Annual Report 2013

Year ended March 31, 2013

ADVANCING AND ACCELERATING

Mazda was established in 1920 as an automobile manufacturer based in Hiroshima Prefecture, Japan. In 2007, the Company formulated its "Sustainable Zoom-Zoom" long-term vision for technological development, toward the achievement of a sustainable future. Our revolutionary, new-generation SKYACTIV TECHNOLOGY represents the harmonious integration of new dimensions in driving pleasure and outstanding environmental and safety performance, based on this long-term vision. The Mazda CX-5 and new Mazda6, both equipped with SKYACTIV TECHNOLOGY, have proven very popular since their launches both in Japan and overseas. Going forward, Mazda will leverage SKYACTIV in the pursuit of further, accelerated Structural Reform, while at the same time working toward the realization of a sustainable future for both people and cars.

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.

Forward-Looking Statements

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

Note on Model Names

Unless otherwise stated, model names appearing in this annual report are those generally used in international markets. In some cases, names used in the domestic market differ: Mazda2 (in Japan: Mazda Demio), Mazda3 (Mazda Axela), Mazda5 (Mazda Premacy), Mazda6 (Mazda Atenza), Mazda MX-5 (Mazda Roadster), Mazda8 (Mazda MPV).

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Consolidated Financial Highlights

Mazda Motor Corporation and Consolidated Subsidiaries
Years ended March 31

Highlights of Fiscal Year Results

- **We achieved profitability at all profit levels.**
  With an increase in wholesales and improved model mix, net sales rose ¥172.2 billion, to ¥2,205.3 billion. Operating income increased ¥92.7 billion, to ¥53.9 billion, and net income rose ¥142.0 billion, to ¥34.3 billion, for **profitability at all profit levels. The SKYACTIV-equipped Mazda CX-5 and new Mazda6 (Japanese name: Mazda Atenza) made a major contribution to this earnings improvement**.
- Global sales volume decreased 1.0%, to 1,235,000 units. Although sales volume declined in Europe and China, **unit sales increased in Japan, the United States, Australia, and the ASEAN region**.
- **SKYACTIV-equipped vehicles recorded strong sales.**
  Sales of the CX-5 reached 200,000 units, far exceeding our initial forecast. Since its release, orders for the second SKYACTIV-equipped vehicle, the new Mazda6, are also exceeding plan.

	Millions of yen					Thousands of U.S. dollars*1
For the year	2009	2010	2011*7	2012	**2013**	**2013**
Net sales	¥2,535,902	¥2,163,949	¥2,325,689	¥2,033,058	**¥2,205,270**	**$23,460,319**
Operating income (loss)	(28,381)	9,458	23,835	(38,718)	**53,936**	**573,787**
Income (loss) before income taxes	(51,339)	(7,265)	16,081	(55,262)	**39,101**	**415,968**
Net income (loss)	(71,489)	(6,478)	(60,042)	(107,733)	**34,304**	**364,936**
Capital expenditures	81,838	29,837	44,722	78,040	**77,190**	**821,170**
Depreciation and amortization	84,043	76,428	71,576	68,791	**59,954**	**637,809**
Research and development costs	95,967	85,206	90,961	91,716	**89,930**	**956,702**
Free cash flow*2	(129,244)	67,394	1,627	(79,415)	**8,746**	**93,043**
At the year-end						
Total assets	¥1,800,981	¥1,947,769	¥1,771,767	¥1,915,943	**¥1,978,567**	**$21,048,585**
Equity	414,731	509,815	430,539	474,429	**513,226**	**5,459,851**
Interest-bearing debt	753,355	722,128	693,000	778,085	**718,983**	**7,648,755**
Net interest-bearing debt	532,631	375,825	370,151	300,778	**274,108**	**2,916,043**
Cash and cash equivalents	220,724	346,303	322,849	477,307	**444,875**	**4,732,713**

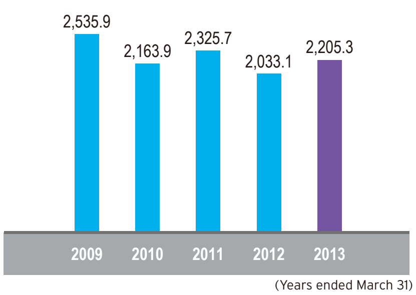
Amounts per share of common stock	Yen					U.S. dollars*1
Net income (loss)*3	¥ (52.13)	¥ (4.26)	¥ (33.92)	¥ (57.80)	**¥ 11.48**	**$0.12**
Cash dividends applicable to the year*4	3.00	3.00	—	—	**—**	**—**
Equity*5	314.98	286.92	242.24	156.85	**166.04**	**1.77**

Management indexes	%				
Return on assets (ROA)	(3.8)	(0.3)	(3.2)	(5.8)	**1.8**
Return on equity (ROE)*6	(14.8)	(1.4)	(12.8)	(24.0)	**7.1**
Equity ratio*6	22.9	26.1	24.2	26.3*8	**26.9*8**
Net debt-to-equity ratio*6	128.9	74.0	86.3	52.7*8	**45.0*8**

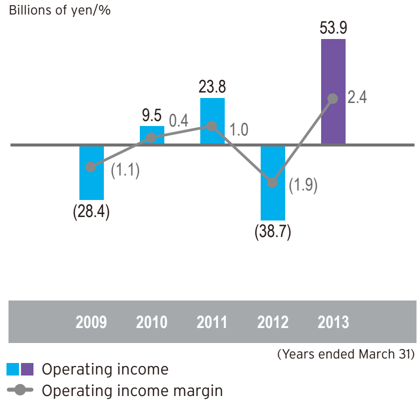
( ) indicates minus

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, 2013, of ¥94 to US$1.
2. Free cash flow represents the sum of net cash flows from operating activities and from investing activities.
3. 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.
4. Cash dividends per share represent actual amounts applicable to the respective year.
5. The amounts of equity used in the calculation of equity per share exclude minority interests and stock acquisition rights.
6. The amounts of equity exclude minority interests and stock acquisition rights.
7. Results information for the March 2011 fiscal year includes 15-month results for certain overseas subsidiaries that changed their fiscal year-end.
8. Ratio after taking into account the capital nature of the subordinated loan. This subordinated loan is recognized by Rating and Investment Information, Inc., as having a 50% capital equivalence. Not including the equity capital attributes of the subordinated loan, while in the March 2012 fiscal year, the shareholders' equity ratio was 24.5% and the net debt-to-equity ratio was 64.2%, in the March 2013 fiscal year, the shareholders' equity ratio was 25.1% and the net debt-to-equity ratio was 55.2%.

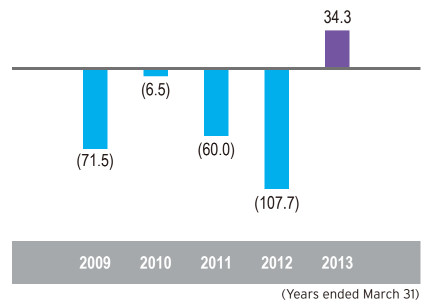
Net Sales
Billions of yen



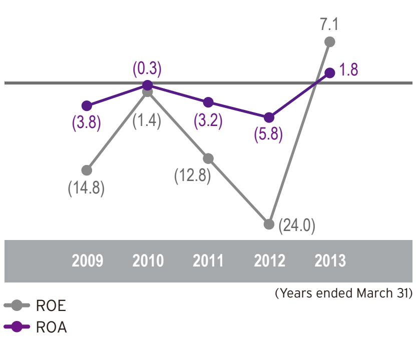
Operating Income/ Operating Income Margin
Billions of yen/%



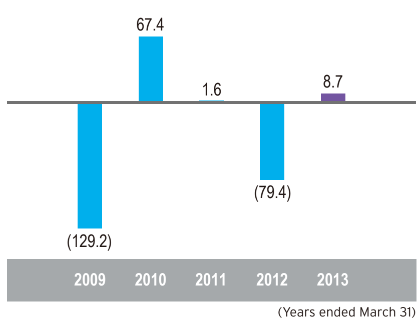
Net Income
Billions of yen



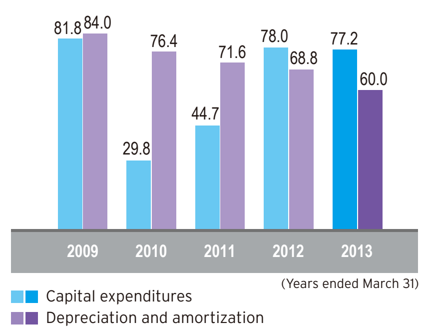
ROE/ROA
%



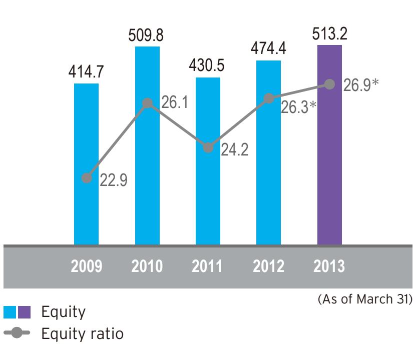
Free Cash Flow
Billions of yen



Capital Expenditures/ Depreciation and Amortization
Billions of yen

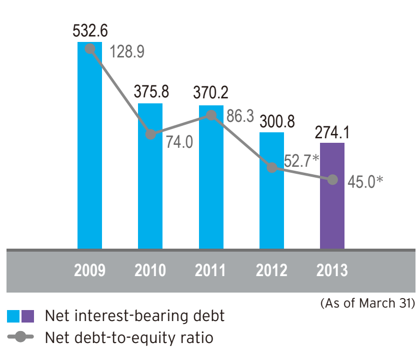


Equity/Equity Ratio
Billions of yen/%



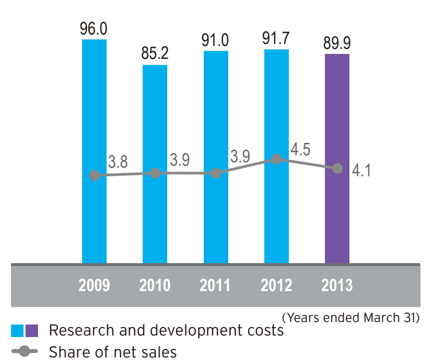
* Ratios after the recognition of equity capital attributes of the subordinated loan.

Net Interest-bearing Debt/ Net Debt-to-equity Ratio
Billions of yen/%



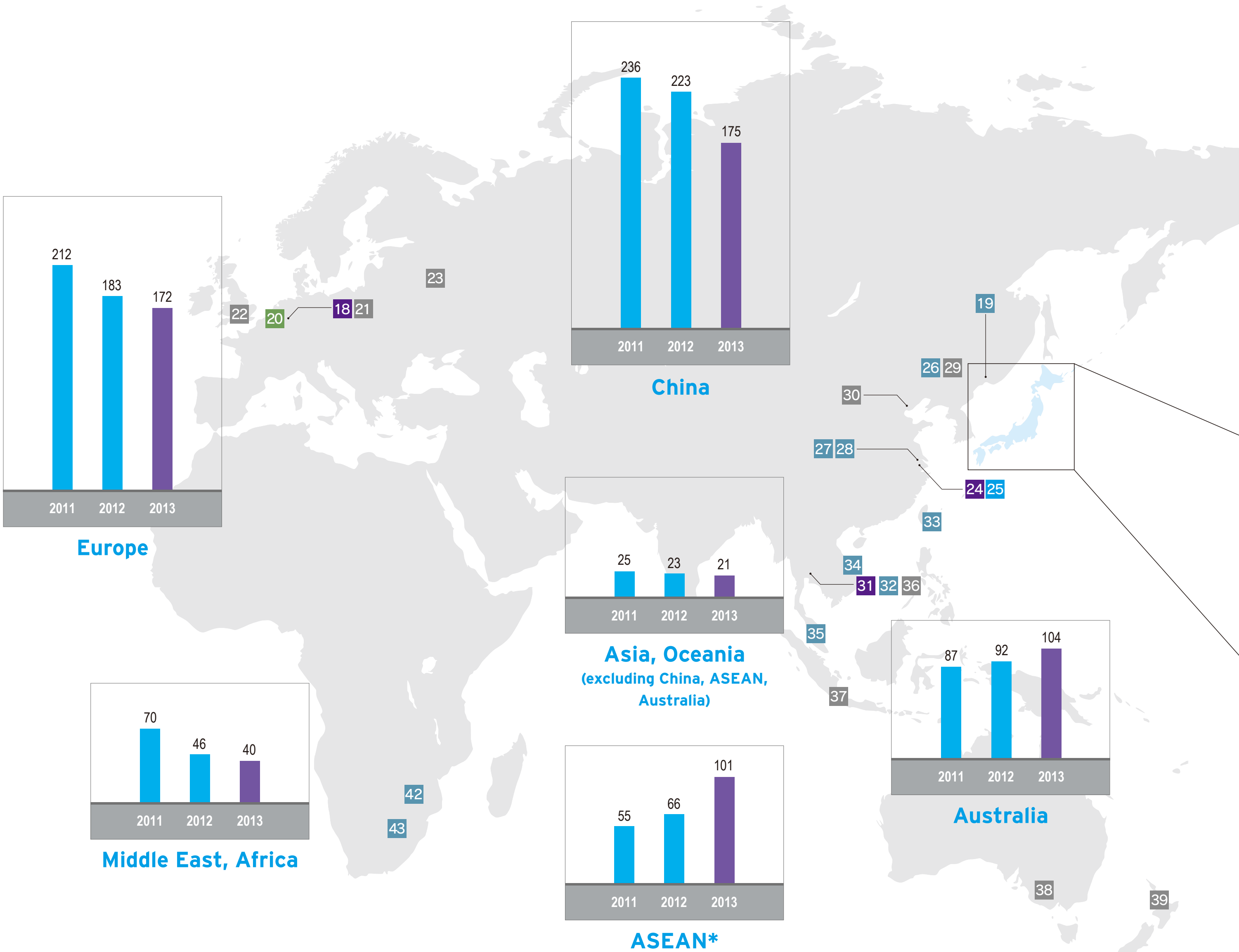
* Ratios after the recognition of equity capital attributes of the subordinated loan.

Research and Development Costs/ Share of Net Sales
Billions of yen/%



Global Network

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



(*Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Singapore, Brunei, Laos)

Major Facilities

Japan

(Number of dealerships: 1,053)

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*1

North America

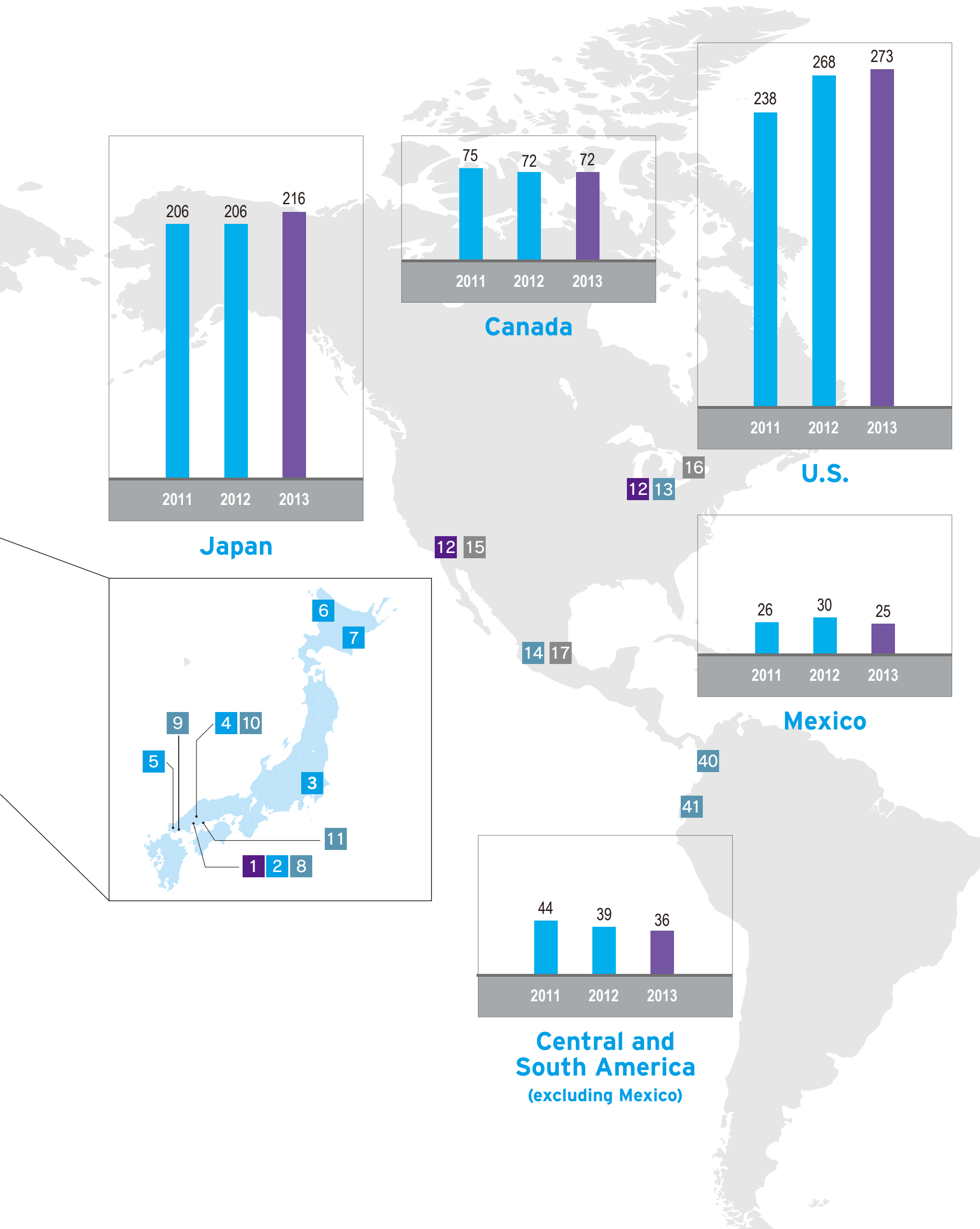
(Number of dealerships: 830)

Regional headquarters /R&D	12 Mazda North American Operations
Production facilities	13 AutoAlliance International*2
	14 Mazda Motor Manufacturing de Mexico*3
Distributors	15 Mazda Motor of America
	16 Mazda Canada
	17 Mazda Motor de Mexico

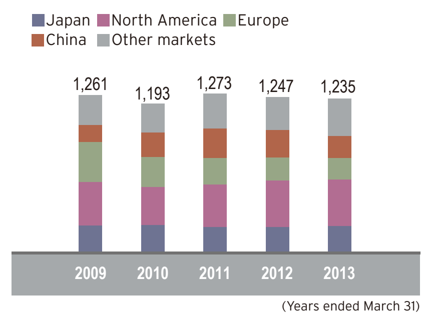
Europe

(Number of dealerships: 1,877)

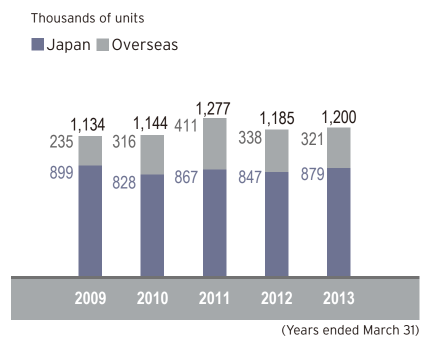
Regional headquarters /R&D	18 Mazda Motor Europe / European R&D Centre
Production facilities	19 Mazda Sollers Manufacturing Rus
Logistics/Sales	20 Mazda Motor Logistics Europe
Distributors	21 Mazda Motors (Deutschland)
	22 Mazda Motors UK
	23 Mazda Motor Russia
	19 others in major markets



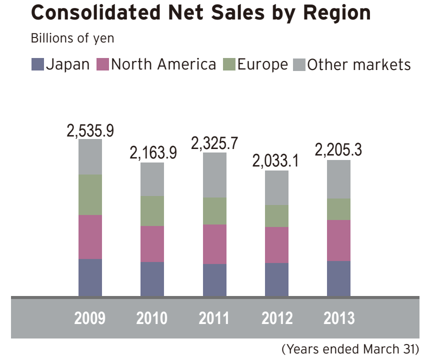
Sales Trend by Major Markets



Trend in Production Volume



Consolidated Net Sales by Region



China

(Number of dealerships: 403)

Regional headquarters	24 Mazda Motor (China) (MCO)
R&D	25 MCO China Engineering Support Center
Production facilities	26 FAW Car*1
	27 Changan Mazda Automobile (Nanjing Company)
	28 Changan Ford Mazda Engine
Distributors	29 FAW Mazda Motor Sales
	30 Changan Mazda Automobile Sales

Asia, Oceania

(Number of dealerships: 507)

Regional headquarters	31 Mazda South East Asia
Production facilities	32 AutoAlliance (Thailand)
	33 Ford Lio Ho Motor*1
	34 Vina Mazda Automobile Manufacturing*1
	35 Mazda Malaysia
Distributors	36 Mazda Sales (Thailand)
	37 PT. Mazda Motor Indonesia
	38 Mazda Australia
	39 Mazda Motors of New Zealand

Central and South America, Middle East, Africa

(Number of dealerships: 687)

Production facilities/ Distributors	40 Compania Colombiana Automotriz
Production facilities	41 Manufacturas, Armadurias y Repuestos Ecuatorianos*1
	42 Willowvale Mazda Motor Industries
	43 Ford Motor Company of Southern Africa*1

(As of December 31, 2012)

*1. Consignment production facilities
*2. Production of Mazda6 ended in August 2012
*3. Scheduled to commence operations in 4th quarter of March 2014 fiscal year

To Shareholders and Investors

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

We are making steady progress and have achieved significant results this year under the Structural Reform Plan that we announced in February 2012. Going forward, we will accelerate our activities toward the achievement of our Medium- and Long-Term Outlook.

Masamichi Kogai
Representative Director, President and CEO

Q What are your aspirations as Mazda's new president?

First, I recognize that we still have work to do under the Structural Reform Plan, announced in February 2012, which we are pursuing as a comprehensive Group-wide effort. As the new president, I see my first priority being the steady implementation of the Structural Reform Plan.

In addition, I believe it is important to provide products that meet the expectations of customers, and to implement policies today that will lead to the next generation of vehicles, so that Mazda becomes the one and only brand that our customers aspire to own.

Q Please summarize the progress made under the Structural Reform Plan, including successes achieved during the first year.

" We achieved profitability at all levels on the contribution from SKYACTIV-equipped vehicles. "

The overall operating environment we faced during the March 2013 fiscal year gave an increasing sense of stagnation. Against this backdrop, we strove to improve our earnings structure by implementing the main initiatives of the Structural Reform Plan, and at the same time introducing in major markets around the world vehicles equipped with our new SKYACTIV TECHNOLOGY, which significantly increases vehicle performance and efficiency.

In terms of sales, following the success of the Mazda CX-5 around the world, we launched a new Mazda6 (Japanese name: Mazda Atenza) as our second SKYACTIV-equipped vehicle and orders surpassed our expectations. The CX-5 was highly praised, including being named the 2012-2013 Car of the Year Japan, and global sales of 200,000 units far exceeded our initial forecast. Equipped with the SKYACTIV-D clean diesel engine, it has received particularly high marks, and created a new market in Japan accounting for approximately 80% of the model mix. Given the growing global demand for the CX-5, we have increased our annual production capacity for the vehicle to 240,000 units.

Our global sales volume for the March 2013 fiscal year decreased 1.0% from the previous year, to 1,235,000 units. However, with increased wholesales and an improved model mix from SKYACTIV-equipped vehicles, net sales increased ¥172.2 billion (8.5%), to ¥2,205.3 billion. Operating income rose ¥92.7 billion, to a ¥53.9 billion profit, on increased sales volumes, the improved model mix, and cost improvements. Ordinary income rose ¥69.9 billion, to a ¥33.1 billion profit, and net income rose ¥142.0 billion, to a ¥34.3 billion profit, as we achieved profitability at all levels based on the contribution from SKYACTIV-equipped vehicles.

March 2013 Fiscal Year Results

Billions of yen

(Years ended March 31)	2012	2013	Difference
Net sales	2,033.1	2,205.3	+172.2
Operating income (loss)	(38.7)	53.9	+92.7
Ordinary income (loss)	(36.8)	33.1	+69.9
Net income (loss)	(107.7)	34.3	+142.0

Q What is the status of progress under the Structural Reform Plan?

" We are off to a solid start toward the achievement of the Medium- and Long-Term Outlook. "

We announced our Structural Reform Plan in February 2012 to strengthen our Framework for Medium- and Long-Term Initiatives and set a course for future growth in the face of an adverse external environment. Since that announcement, we have been leveraging SKYACTIV TECHNOLOGY to steadily implement structural reforms.

We saw major successes during the March 2013 fiscal year, the first year under the Structural Reform Plan, including the achievement of profitability at all levels, and I am pleased with our solid start toward the achievement of the Medium- and Long-Term Outlook. I would like to explain some of the initiatives we have implemented.

Progress under the Structural Reform Plan

February 2012

Announcement of Structural Reform Plan

1 Business innovation by SKYACTIV TECHNOLOGY

2 Accelerate further cost improvements through Monotsukuri Innovation

3 Reinforce business in emerging countries and establish a global production footprint

4 Promote global alliances

April 2012 – March 2013

Leveraging SKYACTIV TECHNOLOGY for steady implementation

- Significant improvement in sales volume and model mix, and large earnings growth, on contribution from strong sales of SKYACTIV-equipped vehicles
- Steady progress in cost improvements through Monotsukuri Innovation
- Progress as planned in strengthening of production and sales structure, focusing on emerging markets
- Progress in forming complementary alliances in products, technologies, and regions

FY March 2016 Medium- and Long-term Outlook

Solid progress toward achievement of Medium- and Long-Term Outlook

Operating income	¥150 billion
Operating income margin	6% or more
Global sales volume (units)	1.7 million

First, with regard to "business innovation by SKYACTIV TECHNOLOGY," we plan to launch eight SKYACTIV-equipped models by the end of the March 2016 fiscal year, and during the past year we released the first two: the CX-5 and the new Mazda6. The CX-5 has had a strong reception in Japan and overseas, making a large contribution in terms of both sales and profit. The new Mazda6 also had a solid launch and orders remain strong, and during the March 2014 fiscal year we will strengthen our sales activities for full-scale launches in Europe and the United States.

Along with releases of SKYACTIV models, we are innovating our sales methods at the global level, leveraging our product strength to curtail incentives and improve residual value. This is making a major contribution to improved earnings and enhanced brand value.

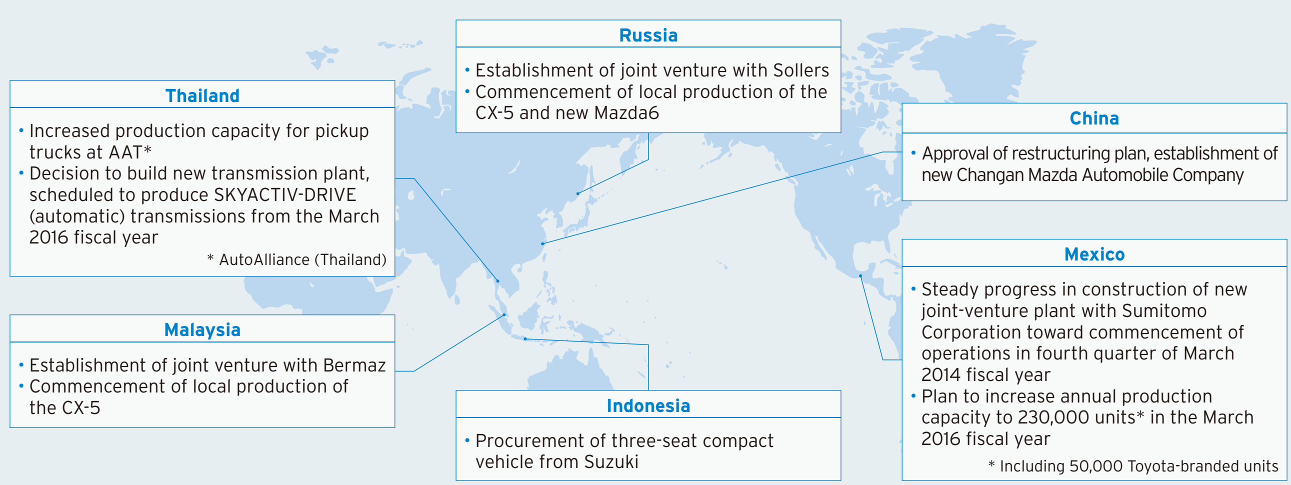
In terms of the initiative to "accelerate further cost improvements through Monotsukuri Innovation," the new Mazda6 is producing results as expected, as did the CX-5. Aided by our enhanced product strength, we are making steady progress toward developing and manufacturing cars that produce a profit even in a strong yen environment.

To "reinforce our business in emerging markets and establish a global production footprint," over the past year we have been building a new plant in Mexico, strengthening our business in emerging markets including in the ASEAN region, and establishing our global production structure. We are making steady progress, and have already begun producing the CX-5 and the new Mazda6 in Russia. In addition, to meet the growth in demand for SKYACTIV-equipped vehicles and further strengthen our global production structure, we have decided to build a transmission plant with an annual capacity of 400,000 units in Thailand. Production will commence during the first half of the March 2016 fiscal year.

We have also made progress during the past year in the "promotion of global alliances." Based on the license for hybrid system technology obtained through our alliance with Toyota, we plan to launch a SKYACTIV-equipped Axela (Mazda3) sedan hybrid in the Japanese market during the March 2014 fiscal year. We also plan to commence production at our new plant in

* In references to other companies, the short form of the company name is used.

Overseas Production Strategy and Promotion of Global Alliances — Developments during the March 2013 Fiscal Year



Mexico in 2015 of a compact vehicle for Toyota, which will be based upon the Mazda2 (Japanese name: Mazda Demio). Annual production for that vehicle will total 50,000 units. In the rapidly growing Indonesian market, we began receiving a three-seat compact vehicle Mazda VX-1 from Suzuki in May 2013. In addition, we have begun supplying SKYACTIV-equipped vehicles to Nissan. We are also stepping up our pursuit of alliances with overseas manufacturers. For example, we have reached an agreement with Fiat to supply a two-seat sports car for Alfa Romeo. Production has begun at our joint venture with Sollers in Russia, and we have commenced local production of the CX-5 at our joint venture with Bermaz in Malaysia.

In response to the adverse operating environment, we will build on our momentum to date and intensify our efforts under the Structural Reform Plan.

Q What is your outlook for the March 2014 fiscal year?

" We are forecasting revenue and profit growth to at least double the previous year's results at all levels. "

With continued instability in foreign exchange markets, the protracted fiscal crisis in Europe, and economic trends in emerging markets, elements of future uncertainty remain. Despite this situation, with the correction of the yen's appreciation and the steady implementation of the Structural Reform Plan, we are aiming for increased sales with profit growth to at least double the previous year's results at all levels. We are also increasing our investment for the future, including the new plant in Mexico that is scheduled to commence operations in the fourth quarter of the March 2014 fiscal year.

We are forecasting global sales volume of 1,335,000 units, an 8.1% increase from last year, with a 12.5% increase in net sales, to ¥2,480 billion, a 122.5% increase in operating income, to ¥120 billion, and a 104.1% increase in net income, to ¥70 billion.

Outlook for the March 2014 Fiscal Year

Billions of yen

(Years ended March 31)	2013	2014 (Outlook)	Difference
Net sales	2,205.3	2,480.0	+274.7
Operating income	53.9	120.0	+66.1
Ordinary income	33.1	97.0	+63.9
Net income	34.3	70.0	+35.7

Q What is your basic policy regarding the stock dividend?

Our policy is to determine the amount of dividend payments each fiscal year, taking into account our financial results and the operating environment. For the March 2013 fiscal year, with sincere regret, we felt it necessary to forgo dividend payments in light of the retained loss. We consider returns to shareholders to be a very important management issue, and we aim to restore the dividend as quickly as possible. We ask for our shareholders' understanding with regard to this issue.

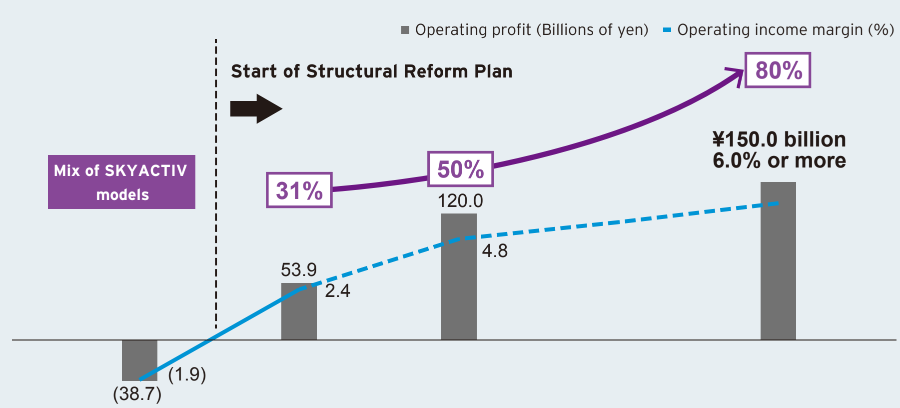
Q Would you like to say anything to shareholders and investors in conclusion?

After recording a record profit of ¥162.1 billion in the March 2008 fiscal year, we have experienced large profit declines as a result of the global economic crisis, the yen's unprecedented appreciation, and the Great East Japan Earthquake. In light of this situation, we announced the Structural Reform Plan in February of last year, and have made steady progress in restructuring by leveraging SKYACTIV TECHNOLOGY.

As a result, by introducing SKYACTIV products that are able to generate profit even with a strong yen, we achieved profitability at all levels despite a difficult operating environment. I am pleased that we are proceeding on plan with our start toward the achievement of our Medium- and Long-Term Outlook for the March 2016 fiscal year, of operating income of ¥150 billion, an operating income margin of 6% or more, and global sales of 1.7 million units. We also expect to double profit year-on-year at all levels in the March 2014 fiscal year.

Going forward, management and the entire Mazda Group will use all our strength to fulfill our responsibility toward a continuously changing society, and to be a company that is trusted by shareholders, investors, and all other stakeholders. I ask for your continued support.

Profit Growth Image



(Years ended March 31)	2012	2013	2014 (Plan)	2016 (Plan)
US$/Yen	79	83	90	77
€/Yen	109	107	120	100

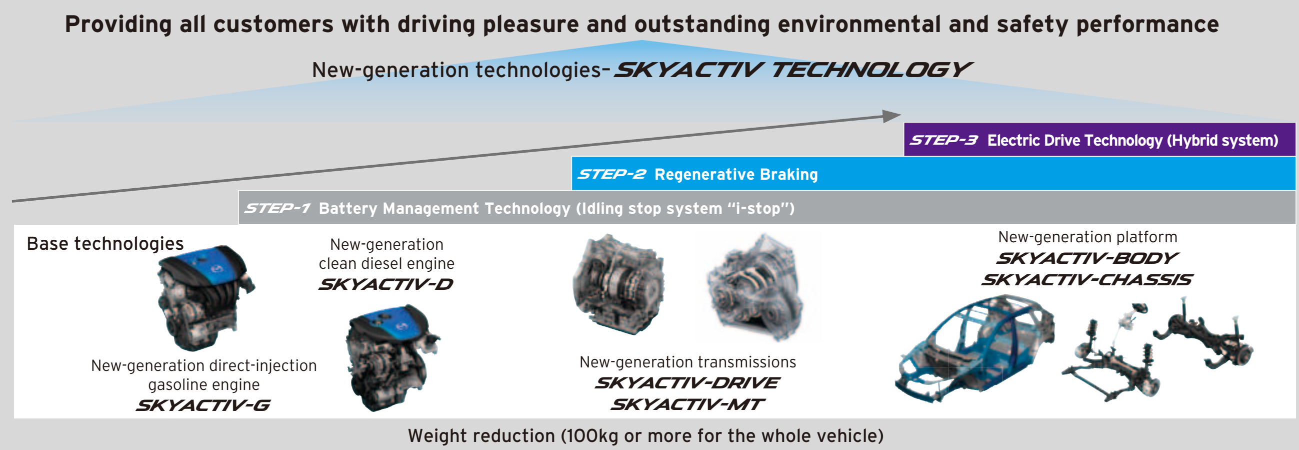
Special Feature

The March 2013 fiscal year marked a turnaround for Mazda from the previous year's adverse operating environment, with the achievement of profitability at all profit levels. However, this was not because of temporary factors; our emphasis on SKYACTIV TECHNOLOGY within this adverse operating environment was the source of our strength. Mazda's capabilities have finally coalesced as SKYACTIV TECHNOLOGY, and the technology's true value will be deployed going forward. This Special Feature looks at what makes SKYACTIV TECHNOLOGY competitive.

SKYACTIV MAKES US DIFFERENT

Mazda's "Building Block" Technological Strategy

Mazda is pursuing a Building Block Strategy as part of its plan to "improve the average fuel economy of all Mazda vehicles sold worldwide 30% by 2015, compared with 2008 levels." This involves drastically improving the car's base technologies – the basic functions of the engine and transmission, body, and chassis – while introducing electric devices like regenerative braking technology and hybrid systems in stages. SKYACTIV TECHNOLOGY is the general term for the breakthrough new-generation technology that is being developed under this Building Block Strategy.



Thoroughly Refined Base Technologies

Driving pleasure and outstanding environmental and safety performance — revolutionary technologies that simultaneously achieve both of these apparently contradictory objectives without compromise

Why base technologies?

We anticipate that petroleum resources will still be the main energy and internal combustion engines the main drive technology in the global automobile market in 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.

Three main technologies to achieve drastic improvements in functionality

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. The following are the three main technologies that hold possibilities for drastic improvements in functionality that will translate directly to driving pleasure.

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.

SKYACTIV-G

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%*

SKYACTIV-D

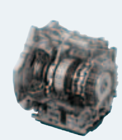
With the world's lowest diesel-engine compression ratio, this clean, highly efficient diesel engine will comply with strict exhaust gas regulations globally without the aid of expensive NOx (nitrogen oxides) after-treatment systems

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.

SKYACTIV-DRIVE

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



SKYACTIV-MT

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

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.

SKYACTIV-BODY

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

SKYACTIV-CHASSIS

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

* 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.

Overwhelming Cost Competitiveness through Monotsukuri Innovation

Using optimal parts for various models and markets to be as economical as large-scale production

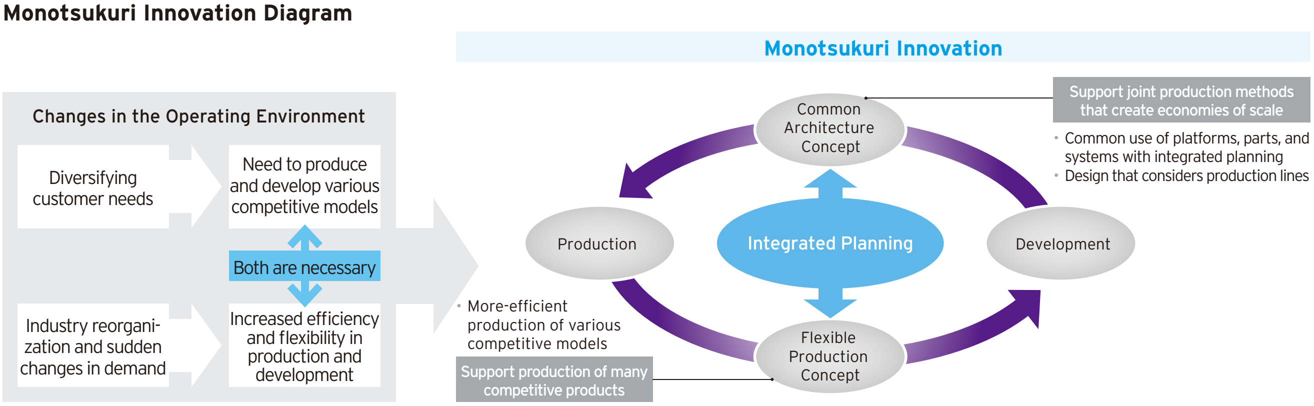
Achieving diversity to meet various customer needs while reducing costs

Increasing the number of models and parts to accurately meet increasingly diverse customer needs reduces productivity and increases costs. However, compromising on a product's attractiveness or cost will result in lost competitiveness. To grow in the future, it will be essential to achieve the two apparently contradictory objectives of optimally and accurately addressing customer needs, and utilizing mass production to reduce costs and offer products at a competitive price.

Looking 5 to 10 years into the future, we have implemented Monotsukuri Innovation for efficiently developing and manufacturing products, making possible common development methods and manufacturing processes by using integrated planning for models to be introduced in the future, spanning market segments and model classes.

We are aiming to raise operational efficiency through integrated development planning using common platforms and architectures, while at the same time building a flexible production process that can handle changes in volumes and can quickly introduce new models with a minimum of investment.

Monotsukuri Innovation Diagram



Dramatically improving development and manufacturing costs

Through Monotsukuri Innovation, our new products since the Mazda CX-5 and SKYACTIV TECHNOLOGY have achieved improved efficiency in both product development and manufacturing facility investment as well as significant improvements in vehicle costs. The new Mazda6 (Japanese name: Atenza) is also living up to expectations, and combined with the improved product strength, we are making steady progress toward profitable automobile manufacturing even if the yen is high. We will continue to push forward with Monotsukuri Innovation and accelerate cost reductions.

Improvement through Monotsukuri Innovation

		Performance	Improve Cost / Efficiency
R&D Efficiency			30% or more
Investment in Production Facilities	SKYACTIV-G/D		70% or more
	Vehicle		20% or more
Cost Improvement	Vehicle (excluding additional equipment)	100kg or more weight reduction (equivalent to 5% fuel economy improvement)	20% or more 30% (target)
	SKYACTIV-D	20% better fuel economy / Euro6 compliance	Better than current engine
	SKYACTIV-G	15% better fuel economy and torque Possible to comply with Euro6	Better than current direct-injection engine
	SKYACTIV-DRIVE	4-7% better fuel economy Direct feeling improvement	Same as current transmission

SKYACTIV-Equipped Vehicles Focus of Global Attention

Aiming for 80% of vehicles to be SKYACTIV-equipped by the March 2016 fiscal year

Sales of SKYACTIV-equipped models are expanding significantly

We began introducing models fully incorporating Mazda's new-generation SKYACTIV TECHNOLOGY and new KODO – Soul of Motion design theme in 2012, and these products have had a strong global reception. We will continue to develop and introduce new models going forward, and plan to have 80% of all vehicles be SKYACTIV-equipped by the March 2016 fiscal year.

MAZDA CX-5

i-stop | i-ACTIV SENSE

Initial launch date: February 2012
Markets: Japan, North America, Europe, China, etc.

Fully incorporating SKYACTIV, the new CX-5 was Mazda's first SKYACTIV-equipped product. With strong sales in all markets, annual sales have reached 200,000 units, surpassing our plan for 160,000 units. In Japan, the CX-5 was the top-selling SUV in the March 2013 fiscal year. The car has received more than 50 awards, including being named the 2012–2013 Car of the Year Japan.

ALL NEW MAZDA6 (Japanese name: Atenza)

i-stop | i-ELOOP | i-ACTIV SENSE

Initial launch date: November 2012
Markets: Japan, North America, Europe, China, etc.

This flagship model is a showcase of Mazda technology, and features our proprietary i-ELOOP regenerative braking system and advanced i-ACTIVSENSE safety technology. The design has been highly acclaimed, with the car being selected as one of the three finalists for the 2013 World Car Design of the Year award.

ALL NEW MAZDA3 (Japanese name: Axela)

i-stop | i-ELOOP | i-ACTIV SENSE | HYBRID SYSTEM

Initial launch date: Fall 2013
Markets: Japan, North America, Europe, etc.

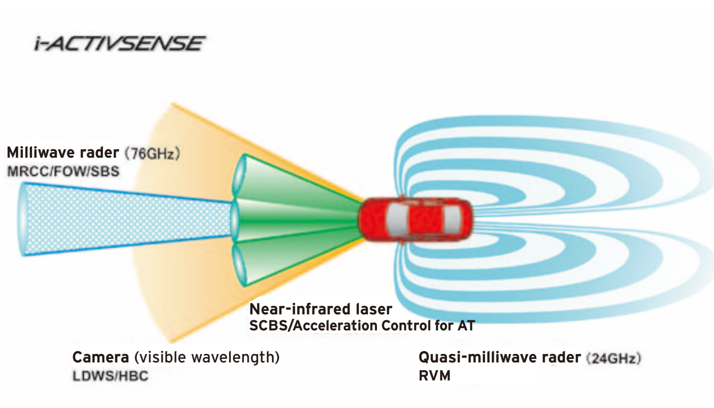
The Mazda3 is Mazda's core model, accounting for roughly 30% of global sales. We are significantly enhancing the model's product strength by introducing a hybrid version in Japan, along with a newly designed 1.5-liter gasoline engine, and a car connectivity system to enhance driving pleasure.

i-ACTIVSENSE Safety Technology for Driving Support

Featured in the CX-5, new Mazda6, and new Mazda3

Support safe driving

Mazda's i-ACTIVSENSE is an umbrella term covering a series of advanced safety technologies that make use of detection devices such as milliwave radars and cameras. They include active safety technologies that support safe driving by helping the driver to recognize potential hazards, and pre-crash safety technologies that help to avert collisions or reduce their severity in situations where they cannot be avoided.



Major Active Safety Technology (Helping prevent accidents from occurring)

High Beam Control	Automatically switches headlights between high and low beams to help you drive more comfortably and safely.
Mazda Radar Cruise Control	Automatically controls vehicle speed to maintain the distance to the car ahead.
Rear Vehicle Monitoring System	Alerts the driver to vehicles approaching on either side from the rear during highway driving.

Major Pre-Crash Safety Technology (Reducing the risk of an accident)

Smart City Brake Support	Operating at low speeds, helps the driver avoid frontal collisions and reduce the damage resulting from an accident

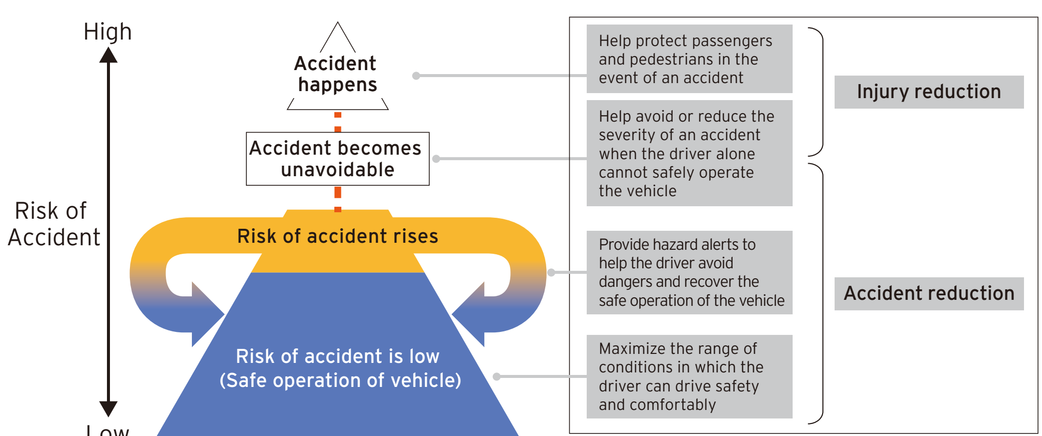
Please refer to Mazda's website for other technologies and detailed explanations of each technology
http://www.mazda.com/mazdaspirit/safety/i-activsense/

COLUMN

Mazda's objective for safety performance—supporting correct recognition and good judgment, and preventing or reducing the damage resulting from an accident

To drive safely, it is essential to recognize potential hazards, exercise good judgment, and operate the vehicle in an appropriate fashion. Mazda aims to support these essential functions so drivers can drive safely and with peace of mind, despite changing driving conditions.

So Mazda offers a range of technologies that help to prevent or reduce the damage resulting from an accident.



What Mazda's safety technologies aim to provide

Discussing the Merits of SKYACTIV

Seita Kanai
Representative Director and Vice Chairman of the Board

What was the background behind the decision to develop SKYACTIV TECHNOLOGY?

In 2006, we began holding company-wide discussions regarding what kind of company we wanted to be in 10 years, in 2015. As a result of these discussions, we decided that under the Zoom-Zoom brand message, we wanted to be a company that makes cars that are exciting to look at and even more exciting to drive, and that also accurately address society's needs for greater environmental and safety performance.

We also decided that building this kind of vehicle would require thorough attention to all of the vehicle base technologies. Subsequently, we began development of SKYACTIV as the concept for the realization of radically new, world-class technologies for engines, transmissions, bodies, and chassis.

We launched the CX-5 as the first SKYACTIV-equipped vehicle in 2012, and in my opinion we were able to deliver 80% of the potential these new technologies promise.

What was the background behind paying thorough attention to base technologies?

As part of our discussions on Mazda's future direction, we closely examined how we wanted to approach various technologies including hybrid vehicles, electric vehicles, and fuel-cell vehicles. We concluded that vehicles using internal combustion engines will continue to constitute the majority of the global market in 2020. Even if hybrid vehicles were to become standard, they combine an engine and a motor, so high-quality internal combustion engines would still be necessary. We also recognized the fact that Mazda is not a large enough company to pursue a multi-directional strategy. Therefore, we elected to pursue greater efficiency improvements to the internal combustion engine. In making this decision, our aim was not to simply make incremental improvements, but to make a concerted effort to develop completely new, world-class engines.

What do you see as the reasons behind the market's favorable reception of SKYACTIV-equipped vehicles?

The reception has been positive, with the CX-5 proving to be a hit globally and the new Mazda6 recording very strong sales. I consider this to be a reflection of our straightforward commitment to "providing all customers with driving pleasure and outstanding environmental and safety performance."

We were able to seamlessly integrate the two dimensions of a design that at one glance makes you want the car knowing that it is a Mazda, with driving performance and environmental and safety features that achieve driving pleasure. When we began development, we aimed for technology that customers would desire 10 years in the future, in terms of both the technology itself and delivering it at a reasonable price.

In the development of SKYACTIV TECHNOLOGY, we did not use any particularly unconventional methods whatsoever. Our success has been achieved through simple and straightforward efforts.

How did SKYACTIV TECHNOLOGY acquire its cost competitiveness?

We began development in 2006 and commenced mass production of the CX-5 five years later in 2011. We plan to introduce eight SKYACTIV-equipped models by the March 2016 fiscal year. This will mean a complete remodeling of the engine, transmission, body, and chassis for almost all of our products. We cannot individually develop each of those eight models in such a short period of time at a cost that customers will accept using conventional development, manufacturing, and procurement methods. Furthermore, given the size of our company, we cannot achieve economies of scale in manufacturing small volumes of a large number of specialized parts for each model and destination by using the same methods. We therefore realized that we needed an innovative approach to development, manufacturing, and procurement in addition to technology. This marked the birth of Monotsukuri Innovation.

“Since its introduction, SKYACTIV has received high praise. We will not rest on these laurels, however, but will continue to pursue world-class technologies as a global leader with the aim of becoming the one-and-only brand that our customers aspire to own.”

Monotsukuri Innovation means maintaining our competitiveness by thinking hard about how to create economies of scale, equivalent to those available with large-volume production, by optimizing parts design and procurement as well as production centers. In the area of development, this doesn't mean simply standardizing parts, but instead using integrated planning to standardize platforms, parts, and the basic structure of systems. We also defined common areas and variable areas and then aimed for optimal parts and systems for each model and production center. In the area of manufacturing, we introduced flexible production methods by which different models could be assembled on one production line with the same efficiency as if a single model was being produced continuously. Through these efforts, we achieved development and manufacturing efficiency, and cost improvement, as planned.

Our achievements were not only in the area of costs. To realize Monotsukuri Innovation, we also coordinated the activities of various departments involved in development, production, and purchasing, as well as our dealings with suppliers. By breaking down departmental barriers to facilitate discussion at various levels and consolidate expertise, I believe that we were quite successful even though our goals were set high. I also believe that these activities provided engineers with even greater training than our conventional training programs.

Nevertheless, we are still in the initial stages of Monotsukuri Innovation. Currently, we have developed two models using Monotsukuri Innovation, the CX-5 and the new Mazda6, these two models representing less than 20% of our sales volume in the March 2013 fiscal year. We expect even greater results from Monotsukuri Innovation going forward as the proportion of SKYACTIV-equipped vehicles grows, including our new Mazda3, which we plan to launch in the fall of 2013.

What is Mazda's fundamental policy regarding safety performance?

We believe that when driving, the best computer is the “person.” Accordingly, our first priority is to provide an environment in which the driver can accurately recognize situations, make decisions, and operate the vehicle safely. We do not simply rely on automated operations. We emphasize driver position in relation to the seat, the pedals, and other equipment, in addition to the field of vision.

At the same time, humans do sometimes make mistakes, and driving is no exception. For example, traffic accidents often occur at night, and it is said that in many cases the accident could actually have been avoided if the driver had been using high beams at the time. Therefore, since the introduction of the new Mazda6 our cars are now offered with an automated low-beam/high-beam switching function. SKYACTIV-equipped vehicles use advanced i-ACTIVSENSE safety technology, which includes this function (please refer to Page 15 for more information). We believe that providing an environment for driving with peace of mind is part of the driving pleasure that we pursue.

What does the future hold for SKYACTIV?

Going forward we will introduce SKYACTIV-equipped vehicles around the world as we replace aging models, and we intend to increase the portion of SKYACTIV-equipped vehicles to 80% by the March 2016 fiscal year.

SKYACTIV also continues to evolve. We are increasing variations in terms of engine displacement and transmission sizes and types. We are also fine-tuning the technology making continuous improvements with each successive model year.

Do you have anything to say in conclusion to shareholders and other investors?

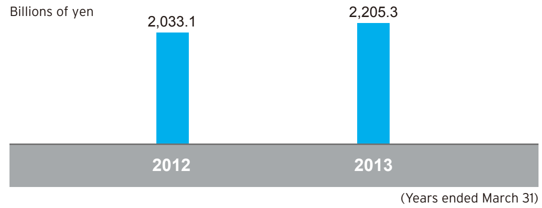
Our goal continues to be “providing all customers with driving pleasure and outstanding environmental and safety performance.” We will not cease in this pursuit, and will continue to strive to be a world leader. SKYACTIV TECHNOLOGY, KODO design, and Monotsukuri Innovation will continue to evolve. We will also strive to ensure that these efforts translate to positive financial results. I ask for your continued high hopes and support for Mazda in the future.

Review and Analysis of Operations for the March 2013 Fiscal Year

Net sales

Net sales for the March 2013 fiscal year increased ¥172.2 billion from the previous year, to ¥2,205.3 billion, on increased wholesales and an improved model mix. Solid sales of the SKYACTIV-equipped Mazda CX-5 and new Mazda6 (Japanese name: Mazda Atenza) contributed to the improvement of the model mix.

Net Sales

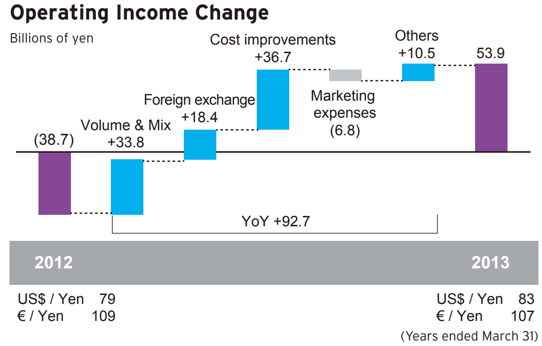


Operating income and net income

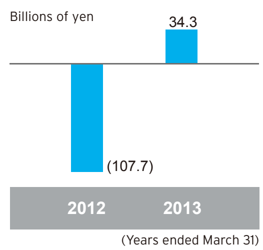
Operating income increased ¥92.7 billion, to a ¥53.9 billion profit, on increased sales volume, an improved model mix, and cost improvements. The increase in sales volume and improvement in the model mix had a significant impact, contributing ¥33.8 billion, mostly from the CX-5 and new Mazda6, and from curtailed incentives, primarily for SKYACTIV-equipped vehicles. With the sharp correction to the yen's appreciation near the end of the fiscal year, foreign exchange factors had an ¥18.4 billion positive effect. Progress in cost improvement initiatives and lower raw material costs led to a ¥36.7 billion improvement in variable costs. With stepped-up sales promotion activities for the global launches of the CX-5 and new Mazda6, marketing expenses increased ¥6.8 billion. Other fixed costs improved ¥10.5 billion.

Net income rose ¥142.0 billion, to a ¥34.3 billion net profit. Net income per share improved ¥69.3, to a positive ¥11.5.

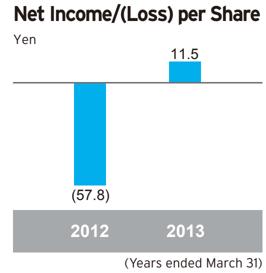
Operating Income Change



Net Income



Net Income/(Loss) per Share

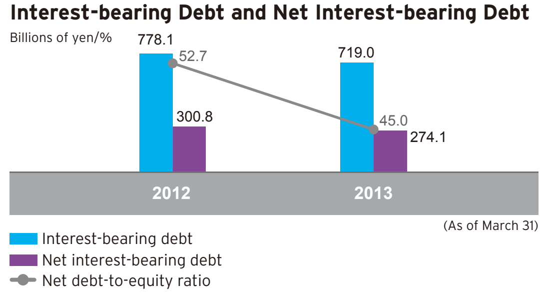


Interest-bearing debt and net interest-bearing debt

Interest-bearing debt as of March 31, 2013, totaled ¥719.0 billion, a ¥59.1 billion decrease from the previous fiscal year-end. Net interest-bearing debt decreased ¥26.7 billion, to ¥274.1 billion. Including the equity capital attributes of subordinated loans, the net debt-to-equity ratio improved 7.7 percentage points, to 45.0%.

We are making solid progress in strengthening our financial base.

Interest-bearing Debt and Net Interest-bearing Debt

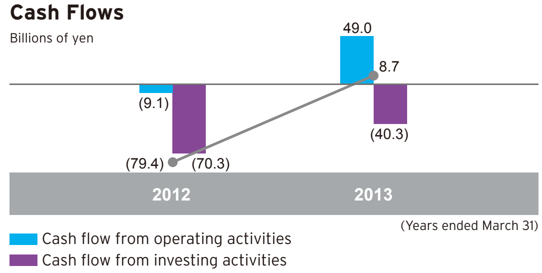


* Ratios after the recognition of equity capital attributes of the subordinated loan.

Cash flows

With the turnaround to profitability, operating activities generated net cash in the amount of ¥49.0 billion. On the other hand, investing activities used net cash in the amount ¥40.3 billion, which included outlays for the construction of the new plant in Mexico and expenditures for manufacturing facilities and equipment, as well as proceeds from the sale of shares of subsidiaries and of property, plant and equipment. As a result, free cash flow was positive in the amount of ¥8.7 billion.

Cash Flows



Outlook for the March 2014 Fiscal Year

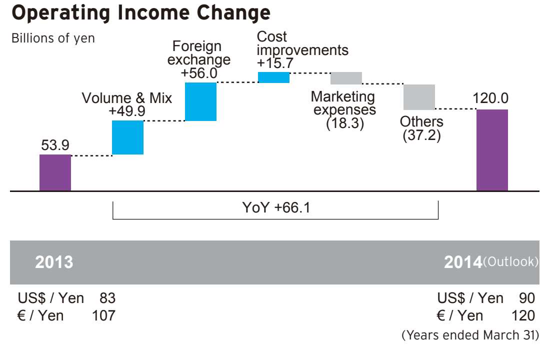
Operating income and net income

We are forecasting a ¥66.1 billion improvement in operating income for the March 2014 fiscal year, to ¥120.0 billion. This includes an anticipated ¥49.9 billion improvement from increased sales volume and an improved model mix, from an increase in sales of SKYACTIV-equipped vehicles. We also expect a ¥56.0 billion boost from foreign exchange factors (based on exchange rate assumptions of ¥90/USD and ¥120/euro).

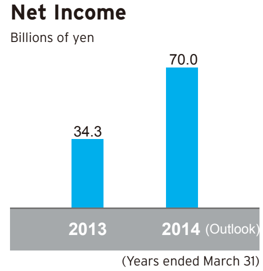
With regard to variable costs, we expect a ¥15.7 billion improvement from ongoing cost improvement activities. We are planning for a ¥18.3 billion increase in marketing expenses as we strengthen our sales promotion activities for SKYACTIV-equipped vehicles at the global level, focusing on the new Mazda3 (Japanese name: Axela). We are forecasting a ¥37.2 billion increase in other fixed expenses as we increase our investment for the future.

As for net income, we are forecasting a ¥35.7 billion improvement to ¥70.0 billion, with an ¥11.9 improvement in net income per share, to ¥23.4.

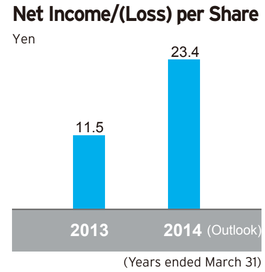
Operating Income Change



Net Income



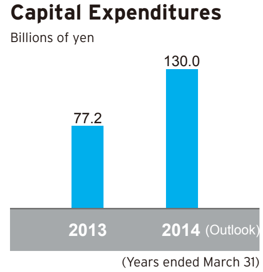
Net Income/(Loss) per Share



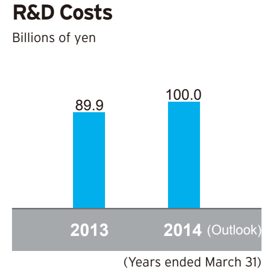
Capital expenditures and R&D costs

We are planning to increase capital expenditures by ¥52.8 billion in the March 2014 fiscal year, to ¥130.0 billion. The main components of this increase are investments for the plant in Mexico and the transmission plant in Thailand to establish our global production footprint. We are forecasting a ¥10.1 billion increase in research and development costs, to ¥100.0 billion.

Capital Expenditures



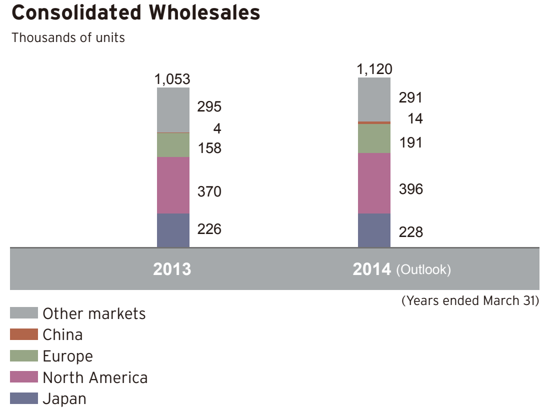
R&D Costs



Consolidated wholesales

We are planning for an increase of about 67,000 units in consolidated wholesales for the March 2014 fiscal year, to 1,120,000 units. We expect strong sales of the SKYACTIV-equipped CX-5 and new Mazda6 to lead to increased wholesales in all major markets, particularly in Europe and the United States.

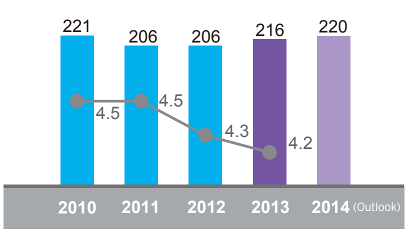
Consolidated Wholesales



Review of Operations

Japan

Sales Volume
Thousands of units/%



(Years ended March 31)

Sales volume
Market share

Total demand in the Japanese market showed a large year-on-year growth during the first half of the fiscal year thanks to the effects of tax reductions and subsidies for environmentally friendly cars, but recorded little growth after those programs ended at the beginning of the second half of the year. Although total demand in the second half declined year-on-year, the first-half increase was able to offset this and full-year sales increased 10%, to 5.21 million units.

Mazda's sales volume rose 5%, to 216,000 units, driven by the Mazda CX-5 and the new Mazda Atenza.

The CX-5 has maintained strong sales since its release in February 2012, and was Japan's top-selling SUV in the March 2013 fiscal year. The CX-5 has also received recognition, being named the 2012–2013 Car of the Year Japan. In November 2012, we introduced the new Atenza as our second vehicle to fully incorporate SKYACTIV TECHNOLOGY and the KODO — Soul of Motion design theme. Sales are off to an extremely strong start. Orders taken in the first five months after the release have reached our annual sales plan. With the percentage of these vehicles being sold with diesel engines far surpassing our initial estimates, at roughly 80%* for the new CX-5 and 70%* for the new Atenza, we have created a new market for diesel vehicles in Japan. Additionally, vehicles equipped with i-ACTIVSENSE, a series of advanced safety technologies, account for 70% of sales of the new Atenza. i-ACTIVSENSE supports a driver's ability to avoid collisions or reduce damage in the event of an accident, thus enhancing the Mazda brand under the Sustainable Zoom-Zoom pledge of "providing all customers with driving pleasure and outstanding environmental and safety performance."

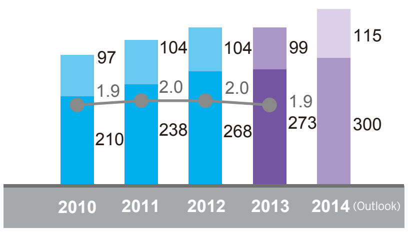
With the end of subsidies for environmentally friendly cars, we expect total industry demand to decline in the March 2014 fiscal year. We are planning for a 2% increase in sales, to 220,000 units, driven by a full-year of strong Atenza sales as well as from the introduction of our third SKYACTIV-equipped vehicle, the new Mazda Axela.

As part of our sales plan, we are launching a new brand communication campaign under the slogan "Be a driver." This campaign will give customers a clear idea of "What kind of company is Mazda?" By explaining our approach to product creation from the perspectives of SKYACTIV TECHNOLOGY, design, and safety, we aim to create a brand that has a special connection with customers.

* As of April 2013.

North America

Sales Volume
Thousands of units/%



(Years ended March 31)

- Sales volume in U.S.
- Sales volume in Canada and other markets
- Market share in U.S.

New vehicle sales in the United States grew 12%, to 14.70 million units, and in Canada by 3%, to 1.70 million units. Mazda's North American sales were roughly flat with the previous year, at 372,000 units. Sales in the United States were driven by the Mazda3 and the CX-5. Sales of the new Mazda6, our second vehicle to fully embody the suite of SKYACTIV TECHNOLOGY has also continued to surpass expectations since its launch in January 2013. As a result, our U.S. sales volume rose 2%, to 273,000 units. Our sales in Canada grew 0.5%, to 72,000 units, while sales in Mexico declined 16%, to 25,000 units, in part because of price increases due to the strong yen.

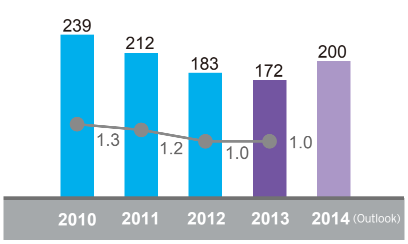
The CX-5 has shown solid sales growth since its launch, and has established itself as a pillar of our business, together with the Mazda3. A new 2.5-liter model introduced in January 2013 has been favorably received and is contributing to additional sales.

For the March 2014 fiscal year, we are planning for 10% sales growth, to 300,000 units, in the United States, and an 11% increase, to 80,000 units, in Canada. In addition to even higher sales of the CX-5 and new Mazda6, we see growth being driven by the new Mazda3, which we plan to launch in the fall of 2013 as our third SKYACTIV-equipped vehicle.

In future, we will leverage the product strength of SKYACTIV-equipped vehicles to curtail incentives and discounting and reduce fleet sales so as to enhance brand value.

Europe

Sales Volume
Thousands of units/%



(Years ended March 31)

- Sales volume
- Market share

Total demand declined 6%, to 17.20 million units, mainly as a result of declines in Germany and southern Europe. Mazda's sales volume declined 6%, to 172,000 units. Although we were unable to achieve a year-on-year increase in the face of lower total demand, thanks to strong sales of the SKYACTIV-equipped CX-5 and new Mazda6, we were able to offset the decline in sales of existing models. As a result, we were able to maintain our 1% market share recorded in the previous year.

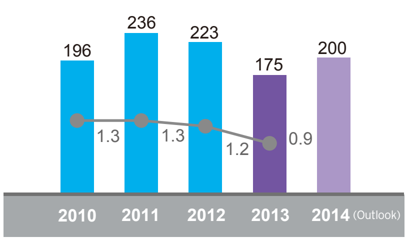
We are planning for a 17% increase in sales volume for the March 2014 fiscal year, to 200,000 units. We see this increase coming from strong sales of SKYACTIV-equipped vehicles in major markets such as Germany, the United Kingdom, and Russia. In addition to maintaining solid sales of the CX-5 and the new Mazda6, with the scheduled release of the new Mazda3 in the fall of 2013, we aim to further increase sales by building a lineup that is competitive in terms of low CO_2 emissions. At the same time, we intend to make effective use of current advertising and marketing activities to increase brand loyalty, to further improve our sales network, and to increase our sales volume, market share, and residual value.

We will also strengthen sales of existing models by closely following market trends and implementing appropriate sales measures.

China

Sales Volume

Thousands of units/%



(Years ended March 31)

Sales volume
Market share

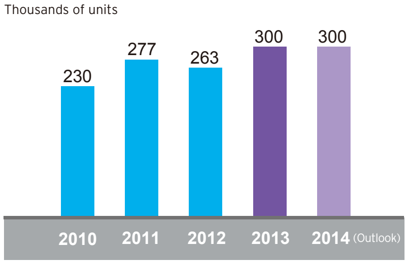
Total demand rose 9%, to 19.94 million units. Faced with an increasingly intense competitive environment, however, Mazda's sales declined 22%, to 175,000 units. Although the market trend away from Japanese cars remained firmly in place, we aggressively carried out activities to increase contact with customers. Our sales trend is showing a steady improvement, with the year-on-year decline in fourth-quarter sales narrowing to 22% from the third quarter's 33% decline. The number of Mazda showrooms increased by 25 from the end of the previous fiscal year, to 396.

For the March 2014 fiscal year, we are planning for a 14% increase in sales volume, to 200,000 units. The rebound will come with the full-scale introduction of SKYACTIV-equipped vehicles, and we are aiming for sales growth that outpaces the rate of increase in total demand. In addition to the CX-5 and CX-7, we plan to commence local production of the new Mazda6. We also plan to increase our number of showrooms to 450 by the end of December 2013, focusing on opening new showrooms in inland regions and in coastal areas where we do not yet have a presence. We intend to use the opportunity of the full-scale introduction of new SKYACTIV-equipped products to strengthen our connection with customers and enhance our brand image.

Other Markets

Sales Volume

Thousands of units



(Years ended March 31)

Sales volume

Our sales volume in other markets grew 14%, to 300,000 units. We expect to maintain our sales momentum in the March 2014 fiscal year, especially in Australia, and are planning for flat year-on-year sales at 300,000 units. Our results and forecasts for major other markets follow below.

Australia

Total demand grew 10%, to 1,125,000 units. In addition to the Mazda3 being the market's top-selling model for the second consecutive year, solid sales of the CX-5 and Mazda2 led to record sales and market share for Mazda, with 13% sales growth, to 104,000 units, and a 0.3 percentage-point increase in market share, to 9.3%. We are planning for a 2% increase, to 106,000 units, in sales volume for the March 2014 fiscal year, with a full-year contribution from the 2.5-liter CX-5, and the scheduled releases of a Mazda2 with minor changes and a new SKYACTIV-equipped Mazda3.

ASEAN

Mazda's sales volume in the ASEAN region rose 54%, to 101,000 units. We achieved record sales in major markets, with increases of 68%, to 78,000 units in Thailand, 31%, to 12,000 units in Indonesia, and 32%, to 8,000 units in Malaysia. Total demand in Thailand grew as the market recovered from the previous year's floods and a subsidy program was introduced for first-time car purchases. The Mazda BT-50 and Mazda2 recorded strong sales, and the addition of a 1.6-liter Mazda3 proved successful as well. Solid sales of the CX-5, Mazda Biante, and BT-50 contributed to our sales growth in Indonesia and Malaysia.

We are planning for sales of 101,000 units in the ASEAN region again in the March 2014 fiscal year. Although we expect a drop-off in Thailand as a reaction to the conclusion of the subsidy program for first-time buyers, this will be offset by higher sales volume and market share in Indonesia and Malaysia from the strong-selling CX-5 and the new Mazda6.

Major Product Lineup

Mazda2
(Japanese name: Demio)

SKYACTIV TECHNOLOGY

Global sales volume **184,000**

Sales markets

Mazda3
(Japanese name: Axela)

SKYACTIV TECHNOLOGY

Global sales volume **362,000**

Sales markets

Mazda6
(Japanese name: Atenza)

SKYACTIV TECHNOLOGY

Global sales volume **195,000**

Sales markets

Mazda5
(Japanese name: Premacy)

SKYACTIV TECHNOLOGY

Global sales volume **59,000**

Sales markets

Biante

SKYACTIV TECHNOLOGY

Global sales volume **9,000**

Sales markets

Mazda8
(Japanese name: MPV)

Global sales volume **6,000**

Sales markets

MX-5
(Japanese name: Roadster)

Global sales volume **15,000**

Sales markets

CX-5

SKYACTIV TECHNOLOGY

Global sales volume **200,000**

Sales markets

CX-7

Global sales volume **18,000**

Sales markets

CX-9

Global sales volume **40,000**

Sales markets

BT-50

Global sales volume **73,000**

Sales markets

Sales markets: Japan North America Europe China Other markets

*1. Global sales volume is for the March 2013 fiscal year, sales markets are as of March 31, 2013.
*2. Vehicle specifications differ by market.

For more information about corporate governance and CSR, please refer to "Mazda Sustainability Report 2013."
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 Audit & Supervisory Board, the Company has 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, 2013, Mazda's Board of Directors is composed of 10 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 the 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 advice on Mazda's management activities based on their knowledge, experience, and insights, and by taking part in the decision-making process.

Management Auditing

Mazda's Audit & Supervisory Board has five members, including three outside audit & supervisory board members who have no business relationship or other interests with Mazda, and audits the directors in the performance of their duties as per an annual audit plan formulated by the Audit & Supervisory Board. Aside from statutory attendance at the Board of Directors meetings, the audit & supervisory board members also attend management meetings, etc. 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 audit & supervisory board members (full-time), 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 issues related to the auditing of business operations and accounting.

■ Regular meetings of the full-time audit & supervisory board members 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)

Internal Controls

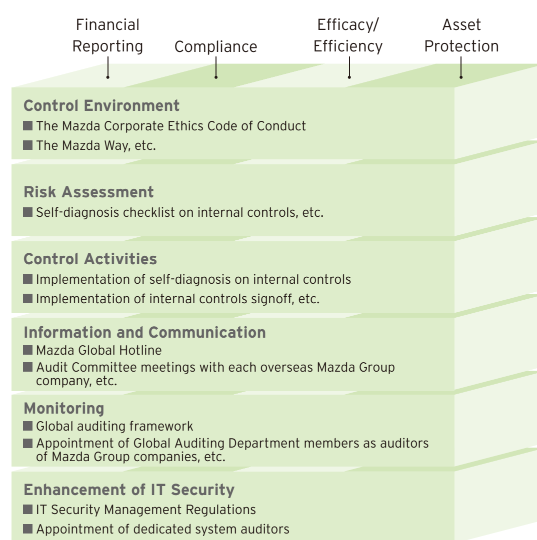
Mazda initiated a system of self-diagnosis of internal controls in 1998, and this is currently carried out at almost all consolidated Mazda Group companies in Japan and around the world.

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 Mazda Group companies.

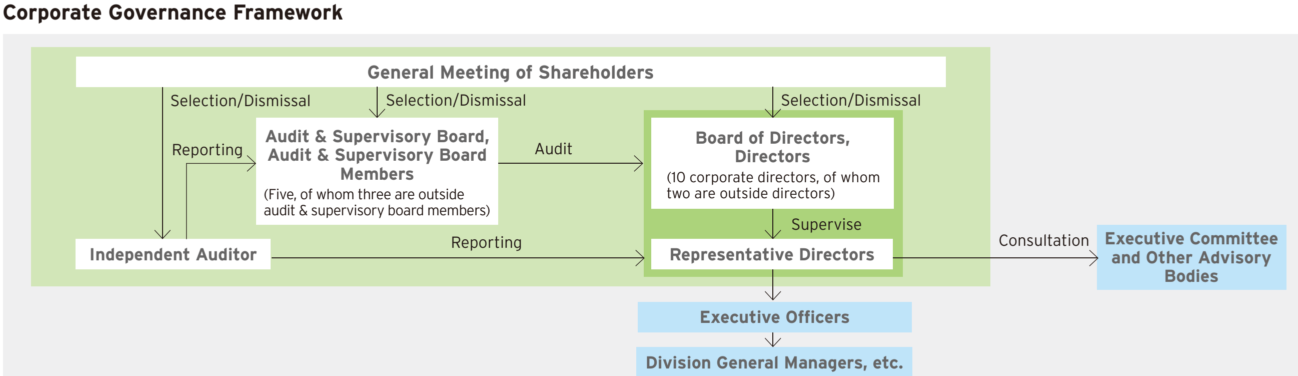
Mazda also has in place its own framework of internal controls conforming to the COSO Report*, a global framework for internal controls, and the implementation standards of J-SOX. This framework helps to ensure the validity of financial reports, the promotion of compliance, the improvement of operational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

Mazda Internal Controls



Corporate Governance Framework



Directors, Audit & Supervisory Board Members, and Executive Officers (As of August 1, 2013)

Directors

Takashi Yamanouchi
Representative Director and Chairman of the Board

Seita Kanai
Representative Director and Vice Chairman of the Board

Masamichi Kogai
Representative Director

Akira Marumoto
Representative Director

Yuji Harada
Director

Yuji Nakamine
Director

Nobuhide Inamoto
Director

Koji Kurosawa
Director

Ichiro Sakai
Director

Taizo Muta
Director

Audit & Supervisory Board Members

Kazuyuki Mitate (Full time)
Nobuyoshi Tochio (Full time)
Isao Akaoka
Masahide Hirasawa
Takao Hotta

Executive Officers

President and CEO*
Masamichi Kogai

Executive Vice President*
Akira Marumoto
Assistant to President; Oversight of Operations in the Americas and Corporate Planning Domain

Senior Managing Executive Officers*
Yuji Harada
Oversight of Fleet Sales No.2 and Financial Services; In charge of CSR, Environment and Global Corporate Communications
Yuji Nakamine
Oversight of Operations in Europe, Asia & Oceania, Middle East & Africa and New Emerging Markets; President, Mazda South East Asia Ltd.
Nobuhide Inamoto
Oversight of Operations in China, Domestic Sales, Fleet Sales No.1; Chairman, Mazda Motor (China) Co., Ltd.
Koji Kurosawa
Oversight of Fleet Sales No.3, Human Resources, Secretariat and General & Legal Affairs; In charge of Global Auditing, Safety, Health & Disaster Prevention and Mazda Hospital

Managing Executive Officers
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 (Latin America); President and CEO, Mazda Motor Manufacturing de Mexico, S.A. de C.V.
Jeffrey H. Guyton
President and CEO, Mazda Motor Europe GmbH
Kazuki Imai
In charge of Global Purchasing
Minoru Mitsuda
Oversight of Tokyo Office; In charge of Corporate Liaison and Fleet Sales; Assistant to the Officer in charge of Corporate Planning and Corporate Communications
Masafumi Nakano
In charge of Global Product Quality and Brand Quality; General Manager, Quality Div.
Kiyotaka Shobuda
In charge of Global Production and Global Business Logistics; General Manager, Production Engineering Div.
Kiyoshi Fujiwara
In charge of Business Strategy, Product, Design and Cost Innovation
Masahiro Moro
Global Sales Coordination; In charge of Global Marketing, Customer Service and Sales Innovation
Akira Koga
Executive Vice President, Mazda Motor of America, Inc. (Mazda North American Operations)
Takashi Furutama
In charge of Corporate Planning, Profit Control and Global IT Solution; General Manager, Corporate Planning & Development Div.
Takahisa Sori
In charge of R&D; President, Mazda Engineering & Technology Co., Ltd.

Executive Officers
Nariaki Uchida
General Manager, Hofu Plant
Mitsuo Hitomi
In charge of Technical Research Center and Powertrain Development; General Manager, Powertrain Development Div.
Masatoshi Maruyama
General Manager, Hiroshima Plant
Takeshi Fujiga
In charge of Global Human Resources; General Manager, Human Resources Office; Assistant to the Officer in charge of Safety, Health & Disaster Prevention
Kazuhisa Fujikawa
General Manager, Purchasing Div.
Kazuyuki Fukuhara
In charge of Domestic Sales; General Manager, Domestic Sales Div.
Nobuhiko Watabe
In charge of Operations in China; General Manager, China Business Div.; CEO, Mazda Motor (China) Co., Ltd.
Raita Nishiyama
President, Kanto Mazda Co., Ltd.
Ikuo Maeda
General Manager, Design Div.
Hidenori Kawakami
General Manager, ASEAN Powertrain Production Preparation Office; President and CEO, Mazda Powertrain Manufacturing (Thailand) Co., Ltd.
Tetsuya Fujimoto
In charge of Financial Services; General Manager, Financial Services Div.
Hiroshi Inoue
In charge of New Emerging Market Operation (excepting Latin America)
Makoto Yoshihara
In charge of Secretariat, General & Legal Affairs, Compliance and Risk Management; General Manager, Office of General & Legal Affairs

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

Risk Management

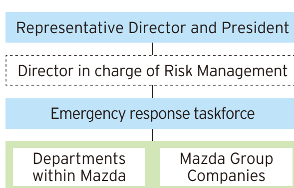
Mazda follows the Basic Policy on Risk Management, Risk Management Regulations, and other related internal regulations, and individual business risks are managed by the department in charge of that business area while companywide risks are appropriately handled by departments that carry out business on a companywide basis. Mazda continues to strengthen its risk management, following the PDCA cycle. During emergencies, such as natural disasters or situations that bring forth serious managerial consequences, Mazda takes appropriate measures in reference to its internal regulations, including the establishment of an emergency response taskforce when necessary.

Moreover, risk management is further enhanced through the establishment of key agenda items in the Risk Compliance Committee and confirmation/evaluation of the risk management status in each department.

In the March 2013 fiscal year, the Emergency Management Regulations was consolidated into the Risk Management Regulations and subsequently revised. Mazda continuously identifies and reduces the various risks.

Risk Management Structure in Normal Times

Emergency Risk Management Structure



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

Response to Accidents and Other Emergencies

Mazda has been systematically undertaking preparatory measures for major earthquakes since the March 2004 fiscal year. Examples of such measures include quake-proofing buildings and facilities, maintaining emergency-contact networks, and carrying out evacuation drills.

Mazda has taken to heart the lessons learned from the Great East Japan Earthquake, and reinformed the employees of its Disaster Countermeasures Manual as well as confirming and reviewing the precautions and early responses in the workplace. Steady efforts to enhance various aspects of emergency readiness will continue.

Basic Policy on Intellectual Property

Mazda's overall vision for intellectual property is to use intellectual property as a management resource in support of its business management and enterprise activities, based on respect for its own and others' intellectual property. Based on this vision, Mazda has established an Intellectual Property Committee, comprising division general managers from related divisions and chaired by an executive officer responsible for intellectual property issues. Also, the invention incentive system is increasing motivation for inventions among employees working at the forefront of research and development.

Information Security

Personal information and other important information are appropriately managed and protected based on the established information management policies and internal regulations, so as to ensure information security. To raise employees' awareness about information security, Mazda requires its employees to execute training on the management of confidential information, protection of personal information, and IT security upon newly joining the Company. Management of confidential information is covered in the introduction program, while e-learning is used for personal information protection and IT security training. Other continuous education efforts are also available, including an Intranet site dedicated to information and knowledge on information security. For companies in the Mazda Group, Mazda provides guidelines and educational tools regarding information security, realizing a group-wide effort to ensure information security.

IT Security Management Rules

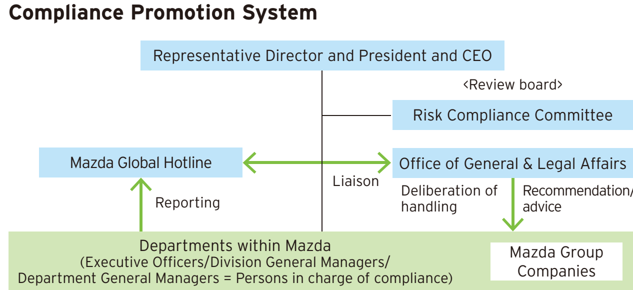
The IT security policy based on the BS 7799 (ISO 17799)* framework has been established as IT security management rules, which determine which security control mechanisms should be incorporated into the IT system. The implementation of such mechanisms is confirmed on a regular or random basis. For particularly important information, security measures include managing access according individual IDs and keeping access logs.

* Standards on information security management established by the British Standards Institution (BSI).

Compliance

At Mazda the concept of compliance applies not only to laws and regulations, but also includes adherence to other rules such as internal guidelines and societal norms and expectations. Business operations are conducted in accordance with the Mazda Corporate Ethics Code of Conduct to ensure fair and honest practice. This also applies overseas; Mazda not only complies with international regulations and the laws of each country and region, but also respects local history, culture, and customs.

Compliance Promotion System



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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 wholesales by 16,000 units.

Eleven-Year Summary of Consolidated Financial Statements

Mazda Motor Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen				
	2013	2012	2011	2010	2009
For the year*2:					
Net sales	**¥2,205,270**	¥2,033,058	¥2,325,689	¥2,163,949	¥2,535,902
Domestic	**588,042**	560,216	541,490	574,982	620,336
Overseas	**1,617,228**	1,472,842	1,784,199	1,588,967	1,915,566
North America	**651,165**	575,633	631,327	574,640	697,600
Europe	**347,918**	347,346	427,398	477,337	653,382
Other areas	**618,145**	549,863	725,474	536,990	564,584
Cost of sales	**1,729,296**	1,662,592	1,863,678	1,710,699	2,021,851
Selling, general and administrative expenses	**422,038**	409,184	438,176	443,792	542,432
Operating income/(loss)	**53,936**	(38,718)	23,835	9,458	(28,381)
Income/(loss) before income taxes	**39,101**	(55,262)	16,081	(7,265)	(51,339)
Net income/(loss)	**34,304**	(107,733)	(60,042)	(6,478)	(71,489)
Capital expenditures*3	**77,190**	78,040	44,722	29,837	81,838
Depreciation and amortization*4	**59,954**	68,791	71,576	76,428	84,043
Research and development costs	**89,930**	91,716	90,961	85,206	95,967
Free cash flow*5	**8,746**	(79,415)	1,627	67,394	(129,244)
At the year-end:					
Total assets	**¥1,978,567**	¥1,915,943	¥1,771,767	¥1,947,769	¥1,800,981
Equity*6	**513,226**	474,429	430,539	509,815	414,731
Interest-bearing debt	**718,983**	778,085	693,000	722,128	753,355
Net interest-bearing debt	**274,108**	300,778	370,151	375,825	532,631
Average number of shares outstanding (in thousands)	**2,989,171**	1,863,949	1,770,198	1,519,652	1,371,456
Number of employees	**37,745**	37,617	38,117	38,987	39,852
	Yen				
Amounts per share of common stock:					
Net income/(loss)*7	**¥ 11.48**	¥ (57.80)	¥ (33.92)	¥ (4.26)	¥ (52.13)
Cash dividends applicable to the year*8	**—**	—	—	3.00	3.00
Equity*9	**166.04**	156.85	242.24	286.92	314.98
	%				
Operating income ratio	**2.4%**	(1.9)%	1.0 %	0.4 %	(1.1)%
Return on equity (ROE)*10	**7.1**	(24.0)	(12.8)	(1.4)	(14.8)
Equity ratio*10	**25.1*11**	24.5	24.2	26.1	22.9

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, 2013, of ¥94 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).
11. Percentage after consideration of the equity credit attributes of the subordinated loan is 26.9%.

Millions of yen						Thousands of U.S. dollars*1
2008	2007	2006	2005	2004	2003	**2013**
¥3,475,789	¥3,247,485	¥2,919,823	¥2,695,564	¥2,916,130	¥2,364,512	**$23,460,319**
880,132	887,327	887,662	845,620	846,231	818,271	**6,255,766**
2,595,657	2,360,158	2,032,161	1,849,944	2,069,899	1,546,241	**17,204,553**
1,015,315	1,017,874	843,988	761,684	936,718	845,241	**6,927,287**
888,555	789,135	668,941	634,233	659,813	368,045	**3,701,255**
691,787	553,149	519,232	454,027	473,368	332,955	**6,576,011**
2,485,905	2,322,644	2,110,934	1,972,574	2,165,160	1,725,058	**18,396,766**
827,737	766,309	685,454	640,043	680,796	588,798	**4,489,766**
162,147	158,532	123,435	82,947	70,174	50,656	**573,787**
143,117	118,450	117,468	73,847	54,072	28,134	**415,968**
91,835	73,744	66,711	45,772	33,901	24,134	**364,936**
75,518	79,641	72,070	67,881	45,644	44,080	**821,170**
74,217	47,045	45,805	40,036	37,900	36,989	**637,809**
114,400	107,553	95,730	90,841	87,807	87,800	**956,702**
10,209	20,995	33,611	35,900	49,128	47,054	**93,043**
¥1,985,566	¥1,907,752	¥1,788,659	¥1,767,846	¥1,795,573	¥1,754,017	**$21,048,585**
554,154	479,882	407,208	275,841	230,937	200,546	**5,459,851**
504,979	474,684	455,409	528,145	630,360	678,205	**7,648,755**
281,085	232,179	246,751	313,506	358,129	403,483	**2,916,043**
1,408,368	1,402,315	1,294,533	1,216,245	1,217,692	1,219,050	
39,364	38,004	36,626	35,680	35,627	36,184	
Yen						U.S. dollars*1
¥ 65.21	¥ 52.59	¥ 51.53	¥ 37.63	¥ 27.84	¥ 19.80	**$0.12**
6.00	6.00	5.00	3.00	2.00	2.00	**—**
391.82	336.45	284.28	220.22	182.91	159.22	**1.77**
%						
4.7%	4.9%	4.2%	3.1%	2.4%	2.1%	
17.9	16.9	20.0	18.7	16.3	13.2	
27.8	24.8	22.3	15.1	12.4	11.1	

Review of Operations

(Operating Environment)

The Mazda Group's operating environment in the March 2013 fiscal year showed a trend of recovery in the U.S. economy, but at a slow pace, and indications that Europe's economic weakness is set to continue for some time. In emerging markets, although the pace of economic growth rebounded in some areas, the overall sluggish trend continued. In Japan, the economy was supported by demand for reconstruction from the Great East Japan Earthquake, and with the correction of the yen's appreciation there were hopes for an economic recovery as the environment for exports improved, but concerns of weakness in overseas economies meant that the outlook remained uncertain. In this situation, the Group strove to improve its earnings structure through the steady implementation of the main measures of the Structural Reform Plan, and successive introduction in major markets of vehicles equipped with new-generation SKYACTIV TECHNOLOGY, which thoroughly improves the base technologies of a vehicle's core performance.

(Global Sales Volume)

By market, Mazda's domestic sales volume grew 5.2%, to 216,000 units, on strong sales of the Mazda CX-5 and the new Mazda6 (Japanese name: Mazda Atenza). Overseas, North American sales were roughly flat with the previous year at 372,000 units. European sales declined 6.2%, to 172,000 units, but the CX-5 maintained solid sales. Sales in China declined 21.5%, to 175,000 units, but are showing a trend of recovery. Other markets recorded a 13.5% increase, to 300,000 units, as sales remained firm in Australia and the ASEAN region.

In total, global sales volume declined 1.0%, to 1,235,000 units. Consolidated wholesales rose 3.6%, to 1,053,000 units.

(Net Sales)

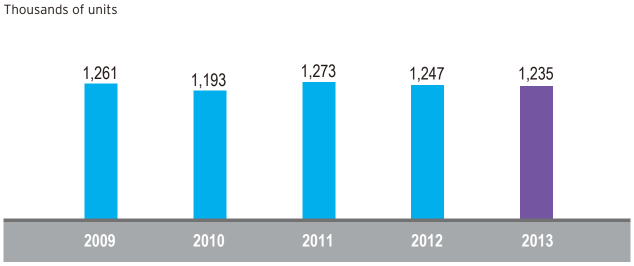
Net sales rose ¥172.2 billion (8.5%), to ¥2,205.3 billion, on increased wholesales and an improved model mix. The breakdown of consolidated net sales was a 9.8% increase in overseas sales, to ¥1,617.2 billion, and a 5.0% increase in domestic sales, to ¥588.0 billion.

By product, vehicle sales increased ¥243.1 billion (16.1%), to ¥1,753.9 billion, on improvements in sales volume and the model mix. Sales of knockdown parts for overseas production declined ¥37.2 billion (39.9%), to ¥55.9 billion, on a drop in shipments to China. Sales of parts decreased ¥10.4 billion (5.2%), to ¥189.7 billion, and other sales were ¥23.3 billion (10.2%) lower, at ¥205.7 billion.

(Operating Income)

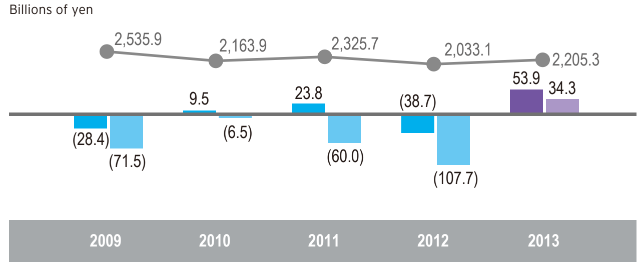
Operating income rose ¥92.7 billion, to a ¥53.9 billion profit from the previous year's ¥38.7 billion loss. Increased sales of the SKYACTIV-equipped CX-5 and new Mazda6, which generate profit even in a strong-yen environment, led to a large improvement in volume and the product mix. In addition, improvement of the profitability of exported vehicles due to the correction of the yen's appreciation against major currencies and costs improvement through Monotsukuri Innovation contributed to the improvement in operating income.

Global Sales Volume
Thousands of units



(Years ended March 31)

Net Sales/Operating Income/Net Income
Billions of yen



(Years ended March 31)

Net sales
Operating income
Net income

(Net Income)

Other income and expenses came to a net expense of ¥14.8 billion, which combined with the increase in operating income resulted in a ¥94.4 billion increase in income before taxes, to a ¥39.1 billion profit from the previous year's ¥55.3 billion loss.

Net income increased ¥142.0 billion, to a ¥34.3 billion profit, from the previous year's ¥107.7 billion loss. Net income per share was a positive ¥11.48, compared with the previous year's ¥57.80 loss.

Financial Position

Total assets as of March 31, 2013, were ¥1,978.6 billion, for a ¥62.6 billion increase from the end of the previous fiscal year on growth in cash and deposits and in inventories. Cash and cash equivalents decreased ¥32.4 billion, to ¥444.9 billion, inventories grew ¥49.5 billion, to ¥265.7 billion, and net property, plant and equipment was basically unchanged at ¥784.4 billion.

Total short- and long-term interest-bearing debt decreased ¥59.1 billion, to ¥719.0 billion. Subtracting the ¥444.9 billion of cash and cash equivalents as of the fiscal year-end, net interest-bearing debt decreased ¥26.7 billion, to ¥274.1 billion, and the net debt-to-equity ratio stood at 55.2%. (45.0% after the recognition of equity capital attributes of subordinated loans). Despite the decrease in interest-bearing debt, total liabilities as of the fiscal year-end increased ¥23.8 billion, to ¥1,465.3 billion, from an increase in trade notes and accounts payable.

With the improvement in retained earnings from the recording of profit, total equity increased ¥38.8 billion from the previous fiscal year-end, to ¥513.2 billion. Equity used for the calculation of the equity ratio (equity less minority interests and stock acquisition rights) increased ¥27.5 billion, to ¥496.3 billion, leading to a 0.6 percentage-point increase in the equity ratio, to 25.1% (26.9% after the recognition of equity capital attributes of subordinated loans).

Cash Flows

(Cash Flow from Operating Activities)

With the improvement in income before income taxes, operating activities provided net cash in the amount of ¥49.0 billion.

(Cash Flow from Investing Activities)

Investing activities used net cash in the amount of ¥40.3 billion. This included outlays of ¥76.0 billion for the acquisition of property, plant and equipment and of intangible assets, as well as ¥35.9 billion of proceeds from the sale of shares of subsidiaries and of property, plant and equipment.

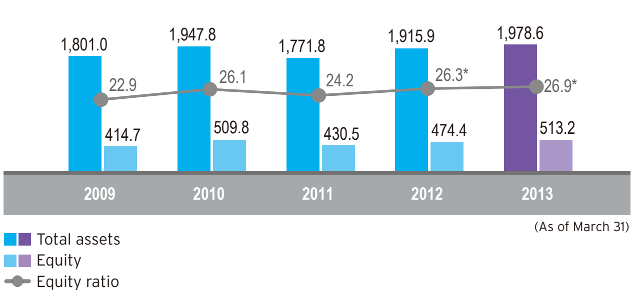
Consolidated free cash flow (the total net cash flow from operating activities and investing activities) was positive in the amount of ¥8.7 billion.

(Cash Flow from Financing Activities)

With outlays for redemptions of corporate bonds and the repayment of long-term loans payable, financing activities used net cash in the amount of ¥57.2 billion.

Total Assets/Equity/Equity Ratio

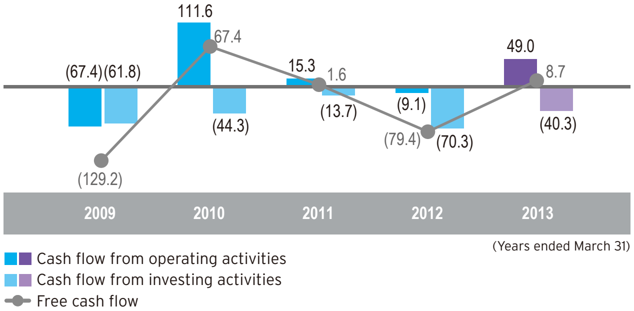
Billions of yen/%



* Ratios after the recognition of equity capital attributes of the subordinated loan.

Cash Flows

Billions of yen



Consolidated Balance Sheets

Mazda Motor Corporation and Consolidated Subsidiaries
March 31, 2013 and 2012

ASSETS	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Current assets:			
Cash and cash equivalents	¥ 444,875	¥ 477,307	$ 4,732,713
Trade notes and accounts receivable (Note 4)	171,770	166,008	1,827,340
Inventories (Notes 6 and 9)	265,687	216,190	2,826,457
Deferred tax assets (Note 14)	59,999	45,997	638,287
Other current assets	86,148	85,652	916,468
Allowance for doubtful receivables	(1,002)	(1,457)	(10,659)
Total current assets	1,027,477	989,697	10,930,606
Property, plant and equipment:			
Land (Note 7)	409,926	426,700	4,360,915
Buildings and structures	445,008	439,751	4,734,128
Machinery and equipment	807,450	795,872	8,589,894
Tools, furniture, fixtures and other	161,169	181,883	1,714,564
Leased property	13,231	27,407	140,755
Construction in progress	54,307	31,319	577,733
	1,891,091	1,902,932	20,117,989
Accumulated depreciation	(1,106,700)	(1,118,696)	(11,773,404)
Net property, plant and equipment (Notes 8 and 9)	784,391	784,236	8,344,585
Intangible assets	20,457	20,736	217,628
Investments and other assets:			
Investment securities:			
Affiliated companies	110,994	85,050	1,180,787
Other (Note 4)	9,812	8,308	104,383
Long-term loans receivable (Note 4)	5,552	5,411	59,064
Deferred tax assets (Note 14)	5,155	6,035	54,840
Other investments and other assets	19,311	20,781	205,436
Allowance for doubtful receivables	(4,058)	(3,787)	(43,170)
Investment valuation allowance	(524)	(524)	(5,574)
Total investments and other assets	146,242	121,274	1,555,766
Total assets	¥ 1,978,567	¥ 1,915,943	$ 21,048,585

See accompanying notes.

LIABILITIES AND EQUITY	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Current liabilities:			
Short-term debt (Notes 4 and 9)	¥ 97,833	¥ 65,842	$ 1,040,777
Long-term debt due within one year (Notes 4 and 9)	104,270	94,241	1,109,255
Trade notes and accounts payable (Note 4)	279,642	244,405	2,974,915
Accrued income taxes	11,454	8,684	121,851
Accrued expenses (Note 4)	167,852	142,386	1,785,660
Reserve for warranty expenses	28,626	33,178	304,532
Other current liabilities (Note 14)	69,235	34,063	736,542
Total current liabilities	758,912	622,799	8,073,532
Long-term liabilities:			
Long-term debt due after one year (Notes 4 and 9)	516,880	618,002	5,498,723
Deferred tax liability related to land revaluation (Note 7)	75,209	79,774	800,096
Employees' severance and retirement benefits (Note 10)	69,790	76,150	742,447
Reserve for loss from business of affiliates	6,957	7,671	74,011
Reserve for environmental measures	1,577	1,494	16,777
Other long-term liabilities (Note 14)	36,016	35,624	383,148
Total long-term liabilities	706,429	818,715	7,515,202
Contingent liabilities (Note 11)			
Equity:			
Capital and retained earnings:			
Common stock (Note 12)	258,957	258,957	2,754,862
Authorized: 6,000,000,000 shares in 2013 and 3,000,000,000 shares in 2012			
Issued: 2,999,377,399 shares in 2013 and 2012			
Capital surplus (Note 12)	242,649	242,649	2,581,372
Retained earnings	(46,299)	(88,715)	(492,543)
Treasury stock (10,211,948 shares in 2013 and 10,201,538 shares in 2012)	(2,192)	(2,190)	(23,319)
Total capital and retained earnings	453,115	410,701	4,820,372
Accumulated other comprehensive income/(loss):			
Net unrealized gain/(loss) on available-for-sale securities	409	(160)	4,351
Deferred gains/(losses) on hedges	(15,064)	(3,529)	(160,255)
Land revaluation (Note 7)	135,565	143,108	1,442,181
Foreign currency translation adjustments	(72,200)	(76,833)	(768,085)
Pension adjustments recognized by foreign consolidated subsidiaries	(5,513)	(4,433)	(58,649)
Total accumulated other comprehensive income	43,197	58,153	459,543
Stock acquisition rights	6	259	64
Equity attributable to shareholders of Mazda Motor Corporation	496,318	469,113	5,279,979
Minority interests in consolidated subsidiaries	16,908	5,316	179,872
Total equity	513,226	474,429	5,459,851
Total liabilities and equity	¥1,978,567	¥1,915,943	$21,048,585

Consolidated Statements of Operations and Comprehensive Income

Mazda Motor Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Net sales	**¥2,205,270**	¥2,033,058	**$23,460,319**
Cost and expenses:			
Cost of sales	**1,729,296**	1,662,592	**18,396,766**
Selling, general and administrative expenses	**422,038**	409,184	**4,489,766**
	2,151,334	2,071,776	**22,886,532**
Operating income/(loss)	**53,936**	(38,718)	**573,787**
Other income/(expenses):			
Interest and dividend income	**2,948**	2,528	**31,362**
Interest expense	**(14,062)**	(11,451)	**(149,596)**
Equity in net income of affiliated companies	**10,090**	9,552	**107,340**
Other, net (Note 13)	**(13,811)**	(17,173)	**(146,925)**
	(14,835)	(16,544)	**(157,819)**
Income/(loss) before income taxes	**39,101**	(55,262)	**415,968**
Income taxes (Note 14)**:**			
Current	**16,231**	15,755	**172,670**
Prior year	**—**	(2,158)	**—**
Deferred	**(11,606)**	38,759	**(123,468)**
	4,625	52,356	**49,202**
Income/(loss) before minority interests	**34,476**	(107,618)	**366,766**
Minority interests in consolidated subsidiaries	**172**	115	**1,830**
Net income/(loss)	**¥ 34,304**	¥ (107,733)	**$ 364,936**
Minority interests in consolidated subsidiaries	**172**	115	**1,830**
Income/(loss) before minority interests	**34,476**	(107,618)	**366,766**
Other comprehensive income/(loss):			
Net unrealized gain/(loss) on available-for-sale securities	**542**	8	**5,766**
Net loss on derivative instruments	**(11,366)**	(719)	**(120,915)**
Land revaluation	**—**	11,250	**—**
Foreign currency translation adjustments	**(4,497)**	(1,494)	**(47,840)**
Pension adjustments recognized by foreign consolidated subsidiaries	**(1,080)**	(2,106)	**(11,489)**
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	**10,337**	(3,832)	**109,968**
Total other comprehensive income/(loss)	**(6,064)**	3,107	**(64,510)**
Comprehensive income/(loss)	**¥ 28,412**	¥ (104,511)	**$ 302,256**
Comprehensive income/(loss) attributable to:			
Shareholders of Mazda Motor Corporation	**26,891**	(104,871)	**286,075**
Minority shareholders	**1,521**	360	**16,181**

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net income/(loss) (Note 2):			
Basic	**¥11.48**	¥(57.80)	**$0.12**
Cash dividends applicable to the year	**—**	—	**—**

See accompanying notes.

Consolidated Statements of Changes in Equity

Mazda Motor Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen								
	Equity attributable to shareholders of Mazda Motor Corporation								
	Capital and retained earnings								
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Accumulated other comprehen-sive income/(loss)	Stock acquisition rights	Minority interests in consolidated subsidiaries	Total equity
April 1, 2011	¥186,500	¥170,192	¥ 15,082	¥(2,189)	¥ 369,585	¥59,227	¥ 460	¥ 1,267	¥ 430,539
Issuance of new common stock	72,457	72,457	—	—	144,914	—	—	—	144,914
Net loss	—	—	(107,733)	—	(107,733)	—	—	—	(107,733)
Increase/(decrease)									
Purchase of treasury stock	—	—	—	(1)	(1)	—	—	—	(1)
Land revaluation	—	—	3,936	—	3,936	7,314	—	—	11,250
Net unrealized gain on available-for-sale securities	—	—	—	—	—	7	—	—	7
Net loss on derivative instruments	—	—	—	—	—	(688)	—	—	(688)
Foreign currency translation adjustments	—	—	—	—	—	(5,600)	—	—	(5,600)
Pension adjustments recognized by foreign subsidiaries	—	—	—	—	—	(2,107)	—	—	(2,107)
Stock acquisition rights from granting of share-based payment	—	—	—	—	—	—	(201)	—	(201)
Minority interests in consolidated subsidiaries	—	—	—	—	—	—	—	4,049	4,049
April 1, 2012	¥258,957	¥242,649	¥ (88,715)	¥(2,190)	¥ 410,701	¥58,153	¥ 259	¥ 5,316	¥ 474,429
Net income	**—**	**—**	**34,304**	**—**	**34,304**	**—**	**—**	**—**	**34,304**
Increase/(decrease)									
Purchase of treasury stock	**—**	**—**	**—**	**(2)**	**(2)**	**—**	**—**	**—**	**(2)**
Land revaluation	**—**	**—**	**7,543**	**—**	**7,543**	**(7,543)**	**—**	**—**	**—**
Change of consolidation scope	**—**	**—**	**569**	**—**	**569**	**—**	**—**	**—**	**569**
Net unrealized gain on available-for-sale securities	**—**	**—**	**—**	**—**	**—**	**569**	**—**	**—**	**569**
Net loss on derivative instruments	**—**	**—**	**—**	**—**	**—**	**(11,535)**	**—**	**—**	**(11,535)**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**4,633**	**—**	**—**	**4,633**
Pension adjustments recognized by foreign subsidiaries	**—**	**—**	**—**	**—**	**—**	**(1,080)**	**—**	**—**	**(1,080)**
Stock acquisition rights from granting of share-based payment	**—**	**—**	**—**	**—**	**—**	**—**	**(253)**	**—**	**(253)**
Minority interests in consolidated subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**11,592**	**11,592**
March 31, 2013	**¥258,957**	**¥242,649**	**¥ (46,299)**	**¥(2,192)**	**¥ 453,115**	**¥43,197**	**¥ 6**	**¥16,908**	**¥ 513,226**

	Thousands of U.S. dollars (Note 1)								
	Equity attributable to shareholders of Mazda Motor Corporation								
	Capital and retained earnings								
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Accumulated other comprehen-sive income/(loss)	Stock acquisition rights	Minority interests in consolidated subsidiaries	Total equity
April 1, 2012	$2,754,862	$2,581,372	$(943,777)	$(23,298)	$4,369,159	$ 618,650	$2,755	$ 56,553	$5,047,117
Net income	**—**	**—**	**364,936**	**—**	**364,936**	**—**	**—**	**—**	**364,936**
Increase/(decrease)									
Purchase of treasury stock	**—**	**—**	**—**	**(21)**	**(21)**	**—**	**—**	**—**	**(21)**
Land revaluation	**—**	**—**	**80,245**	**—**	**80,245**	**(80,245)**	**—**	**—**	**—**
Change of consolidation scope	**—**	**—**	**6,053**	**—**	**6,053**	**—**	**—**	**—**	**6,053**
Net unrealized gain on available-for-sale securities	**—**	**—**	**—**	**—**	**—**	**6,053**	**—**	**—**	**6,053**
Net loss on derivative instruments	**—**	**—**	**—**	**—**	**—**	**(122,713)**	**—**	**—**	**(122,713)**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**49,287**	**—**	**—**	**49,287**
Pension adjustments recognized by foreign subsidiaries	**—**	**—**	**—**	**—**	**—**	**(11,489)**	**—**	**—**	**(11,489)**
Stock acquisition rights from granting of share-based payment	**—**	**—**	**—**	**—**	**—**	**—**	**(2,691)**	**—**	**(2,691)**
Minority interests in consolidated subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**123,319**	**123,319**
March 31, 2013	**$2,754,862**	**$2,581,372**	**$(492,543)**	**$(23,319)**	**$4,820,372**	**$ 459,543**	**$ 64**	**$179,872**	**$5,459,851**

See accompanying notes.

Consolidated Statements of Cash Flows

Mazda Motor Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Cash flows from operating activities:			
Income/(loss) before income taxes	¥ 39,101	¥ (55,262)	$ 415,968
Adjustments to reconcile income/(loss) before income taxes to net cash provided by/(used in) operating activities:			
Depreciation and amortization	59,954	68,791	637,809
Loss on impairment of fixed assets	2,795	7,171	29,734
Allowance for doubtful receivables	113	(245)	1,202
Investment valuation allowance	—	(495)	—
Reserve for warranty expenses	(4,552)	(9,378)	(48,426)
Employees' severance and retirement benefits	(5,739)	(2,134)	(61,053)
Reserve for loss from business of affiliates	(714)	(2,327)	(7,596)
Reserve for environmental measures	60	19	638
Interest and dividend income	(2,948)	(2,528)	(31,362)
Interest expense	14,062	11,451	149,596
Equity in net loss/(income) of affiliated companies	(10,090)	(9,552)	(107,340)
Loss on sale/disposition of property, plant and equipment, net	2,721	3,270	28,947
Loss/(gain) on sale of investment securities, net	(329)	36	(3,500)
Gain on sale of investments in affiliates	(9,574)	—	(101,851)
Government subsidy	(2,746)	—	(29,213)
Decrease/(increase) in trade notes and accounts receivable	(4,532)	(15,709)	(48,213)
Decrease/(increase) in inventories	(37,187)	(28,185)	(395,606)
Increase/(decrease) in trade notes and accounts payable	33,994	37,551	361,638
Increase/(decrease) in other current liabilities	21,716	2,142	231,021
Other	(20,686)	7,581	(220,063)
Subtotal	75,419	12,197	802,330
Interest and dividends received	3,075	3,112	32,713
Interest paid	(13,678)	(11,267)	(145,511)
Income taxes paid	(15,783)	(13,140)	(167,904)
Net cash provided by/(used in) operating activities	49,033	(9,098)	521,628
Cash flows from investing activities:			
Payments into time deposits	(3,644)	(1,000)	(38,766)
Proceeds from withdrawal of time deposits	3,574	—	38,021
Purchase of investment securities	(5,097)	(12)	(54,223)
Proceeds from sales and redemption of investment securities	1,166	600	12,404
Acquisition of property, plant and equipment	(69,899)	(61,724)	(743,606)
Proceeds from sale of property, plant and equipment	16,065	1,412	170,904
Proceeds from government subsidy	2,746	—	29,213
Acquisition of intangible assets	(6,110)	(8,160)	(65,000)
Decrease/(increase) in short-term loans receivable	1,317	(1,321)	14,011
Long-term loans receivable made	(467)	(319)	(4,968)
Collections of long-term loans receivable	345	219	3,670
Sale of investments in subsidiaries affecting scope of consolidation	19,804	—	210,681
Other	(87)	(12)	(926)
Net cash provided by/(used in) investing activities	(40,287)	(70,317)	(428,585)
Cash flows from financing activities:			
Increase/(decrease) in short-term debt	25,683	(9,983)	273,223
Proceeds from long-term debt	2,680	227,550	28,511
Repayment of long-term debt	(94,727)	(129,450)	(1,007,734)
Proceeds from issuance of common stock	—	144,656	—
Proceeds from stock issuance to minority shareholders	9,364	3,691	99,617
Cash dividends paid to the minority shareholders of consolidated subsidiaries	(15)	(1)	(160)
Treasury stock transactions	(2)	(1)	(21)
Other	(164)	—	(1,744)
Net cash provided by/(used in) financing activities	(57,181)	236,462	(608,308)
Effect of exchange rate fluctuations on cash and cash equivalents	15,041	(2,589)	160,010
Net increase/(decrease) in cash and cash equivalents	(33,394)	154,458	(355,255)
Cash and cash equivalents at beginning of the year	477,307	322,849	5,077,734
Increase in cash and cash equivalents due to change of scope of consolidation	962	—	10,234
Cash and cash equivalents at end of the year	¥444,875	¥477,307	$ 4,732,713

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, 2013, which was ¥94 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 56 subsidiaries (56 in the year ended March 31, 2012). In addition, 15 affiliates (13 in the year ended March 31, 2012) are accounted for by the equity method.

The consolidated year-end balance sheet date is March 31. Among the consolidated subsidiaries, 14 companies (11 at March 31, 2012) have a year-end balance sheet date of December 31, which is different from the consolidated balance sheet date. In preparing the consolidated financial statements, for 7 of the 14 companies, the financial statements of these companies with the December 31 year-end balance sheet date are used. However, adjustments necessary in consolidation are made for material transactions that have occurred between the balance sheet date of these subsidiaries and the consolidated year-end balance sheet date. For the other 7 companies, special purpose financial statements that are prepared for consolidation as of the consolidated balance sheet date are used to supplement the companies’ statutory financial statements.

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 and available-for-sale securities 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 principally at cost. Depreciation is computed mainly using the straight-line method over the estimated useful lives of the assets with a residual value at the end of useful lives to be a memorandum value.

(Change in accounting estimates)

Previously, useful lives and residual values of the Company's property, plant and equipment were estimated by a method equivalent to the provisions of the Corporate Tax Code of Japan.

However, with regard to the useful lives, as the utility of production facilities has been broadened in line with the introduction of the next-generation models equipped with "SKYACTIV", manufactured by flexible production systems led by "MONOTSUKURI (Manufacturing) Innovation" and due to the increase in investment in associated production facilities, the Company conducted an investigation of usage of machinery and equipment, tools, furniture, fixtures and other. As a result, the useful lives for most of the property, plant and equipment turned out to be longer. Thus, the Company has changed its useful lives from the year ended March 31, 2013. Also, the Company changed its residual values to be a memorandum value at the end of the useful lives.

Compared to the previous method, operating income for the year ended March 31, 2013 increased by ¥5,114 million ($54,404 thousand) and income before income taxes increased by ¥5,269 million ($56,053 thousand).

(Change in accounting policies with amendment of respective law or regulation that are not distinguishable from change in accounting estimates)

From the year ended March 31, 2013, in accordance with the amendment in the Corporate Tax Code of Japan, the domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment. Assets acquired on or after April 1, 2012 are depreciated using the method prescribed in amended Corporate Tax Code.

The effect of this change on the consolidated statement of operations for the year ended March 31, 2013 was immaterial.

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 Company and its consolidated domestic subsidiaries (together 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.

The Company and its wholly owned domestic subsidiaries started to file a consolidated corporate tax return as a consolidation group from the year ended March 31, 2013.

Research and development costs
Research and development costs are charged to income when incurred. For the years ended March 31, 2013 and 2012, research and development costs were ¥89,930 million ($956,702 thousand) and ¥91,716 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, 2013 and 2012, only information on net income/(loss) per share of common stock is provided without information on diluted net income/(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
None.

Additional Information
(Accounting standards issued but not yet effective)

– Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, May 17, 2012)

– Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(1) Summary

Under the amended rule, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss would be recognized within the equity section, after adjustment for tax effects, and the deficit or surplus would be recognized as a liability or asset without any adjustments. For determining the method of attributing expected benefit to periods, the Standard now allows to choose benefit formula basis, as well as straight-line basis. Method for determination of discount rate has also been amended.

(2) Effective dates

Effective for the end of annual periods ending on or after March 31, 2014. Amendments relating to determination of retirement benefit obligations and current service costs are effective from the beginning of annual periods ending on or after March 31, 2015.

(3) Effect of application of the standard

The Domestic Companies are currently in the process of determining the effects of these new standards on the consolidated financial statements.

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 receivable 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 59 years and 4 months from March 31, 2013. 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 Finance Officer. As such, the credit risks of these short-term investments are considered to be minimal.

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

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

The amount of maximum risk as of March 31, 2013 is represented by the balance sheet amount of financial assets exposed to credit risks.

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, 2013 and 2012, 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 which 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, 2013	Carrying values	Fair values	Difference	Carrying values	Fair values	Difference
Assets:						
1) Trade notes and accounts receivable	¥ 171,770			$ 1,827,340		
Allowance for doubtful receivables (*1)	(208)			(2,213)		
Trade notes and accounts receivable, net	171,562	¥ 171,560	¥ (2)	1,825,127	$ 1,825,106	$ (21)
2) Investment securities						
Available-for-sale securities	6,884	6,884	—	73,234	73,234	—
3) Long-term loans receivable (*2)	5,750			61,170		
Allowance for doubtful receivables (*3)	(2,561)			(27,245)		
Long-term loans receivable, net	3,189	3,189	—	33,925	33,925	—
Total	¥ 181,635	¥ 181,633	¥ (2)	$ 1,932,286	$ 1,932,265	$ (21)
Liabilities:						
1) Trade notes and accounts payable	¥ 279,642	¥ 279,642	¥ —	$ 2,974,915	$ 2,974,915	$ —
2) Other accounts payable	22,146	22,146	—	235,596	235,596	—
3) Short-term loans payable	97,833	97,833	—	1,040,777	1,040,777	—
4) Long-term debt	621,150	636,170	15,020	6,607,978	6,767,765	159,787
Total	¥1,020,771	¥1,035,791	¥15,020	$10,859,266	$11,019,053	$159,787
Derivative instruments: (*4)						
1) Hedge accounting not applied	¥ (15,940)	¥ (15,940)	¥ —	$ (169,574)	$ (169,574)	$ —
2) Hedge accounting applied	(24,025)	(24,025)	—	(255,585)	(255,585)	—
Total	¥ (39,965)	¥ (39,965)	¥ —	$ (425,159)	$ (425,159)	$ —

As of March 31, 2012	Millions of yen Carrying values	 Fair values	 Difference
Assets:			
1) Trade notes and accounts receivable	¥ 166,008		
Allowance for doubtful receivables (*1)	(254)		
Trade notes and accounts receivable, net	165,754	¥ 165,750	¥ (4)
2) Investment securities			
Available-for-sale securities	5,466	5,466	—
3) Long-term loans receivable (*2)	5,481		
Allowance for doubtful receivables (*3)	(2,367)		
Long-term loans receivable, net	3,114	3,114	—
Total	¥ 174,334	¥ 174,330	¥ (4)
Liabilities:			
1) Trade notes and accounts payable	¥ 244,405	¥ 244,405	¥ —
2) Other accounts payable	23,040	23,040	—
3) Short-term loans payable	65,842	65,842	—
4) Long-term debt	712,243	707,239	(5,004)
Total	¥1,045,530	¥1,040,526	¥(5,004)
Derivative instruments: (*4)			
1) Hedge accounting not applied	¥ (2,510)	¥ (2,510)	¥ —
2) Hedge accounting applied	(5,717)	(5,717)	—
Total	¥ (8,227)	¥ (8,227)	¥ —

(*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 above tables 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.

	Millions of yen		Thousands of U.S. dollars
	Carrying values		Carrying values
As of March 31	**2013**	2012	**2013**
Available-for-sale securities:			
Non-listed equity securities	**¥ 2,928**	¥ 2,842	**$ 31,149**
Investment in securities of affiliated companies	**110,994**	85,050	**1,180,787**
Total	**¥113,922**	¥87,892	**$1,211,936**

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) Investment securities
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, 2013	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	**¥171,576**	**¥ 194**	**¥ —**	**¥ —**	**$1,825,277**	**$ 2,063**	**$ —**	**$ —**
Long-term loans receivable	**198**	**4,532**	**636**	**385**	**2,106**	**48,213**	**6,766**	**4,096**
Total	**¥171,774**	**¥4,726**	**¥636**	**¥385**	**$1,827,383**	**$50,276**	**$6,766**	**$4,096**

	Millions of yen			
As of March 31, 2012	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years
Trade notes and accounts receivable	¥165,662	¥ 346	¥ —	¥ —
Long-term loans receivable	70	4,338	605	468
Total	¥165,732	¥4,684	¥605	¥468

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, 2013 and 2012.

Available-for-sale securities with market values as of March 31, 2013 and 2012 were as follows:

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2013	Acquisition costs	Carrying values	Difference	Acquisition costs	Carrying values	Difference
Stocks	¥4,477	¥4,976	¥499	$47,628	$52,936	$5,308
Other	1,787	1,908	121	19,011	20,298	1,287
Total	¥6,264	¥6,884	¥620	$66,639	$73,234	$6,595

	Millions of yen		
As of March 31, 2012	Acquisition costs	Carrying values	Difference
Stocks	¥4,520	¥4,328	¥(192)
Other	1,129	1,138	9
Total	¥5,649	¥5,466	¥(183)

6 INVENTORIES

Inventories as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2013	2012	2013
Finished products	¥204,189	¥156,720	$2,172,223
Work in process	51,276	48,232	545,489
Raw materials and supplies	10,222	11,238	108,745
Total	¥265,687	¥216,190	$2,826,457

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, 2013 and 2012 from that at the time of revaluation, as stipulated in Article 10 of the Land Revaluation Law, were ¥96,596 million ($1,027,617 thousand) and ¥93,531 million, respectively.

8 IMPAIRMENT OF LONG-LIVED ASSETS

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

For the years ended March 31, 2013 and 2012, the Domestic Companies recognized an impairment loss of ¥2,795 million ($29,734 thousand) and ¥763 million, respectively, on idle assets.

In addition, for the year ended March 31, 2012, the Company and a consolidated foreign subsidiary in the United States reduced the value of its land and buildings for selling by ¥6,408 million.

As a result, the total impairment loss that was recognized in the consolidated statement of operations for the years ended March 31, 2013 and 2012 amounted to ¥2,795 million ($29,734 thousand) and ¥7,171 million, respectively.

9 SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt as of March 31, 2013 and 2012 consisted of loans, principally from banks with interest averaging 1.04% and 0.94% for the respective years.

Long-term debt as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2013**	2012	**2013**
Domestic unsecured bonds due serially 2013 through 2016 at rate of 0.56% to 1.87% per annum	**¥ 50,650(*)**	¥ 95,750	**$ 538,830**
Loans principally from banks, maturing through 2072:			
Secured loans	**93,605**	103,495	**995,798**
Unsecured loans	**471,028**	500,987	**5,010,935**
Lease obligations, maturing through 2020	**5,867**	12,011	**62,415**
Sub total	**621,150**	712,243	**6,607,978**
Amount due within one year	**(104,270)**	(94,241)	**(1,109,255)**
Total	**¥ 516,880**	¥618,002	**$ 5,498,723**

(*) As of March 31, 2013, certain of these unsecured bonds amounting to ¥650 million ($6,915 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 1.62% and 2.26%, respectively, for obligations due within one year and 1.91% and 2.17%, respectively, for obligations due after one year at March 31, 2013.

The annual interest rates applicable to long-term loans and lease obligations outstanding averaged 1.52% and 3.22%, respectively, for obligations due within one year and 1.86% and 2.31%, respectively, for obligations due after one year at March 31, 2012.

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, 2013 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥104,270	$1,109,255
2015	108,229	1,151,372
2016	84,546	899,426
2017	125,245	1,332,394
2018	69,317	737,415
Thereafter	129,543	1,378,116
Total	¥621,150	$6,607,978

The assets pledged as collateral for short-term debt of ¥36,631 million ($389,691 thousand) and ¥37,103 million, and long-term debt of ¥94,255 million ($1,002,713 thousand) and ¥104,245 million at March 31, 2013 and 2012, respectively, were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2013	2012	2013
Property, plant and equipment, at net book value	¥406,154	¥409,461	$4,320,787
Inventories	72,538	37,264	771,681
Other	91,150	28,926	969,681
Total	¥569,842	¥475,651	$6,062,149

10 EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The liabilities for severance and retirement benefits as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2013	2012	2013
Projected benefit obligation	¥ 300,322	¥ 287,761	$ 3,194,915
Unrecognized prior service costs	9,400	11,935	100,000
Unrecognized actuarial differences	(30,620)	(43,324)	(325,745)
Less fair value of plan assets	(210,382)	(182,870)	(2,238,106)
Prepaid pension cost	1,070	2,648	11,383
Liability for severance and retirement benefits	¥ 69,790	¥ 76,150	$ 742,447

Severance and retirement benefit expenses for the years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	2013	2012	2013
Service costs—benefits earned during the year	¥10,530	¥10,475	$112,021
Interest cost on projected benefit obligation	5,477	6,147	58,266
Expected return on plan assets	(3,517)	(3,372)	(37,415)
Amortization of prior service costs	(2,570)	(1,664)	(27,340)
Amortization of actuarial differences	8,798	8,057	93,596
Severance and retirement benefit expenses	¥18,718	¥19,643	$199,128

For the years ended March 31, 2013 and 2012, the discount rates were primarily 1.4% and 1.8%, respectively.

For both the years ended March 31, 2013 and 2012, the rate of expected return on plan assets was primarily 1.5%.

For both the years ended March 31, 2013 and 2012, 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, 2013 and 2012, accrued pension costs related to defined contribution plans were charged to income as ¥2,332 million ($24,809 thousand) and ¥2,315 million, respectively.

11 CONTINGENT LIABILITIES

Contingent liabilities as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2013	2012	2013
Guarantees of loans and similar agreements	¥18,110	¥19,175	$192,660

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, 2013, no year-end dividends were appropriated.

13 OTHER INCOME/(EXPENSES)

The components of "Other, net" in Other income/(expenses) in the consolidated statements of operations for the years ended March 31, 2013 and 2012 were comprised as follows:

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	**2013**	2012	**2013**
Gain on sale of investment in affiliates, net	**¥ 9,574**	¥ —	**$ 101,851**
Reversal of investment valuation allowance	**—**	495	**—**
Loss on retirement and sale of property, plant and equipment, net	**(2,825)**	(3,270)	**(30,053)**
Rental income	**2,088**	1,885	**22,213**
Loss on sale of receivables	**(813)**	(983)	**(8,649)**
Loss on impairment of long-lived assets	**(2,795)**	(7,171)	**(29,734)**
Foreign exchange gain/(loss)	**(19,538)**	2,929	**(207,851)**
Government subsidy	**2,746**	—	**29,213**
Reserve for environment measures	**(60)**	(19)	**(638)**
Loss on disaster(*1)	**—**	(3,731)	**—**
Loss on abolishment of retirement benefit plan	**—**	(1,044)	**—**
Business restructuring costs(*2)	**(1,212)**	(4,079)	**(12,894)**
Other	**(976)**	(2,185)	**(10,383)**
Total	**¥(13,811)**	¥(17,173)	**$(146,925)**

(*1) The effect of the Great East Japan Earthquake.
(*2) Retirement benefits in some foreign consolidated subsidiaries and compensation payments to some dealers to implement structural reforms.

14 INCOME TAXES

The effective tax rate reflected in the consolidated statement of operations for the year ended March 31, 2013 differs from the statutory tax rate for the following reasons.

For the year ended March 31	2013
Statutory tax rate	37.8%
Valuation allowance	(31.3)
Equity in net income of affiliated companies	(9.7)
Effect of adjustment of gain on sales of stock for subsidiaries and affiliates	17.1
Other	(2.1)
Effective tax rate	11.8%

For the year ended March 31, 2012, since loss before income taxes was reported, the information on the reconciliation from statutory tax rate to effective tax rate is not provided in accordance with the applicable provisions of Japanese GAAP.

Deferred tax assets and liabilities reflect the estimated tax effects of loss carryforwards and accumulated temporary differences between assets and liabilities for financial accounting purposes and those for tax purposes. The significant components of deferred tax assets and liabilities as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2013**	2012	**2013**
Deferred tax assets:			
Allowance for doubtful receivables	**¥ 1,528**	¥ 1,619	**$ 16,255**
Employees' severance and retirement benefits	**23,417**	25,390	**249,117**
Loss on impairment of long-lived assets	**5,308**	8,740	**56,468**
Accrued bonuses and other reserves	**19,226**	19,855	**204,532**
Inventory valuation	**6,613**	7,075	**70,351**
Valuation loss on investment securities, etc.	**1,399**	1,589	**14,883**
Deferred gains/(losses) on hedges	**9,043**	2,146	**96,202**
Net operating loss carryforwards	**119,359**	128,920	**1,269,777**
Other	**46,082**	38,748	**490,234**
Total gross deferred tax assets	**231,975**	234,082	**2,467,819**
Less valuation allowance	**(162,737)**	(178,423)	**(1,731,245)**
Total deferred tax assets	**69,238**	55,659	**736,574**
Deferred tax liabilities:			
Asset retirement cost corresponding to asset retirement obligations, and others	**(7,050)**	(7,582)	**(75,000)**
Net deferred tax assets	**¥ 62,188**	¥ 48,077	**$ 661,574**

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	**2013**	2012	**2013**
Current assets—Deferred tax assets	**¥59,999**	¥45,997	**$638,287**
Investments and other assets—Deferred tax assets	**5,155**	6,035	**54,840**
Current liabilities—Other current liabilities	**(38)**	(69)	**(404)**
Long-term liabilities—Other long-term liabilities	**(2,928)**	(3,886)	**(31,149)**
Net deferred tax assets	**¥62,188**	¥48,077	**$661,574**

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, 2013 and 2012 of derivative transactions for which hedge accounting has not been applied:

As of March 31, 2013	Millions of yen			Thousands of U.S. dollars		
	Contract amount	Estimated fair value	Difference	Contract amount	Estimated fair value	Difference
Forward foreign exchange contracts:						
Sell:						
U.S. dollar	**¥ 57,313**	**¥ (8,925)**	**¥ (8,925)**	**$ 609,713**	**$ (94,948)**	**$ (94,948)**
Euro	**663**	**(61)**	**(61)**	**7,053**	**(649)**	**(649)**
Canadian dollar	**19,676**	**(2,642)**	**(2,642)**	**209,319**	**(28,106)**	**(28,106)**
Australian dollar	**27,725**	**(3,546)**	**(3,546)**	**294,947**	**(37,723)**	**(37,723)**
Sterling pound	**439**	**11**	**11**	**4,670**	**117**	**117**
Russian ruble	**13,205**	**(1,058)**	**(1,058)**	**140,479**	**(11,255)**	**(11,255)**
Buy:						
U.S. dollar	**3,112**	**1**	**1**	**33,106**	**11**	**11**
Australian dollar	**4,252**	**(38)**	**(38)**	**45,234**	**(404)**	**(404)**
Thai baht	**2,507**	**700**	**700**	**26,670**	**7,447**	**7,447**
Japanese yen	**4,889**	**(382)**	**(382)**	**52,011**	**(4,064)**	**(4,064)**
Total	**¥133,781**	**¥(15,940)**	**¥(15,940)**	**$1,423,202**	**$(169,574)**	**$(169,574)**

As of March 31, 2012	Millions of yen		
	Contract amount	Estimated fair value	Difference
Forward foreign exchange contracts:			
Sell:			
U.S. dollar	¥26,100	¥(1,597)	¥(1,597)
Euro	6,043	64	64
Canadian dollar	7,728	(346)	(346)
Australian dollar	20,364	(820)	(820)
Sterling pound	3,739	(328)	(328)
Swiss franc	—	12	12
Russian ruble	8,910	(32)	(32)
Buy:			
U.S. dollar	4,512	(53)	(53)
Australian dollar	2,332	(40)	(40)
Thai baht	9,806	791	791
Japanese yen	4,454	(161)	(161)
Total	¥93,988	¥(2,510)	¥(2,510)

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, 2013 and 2012 of derivative transactions for which hedge accounting has been applied:

As of March 31, 2013	Millions of yen: Contract amount	Millions of yen: Thereof due after 1 year	Millions of yen: Estimated fair value	Thousands of U.S. dollars: Contract amount	Thousands of U.S. dollars: Thereof due after 1 year	Thousands of U.S. dollars: Estimated fair value
Interest rate swaps:						
On long-term loans payable:						
Where certain hedging criteria are met (*1)	¥ 37,200	¥22,500	¥ —	$ 395,745	$239,362	$ —
Forward foreign exchange contracts:						
Sell:						
U.S. dollar	161,839	—	(11,228)	1,721,691	—	(119,446)
Euro	118,088	—	(4,239)	1,256,255	—	(45,096)
Canadian dollar	23,904	—	(2,007)	254,298	—	(21,351)
Australian dollar	98,444	—	(5,875)	1,047,277	—	(62,500)
Sterling pound	13,799	—	(487)	146,798	—	(5,181)
Swiss franc	1,952	—	(131)	20,766	—	(1,394)
Russia ruble	13,613	—	(473)	144,819	—	(5,032)
Buy:						
U.S. dollar	6,998	—	(146)	74,447	—	(1,553)
Thai baht	8,059	—	561	85,734	—	5,968
Total	¥483,896	¥22,500	¥(24,025)	$5,147,830	$239,362	$(255,585)

As of March 31, 2012	Millions of yen: Contract amount	Millions of yen: Thereof due after 1 year	Millions of yen: Estimated fair value
Interest rate swaps:			
On long-term loans payable:			
Where certain hedging criteria are met (*1)	¥ 40,900	¥37,200	¥ —
Forward foreign exchange contracts:			
Sell:			
U.S. dollar	94,710	—	(3,747)
Euro	32,202	—	(144)
Canadian dollar	31,449	—	(750)
Australian dollar	57,013	—	(1,144)
Sterling pound	3,860	—	(70)
Swiss franc	184	—	2
Buy:			
U.S. dollar	5,788	—	(83)
Thai baht	4,528	—	219
Total	¥270,634	¥37,200	¥(5,717)

(*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 amount of future minimum lease payments under non-cancellable operating leases as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2013	2012	2013
Current portion	¥ 3,673	¥ 4,920	$ 39,074
Non-current portion	36,020	13,873	383,191
Total	¥39,693	¥18,793	$422,265

17 SEGMENT INFORMATION

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 Japan are managed by the Company. Businesses in North America are managed by Mazda Motor of America, Inc. and the Company. And businesses in Europe regions are managed by Mazda Motor Europe GmbH and the Company. 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 as one management unit. 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.

As described in Note 2, "Change in accounting estimates", the Company has changed the useful lives for most of property, plant and equipment from the year ended March 31, 2013. Compared to the previous method, the effect of this change was to increase segment income of "Japan" for the year ended March 31, 2013 by ¥5,114 million ($54,404 thousand).

Also, as described in Note 2, "Change in accounting policies with amendment of respective law or regulation that are not distinguishable from change in accounting estimates", in accordance with the amendment in the Corporate Tax Code of Japan, the domestic consolidated subsidiaries grouped in "Japan" segment have changed their depreciation method for property, plant and equipment acquired on or after April 1, 2012. The effect of this change on segment income for the year ended March 31, 2013 was immaterial.

Net sales, income or loss, and assets by reportable segments for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen						
	Reportable segments						
For the year ended March 31, 2013	Japan	North America	Europe	Other areas	Total	Adjustment (*1)	Consolidated (*2)
Net sales:							
Outside customers	¥ 795,919	¥647,382	¥344,434	¥417,535	¥2,205,270	¥ —	¥2,205,270
Inter-segment	1,097,663	2,598	10,348	1,123	1,111,732	(1,111,732)	—
Total	1,893,582	649,980	354,782	418,658	3,317,002	(1,111,732)	2,205,270
Segment income/(loss)	108,389	(48,877)	3,122	16,839	79,473	(25,537)	53,936
Segment assets	1,775,831	309,211	162,047	176,543	2,423,632	(445,065)	1,978,567
Other items:							
Depreciation and amortization	55,899	847	2,220	748	59,714	—	59,714
Amortization of goodwill	14	226	—	—	240	—	240
Investments in affiliated companies	15,573	35,635	2,280	55,558	109,046	—	109,046
Increase in property, plant and equipment and intangible assets	56,043	19,520	633	994	77,190	—	77,190

For the year ended March 31, 2013	Thousands of U.S. dollars						
	Reportable segments						
	Japan	North America	Europe	Other areas	Total	Adjustment (*1)	Consolidated (*2)
Net sales:							
Outside customers	$ 8,467,223	$6,887,043	$3,664,191	$4,441,862	$23,460,319	$ —	$23,460,319
Inter-segment	11,677,266	27,638	110,085	11,947	11,826,936	(11,826,936)	—
Total	20,144,489	6,914,681	3,774,276	4,453,809	35,287,255	(11,826,936)	23,460,319
Segment income/(loss)	1,153,074	(519,968)	33,213	179,138	845,457	(271,670)	573,787
Segment assets	18,891,819	3,289,479	1,723,904	1,878,117	25,783,319	(4,734,734)	21,048,585
Other items:							
Depreciation and amortization	594,670	9,011	23,617	7,957	635,255	—	635,255
Amortization of goodwill	149	2,404	—	—	2,553	—	2,553
Investments in affiliated companies	165,670	379,096	24,255	591,043	1,160,064	—	1,160,064
Increase in property, plant and equipment and intangible assets	596,202	207,660	6,734	10,574	821,170	—	821,170

For the year ended March 31, 2012	Millions of yen						
	Reportable segments						
	Japan	North America	Europe	Other areas	Total	Adjustment (*1)	Consolidated (*2)
Net sales:							
Outside customers	¥ 824,383	¥568,340	¥347,299	¥293,036	¥2,033,058	¥ —	¥2,033,058
Inter-segment	920,594	3,305	13,142	1,190	938,231	(938,231)	—
Total	1,744,977	571,645	360,441	294,226	2,971,289	(938,231)	2,033,058
Segment income/(loss)	(18,417)	(40,277)	5,627	10,072	(42,995)	4,277	(38,718)
Segment assets	1,750,262	162,676	161,487	126,532	2,200,957	(285,014)	1,915,943
Other items:							
Depreciation and amortization	64,035	863	2,684	621	68,203	—	68,203
Amortization of goodwill	33	450	102	3	588	—	588
Investments in affiliated companies	9,615	29,421	—	42,953	81,989	—	81,989
Increase in property, plant and equipment and intangible assets	64,758	11,660	621	1,001	78,040	—	78,040

(*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/(loss) in the consolidated statement of operations for the years ended March 31, 2013 and 2012. Segment assets are reconciled with the total assets in the consolidated balance sheets for the years ended March 31, 2013 and 2012.

Information by geographic areas
The sales information by geographic areas as of March 31, 2013 and 2012 were as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Japan	¥ 588,042	¥ 560,216	$ 6,255,766
North America	651,165	575,633	6,927,287
Europe	347,918	347,346	3,701,255
Other areas	618,145	549,863	6,576,011
Total	¥2,205,270	¥2,033,058	$23,460,319

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

18 RELATED PARTY TRANSACTIONS

There were no transactions with related parties to be disclosed under Japanese GAAP during the years ended March 31, 2013 and 2012.

KPMG

Independent Auditor's Report

To the Board of Directors of Mazda Motor Corporation:

We have audited the accompanying consolidated financial statements of Mazda Motor Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statement of operations and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mazda Motor Corporation and its consolidated subsidiaries as at March 31, 2013, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 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

June 25, 2013
Hiroshima, Japan

Corporate Data

(As of March 31, 2013)

Name:	Mazda Motor Corporation
Founded:	January 1920
Capital:	¥259.0 billion
Number of employees:	37,745 (consolidated)
Head office:	3-1 Shinchi, Fuchu-cho, Aki-gun, Hiroshima 730-8670, Japan Phone: +81 (82) 282-1111
Main business lines:	Manufacture and sales of passenger cars and commercial vehicles
Research and development sites:	Head Office, Mazda R&D Center (Yokohama), Mazda North American Operations (USA), Mazda Motor Europe (Germany), China Engineering Support Center (China)
Production sites:	Japan: Hiroshima Plant (Head Office, Ujina), Hofu Plant (Nishinoura, Nakanoseki), Miyoshi Plant Overseas: China, Thailand, United States*1, Mexico*2, Colombia*3, Zimbabwe, South Africa, Ecuador, Taiwan*3, Malaysia*4, Russia*4, Vietnam*4
Sales companies:	Japan: 255, Overseas: 140 (As of December 31, 2012)
Principal products:	Four-wheeled vehicles, gasoline reciprocating engines, diesel engines, rotary engines, automatic and manual transmissions for vehicles

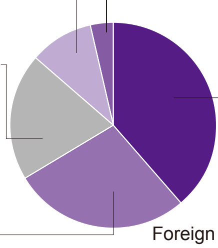
*1. Production of Mazda6 ended in August 2012.
*2. Scheduled to start operations during the fourth quarter of March 2014 fiscal year.
*3. Some models are not produced but assembled locally. (Not included in local production volume figures)
*4. Assembly only. (Not disclosed as local production volume)

Stock Information

(As of March 31, 2013)

Authorized:	6,000,000,000 shares
Issued:	2,999,377,399 shares
Number of shareholders:	125,596
Listing:	Tokyo Stock Exchange, First Section
Code:	7261
Fiscal year-end:	March 31
Transfer agent:	The Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

BREAKDOWN OF SHAREHOLDERS



MAJOR SHAREHOLDERS

Shareholder	No. of shares owned (Thousands)	Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust)	139,844	4.7
The Master Trust Bank of Japan, Ltd. (Trust)	134,436	4.5
Mitsui Sumitomo Banking Corp.	64,287	2.2
Ford Motor Company Account for Mazda Securities	62,313	2.1
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	55,952	1.9
ITOCHU Corporation	53,411	1.8
Sumitomo Corporation	53,409	1.8
State Street Bank and Trust Company 505225	48,488	1.6
Morgan Stanley & Co. LLC	40,998	1.4
Mitsui Sumitomo Insurance Co., Ltd.	40,683	1.4

Note: The treasury stock of 10,178,030 shares is excluded in the calculation of the ratio.

FOR REQUESTS AND INQUIRIES

For inquiries concerning this Annual Report, please contact:

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Mazda Motor Corporation