, to 1.57 million units.

We expect Mazda's sales volume in the United States to be roughly flat at 240,000 units, with a 1.9% market share, and in Canada we are also planning for basically flat sales volume at 74,000 units, with a 4.7% market share. We expect solid sales to continue in Mexico on the strength of our brand and products, and are forecasting further growth in sales volume and market share.

In terms of products, we plan to launch a new Mazda3 in the fall, as the first car equipped with SKYACTIV TECHNOLOGY for the North American market. We intend to ensure the strong competitiveness by equipping the Mazda3, which accounts for approximately 30% of North American sales, with this new-generation technology early.

Our policy of further enhancing brand value through curtailed incentives and reduced fleet sales remains unchanged going forward. By strengthening the certified used car programs, we will also work to further improve brand value by increasing residual value.

(Europe)

Overview of March 2011 Fiscal Year Results

Total demand was roughly unchanged from the previous year, at 18.00 million units. Scrapping incentives in Russia spurred demand, absorbing the decline in other European countries after the end of government measures that supported sales.

Mazda's sales volume declined 12%, to 212,000 units, reflecting lower demand in major countries with the exception of Russia and intensification of sales competition. In the major countries for Mazda, sales volume declined in the United Kingdom on structural changes in demand and a weaker economic environment. In Germany, however, despite weak demand following the end of scrapping incentives, Mazda increased its market share, boosted by sales of the new Mazda5 and CX-7. In Russia, improvements of our product supply and our enhanced product strength, combined with a recovery in demand, led to a 29% increase in sales volume.

In terms of products, the Mazda2 is the most mass-market car in Europe, but nevertheless the sales were negatively impacted by a decline in the segment demand and price increases due to the yen's appreciation. On the other hand, sales of the new diesel CX-7, introduced in the previous year, rose by a solid 52%. In addition, we have begun to introduce diesel versions of the new Mazda5, following the gasoline model introduced in October 2010, and this has led to an increase in both sales volume and market share in major markets including Germany.

March 2012 Fiscal Year Forecast

We are forecasting roughly flat total demand for Europe as a whole. The European economy remains weak in general, but we are looking for a gradual recovery in total demand in countries including Germany and Austria. We also expect demand in Russia to recover to pre-economic-crisis levels.

Our sales plan is for a 5% decline, to 202,000 units. In Germany, we expect sales to be roughly flat at 46,000 units, and in Russia we are planning for a 38% increase to 40,000 units.

In terms of sales, we will work to attract customers and increase residual value through the aggressive introductions of limited-edition vehicles and measures to enhance brand value. Particularly in Russia, where demand continues to grow, we aim to further increase sales by effectively developing resources on business. We will continue to improve and strengthen our sales network, and at the same time launch campaigns for the introduction of SKYACTIV TECHNOLOGY. Through these efforts, we aim to raise the overall level of European sales by further bolstering Mazda's strengths in major markets, and improving business efficiency.

(China)

Overview of March 2011 Fiscal Year Results

Total demand grew 18%, to 18.40 million. High growth was maintained on the expansion of models eligible for "eco-car" incentives, and a rush in demand before the end of tax reductions at the end of 2010 and the implementation of regulation for new vehicles registration in Beijing.

Mazda achieved record sales, led by main models including the Mazda3 and Mazda6, for 20% growth to a record 236,000 units. By market on a calendar year basis, China has surpassed Japan and the United States as Mazda's largest market. We maintained our market share at the previous year's 1.3% level.

The reasons for the strong sales of the Mazda3 are the building of a production structure to address growing demand by the transfer of production from Chongqing to the Nanjing Plant, and the Mazda3's certification for the eco-car subsidy program. The reasons for the strong sales of the Mazda6 are the success of a strategy of concurrently selling the current and the previous model, and of sales promotion activities held in connection with test drive events and motor shows. In addition, the introduction of the Mazda8 in December 2010 helped to strengthen the product lineup and expand the customer base.

Sales volume in Europe

Thousands of units / %

Sales volume in China

Thousands of units / %

Steady progress is also being made in strengthening the sales network. The number of showrooms was increased by 48 over the course of the year, to 312. Going forward, we will continue to expand our presence along the coast, while at the same time accelerate showroom openings in inland regions.

March 2012 Fiscal Year Forecast

Our estimate for total demand is for a roughly 10% increase, to 20.00 million units. Nevertheless, the growth rate has been slowing during the first half of 2011 from the steep rise in gasoline prices and regulation for new vehicles registration in Beijing, so we will be closely watching developments going forward.

We are planning for a 14% increase in sales volume, to 270,000 units, with a 0.1 percentage point increase in market share, to 1.4%. To reach this, we will work to increase sales volume by introducing a new Mazda3, and continue to proactively expand our sales network and carry out sales promotion activities closely tied to local regions. In addition, beginning with the move to local production of the new Mazda3, we will consider increasing production capacity to the 400,000-unit level. We also intend to expand the sales network to more than 370 showrooms, focusing on rapidly growing inland regions, within 2011.

(Other Markets)

Overview of March 2011 Fiscal Year Results and March 2012 Fiscal Year Forecast

Mazda's sales volume in other markets rose 20%, to 277,000 units. This strong result included record sales volume in Australia, Thailand, Indonesia, Malaysia, and Chile. Our plan for the March 2012 fiscal year is for sales of 280,000 units. Results and forecasts for Mazda's major countries in this segment are as follows.

Australia

Total demand in the March 2011 fiscal year rose 6%, to 1,032,000 units. Mazda's sales grew 8%, to a record 87,000 units, on strong sales of the Mazda2, Mazda3, and CX-7. Our market share also rose 0.2 percentage points, to a record 8.4%.

We expect total demand in the March 2012 fiscal year to grow 1%, to 1,041,000 units. Our sales plan is for a 4% increase, to 90,000 units, with a market share of 8.6%. We will work to achieve this plan through launches of a new Mazda3 with SKYACTIV TECHNOLOGY and a new BT-50 produced at AutoAlliance (Thailand) from the second quarter.

Thailand

Total demand in the March 2011 fiscal year rose 43%, to 871,000 units. Led by strong sales of the Mazda2 and BT-50, Mazda's sales volume grew 113%, to a record 38,000 units. Our market share also rose 1.4 percentage points, to a record 4.4%. The launch of a Mazda2 sedan at the end of the previous fiscal year gave our B-segment lineup both a five-door hatchback and a sedan, enhancing Mazda's market presence and brand value.

For the March 2012 fiscal year, we are forecasting a 2% decline in total demand, to 856,000 units. Our sales plan is for a 9% increase, to 42,000 units, with a 4.9% market share. With our brand strength having been established by the current Mazda3, we are looking to further increase sales with the addition of a new Mazda3.

Israel

Total demand rose 26%, to 230,000 units. Mazda's sales volume grew 1%, to 32,000 units, on solid sales of the Mazda3 and the Mazda2 sedan. This also marked the 15th consecutive year (calendar year basis) in which Mazda ranked No.1 in Israel for automobile sales volume. Our market share declined 3.4 percentage points, to 13.8%.

We expect total demand in the March 2012 fiscal year to decline 13%, to 200,000 units. Our sales plan is for a 7% decline, to 30,000 units.

Financial Position

Total assets as of March 31, 2011, stood at ¥1,771.8 billion. This represented a ¥176.0 billion decline from the end of the previous fiscal year, reflecting a decrease in cash and deposits from the repayment of borrowings, and a partial write-off of deferred tax assets. Cash and cash equivalents decreased ¥23.5 billion, to ¥322.8 billion. Inventories were reduced ¥13.9 billion, to ¥197.0 billion. Net property, plant and equipment decreased ¥39.4 billion, to ¥786.2 billion.

Total short- and long-term interest-bearing debt decreased ¥29.1 billion, to ¥693.0 billion, from the repayment of borrowings and a reduction in lease obligations. Net interest-bearing debt—interest-bearing debt minus the ¥322.8 billion of cash and cash equivalents—decreased ¥5.7 billion, to ¥370.2 billion, and the net debt-to-equity ratio stood at 86%. Total liabilities at the fiscal year-end stood at ¥1,341.2 billion, which was ¥96.7 billion less than at the end of the previous fiscal year, on a decrease in trade notes and accounts payable associated with the decline in production volume from the Great East Japan Earthquake.

With the recording of a net loss for the year, equity decreased ¥79.3 billion, to ¥430.5 billion as of the fiscal year-end. Equity per share decreased ¥44.68, to ¥242.24, from ¥286.92 at the end of the previous fiscal year. Equity used for the calculation of the equity ratio (i.e., equity less minority interests and stock acquisition rights) decreased ¥79.1 billion, to ¥428.8 billion, for a 1.9 percentage point decline in the equity ratio, to 24.2%.

Cash Flows

(Cash Flow from Operating Activities)

Operating activities during the year generated net cash in the amount of ¥15.3 billion. Income before income taxes was ¥16.1 billion, while depreciation and amortization totaled ¥71.6 billion, and the decline in production at domestic plants from the impact of the Great East Japan Earthquake reduced trade notes and accounts payable by ¥61.1 billion.

(Cash Flow from Investing Activities)

Investing activities used net cash in the amount of ¥13.7 billion, the main item being outlays of ¥32.2 billion for the acquisition of property, plant and equipment.

(Cash Flow from Financing Activities)

Financing activities used net cash in the amount of ¥14.4 billion, with the repayment of interest-bearing debt and the previous fiscal year-end's dividend payment exceeding the amount of funds procured through corporate bonds and long-term borrowings.

Free cash flow—the sum of operating cash flow and investing cash flow—was positive in the amount of ¥1.6 billion.

Fund procurement consisted of ¥91.8 billion of long-term borrowings during the year, and a ¥20.0 billion corporate bond issue in January 2011.

ELEVEN-YEAR SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

Mazda Motor Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen				
	2011	2010	2009	2008	2007
For the year*2:					
Net sales	**¥2,325,689**	¥2,163,949	¥2,535,902	¥3,475,789	¥3,247,485
Domestic	**541,490**	574,982	620,336	880,132	887,327
Overseas	**1,784,199**	1,588,967	1,915,566	2,595,657	2,360,158
North America	**631,327**	574,640	697,600	1,015,315	1,017,874
Europe	**427,398**	477,337	653,382	888,555	789,135
Other areas	**725,474**	536,990	564,584	691,787	553,149
Cost of sales	**1,863,678**	1,710,699	2,021,851	2,485,905	2,322,644
Selling, general and administrative expenses	**438,176**	443,792	542,432	827,737	766,309
Operating income (loss)	**23,835**	9,458	(28,381)	162,147	158,532
Income (loss) before income taxes	**16,081**	(7,265)	(51,339)	143,117	118,450
Net income (loss)	**(60,042)**	(6,478)	(71,489)	91,835	73,744
Capital expenditures*3	**44,722**	29,837	81,838	75,518	79,641
Depreciation and amortization*4	**71,576**	76,428	84,043	74,217	47,045
Research and development costs	**90,961**	85,206	95,967	114,400	107,553
Free cash flow*5	**1,627**	67,394	(129,244)	10,209	20,995
At the year-end:					
Total assets	**¥1,771,767**	¥1,947,769	¥1,800,981	¥1,985,566	¥1,907,752
Equity*6	**430,539**	509,815	414,731	554,154	479,882
Financial debt	**693,000**	722,128	753,355	504,979	474,684
Net financial debt	**370,151**	375,825	532,631	281,085	232,179
Average number of shares outstanding (in thousands)	**1,770,198**	1,519,652	1,371,456	1,408,368	1,402,315
Number of employees	**38,117**	38,987	39,852	39,364	38,004
	Yen				
Amounts per share of common stock:					
Net income (loss)*7	**¥ (33.92)**	¥ (4.26)	¥ (52.13)	¥ 65.21	¥ 52.59
Cash dividends applicable to the year*8	**—**	3.00	3.00	6.00	6.00
Equity*9	**242.24**	286.92	314.98	391.82	336.45
	%				
Operating income ratio	**1.0 %**	0.4 %	(1.1)%	4.7%	4.9%
Return on equity (ROE)*10	**(12.8)**	(1.4)	(14.8)	17.9	16.9
Equity ratio*10	**24.2**	26.1	22.9	27.8	24.8

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, 2011, of ¥83 to US$1.
2. Results information for the March 2004 and 2011 fiscal years include 15-month results for certain overseas subsidiaries that changed their fiscal year-end.
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 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
	2006	2005	2004	2003	2002	2001	2011
	¥2,919,823	¥2,695,564	¥2,916,130	¥2,364,512	¥2,094,914	¥2,015,812	**$28,020,349**
	887,662	845,620	846,231	818,271	811,050	911,968	**6,523,976**
	2,032,161	1,849,944	2,069,899	1,546,241	1,283,864	1,103,844	**21,496,373**
	843,988	761,684	936,718	845,241	776,889	618,076	**7,606,349**
	668,941	634,233	659,813	368,045	228,120	236,324	**5,149,373**
	519,232	454,027	473,368	332,955	278,855	249,444	**8,740,651**
	2,110,934	1,972,574	2,165,160	1,725,058	1,551,410	1,555,130	**22,453,952**
	685,454	640,043	680,796	588,798	514,951	475,619	**5,279,229**
	123,435	82,947	70,174	50,656	28,553	(14,937)	**287,168**
	117,468	73,847	54,072	28,134	15,508	(242,442)	**193,746**
	66,711	45,772	33,901	24,134	8,830	(155,243)	**(723,398)**
	72,070	67,881	45,644	44,080	56,641	47,285	**538,819**
	45,805	40,036	37,900	36,989	44,890	49,531	**862,361**
	95,730	90,841	87,807	87,800	94,964	83,617	**1,095,916**
	33,611	35,900	49,128	47,054	30,623	52,257	**19,603**
	¥1,788,659	¥1,767,846	¥1,795,573	¥1,754,017	¥1,734,895	¥1,743,627	**$21,346,590**
	407,208	275,841	230,937	200,546	180,892	166,123	**5,187,217**
	455,409	528,145	630,360	678,205	686,318	777,292	**8,349,398**
	246,751	313,506	358,129	403,483	456,874	484,677	**4,459,651**
	1,294,533	1,216,245	1,217,692	1,219,050	1,221,750	1,222,495	
	36,626	35,680	35,627	36,184	37,824	39,601	
	Yen						U.S. dollars*1
	¥ 51.53	¥ 37.63	¥ 27.84	¥ 19.80	¥ 7.23	¥(126.99)	**$(0.41)**
	5.00	3.00	2.00	2.00	2.00	—	**—**
	284.28	220.22	182.91	159.22	141.52	129.96	**2.92**
	%						
	4.2%	3.1%	2.4%	2.1%	1.4%	(0.7)%	
	20.0	18.7	16.3	13.2	5.3	(76.7)	
	22.3	15.1	12.4	11.1	10.0	9.1	

CONSOLIDATED BALANCE SHEETS

Mazda Motor Corporation and Consolidated Subsidiaries
March 31, 2011 and 2010

ASSETS	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2011
Current assets:			
Cash and cash equivalents	¥ 322,849	¥ 346,303	$ 3,889,747
Short-term investments	—	20,000	—
Trade notes and accounts receivable	154,498	172,489	1,861,422
Inventories (Note 6)	197,011	210,872	2,373,627
Deferred taxes (Note 14)	58,307	60,311	702,494
Other current assets	89,490	89,525	1,078,192
Allowance for doubtful receivables	(1,726)	(2,263)	(20,795)
Total current assets	820,429	897,237	9,884,687
Property, plant and equipment:			
Land (Note 7)	430,367	433,827	5,185,145
Buildings and structures	430,790	427,777	5,190,241
Machinery and equipment	782,219	795,983	9,424,324
Tools, furniture, fixtures and other	181,347	187,720	2,184,904
Leased property	38,328	60,035	461,783
Construction in progress	32,115	19,510	386,928
	1,895,166	1,924,852	22,833,325
Accumulated depreciation	(1,108,945)	(1,099,281)	(13,360,783)
Net property, plant and equipment (Note 8)	786,221	825,571	9,472,542
Intangible assets	20,104	23,351	242,217
Investments and other assets:			
Investment securities:			
Affiliated companies	81,177	77,055	978,036
Other	8,965	8,965	108,012
Long-term loans receivable	5,255	5,813	63,313
Deferred taxes (Note 14)	32,558	88,182	392,265
Other investments and other assets	21,886	27,174	263,687
Allowance for doubtful receivables	(3,809)	(4,298)	(45,892)
Investment valuation allowance	(1,019)	(1,281)	(12,277)
Total investments and other assets	145,013	201,610	1,747,144
Total assets	¥ 1,771,767	¥ 1,947,769	$ 21,346,590

See accompanying notes.

LIABILITIES AND EQUITY	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2011
Current liabilities:			
Short-term debt (Note 9)	¥ 79,447	¥ 80,836	$ 957,193
Long-term debt due within one year (Note 9)	125,804	85,009	1,515,711
Trade notes and accounts payable	208,111	271,118	2,507,361
Accrued expenses	155,647	179,154	1,875,265
Reserve for warranty expenses	42,556	36,929	512,723
Other current liabilities (Note 14)	30,752	23,545	370,506
Total current liabilities	642,317	676,591	7,738,759
Long-term liabilities:			
Long-term debt due after one year (Note 9)	487,749	556,283	5,876,494
Deferred tax liability related to land revaluation (Note 7)	93,431	93,680	1,125,675
Employees' severance and retirement benefits (Note 10)	78,284	84,553	943,181
Reserve for loss from business of affiliates	9,998	5,862	120,458
Reserve for environmental measures	1,474	1,464	17,759
Other long-term liabilities (Note 14)	27,975	19,521	337,047
Total long-term liabilities	698,911	761,363	8,420,614
Equity:			
Capital and retained earnings:			
Common stock:	186,500	186,500	2,246,988
Authorized: 3,000,000,000 shares			
Issued: 1,780,377,399 shares in 2011 and 1,780,377,399 shares in 2010 (Note 12)			
Capital surplus (Note 12)	170,192	170,192	2,050,506
Retained earnings	15,082	80,268	181,711
Treasury stock (10,194,637 shares in 2011 and 10,165,073 shares in 2010)	(2,189)	(2,182)	(26,373)
Total capital and retained earnings	369,585	434,778	4,452,832
Accumulated other comprehensive income:			
Net unrealized gain/(loss) on available-for-sale securities	(167)	131	(2,012)
Net loss on derivative instruments	(2,841)	(1,498)	(34,229)
Land revaluation (Note 7)	135,794	136,160	1,636,072
Foreign currency translation adjustments	(71,233)	(61,583)	(858,229)
Pension adjustments recognized by foreign consolidated subsidiaries	(2,326)	(79)	(28,024)
Total accumulated other comprehensive income	59,227	73,131	713,578
Stock acquisition rights	460	445	5,542
Equity attributable to shareholders of Mazda Motor Corporation	429,272	508,354	5,171,952
Minority interests in consolidated subsidiaries	1,267	1,461	15,265
Total equity	430,539	509,815	5,187,217
Total liabilities and equity	¥1,771,767	¥1,947,769	$21,346,590

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE OPERATIONS

Mazda Motor Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Net sales	¥2,325,689	¥2,163,949	$28,020,349
Cost and expenses:			
Cost of sales	1,863,678	1,710,699	22,453,952
Selling, general and administrative expenses	438,176	443,792	5,279,229
	2,301,854	2,154,491	27,733,181
Operating income	23,835	9,458	287,168
Other income/(loss):			
Interest and dividend income	2,071	2,076	24,952
Interest expense	(11,840)	(13,947)	(142,651)
Equity in net income of affiliated companies	14,216	8,667	171,277
Other, net (Note 13)	(12,201)	(13,519)	(147,000)
	(7,754)	(16,723)	(93,422)
Income/(loss) before income taxes	16,081	(7,265)	193,746
Income taxes (Note 14):			
Current	16,664	7,212	200,771
Deferred	59,181	(8,192)	713,024
	75,845	(980)	913,795
Loss before minority interests	(59,764)	(6,285)	(720,049)
Minority interests in consolidated subsidiaries	278	193	3,349
Net loss	¥ (60,042)	¥ (6,478)	$ (723,398)
Minority interests in consolidated subsidiaries	278	193	3,349
Loss before minority interests	(59,764)	(6,285)	(720,048)
Other comprehensive income			
Net unrealized loss on available-for-sale securities	(300)	(24)	(3,614)
Net loss on derivative instruments	(1,398)	(204)	(16,843)
Foreign currency translation adjustments	(4,378)	6,406	(52,747)
Pension adjustments recognized by foreign consolidated subsidiaries	(2,247)	7	(27,072)
Share of other comprehensive loss of affiliates accounted for using equity method	(5,225)	1,425	(62,952)
Total other comprehensive income	(13,548)	7,610	(163,229)
Comprehensive income	¥ (73,312)	¥ 1,325	$ (883,277)
Comprehensive income attributable to:			
Owners of Mazda Motor Corporation	(73,580)	1,132	(886,506)
Minority interests	268	193	3,229

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net loss (Note 2):			
Basic	¥(33.92)	¥(4.26)	$(0.41)
Cash dividends applicable to the year	—	3.00	—

See accompanying notes.

CONSOLIDATED STATEMENTS OF EQUITY

Mazda Motor Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen								
	Equity attributable to shareholders of Mazda Motor Corporation								
	Capital and retained earnings					Accumulated other comprehen-sive income	Stock acquisition rights	Minority interests in consolidated subsidiaries	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total				
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 foreign subsidiaries	—	—	—	—	—	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
Effect of changes in accounting policies applied to foreign equity-method affiliates on the beginning balance of retained earnings	**—**	**—**	**(309)**	**—**	**(309)**	**—**	**—**	**—**	**(309)**
Cash dividends paid	**—**	**—**	**(5,311)**	**—**	**(5,311)**	**—**	**—**	**—**	**(5,311)**
Net loss	**—**	**—**	**(60,042)**	**—**	**(60,042)**	**—**	**—**	**—**	**(60,042)**
Treasury stock	**—**	**—**	**—**	**(7)**	**(7)**	**—**	**—**	**—**	**(7)**
Land revaluation	**—**	**—**	**366**	**—**	**366**	**(366)**	**—**	**—**	**—**
Change of consolidation scope	**—**	**—**	**110**	**—**	**110**	**—**	**—**	**—**	**110**
Net unrealized loss on available-for-sale securities	**—**	**—**	**—**	**—**	**—**	**(298)**	**—**	**—**	**(298)**
Net loss on derivative instruments	**—**	**—**	**—**	**—**	**—**	**(1,343)**	**—**	**—**	**(1,343)**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**(9,650)**	**—**	**—**	**(9,650)**
Pension adjustments recognized by foreign subsidiaries	**—**	**—**	**—**	**—**	**—**	**(2,247)**	**—**	**—**	**(2,247)**
Stock acquisition rights from granting of share-based payment	**—**	**—**	**—**	**—**	**—**	**—**	**15**	**—**	**15**
Minority interests in consolidated subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(194)**	**(194)**
March 31, 2011	**¥186,500**	**¥170,192**	**¥ 15,082**	**¥ (2,189)**	**¥369,585**	**¥59,227**	**¥460**	**¥1,267**	**¥430,539**

	Thousands of U.S. dollars (Note 1)								
	Equity attributable to shareholders of Mazda Motor Corporation								
	Capital and retained earnings					Accumulated other comprehen-sive income	Stock acquisition rights	Minority interests in consolidated subsidiaries	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total				
March 31, 2010	$2,246,988	$2,050,506	$967,084	$(26,289)	$5,238,289	$881,096	$5,361	$17,602	$6,142,348
Effect of changes in accounting policies applied to foreign equity-method affiliates on the beginning balance of retained earnings	**—**	**—**	**(3,722)**	**—**	**(3,722)**	**—**	**—**	**—**	**(3,722)**
Cash dividends paid	**—**	**—**	**(63,988)**	**—**	**(63,988)**	**—**	**—**	**—**	**(63,988)**
Net loss	**—**	**—**	**(723,398)**	**—**	**(723,398)**	**—**	**—**	**—**	**(723,398)**
Treasury stock	**—**	**—**	**—**	**(84)**	**(84)**	**—**	**—**	**—**	**(84)**
Land revaluation	**—**	**—**	**4,410**	**—**	**4,410**	**(4,410)**	**—**	**—**	**—**
Change of consolidation scope	**—**	**—**	**1,325**	**—**	**1,325**	**—**	**—**	**—**	**1,325**
Net unrealized loss on available-for-sale securities	**—**	**—**	**—**	**—**	**—**	**(3,590)**	**—**	**—**	**(3,590)**
Net loss on derivative instruments	**—**	**—**	**—**	**—**	**—**	**(16,181)**	**—**	**—**	**(16,181)**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**(116,265)**	**—**	**—**	**(116,265)**
Pension adjustments recognized by foreign subsidiaries	**—**	**—**	**—**	**—**	**—**	**(27,072)**	**—**	**—**	**(27,072)**
Stock acquisition rights from granting of share-based payment	**—**	**—**	**—**	**—**	**—**	**—**	**181**	**—**	**181**
Minority interests in consolidated subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,337)**	**(2,337)**
March 31, 2011	**$2,246,988**	**$2,050,506**	**$181,711**	**$(26,373)**	**$4,452,832**	**$713,578**	**$5,542**	**$15,265**	**$5,187,217**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Mazda Motor Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Cash flows from operating activities:			
Income/(loss) before income taxes	¥ 16,081	¥ (7,265)	$ 193,746
Adjustments to reconcile income/(loss) before income taxes to net cash provided by/(used in) operating activities:			
Depreciation and amortization	71,576	76,428	862,361
Loss on impairment of fixed assets	3,416	2,495	41,157
Adoption of accounting standards for asset retirement obligations	2,684	—	32,337
Allowance for doubtful receivables	(469)	(457)	(5,651)
Investment valuation allowance	(262)	(225)	(3,157)
Reserve for warranty expenses	5,627	(1,060)	67,795
Employees' severance and retirement benefits	(6,074)	(5,815)	(73,181)
Reserve for loss from business of affiliates	4,136	5,862	49,831
Reserve for environmental measures	10	1,464	120
Interest and dividend income	(2,071)	(2,076)	(24,952)
Interest expense	11,840	13,947	142,651
Equity in net loss/(income) of affiliated companies	(14,216)	(8,667)	(171,277)
Loss on sale/disposition of property, plant and equipment, net	1,908	3,012	22,988
Gain on sale of investment securities, net	(11)	(3)	(133)
Gain on sale of investments in affiliates	(702)	(440)	(8,458)
Decrease/(increase) in trade notes and accounts receivable	20,679	(35,431)	249,145
Decrease in inventories	4,763	16,230	57,386
Increase/(decrease) in trade notes and accounts payable	(61,124)	94,467	(736,434)
Decrease in other current liabilities	(10,262)	(4,857)	(123,639)
Other	(8,947)	(22,077)	(107,792)
Subtotal	38,582	125,532	464,843
Interest and dividends received	5,351	4,334	64,470
Interest paid	(11,986)	(13,834)	(144,410)
Income taxes paid	(16,603)	(4,386)	(200,036)
Net cash provided by/(used in) operating activities	15,344	111,646	184,867
Cash flows from investing activities:			
Payments into time deposits	(10,001)	—	(120,494)
Proceeds from withdrawal of time deposits	10,013	—	120,639
Purchase of short-term investments	—	(20,000)	—
Proceeds from sales and redemption of securities	20,000	—	240,964
Purchase of investment securities	(1,229)	(4,731)	(14,807)
Proceeds from sales and redemption of investment securities	191	20	2,301
Acquisition of property, plant and equipment	(32,249)	(20,718)	(388,542)
Proceeds from sale of property, plant and equipment	2,758	4,229	33,229
Acquisition of intangible assets	(4,946)	(4,314)	(59,590)
Decrease/(increase) in short-term loans receivable	4	932	48
Long-term loans receivable made	(330)	(141)	(3,976)
Collections of long-term loans receivable	406	270	4,892
Sale of investments in subsidiaries affecting scope of consolidation	1,691	204	20,373
Other	(25)	(3)	(301)
Net cash used in investing activities	(13,717)	(44,252)	(165,264)
Cash flows from financing activities:			
Increase/(decrease) in short-term debt	1,605	(47,389)	19,337
Proceeds from long-term debt	114,169	80,883	1,375,530
Repayment of long-term debt	(123,826)	(66,158)	(1,491,880)
Proceeds from issuance of common stock	—	73,537	—
Cash dividends paid	(5,311)	—	(63,988)
Cash dividends paid to the minority shareholders of consolidated subsidiaries	(458)	(2)	(5,518)
Treasury stock transactions	(7)	19,765	(84)
Other	(532)	315	(6,409)
Net cash provided by/(used in) financing activities	(14,360)	60,951	(173,012)
Effect of exchange rate fluctuations on cash and cash equivalents	(10,721)	(2,766)	(129,169)
Net increase/(decrease) in cash and cash equivalents	(23,454)	125,579	(282,578)
Cash and cash equivalents at beginning of the year	346,303	220,724	4,172,325
Cash and cash equivalents at end of the year	¥322,849	¥346,303	$ 3,889,747

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").

For the convenience of readers outside Japan, 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, 2011, which was ¥83 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 51 subsidiaries (52 in the year ended March 31, 2010). In addition, 14 affiliates (14 in the year ended March 31, 2010) are accounted for by the equity method.

The consolidated year-end balance sheet date is March 31. Among the consolidated subsidiaries, two companies (nine at March 31, 2010) have a year-end balance sheet date of December 31, which is different from the consolidated balance sheet date. 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.

Commencing in the year ended March 31, 2011, four consolidated subsidiaries, which had a year-end balance sheet date of December 31, 2010, have changed the balance sheet date from December 31 to March 31. As a result, consolidated financial statements for the fiscal year ended March 31, 2011 include financial statements from the companies covering the 15-month period from January 1, 2010 through March 31, 2011.

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 accumulated other comprehensive income 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.

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.

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 standings 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.

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, 2011 and 2010, research and development costs were ¥90,961 million ($1,095,916 thousand) and ¥85,206 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 years ended March 31, 2011 and 2010, 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

Adoption of Accounting Standard for Equity Method of Accounting for Investments and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method

Commencing in the year ended March 31, 2011, the Company and its foreign affiliates accounted for using the equity method adopted the Accounting Standards Board of Japan ("ASBJ") Statement No. 16 "Accounting Standard for Equity Method of Accounting for Investments" and the Practical Issues Task Force ("PITF") No. 24 "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method", both issued by the ASBJ on March 10, 2008.

As a result, for similar transactions and events that occurred under similar circumstances, the accounting policies and procedures applied to the investing company (the Company and its subsidiaries) and the investee companies accounted for using the equity method are unified in principle, unless there is a rational reason for not doing so.

The effects of adopting these standards on income before income taxes in the consolidated statement of operations and comprehensive operations for the year ended March 31, 2011 were immaterial.

Adoption of Accounting Standards for Asset Retirement Obligations

Commencing in the year ended March 31, 2011, the Company and its consolidated domestic subsidiaries adopted the ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and the ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations", both issued by the ASBJ on March 31, 2008.

The effects of adopting these standards on the consolidated statement of operations and comprehensive operations for the year ended March 31, 2011 were to decrease operating income by ¥329 million ($3,964 thousand) and income before income taxes by ¥3,013 million ($ 36,301 thousand).

Additional Information

Adoption of Accounting Standard for Presentation of Comprehensive Income

Commencing in the year ended March 31, 2011, the Company and its consolidated domestic subsidiaries adopted the ASBJ Statement No. 25, "Accounting Standard for Presentation of Comprehensive Income", issued by the ASBJ on June 30, 2010.

The consolidated balance sheet and the consolidated statement of equity as of and for the fiscal year ended March 31, 2010 have been modified to conform with the new presentation rules of 2011. In addition, the Company has presented the consolidated statement of operations and comprehensive operations for the fiscal year ended March 31, 2010 as well as that for the fiscal year ended March 31, 2011.

4 FINANCIAL INSTRUMENTS

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 certificates of deposit and other highly-liquid short-term investments. Investment securities consist mainly of stocks of our business partner companies and are subject to the risk of market price fluctuations and other factors. Long-term loans 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 9 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 the Chief Financial 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, 2011, 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.

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2011	Carrying values	Fair values	Difference	Carrying values	Fair values	Difference
Assets						
1) Trade notes and accounts receivable	¥154,498	¥ —	¥ —	$ 1,861,422	$ —	$ —
Allowance for doubtful receivables (*1)	(756)	—	—	(9,108)	—	—
Trade notes and accounts receivable, net	153,742	153,724	(18)	1,852,313	1,852,096	(217)
2) Investment securities						
Available-for-sale securities	5,714	5,714	—	68,843	68,843	—
3) Long-term loans receivable (*2)	5,405	—	—	65,120	—	—
Allowance for doubtful receivables (*3)	(2,343)	—	—	(28,229)	—	—
Long-term loans receivable, net	3,062	3,062	—	36,892	36,892	—
	¥162,518	¥162,500	¥ (18)	$ 1,958,048	$ 1,957,831	$ (217)
Liabilities						
1) Trade notes and accounts payable	¥208,111	¥208,111	¥ —	$ 2,507,361	$ 2,507,361	$ —
2) Other accounts payable	22,738	22,738	—	273,952	273,952	—
3) Short-term loans payable	79,447	79,447	—	957,193	957,193	—
4) Long-term debt	613,553	627,075	13,522	7,392,205	7,555,120	162,916
	¥923,849	¥937,371	¥13,522	$11,130,711	$11,293,627	$162,916
Derivative instruments (*4)						
1) Hedge accounting not applied	¥ (362)	¥ (362)	¥ —	$ (4,361)	$ (4,361)	$ —
2) Hedge accounting applied	(4,746)	(4,746)	—	(57,181)	(57,181)	—
	¥ (5,108)	¥ (5,108)	¥ —	$ (61,542)	$ (61,542)	$ —

(*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) Investment securities” in the left 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, 2011	Millions of yen Carrying values	Thousands of U.S. dollars Carrying values
Available-for-sale securities		
Non-listed equity securities	¥ 3,251	$ 36,169
Investment in securities of affiliated companies	81,177	978,036
	¥84,428	$1,017,205

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 certificates of deposit 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.

Derivative instruments

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

Scheduled amounts of receivables were as follows:

	Millions of yen				Thousands of U.S. dollars			
As of March 31, 2011	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	¥153,521	¥ 977	¥ —	¥ —	$1,849,651	$11,771	$ —	$ —
Long-term loans receivable	150	4,336	569	350	1,807	52,241	6,855	4,217
	¥153,671	¥5,313	¥569	¥350	$1,851,458	$64,012	$6,855	$4,217

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, 2011 and 2010.

Available-for-sale securities as of March 31, 2011 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2011	Acquisition costs	Carrying values	Difference	Acquisition costs	Fair values	Difference
Stocks	¥ 4,523	¥ 4,269	¥(254)	$ 54,494	$ 51,434	$(3,060)
Other	154,075	154,075	—	1,856,325	1,856,325	—
	¥158,598	¥158,344	¥(254)	$1,910,819	$1,907,759	$(3,060)

	Millions of yen		
As of March 31, 2010	Acquisition costs	Carrying values	Difference
Stocks	¥ 4,446	¥ 4,686	¥240
Other	95,776	95,776	—
	¥100,222	¥100,462	¥240

In addition to the securities shown in the above tables, as of March 31, 2011 and 2010, there were unlisted equity securities with carrying values of ¥3,251 million ($39,169 thousand) and ¥3,186 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, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2011	2010	2011
Finished products	¥141,959	¥157,745	$1,710,349
Work in process	42,842	42,341	516,169
Raw materials and supplies	12,210	10,786	147,108
	¥197,011	¥210,872	$2,373,627

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, 2011 and 2010 from that at the time of revaluation, as stipulated in Article 10 of the Land Revaluation Law, were ¥95,099 million ($1,145,771 thousand) and ¥87,836 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, 2011 and 2010, the Domestic Companies recognized an impairment loss of ¥2,387 million ($28,759 thousand) and ¥2,123 million, respectively, on idle assets.

In addition, for the years ended March 31, 2011 and 2010, 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 ¥1,029 million ($12,398 thousand) and ¥372 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, 2011 and 2010 amounted to ¥3,416 million ($41,157 thousand) and ¥2,495 million, respectively.

9 SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt as of March 31, 2011 and 2010 consisted of loans, principally from banks with interest averaging 1.42% and 1.26% for the respective years.

Long-term debt as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2011	2010	2011
Domestic unsecured bonds due serially 2011 through 2016 at rates of 0.56% to 1.87% per annum	¥ 115,850[(a)]	¥ 95,950	$ 1,395,783
Loans principally from banks:			
Secured loans, maturing through 2020	63,146	67,870	760,795
Unsecured loans, maturing through 2020	410,278	431,587	4,943,108
Lease obligations, maturing through 2018	24,279	45,885	292,518
	613,553	641,292	7,392,205
Amount due within one year	(125,804)	(85,009)	(1,515,711)
	¥ 487,749	¥556,283	$ 5,876,494

(a) As of March 31, 2011, certain of these unsecured bonds amounting to ¥850 million ($10,241 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 1.42% and 3.23%, respectively, for obligations due within one year and 1.55% and 3.30%, respectively, for obligations due after one year at March 31, 2011.

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.

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, 2011 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥125,804	$1,515,711
2013	89,521	1,078,566
2014	96,542	1,163,157
2015	78,699	948,181
2016	76,275	918,976
Thereafter	146,712	1,767,614
	¥613,553	$7,392,205

The assets pledged as collateral for short-term debt of ¥35,809 million ($431,434 thousand) and ¥34,389 million and long-term debt of ¥63,996 million ($771,036 thousand) and ¥68,820 million at March 31, 2011 and 2010, respectively, were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2011	2010	2011
Property, plant and equipment, at net book value	¥411,384	¥431,020	$4,956,434
Other	3	33	36
	¥411,387	¥431,053	$4,956,470

10 EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The liabilities for severance and retirement benefits as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2011	2010	2011
Projected benefit obligation	¥ 277,155	¥ 289,069	$ 3,339,217
Unrecognized prior service costs	14,954	17,152	180,169
Unrecognized actuarial differences	(42,864)	(53,833)	(516,434)
Less fair value of pension assets	(176,076)	(172,610)	(2,121,398)
Prepaid pension cost	5,115	4,775	61,627
Liability for severance and retirement benefits	¥ 78,284	¥ 84,553	$ 943,181

Severance and retirement benefit expenses for the years ended March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	2011	2010	2011
Service costs—benefits earned during the year	¥10,773	¥11,344	$129,795
Interest cost on projected benefit obligation	6,381	6,518	76,880
Expected return on plan assets	(3,379)	(2,962)	(40,711)
Amortization of prior service costs	(2,244)	(2,423)	(27,036)
Amortization of actuarial differences	8,287	10,156	99,843
Severance and retirement benefit expenses	¥19,818	¥22,633	$238,771

For both the years ended March 31, 2011 and 2010, the discount rates and the rates of expected return on plan assets were primarily 2.1% and 1.5%, respectively.

For both the years ended March 31, 2011 and 2010, 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, 2011 and 2010, accrued pension costs related to defined contribution plans amounted to ¥2,249 million ($27,096 thousand) and ¥1,940 million, respectively.

11 CONTINGENT LIABILITIES

Contingent liabilities as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2011	2010	2011
Factoring of receivables with recourse	¥ 170	¥ 340	$ 2,048
Guarantees of loans and similar agreements	17,795	11,854	214,398

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 shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law. Cash dividends charged to retained earnings during the fiscal year 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. For the year ended March 31, 2011, no year-end dividends were appropriated.

As discussed in Note 3, commencing in the year ended March 31, 2011, the Company and its foreign affiliates adopted PITF No. 24. As a transition requirement of PITF No. 24, the balance of consolidated retained earnings as of April 1, 2010 was reduced.

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, 2011 and 2010 were comprised as follows:

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	2011	2010	2011
Gain on sale of investment securities, net	¥ 15	¥ 10	$ 181
Gain on sale of investment in affiliates, net	702	440	8,458
Reversal of investment valuation allowance	285	227	3,434
Loss on retirement and sale of property, plant and equipment, net	(1,908)	(3,012)	(22,988)
Rental income	2,023	2,035	24,373
Loss on sale of receivables	(1,234)	(1,397)	(14,867)
Loss on impairment of long-lived assets	(3,416)	(2,495)	(41,157)
Foreign exchange gain/(loss)	9,230	(807)	111,205
Compensation received for the exercise of eminent domain	2	311	24
Reserve for loss from business of affiliates	(8,533)	(5,862)	(102,807)
Reserve for environmental measures	(11)	(1,464)	(133)
Adoption of accounting standards for asset retirement obligations	(2,684)	—	(32,337)
Loss on disaster(*1)	(5,211)	—	(62,783)
Other	(1,461)	(1,505)	(17,602)
	¥(12,201)	¥(13,519)	$(147,000)

(*1) The effect of the Great East Japan Earthquake.

14 INCOME TAXES

The effective tax rate reflected in the consolidated statement of operations for the year ended March 31, 2011 differs from the statutory tax rate for the following reasons. For the year ended March 31, 2010, 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.

For the year ended March 31	2011
Statutory tax rate	40.4%
Equity in net income of affiliated companies	(31.8)
Valuation allowance	453.8
Dividend received from foreign subsidiaries eliminated in consolidation	9.1
Other	0.1
Effective tax rate	471.6%

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, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2011	2010	2011
Deferred tax assets:			
Allowance for doubtful receivables	¥ 1,981	¥ 2,060	$ 23,867
Employees' severance and retirement benefits	30,723	32,970	370,157
Loss on impairment of long-lived assets	9,866	11,183	118,867
Accrued bonuses and other reserves	27,797	25,316	334,904
Inventory valuation	7,111	4,759	85,675
Valuation loss on investment securities, etc.	1,182	1,202	14,241
Net operating loss carryforwards	92,015	82,569	1,108,614
Other	55,409	56,159	667,578
Total gross deferred tax assets	226,084	216,218	2,723,904
Less valuation allowance	(123,598)	(59,949)	(1,489,133)
Total deferred tax assets	102,486	156,269	1,234,771
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	(5,906)	(6,225)	(71,157)
Other	(6,607)	(2,477)	(79,602)
Total deferred tax liabilities	(12,513)	(8,702)	(150,759)
Net deferred tax assets	¥ 89,973	¥147,567	$ 1,084,012

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

	Millions of yen		Thousands of U.S. dollars
As of March 31	2011	2010	2011
Current assets—Deferred taxes	¥58,307	¥ 60,311	$ 702,494
Investments and other assets—Deferred taxes	32,558	88,182	392,265
Current liabilities—Other current liabilities	(54)	(71)	(651)
Long-term liabilities—Other long-term liabilities	(838)	(855)	(10,096)
Net deferred tax assets	¥89,973	¥147,567	$1,084,012

15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Company and its consolidated subsidiaries use forward foreign exchange contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuations in foreign currency exchange rates. Also, only for the purpose of mitigating future risks of fluctuations in interest rates with respect to borrowings, the 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 minimum 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:	Hedged items:
Forward foreign exchange contracts	Foreign currency-denominated transactions planned in the future
Interest rate swap contracts	Interest on borrowings

The following tables summarize fair value information as of March 31, 2011 and 2010 of derivative transactions for which hedge accounting has not been applied:

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2011	Contract amount	Estimated fair value	Unrealized gain/(loss)	Contract amount	Estimated fair value	Unrealized gain/(loss)
Forward foreign exchange contracts:						
Sell:						
U.S. dollar	¥20,925	¥ 142	¥ 142	$252,108	$ 1,711	$ 1,711
Euro	6,801	(246)	(246)	81,940	(2,964)	(2,964)
Canadian dollar	8,394	(311)	(311)	101,133	(3,747)	(3,747)
Australian dollar	—	(46)	(46)	—	(554)	(554)
Sterling pound	1,991	(17)	(17)	23,988	(205)	(205)
Swiss Franc	443	(10)	(10)	5,337	(120)	(120)
Buy:						
U.S. dollar	8,855	(67)	(67)	106,687	(807)	(807)
Australian dollar	2,668	114	114	32,145	1,373	1,373
Thai baht	4,588	82	82	55,277	988	988
Japanese yen	3,760	(3)	(3)	45,301	(36)	(36)
	¥58,425	¥(362)	¥(362)	$703,916	$(4,361)	$(4,361)

	Millions of yen		
As of March 31, 2010	Contract amount	Estimated fair value	Unrealized gain/(loss)
Forward foreign exchange contracts:			
Sell:			
U.S. dollar	¥25,583	¥(702)	¥(702)
Euro	8,741	600	600
Canadian dollar	1,187	(38)	(38)
Sterling pound	3,508	195	195
Buy:			
U.S. dollar	1,398	46	46
Australian dollar	3,516	133	133
Thai baht	5,470	395	395
Japanese yen	3,067	(15)	(15)
	¥52,470	¥ 614	¥ 614

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

The following tables summarize fair value information as of March 31, 2011 and 2010 of derivative transactions for which hedge accounting has been applied:

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2011	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 met (*1)	¥ 41,400	¥38,900	¥ —	$ 498,795	$468,675	$ —
Forward foreign exchange contracts:						
Sell:						
U.S. dollar	46,424	—	53	559,325	—	639
Euro	44,107	—	(1,580)	531,410	—	(19,036)
Canadian dollar	16,812	—	(627)	202,554	—	(7,554)
Australian dollar	45,763	—	(2,760)	551,361	—	(33,253)
Sterling pound	12,807	—	(151)	154,301	—	(1,819)
Swiss Franc	1,688	—	(33)	20,337	—	(398)
Buy:						
U.S. dollar	3,114	—	(49)	37,518	—	(590)
Thai baht	20,138	—	401	242,627	—	4,831
	¥232,253	¥38,900	¥(4,746)	$2,798,229	$468,675	$ (57,181)

	Millions of yen		
As of March 31, 2010	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	¥ 20,000	¥ —	¥ (74)
Where certain hedging criteria are met (*1)	40,495	38,400	—
Forward foreign exchange contracts:			
Sell:			
U.S. dollar	66,944	—	(1,078)
Euro	28,707	—	1,245
Canadian dollar	31,587	—	(1,606)
Australian dollar	58,545	—	(2,195)
Sterling pound	9,112	—	318
Buy:			
Thai baht	17,523	—	956
	¥272,913	¥38,400	¥(2,434)

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

16 LEASES

The present values of future minimum lease payments under operating leases as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Operating leases		
As of March 31	2011	2010	2011
Current portion	¥ 3,618	¥ 2,464	$ 43,590
Non-current portion	12,551	11,678	151,217
	¥16,169	¥14,142	$194,807

17 SEGMENT INFORMATION

(Additional Information)

Commencing in the year ended March 31, 2011, the Company adopted the revised ASBJ Statement No. 17 "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" issued by the ASBJ on March 27, 2009 and the ASBJ Guidance No. 20 "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" issued by the ASBJ on March 21, 2008.

Overview of Reportable Segments

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

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

Net sales, income or loss, and assets by reportable segments for the years ended March 31, 2011 and 2010 were as follows:

Comparative information for the year ended March 31, 2010, calculated in accordance with the revised ASBJ Statement No. 17 and the related Guidance, is omitted, as equivalent information based on the treatment prior to adopting these accounting standards is presented later in this section.

	Millions of yen						
	Reportable segments						
For the year ended March 31, 2011	Japan	North America	Europe	Other areas	Total	Adjustment (*1)	Consolidated (*2)
Net sales:							
Outside customers	¥ 965,203	¥623,990	¥427,721	¥308,775	¥2,325,689	¥ —	¥2,325,689
Inter-segment	1,034,278	7,054	10,471	1,620	1,053,423	(1,053,423)	—
Total	1,999,481	631,044	438,192	310,395	3,379,112	(1,053,423)	2,325,689
Segment income/(loss)	32,555	(31,731)	7,901	12,820	21,545	2,290	23,835
Segment assets	¥1,566,139	¥142,415	¥162,003	¥108,448	¥1,979,005	¥ (207,238)	¥1,771,767

(*1) Notes on adjustment:
(1) The adjustment on segment income/(loss) are eliminations of inter-segment transactions.
(2) The adjustment on segment assets are mainly eliminations of inter-segment receivables and payables.
(*2) Segment income/(loss) is reconciled with the operating income in the consolidated statement of operations for the year ended March 31, 2011.
Segment assets are reconciled with the total assets in the consolidated balance sheets for the year ended March 31, 2011.

	Thousands of U.S. dollars						
	Reportable segments						
For the year ended March 31, 2011	Japan	North America	Europe	Other areas	Total	Adjustment (*1)	Consolidated (*2)
Net sales:							
Outside customers	$11,628,952	$7,517,952	$5,153,265	$3,720,181	$28,020,349	$ —	$28,020,349
Inter-segment	12,461,181	84,988	126,157	19,518	12,691,843	(12,691,843)	—
Total	24,090,133	7,620,940	5,279,422	3,739,699	40,712,193	(12,691,843)	28,020,349
Segment income/(loss)	392,229	(382,301)	95,193	154,458	259,578	27,590	287,169
Segment assets	$18,869,145	$1,715,843	$1,951,843	$1,306,602	$23,843,434	$ (2,496,843)	$21,346,590

For the year ended March 31, 2010	Millions of yen						
	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

Information by geographic areas

The sales information by geographic areas as of March 31, 2011 and 2010 were as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Japan	**¥ 541,490**	¥ 574,982	**$ 6,523,976**
North America	**631,327**	574,640	**7,606,349**
Europe	**427,398**	477,337	**5,149,373**
Other areas	**725,474**	536,990	**8,740,651**
Total	**¥2,325,689**	¥2,163,949	**$28,020,349**

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

18 RELATED PARTY TRANSACTIONS

This information is not provided as of March 31, 2011 in accordance with applicable provisions of Japanese GAAP.

During the years ended March 31, 2010, 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 while repayments of lease obligations and interest on lease obligations amounted to ¥4,510 million and ¥1,558 million, respectively, and the ending balance of lease obligations was ¥25,827 million.

June 24, 2011

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, 2011 are presented fairly, in all material respects, in conformity with the generally accepted accounting principles in Japan.

President and
Chief Executive Officer

Takashi Yamanouchi

Executive Vice President and
Chief Financial Officer

Kiyoshi Ozaki

To the Board of Directors of Mazda Motor Corporation

We have audited the accompanying consolidated balance sheets of Mazda Motor Corporation and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations and comprehensive 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, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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 LLC

Hiroshima, Japan
June 24, 2011

CORPORATE DATA

(As of March 31, 2011)

Name:	Mazda Motor Corporation
Founded:	January 1920
Capital:	¥186.5 billion
Number of Employees:	38,117 (consolidated)

OFFICES

Head Office:

3-1 Shinchi, Fuchu-cho, Aki-gun,
Hiroshima 730-8670, Japan
Phone: +81 (82) 282-1111

Tokyo Office:

1-1-7 Uchisaiwai-cho, Chiyoda-ku,
Tokyo 100-0011, Japan
Phone: +81 (3) 3508-5031

Osaka Branch:

1-1-88-800 Oyodonaka,
Kita-ku, Osaka 531-6008, Japan
Phone: +81 (6) 6440-5811

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/

FOR REQUESTS AND INQUIRIES

For inquiries concerning this Annual Report, please contact:

Japan

IR Office
Financial Services Division
Mazda Motor Corporation
3-1 Shinchi, Fuchu-cho, Aki-gun, Hiroshima 730-8670, Japan
Phone: +81 (82) 287-4114
Fax: +81 (82) 287-5234

North America

Mazda Information Bureau
10 Corporate Park Suite 200, Irvine, CA 92606, U.S.A.
Phone: +1 (800) 248-0459
Fax: +1 (949) 752-2130

Europe

Mazda Motor Europe GmbH
Hitdorfer Str. 73, D-51371 Leverkusen, Germany
Phone: +49 (2173) 943-156
Fax: +49 (2173) 943-553

Australia

Mazda Australia Pty., Ltd.
385 Ferntree Gully Road, Mount Waverley, Victoria 3149, Australia
Phone: +61 (3) 8540-1800
Fax: +61 (3) 8540-1920

DIRECTORY

(As of March 31, 2011)

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 (China)

MANUFACTURING SITES

Japan

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

Overseas

U.S.A., China, Taiwan, Thailand, 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 GmbH	26 Thousand EUR	100.0*
Mazda Motor Logistics Europe N.V.	71,950 Thousand EUR	100.0
Mazda Motors (Deutschland) GmbH	17,895 Thousand EUR	100.0*
Mazda Motors UK Ltd.	4,000 Thousand GBP	100.0*
Mazda Motor Russia, OOO	313,786 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.	1,339,026 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, 2011)

Authorized:	3,000,000,000 shares
Issued:	1,780,377,399 shares
Number of Shareholders:	82,768
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 (%)
Japan Trustee Services Bank, Ltd. (Trust)	83,959	4.7
The Chase Manhattan Bank 385036	83,572	4.7
The Master Trust Bank of Japan, Ltd. (Trust)	64,359	3.6
Mitsui Sumitomo Banking Corp.	64,287	3.6
Ford Motor Company	62,313	3.5
ITOCHU Corporation	53,411	3.0
Sumitomo Corporation	53,411	3.0
Mitsui Sumitomo Insurance Co., Ltd.	40,683	2.3
Tokio Marine & Nichido Fire Insurance Co., Ltd.	32,509	1.8
Nippon Life Insurance Company	29,753	1.7

Note: The treasury stock of 10,160,719 shares is excluded in the calculation of the ratio.

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

zoom-zoom
zoom-zoom
mazda 3
mazda

Mazda Motor Corporation

zoom-zoom

This report was printed using vegetable oil ink.

Printed in Japan