



# ANNUAL REPORT 2015

YEAR ENDED MARCH 31, 2015



*ZOOM-ZOOM*

## Contents

### Message from Management

- 04 Message from President and CEO:  
To Shareholders and Investors



- 08 Interview with the Executive Vice President

### Growth Strategy

- 10 SPECIAL FEATURE: Structural Reform Stage 2

### Review of Operations

- 14 Review by Market  
Japan  
North America  
Europe  
China  
Other Markets  
18 Global Network  
20 Major Product Lineup

### Foundations Underpinning Sustainable Growth

- 21 Long-Term Vision for Technology Development  
23 SKYACTIV TECHNOLOGY  
24 Safety Technologies  
25 Monotsukuri Innovation  
26 Mazda CSR  
27 Business Management System

### Corporate Data

- 34 Financial Highlights  
35 Eleven-Year Summary of Consolidated Financial Statements  
36 Management Review and Analysis  
42 Consolidated Financial Statements and Notes  
62 Stock Information / Corporate Data  
63 History of 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; 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).





### *WHAT'S MAZDA DESIGN*

# Breathing Life into the Car. That's Mazda's Design Philosophy.

A car isn't simply a mass of metal. Mazda believes it's more like a living creature.

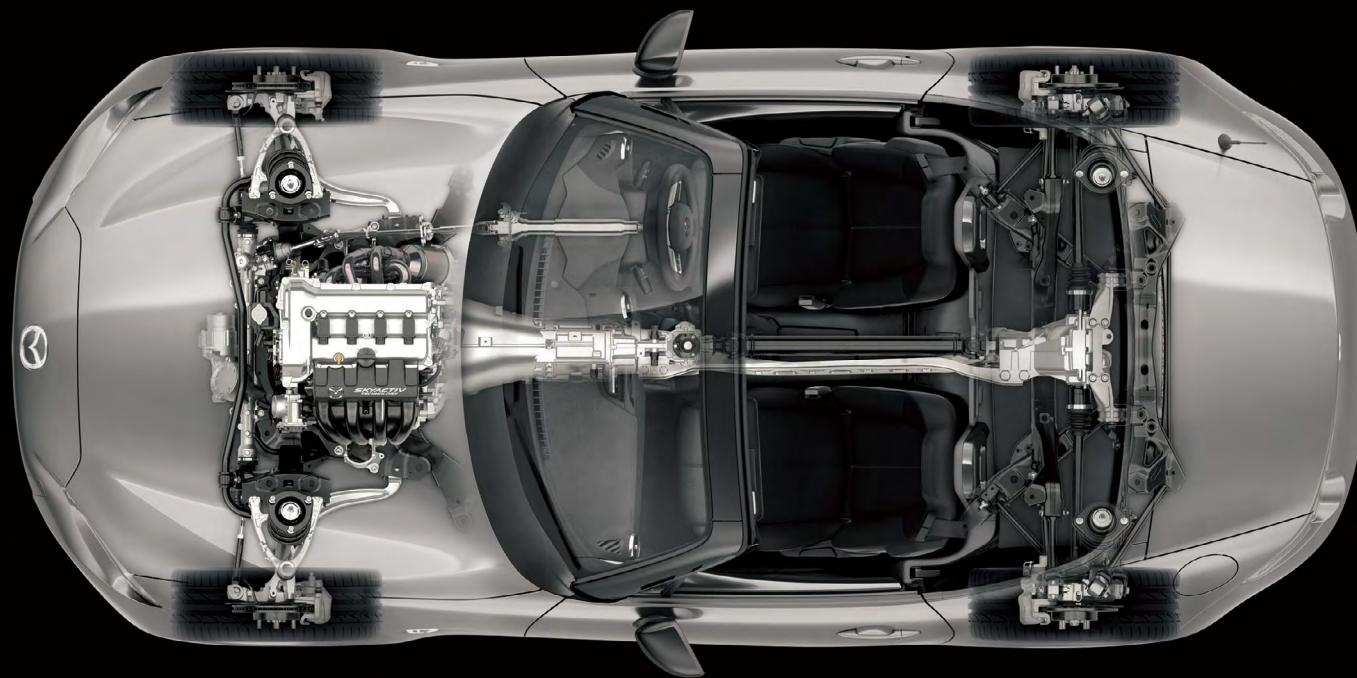
Creating an emotional bond between a driver and a car is comparable with the relationship between a horse and a rider.

That's the ultimate goal of Mazda's KODO—"Soul of Motion" design.

魂動

KODO : SOUL of MOTION





### *WHAT'S MAZDA TECHNOLOGY*

# Revolution That Takes Cars to the Next Level.

Taking the car's basics back to the drawing board, Mazda has re-created everything from scratch: the engine, body, chassis, and transmission—all the technologies that have come to form the basis of the car. The resulting SKYACTIV TECHNOLOGY is an expression of Mazda's vision for the future of automobiles.





### *WHAT'S MAZDA SAFETY*

# Safety Is in the Driver's Hands.

MAZDA PROACTIVE SAFETY: in support of the driver

This concept also led to the creation of i-ACTIVSENSE to support the driver and the HEADS-UP COCKPIT concept that aims for a proper posture while driving.

Message from Management

## Message from President and CEO: To Shareholders and Investors



While continuing steady volume growth, we will aim for qualitative business growth and engage in initiatives geared toward improving our brand value.

**Masamichi Kogai**

Representative Director,  
President and CEO



## Message from Management

## Message from President and CEO: To Shareholders and Investors

**Review of the March 2015 fiscal year**

Although the March 2015 fiscal year saw a drop in crude oil prices, slowdowns in emerging market economies, and unstable foreign exchange markets, Mazda was able to achieve steady growth through structural reforms leveraging SKYACTIV TECHNOLOGY and enhanced brand value by offering attractive, uniquely Mazda products and services. During the year, we launched the new Mazda2 (Japanese name: Mazda Demio) as our fourth new-generation product featuring SKYACTIV TECHNOLOGY and KODO design, and commenced sales for our fifth new-generation product, the new Mazda CX-3 compact crossover SUV, in Japan and globally. As a result, the portion of unit sales represented by SKYACTIV-equipped vehicles rose to 74%, contributing to unit sales growth, improved profitability, and the strengthening of the brand. Mazda's global sales volume for the year rose 5.0% from the previous year, to 1,397,000 units, the highest level in

20 years. Net sales grew ¥341.7 billion, to ¥3,033.9 billion, operating income rose ¥20.8 billion, to ¥202.9 billion, and net income increased ¥23.1 billion, to ¥158.8 billion.

During the March 2016 fiscal year, the final year under the Structural Reform Plan, we will continue to implement the plan's major initiatives to further enhance brand value. We commenced sales of our sixth new-generation product, the new Mazda MX-5 (Japanese name: Mazda Roadster), in Japan in May 2015, and globally shortly thereafter, and we plan to launch a new Mazda CX-9 during the March 2016 fiscal year. We expect that SKYACTIV-equipped vehicles will account for at least 85% of unit sales. We are projecting a 6.6% increase in global sales volume, to 1,490,000 units, in the March 2016 fiscal year. Our financial forecasts are net sales of ¥3,250.0 billion, operating income of ¥210.0 billion, and net income of ¥140.0 billion.

**Returns to shareholders**

We view returns to shareholders as one of the most important management issues. Our policy in determining the dividend is to take into account results for the fiscal year, the operating environment, and our financial position. Based on this policy, we paid a dividend of ¥10 per share for the March 2015 fiscal year. For the March 2016 fiscal year, we plan to pay a dividend of ¥30 per share. We will continue to strive to maintain a stable dividend with steady increases.

**Progress of the Structural Reform Plan**

Under the Structural Reform Plan, announced in February 2012, we have aggressively pursued restructuring activities leveraging SKYACTIV TECHNOLOGY and maintained investment for future growth, while making strides toward the realization of a stable earnings structure. As one of the plan's major initiatives—business innovation by SKYACTIV TECHNOLOGY—we

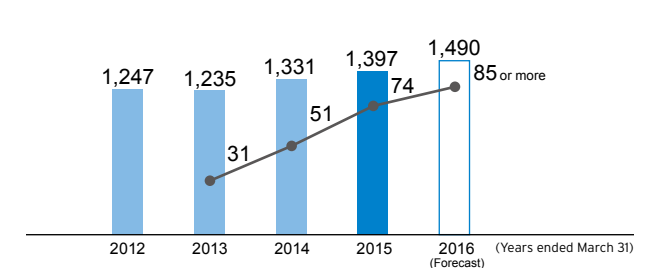
**Consolidated Results and Forecast**

(Fiscal years ended March 31)

	2014		2015		2016	
	Result	Increase / (Decrease)	Result	Increase / (Decrease)	Forecast	Increase / (Decrease)
Global sales volume (Thousands of units)	1,331	+96	<b>1,397</b>	<b>+66</b>	1,490	+93
Net sales (Billions of yen)	2,692.2	+487.0	<b>3,033.9</b>	<b>+341.7</b>	3,250.0	+216.1
Operating income (Billions of yen)	182.1	+128.2	<b>202.9</b>	<b>+20.8</b>	210.0	+7.1
Net income (Billions of yen)	135.7	+101.4	<b>158.8</b>	<b>+23.1</b>	140.0	(18.8)

**Global Sales Volume / SKYACTIV Ratio**

■ Global Sales Volume (Thousands of units) ● SKYACTIV Ratio (%)





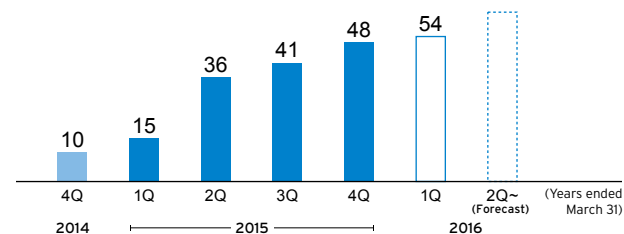
## Message from President and CEO: To Shareholders and Investors

have successively rolled out new-generation products equipped with SKYACTIV TECHNOLOGY. These new-generation products have had strong receptions in Japan and overseas, and they are contributing to increased sales volume and enhanced brand value. With this robust product strength, we are improving transaction prices and curtailing incentives through a policy of right-price sales. These efforts are making a major contribution to earnings.

In terms of accelerating further cost improvement through Monotsukuri Innovation, we have integrated planning that spans models, classes, and segments to create common development and manufacturing processes that makes it possible to develop and manufacture a variety of products more efficiently. Our new products, which take full advantage of these “Monotsukuri” innovations, not only achieve excellent driving performance and fuel efficiency, they are meeting all our expectations in terms of cost competitiveness as well.

## Production Volume at the New Mexico Plant

(Thousands of units)



We have also made steady progress in reinforcing our business in emerging markets and establishing a global production foundation. Our new plant in Mexico commenced operations in January 2014, and since then it has been steadily increasing production volumes, with 140,000 units produced in the March 2015 fiscal year. We plan to raise the plant's production to 230,000 units in the March 2016 fiscal year. The new transmission plant in Thailand is off to a solid start since beginning the mass production of SKYACTIV-DRIVE transmissions in January 2015. We are also strengthening our business in emerging markets by creating production systems in Russia, Malaysia, and Vietnam. We will maintain the size of our production in Japan while steadily establishing a globally balanced production and supply foundation.

With regard to promoting global alliances, our strategy is to enter into mutually complementary alliances optimal to each product, technology, and region. In June 2015, the new Mexico plant began manufacturing compact cars for Toyota. We also plan to begin the production of a two-seater convertible sports car for Fiat Chrysler Automobiles during the March 2016 fiscal year.

These efforts show our steady progress under the Structural Reform Plan in each area of products, sales, production, and alliances, and this progress is translating to enhanced brand value.

## Structural Reform Stage 2

We have announced a new medium-term business plan—Structural Reform Stage 2—covering the period from the March 2017 to the March 2019 fiscal years. To date, we have steadily implemented the major initiatives under the Structural Reform Plan, but we recognize that there is still room for improvement in each area. Under Structural Reform Stage 2, our main focus will be on further strengthening these initiatives while addressing changes in the business environment in each region, including trends in demand by market and segment, market trends including exchange rates and crude oil prices, and environmental regulations. Our final-year management targets for the March 2019 fiscal year are for global sales volume of 1.65 million units, an operating income ratio of at least 7%, an equity ratio of at least 45%, and a dividend payout ratio of at least 20%.



## Message from Management

## Message from President and CEO: To Shareholders and Investors

With a full lineup of SKYACTIV-equipped models, we are aiming for a solid 11% increase in sales volume over the three-year period. At the same time, we will work to raise profit while maintaining disciplined investment for growth in order to enhance our product strength by incorporating the latest functions, and we will develop next-generation technologies with a focus on the environment and safety. We will not simply work to expand the size of our business but rather strive to enhance brand value through qualitative growth of the business in each area of products, sales, production, and finance. As we strengthen our financial base, we will also strive for steady improvement in shareholder returns.

(Please refer to page 10 of the "Special Feature" for more information on Structural Reform Stage 2.)

## March 2019 Financial Target

Result for March 2015 fiscal year	Target for March 2019 fiscal year
<b>Global sales volume</b> 1.397 million units	<b>1.65 million units</b>
<b>Operating income ratio</b> 6.7%	<b>7% or more</b>
<b>Equity ratio</b> 35.2%	<b>45% or more</b>
<b>Dividend payout ratio</b> 3.8%	<b>20% or more</b>

Foreign exchange rate assumptions: ¥120 / USD, ¥130 / euro

**Agreement with Toyota**

In May 2015, Mazda and Toyota concluded a basic agreement to build a mutually beneficial long-term partnership that will leverage the resources of both companies to complement and enhance each other's products and technologies.

Currently, a joint committee has commenced studies into specific operational tie-ups to utilize each company's strengths, beginning with the areas of environmental technologies and the latest safety technologies.

Mazda and Toyota have already established tie-ups whereby Toyota licenses hybrid technologies to Mazda, and Mazda produces compact cars for Toyota at its new plant in Mexico. However this collaboration will go beyond the framework of these existing tie-ups, with the aim of mutual cooperation over the medium-to-long term to "create a whole new set of values for cars."



Basic agreement on business alliance

By providing uniquely Mazda value, we will continue to pursue brand value management with the aim of creating strong, special bonds with customers and being the brand that is repeatedly chosen by customers.

As an automobile manufacturer, we consider it important to contribute to a sustainable society with the products we provide and through technical innovation. The Mazda Group is employing its comprehensive strengths to enhance corporate value by building up its corporate governance structure to be a company that is trusted by shareholders, investors, and all stakeholders.

I ask for the continued support of our shareholders and investors going forward.

August 2015

Masamichi Kogai  
Representative Director,  
President and CEO

## Interview with the Executive Vice President



**Akira Marumoto**  
Representative Director and  
Executive Vice President

### Q1 What specifically do you mean by the “qualitative growth” referred to in Structural Reform Stage 2?

Qualitative growth means the strengthening of the business base needed for sustainable growth in areas including brand, networks, product development, and raising global production efficiency. During the period covered by Structural Reform Stage 2, we aim to strengthen the business base in these areas to become a brand that generates demand that exceeds supply.

Structural Reform Stage 2 involves taking the major initiatives of the Structural Reform Plan to the next level in order to achieve steady growth in sales volume and qualitative growth. During the three-year period covered by Structural Reform Stage 2, we intend to strengthen our business base in the areas of development, sales, production, and finance, leading to further sustainable growth from the March 2020 fiscal year and beyond.

In terms of products and development, we will continually update our SKYACTIV products while developing and introducing SKYACTIV GEN2 (Generation 2) models equipped with next-generation technologies. In brand and sales, we will promote innovation on the sales frontline to instill our strategy of realizing right-price sales and enhancing brand experiences. With regard to global production, we will roll out Monotsukuri Innovation globally

## We aim for stable, sustainable growth by establishing a solid financial foundation.

and maximize capacity utilization at major production sites. In terms of finance, we will build a solid financial base that facilitates stable, sustainable growth, while also raising the dividend payout ratio.

Through qualitative growth in each of these areas, we will provide customers with products that are attractive in terms of both driving pleasure and outstanding environmental and safety performance, and we will deliver a Mazda brand experience that exceeds customers' expectations during the entire time they own their cars to build strong bonds with customers and further enhance brand value.

### Q2 What is your policy regarding the strengthening of the financial base?

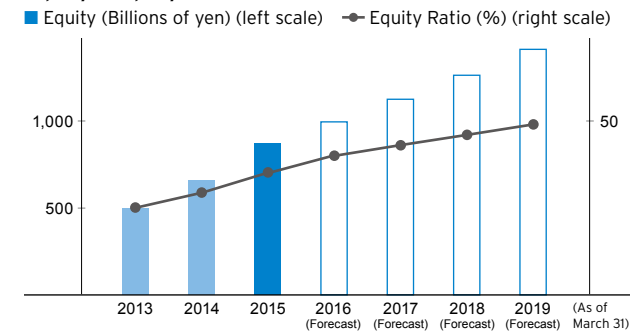
**We aim to build a solid financial base that is resistant to changes in the external environment, including unforeseen economic crises, changes in trends in demand in major markets, and drastic changes in exchange rate levels, to attain stable, sustainable growth.**

Mazda's equity ratio as of March 31, 2015, was 35.2%, and net interest-bearing debt was ¥171.9 billion. It is essential that we generate stable profit and cash flow to achieve our target for the March 2019 fiscal year of having an equity ratio of at least 45% and achieving a net cash position at the soonest date possible. Based on steady growth in sales volume, we intend to raise the equity ratio through enhanced profitability from qualitative growth and to generate cash flow to reduce net interest-bearing debt. Along with strengthening the financial base, we aim to raise the dividend payout ratio in stages, to at least 20%.

Furthermore, by effectively utilizing management resources, we intend to maintain return on equity (ROE) at a level between 13% and 15% during the period covered by Structural Reform Stage 2.

The entire Mazda Group will work as one toward the achievement of the various measures included in Structural Reform Stage 2 to build a solid financial base that facilitates stable, sustainable growth from the March 2020 fiscal year.

### Equity / Equity Ratio



### Q3 We understand that because a large portion of Mazda's production is in Japan, exchange rate movements have a large impact on financial results. How are you addressing exchange rate movements?

We intend to maintain our domestic operations, while meeting growth in sales volume going forward with higher levels of production overseas. With the new plant in



## Message from Management

## Interview with the Executive Vice President

**Mexico fully operational, we are making steady progress in this area with increased overseas production volume and stronger resistance to movements in the U.S. dollar.**

Due to a high ratio of domestic production, the effect of exchange rate fluctuations on our financial results has been an issue for Mazda in the past. We have established a global production footprint under the Structural Reform Plan. The new Mexico plant commenced operations in January 2014 and is producing the Mazda3 and Mazda2 for shipment to North America, Europe, and Central and South America. The plant produced 140,000 units in the March 2015 fiscal year, which was as planned, and in the March 2016 fiscal year we plan to increase this number to 230,000 units, which includes the production and supply of compact cars to Toyota. Full-scale operations at the new Mexico plant have reduced our sensitivity to U.S. dollar movements as planned. In this way, we have had reasonable success in terms of our exposure to major currencies, but the effect on results from unstable emerging market currencies remains an issue.

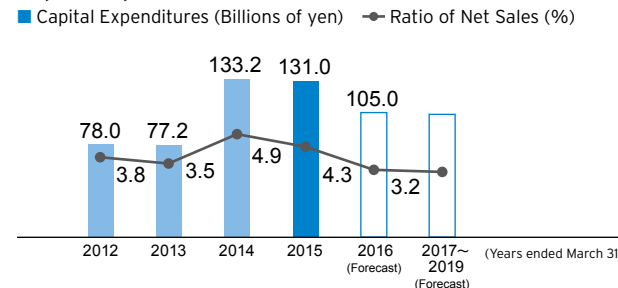
We will continue to pursue appropriate exchange rate exposure management and optimal global sourcing, and by maximizing capacity utilization at overseas production sites we will quickly reduce production costs without being affected by temporary fluctuations in exchange rates, with the aim of higher profitability over the medium-to-long term.

#### Q4 What are your plans with regard to capital investment and R&D expenditures going forward?

While we accelerate and strengthen the development of next-generation technologies for the future, we intend to make technological development and capital investment for production more efficient through Monotsukuri Innovation. At the same time, we will set ceilings for both capital and R&D expenditures as a percentage of sales to make disciplined investments.

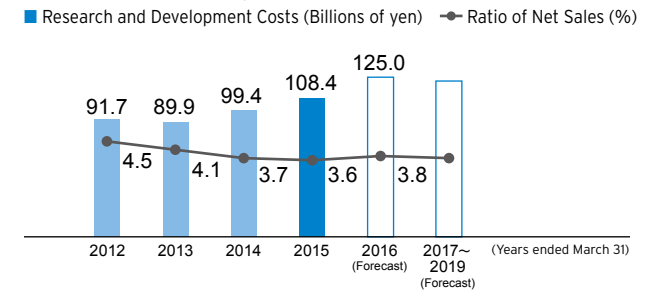
We have recently had a high level of capital expenditures, surpassing ¥130.0 billion in both the March 2014 and March 2015 fiscal years, as we established the global production foundation that included the construction of a new plant in Mexico and a new transmission plant in Thailand. For the March 2016 fiscal year, we will focus on investment for new products, maintenance, and equipment upgrades, and we are projecting capital expenditures of ¥105.0 billion. We have set a ceiling for capital expenditures of 3.5% of net sales during the period covered by Structural Reform Stage 2. We will also make decisions regarding additional capacity expansion at the appropriate time for further growth in sales volume in the future.

#### Capital Expenditures / Ratio of Net Sales



We plan to increase R&D expenditures to ¥125.0 billion in the March 2016 fiscal year, from ¥108.4 billion in the previous year, to comply with increasingly strict environmental regulations around the world and to accelerate and strengthen our development of next-generation technologies and vehicles, including SKYACTIV Generation 2 models. The cap we have set for R&D expenditures is 4.0% of net sales. Along with increasing the efficiency of technological development and capital investment for production through Monotsukuri Innovation, we will be disciplined in our investment under these ceilings.

#### Research and Development Costs / Ratio of Net Sales



#### Q5 What are your thoughts regarding corporate governance?

We approach corporate governance as one of our most important management issues for sustainable growth and enhancement of corporate value in the medium- and long-term.

We recognize that the further strengthening of our corporate governance structure is one of the most important management issues for our sustainable growth and enhancement of corporate value in the medium- and long-term. We have implemented a variety of measures to date, including the creation of an environment in which full-time and outside auditors are able to conduct appropriate audits and the introduction of a system of outside directors, but going forward we will strive to make our corporate governance structure even stronger. We will also continue to engage in dialogue with shareholders and investors at general shareholder meetings, business briefings, and quarterly results announcements, and we continue to release information in a timely and appropriate manner.

August 2015

*A. Marumoto*

Akira Marumoto  
Representative Director and  
Executive Vice President

SPECIAL FEATURE

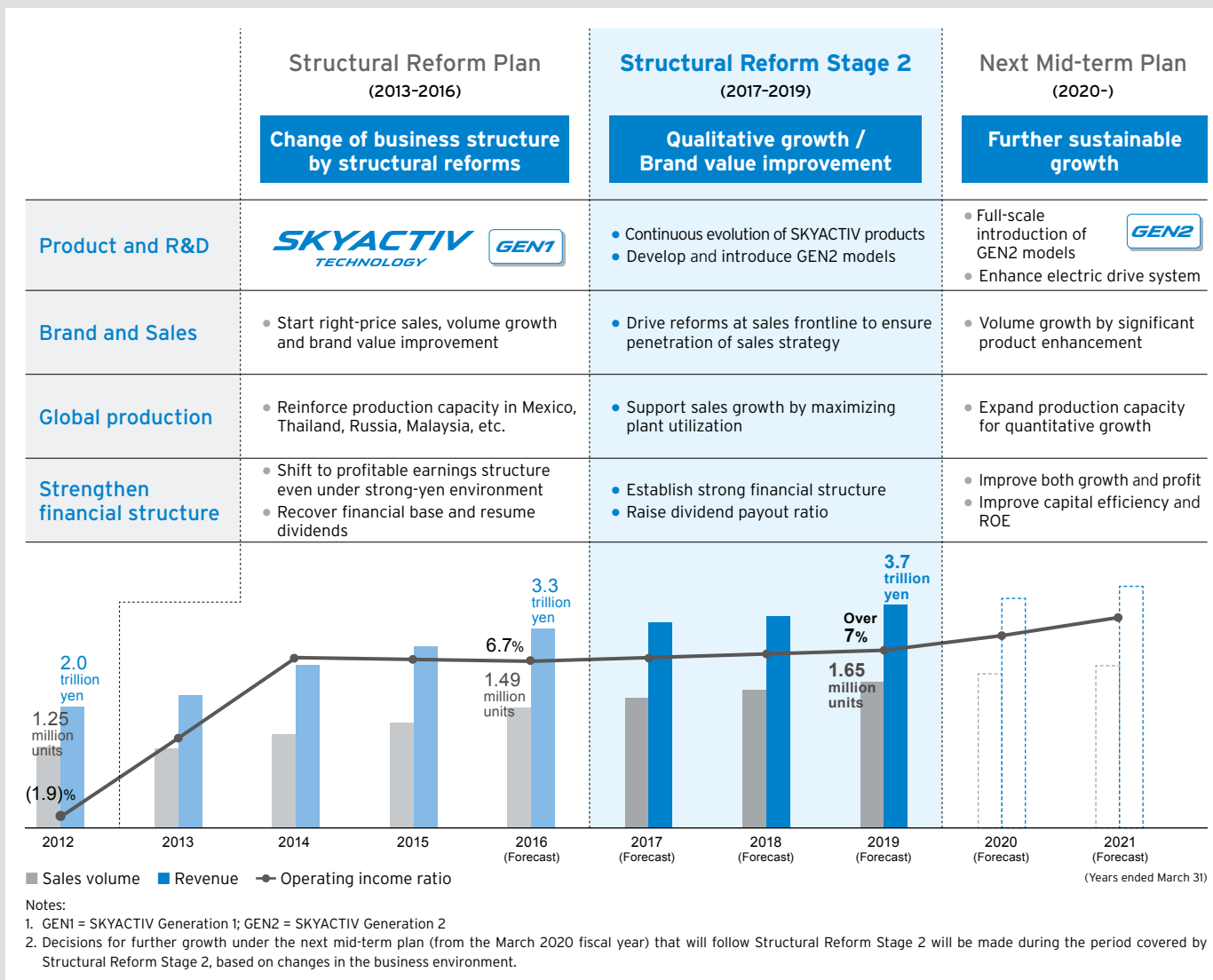
# Structural Reform Stage 2

Aiming for qualitative growth and brand value improvement

Mazda has been implementing the initiatives of the Structural Reform Plan, which was announced in February 2012, to overcome an adverse external environment and set a steady course for future growth. Business innovation through SKYACTIV has proven successful, with a steady pace of growth in sales and profit since 2012. Nevertheless, we believe there is still room for improvement in each of the key areas.

With this in mind, Structural Reform Stage 2, the new mid-term plan that will cover the three-year period beginning with the March 2017 fiscal year, is intended to take the initiatives of the Structural Reform Plan to the next stage, to maintain steady growth in unit sales and achieve “qualitative growth” through improved business efficiency in each of the areas of products, sales, production, and finance, to fully enhance our brand value. Specifically, we will continue to evolve SKYACTIV products and introduce new models to maintain volume growth, while strengthening our business base in areas including brand value, our sales network, and global production efficiency. In addition, we will implement global integrated planning that encompasses development, manufacturing, and sourcing to achieve optimal common architectures, and we will develop and begin introducing even more efficient and higher-performance SKYACTIV GEN2 (Generation 2) models. We will also build a firm financial base, which will lead to an improved dividend payout.

This special feature outlines the main initiatives under Structural Reform Stage 2.



## Product and R&D

- **Introduce five models—four new models and one derivative model—that offer driving pleasure and outstanding environmental and safety performance**
- **Realize optimal common architecture through global integrated planning that encompasses development, manufacturing, and sourcing**

Since launching the Mazda CX-5 in 2012, we have been expanding our lineup of SKYACTIV products, and going forward we will pursue continuous evolution in SKYACTIV products through coherent technological advancements and evolution of KODO design.

For example, in January 2015 we began rolling out updated versions of the Mazda6 (Japanese name: Mazda Atenza) and CX-5. In addition to updated interior and exterior designs and enhanced driving performance, these models incorporate our latest advanced technologies, such as Mazda Connect and new safety features. We will add these features as appropriate to other models as well, to always provide customers with the most up-to-date design, technology, and features.

### Updated Mazda6 and CX-5



- More refined design expression
- Dynamic performance with enhanced quality and comfort



Mazda Connect



Adaptive LED headlight



Electric parking brake

- Significantly improved interior design and quality feel
- Latest features

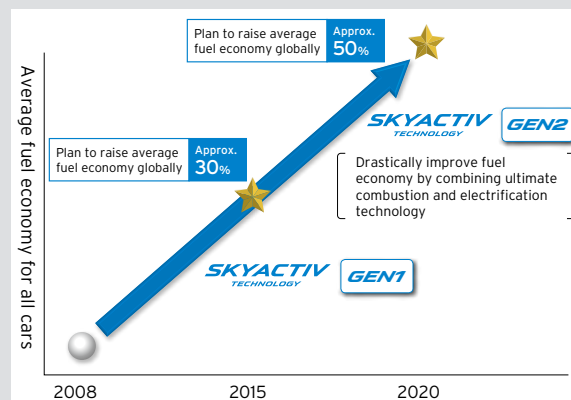
Moreover, during the period covered by Structural Reform Stage 2, we plan to introduce five models—four new models and one derivative model—that deliver driving pleasure and outstanding environmental and safety performance. Our aim is to achieve steady growth in sales volume through the continuous evolution of SKYACTIV products and new model launches.

We will also pursue technological development for next-generation products with an emphasis on the environment and safety, including compliance with increasingly strict environmental regulations around the world.

In terms of environmental technologies, we anticipate that for the time being, most automobiles will continue to be powered by internal-combustion engines, including hybrids. Mazda has made significant strides in improving internal-combustion engines to date and going forward we will work to make further advances in internal-combustion engines by realizing ultimate combustion technology. We will also aim for major improvements in fuel efficiency by adding electric devices.

The average fuel economy of Mazda cars being sold in 2015 on a global basis approximately 30% higher than the figure for 2008, and we plan to raise this margin of improvement to 50% by 2020.

### Improving the Fuel Economy of Mazda Vehicles 50% by 2020 (vs. 2008)



With regard to safety technologies, we are conducting research and development based on the concept of Mazda Proactive Safety, which provides person- and driver-focused safety and security. We will pursue steady advances in such technologies as next-generation Human Machine Interface (HMI) and i-ACTIVSENSE, Mazda's most advanced safety technology, which uses detection devices.

## Strengthening Global Sales and Networks

- **Reinforce sales with a full lineup of SKYACTIV products**
- **Drive reforms at the sales frontline to instill sales strategy that enhances brand value**

Mazda is successively rolling out SKYACTIV-equipped models in segments including SUVs, sports cars, mid-size sedans, hatchbacks, and compact cars. Our plan is for at least 85% of cars sold in the March 2016 fiscal year to be SKYACTIV-equipped models, and we intend to leverage this full lineup of SKYACTIV products to strengthen sales.

We will continue to make advances in SKYACTIV products and always feature models that incorporate the latest designs and technologies in showrooms, offering Mazda vehicles that meet increasingly diversified customer needs. Given the strong sales of models such as the CX-5 and Mazda CX-3, we will increase our focus on crossover-type models going forward, as we expect demand in this segment to continue to grow globally.



## SPECIAL FEATURE

## Structural Reform Stage 2



Mazda KOERU crossover concept

Mazda will further strengthen sales by emphasizing the cutting-edge technological performance of systems such as our i-ACTIVSENSE advanced safety technologies and i-ACTIV AWD new-generation all-wheel-drive system.



Mazda CX-5 equipped with the i-ACTIV AWD new-generation all-wheel-drive system

The global rollout of our right-price sales policy is producing results. By fully conveying our product and brand value to customers and selling without relying on incentives, we intend to raise transaction prices and improve residual value.

Our brand campaign features the slogans “Be a driver” in Japan and “Driving Matters” in the United States. We will continue to reinforce our communications strategy through promotional activities that emphasize the appeal of Mazda’s brand value.



“Be a driver”



“Driving Matters”

Moreover, we are creating new-generation showrooms and renovating showrooms globally to express the Mazda brand. By putting the attractiveness of Mazda cars on full display, we convey and allow customers to experience first-hand the appeal of the Mazda brand.



New-generation showroom: Kanto Mazda's Meguro Himonya

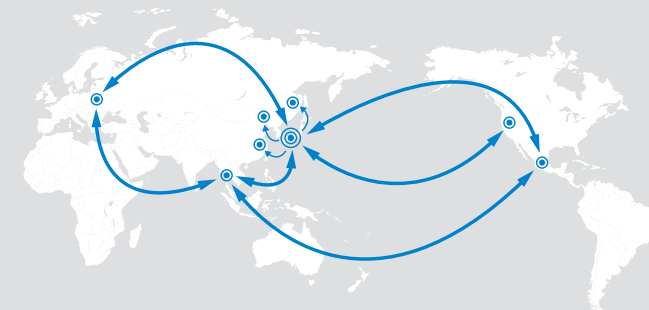
We are also pursuing reforms at the sales frontline through enhanced customer service and by focusing on ways to improve customers’ brand experience, with the aim of further increasing brand value.

## Global Production, Cost Improvements

- Accelerate cost improvements through global deployment of Monotsukuri Innovation
- Pursue maximum production efficiency and full capacity utilization at major production sites to support growth

To date, Monotsukuri Innovation has yielded significant results at our domestic production sites (our “mother plants”), and going forward we will expand this to include overseas production sites and our supply chain to achieve high-quality, highly efficient, and flexible production and improve the cost structure on a global basis.

Global rollout of Monotsukuri Innovation and expansion to global supply chain



To support our sales plan of 1.65 million units in the March 2019 fiscal year, we intend to increase production 11% compared with the March 2016 fiscal year. We intend to meet future growth in sales volume by increasing overseas production while maintaining high utilization levels at our domestic plants. We are focusing in particular on raising production efficiency at our Mexico plant to the same level as in Japan.

**SPECIAL FEATURE**

**Structural Reform Stage 2**

We also intend to address customer needs globally by increasing flexibility in our production of sedans and SUVs to maximize production capacity at our major production sites.

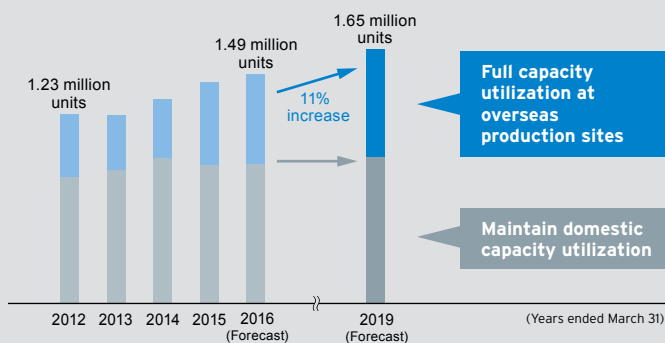


New plant in Mexico

As we pursue these initiatives, global human resource development will play a major role. We are working to cultivate dependable human resources who are able to make good “big-picture” judgments and take actions accordingly in areas including development, production technologies, and quality control. Our aim is to create an environment and structure in which employees who understand and share the Mazda vision are able to stand out and play a role at overseas production sites.

**Global Production Volume**

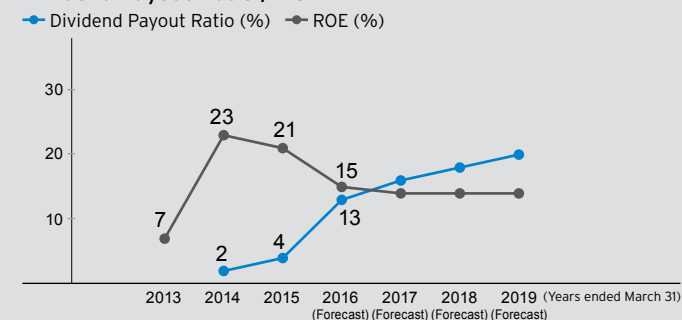
■ Domestic Production Volume ■ Overseas Production Volume



# Reinforce Financial Structure and Shareholders Returns

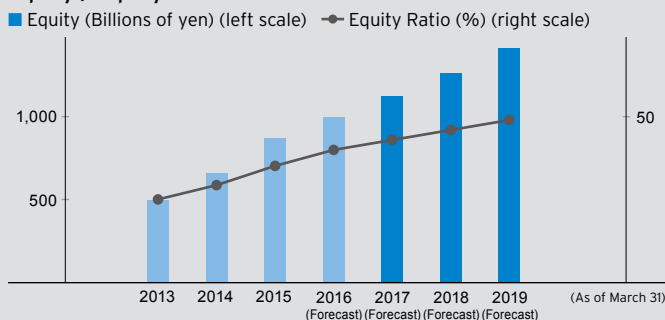
A strong financial base is essential for stable, continuous growth. As we strengthen our financial base, we intend to raise the dividend payout in stages. Although increasing equity will have the effect of decreasing return on equity (ROE), we aim to maintain ROE at a level of 13% to 15% during the period covered by Structural Reform Stage 2.

**Dividend Payout Ratio / ROE**

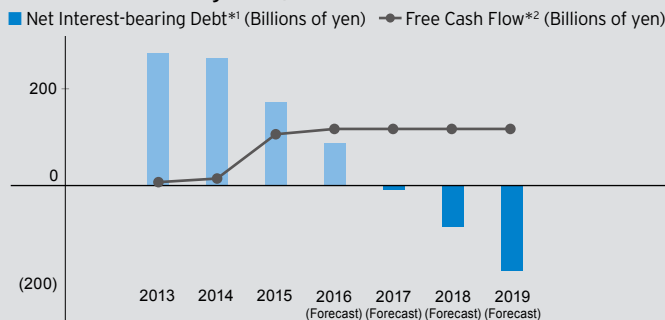


Supported by steady growth in sales volume, we will pursue qualitative growth through increased business efficiency in the areas of products, sales, production, and finance, as a means of accelerating a significant increase in brand value. We will implement these measures while strengthening the financial base, as we work to achieve the financial target set for the March 2019 fiscal year.

**Equity / Equity Ratio**



**Net Interest-bearing Debt / Free Cash Flow**



**March 2019 Financial Target**

Result for March 2015 fiscal year	Target for March 2019 fiscal year
<b>Global sales volume</b> 1.397 million units	<b>1.65 million units</b>
<b>Operating income ratio</b> 6.7%	<b>7% or more</b>
<b>Equity ratio</b> 35.2%	<b>45% or more</b>
<b>Dividend payout ratio</b> 3.8%	<b>20% or more</b>

Foreign exchange rate assumptions: ¥120 / USD, ¥130 / euro

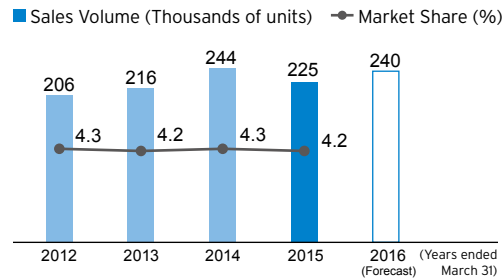
\*1. As of March 31 \*2. Years ended March 31

## Japan



New CX-3

### Sales Volume



### Overview of March 2015 Fiscal Year Results

In the wake of the April 2014 consumption tax rate increase, total demand in the Japanese market in the March 2015 fiscal year declined 7% from the previous year, to 5.30 million units, marking the first contraction in four years.

Mazda's sales volume registered a significant decline in the first half of the fiscal year due to the effect of the consumption tax hike, but new product launches resulted in year-on-year growth in the second half, despite the year-earlier last-minute demand ahead of the consumption tax rate increase, holding the full-year decline to 8%, to 225,000 units. In addition to solid sales of the new Mazda Demio, which was launched in September 2014, the updated Mazda CX-5 and Mazda Atenza, as well as the new Mazda CX-3, launched in February 2015 as a clean diesel vehicle, contributed to the second-half increase in unit sales.

The new Demio is a compact car that consolidates Mazda's latest technologies and design concepts. In the pursuit of excellent quality in all areas, the model was developed with the aim of turning around preconceived notions regarding value versus body size. The recognitions this model has received include being named the 2014-2015 Car of the Year Japan and the Good Design Award's Good Design Gold Award 2014 (Ministry of Economy, Trade and Industry Minister's Award). In addition, the new CX-3 enjoyed a solid launch, receiving an extremely favorable reception from a wide range of customers, primarily those in their 20s to their 50s, who noted that the design was excellent at first sight, the enjoyable handling and driving make this a car they will want to own for a long time, and that it makes them want to go for long drives.

Over the two years and seven months since the release of the CX-5 in February 2012, total sales in Japan of vehicles equipped with the SKYACTIV-D new-generation clean diesel engine have surpassed 100,000 units. With a share of the clean diesel market that reached 70% in the March 2015 fiscal year, Mazda will continue to lead Japan's diesel passenger vehicle market.

### March 2016 Fiscal Year Forecast

Total demand is expected to decline for a second consecutive year. Mazda is projecting a 7% increase in its sales volume, to 240,000 units. In addition to a full-year contribution from strong sales of the new Demio and new CX-3, we are expecting an expansion in sales volume from the launch of new products, including the new Mazda Roadster released in May 2015. For the future, we will continue to engage in sales and promotional activities to promote the Mazda brand. In addition, we will utilize a variety of touchpoints and further expand opportunities for customers to experience the Mazda brand during the entire time they own a Mazda vehicle after the initial purchase. In doing so, we aim to enrich customers' lives and build special bonds with customers to be the "only one" brand that is continually chosen by customers.

### FOCUS

#### Developing New-Generation Showrooms

Mazda is developing a new concept in sales outlets, which we call new-generation showrooms, to allow customers to experience the attractiveness of Mazda vehicles. The number of new-generation showrooms grew to 21 as of March 31, 2015, and going forward we will further increase this number in stages, as focal points in the Japanese market for conveying and experiencing the Mazda brand.



New-generation showroom,  
Tokai Mazda Kuwana

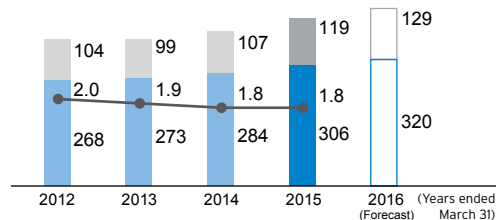
## North America



Updated Mazda6 (U.S. specification)

### Sales Volume

- Sales Volume in United States (Thousands of units)
- Sales Volume in Canada and Other Markets (Thousands of units)
- Market Share in United States (%)



### Overview of March 2015 Fiscal Year Results

Total demand in the United States rose 7% from the previous year, to 16.73 million units, for the fifth consecutive annual increase since the March 2011 fiscal year. The Canadian market has shown continued monthly year-on-year growth since April 2014, and total demand for the fiscal year grew 7%, to 1.86 million units.

Mazda's sales volume in the North American market grew 9% from the previous year, to 425,000 units. This growth consisted of an 8% increase, to 306,000 units, in the United States, where we achieved our highest sales volume in 20 years while maintaining our "right-price" sales policy. The updated CX-5 and Mazda6 made a solid start, with sales of the CX-5 reaching 97,000 units, which is a record for a corresponding post-launch period. In Canada, Mazda's sales volume expanded 3%, to 72,000 units, led by the CX-5's sales growth. Fleet sales were held below 10%, as we continued to pursue business growth that emphasizes retail sales over fleet sales. Sales volume in Mexico rose 31%, to a record 45,000 units. In addition to continued strong sales of the Mazda3, the commencement of sales of the new Mazda2—for which local production started in March 2015—contributed to this sales growth.

The percentage of North American retail sales comprising the CX-5, Mazda6, and Mazda3 rose to 88%, and combined retail sales of these three models rose 10%, as SKYACTIV-equipped vehicles continue to enhance sales. The U.S. Environmental Protection Agency (EPA)'s *Light-Duty Automotive Technology, Carbon Dioxide Emissions, and Fuel Economy Trends* report,<sup>\*1</sup> released in October 2014, listed Mazda's 2013 model year as having the highest overall Manufacturer Adjusted Fuel Economy,<sup>\*2</sup> giving Mazda the No. 1 ranking for the second year in a row.

<sup>\*1</sup>. *Light-Duty Automotive Technology, Carbon Dioxide Emissions, and Fuel Economy Trends*: An annual report published by the EPA since 1975, which summarizes the fuel economy trends of new passenger vehicles and light trucks.

<sup>\*2</sup>. *Manufacturer Adjusted Fuel Economy*: The average fuel economy of all vehicles sold by a manufacturer over a one-year period. In the *Light-Duty Automotive Technology, Carbon Dioxide Emissions, and Fuel Economy Trends* report, the EPA uses adjusted combined city and highway fuel economy figures for each model by model year, and the average is weighted for sales volume.

### March 2016 Fiscal Year Forecast

Underpinned by a strong economy, total demand in the North American market is expected to remain high in the March 2016 fiscal year, and Mazda is projecting a 6% increase in sales volume, to 449,000 units. Of this amount, we are forecasting a 5% gain for the United States, to 320,000 units. We are planning for continued sales growth, achieving year-on-year sales increases while maintaining our right-price sales policy, led by the main CX-5, Mazda6, and Mazda3 models, with an additional boost from new models including the MX-5 and CX-3. With new model launches in Canada and Mexico, we are forecasting 8% sales growth in Canada, to 77,000 units, and a 8% increase in Mexico, to 49,000 units.

### FOCUS

#### North American Sales Strategy

In the United States, Mazda is focusing its efforts on expanding its fan base from a medium-term perspective. We launched a new "Driving Matters" primary brand campaign in May 2015 to appeal to the common value provided by the Mazda brand overall, rather than focusing on individual models. We are also reviewing our media strategy to more effectively promote the Mazda brand and emphasizing the proactive distribution of information from digital media as well as hands-on events.

In Canada, we are developing unique initiatives within the industry, including customer satisfaction improvement measures in which we cooperate with dealers and outside consultants as well as unlimited-distance warranties. We are also engaging in initiatives to increase customers who support the value provided by Mazda's products and services.



Developing a new brand campaign in the United States called "Driving Matters"

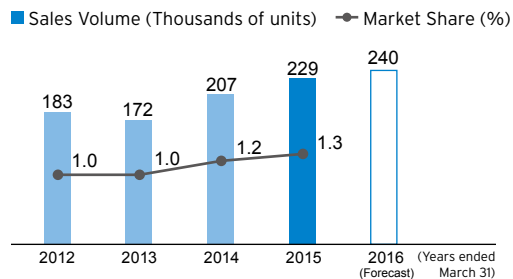


## Europe



New Mazda2 (European specification)

### Sales Volume



### Overview of March 2015 Fiscal Year Results

Total demand in the European market grew 2% from the previous year, to 17.82 million units. Mazda's sales volume outpaced the market, growing 11% from the previous year, to 229,000 units, led by the Mazda3 and CX-5. In Germany, Mazda's sales volume rose 8%, to 51,000 units. Following the full-scale launch of a new model, the Mazda3 recorded a gain of 40%, and the CX-5 maintained sales growth even though approximately three years had passed since its launch. As part of our efforts to strengthen the sales network in Germany, we are continuing to realign the dealer network and establish stores at open points, which are desirable areas for showrooms. In the United Kingdom, Mazda's sales volume growth was higher than the increase in total demand, with a rise of 16%, to 40,000 units. In Russia, Mazda recorded a 5% increase in sales volume, to 46,000 units, despite a 17% decrease in total demand. Centered on major markets, overall sales in Europe were favorable.

SKYACTIV-equipped vehicles continue to be highly regarded in Germany and other European countries. The new Mazda2 received the 2014 Golden Steering Wheel in the small cars category. The Golden Steering Wheel is an automotive award organized by the automotive magazine *Auto Bild* and has been awarded for 39 years. In addition, the new MX-5, the new CX-3, and the new Mazda2 received Red Dot Awards, one of the world's leading design awards, for product design in 2015, with special recognition given to the new MX-5 as a "Best of the Best" industrial product.



New Mazda MX-5 receives "Red Dot: Best of the Best" award

### March 2016 Fiscal Year Forecast

With an uncertain economic outlook for Russia and other European countries, total demand in Europe is expected to decrease 4%, to 17.06 million units. Despite this market contraction, Mazda is projecting a 5% increase in sales volume, to 240,000 units. Of this amount, we are anticipating a 5% sales increase, to 54,000 units, in Germany and a 25% sales increase, to 50,000 units, in the United Kingdom, amid relatively unchanging overall demand in both countries. Although sales volumes are expected to decline substantially in Russia, where the economy remains weak, we will work to maximize sales growth primarily in major countries with a full-year contribution from the new Mazda2, which began its launch in February 2015, and releases of new models, including the new CX-3 and new MX-5, and are forecasting annual growth for Europe as a whole. In Germany, we will continue to optimize our dealer network and promote the establishment of stores at open points.

## FOCUS

### European Sales Strategy

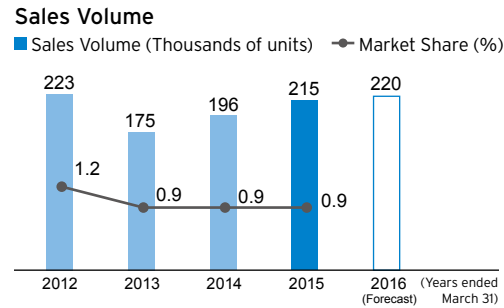
We are renovating both the interiors and exteriors of our showrooms in Europe to project the Mazda brand more effectively. We have decided to adopt a new brand mark with a 3D design and change the color scheme for both interiors and exteriors from white to black, and we plan to have this redesign completed at 80% of our showrooms in Europe by the end of March 2016.

We are also introducing trade cycle management across Europe to encourage customers who previously purchased Mazda vehicles to replace them with Mazda vehicles. In addition to contacting more customers, we are introducing tools to dealers in order to effectively deliver better service. At the same time, we are implementing training for dealers.

## China



New Mazda3 Axela (China specification)



### Overview of March 2015 Fiscal Year Results

Reflecting an economic slowdown, total demand in China was lower than initially anticipated, with a 6% increase from the previous year, to 23.72 million units. Despite intensified competition as a result of this sluggish automobile market growth, Mazda's sales volume grew 9%, to 215,000 units. In addition to continued firm sales of the CX-5, strong sales of the new Mazda3 Axela and the new Mazda6 Atenza, for which local production and sales started in May 2014, Mazda's sales resulted in record monthly sales in October 2014 and in February 2015.

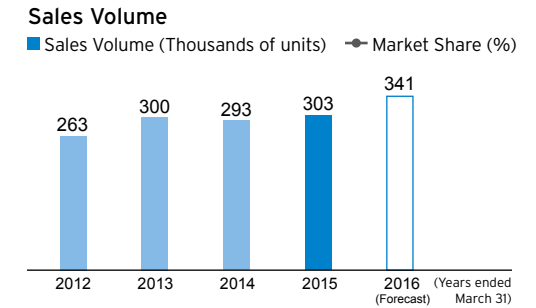
### March 2016 Fiscal Year Forecast

Mazda intends to maintain strong sales of SKYACTIV-equipped vehicles with launches of the updated CX-5 and new Mazda6 Atenza, and it is projecting a 3% increase in sales volume, to 220,000 units. We will continue to build and strengthen our sales network by opening new showrooms while also fortifying our earnings bases at existing showrooms. In enhancing Mazda's brand image, we will continue to implement the third stage of the "primary brand" campaign and aggressively promote SKYACTIV technology and KODO design. In addition, we will implement sales measures in such ways as using digital media for targeted customers and proactively participating in local motor shows.

## Other Markets



New Mazda2 (Thailand specification)



### Australia

Total demand in Australia was roughly flat with the previous year, declining 0.5%, to 1.12 million units. While our sales volume declined 3%, to 101,000 units, we maintained the previous year's high market share of 9% and a strong No. 3 position in terms of sales volume by manufacturer. In addition, the CX-5 maintained the lead in its segment for the full year. We are aiming to raise our market share by one percentage point in the March 2016 fiscal year, acquiring 10% of the market, backed by solid sales of the CX-5 and full-year contributions from the new Mazda2 and new CX-3.

### ASEAN

Mazda's sales volume in the ASEAN market increased 3% overall, to 76,000 units. While sales volume in Thailand was down 19% from the previous year, to 34,000 units, due to lower demand, sales volume in Vietnam rose 126%, to 12,000 units, and in Malaysia sales volume grew 27%, to 12,000 units.

For the March 2016 fiscal year, Mazda is projecting a 19% increase in ASEAN sales volume, to 91,000 units. In the main market of Thailand, we will work to achieve a turnaround with the new Mazda2, launched in January 2015, in addition to the Mazda3 and CX-5.

Mazda's overall sales volume in other markets, including Australia and the ASEAN market, rose 3% in the March 2015 fiscal year, to 303,000 units. Sales volumes in countries including Malaysia, Vietnam, Saudi Arabia, and New Zealand were the highest since the year 2000. With full-scale sales of the new Mazda2 produced in Thailand and Mexico, we are projecting a 12% increase in sales volume for the March 2016 fiscal year, to 341,000 units.

# Global Network

**26 Changan Mazda Automobile**



Location : Nanjing, China  
 Production capacity : 220,000 units per year  
 Models in production : Mazda2, Mazda3, CX-5

**8 Hiroshima Plant**



Location : Aki-gun, Hiroshima, Japan  
 Production capacity : 515,000 units per year  
 Main models in production: CX-3, CX-5, CX-9, Roadster, Premacy, MPV, Biante, Verisa

**9 Hofu Plant**



Location : Hofu, Yamaguchi, Japan  
 Production capacity : 481,000 units per year  
 Models in production : Demio, Axela, Atenza

**30 AutoAlliance (Thailand)**

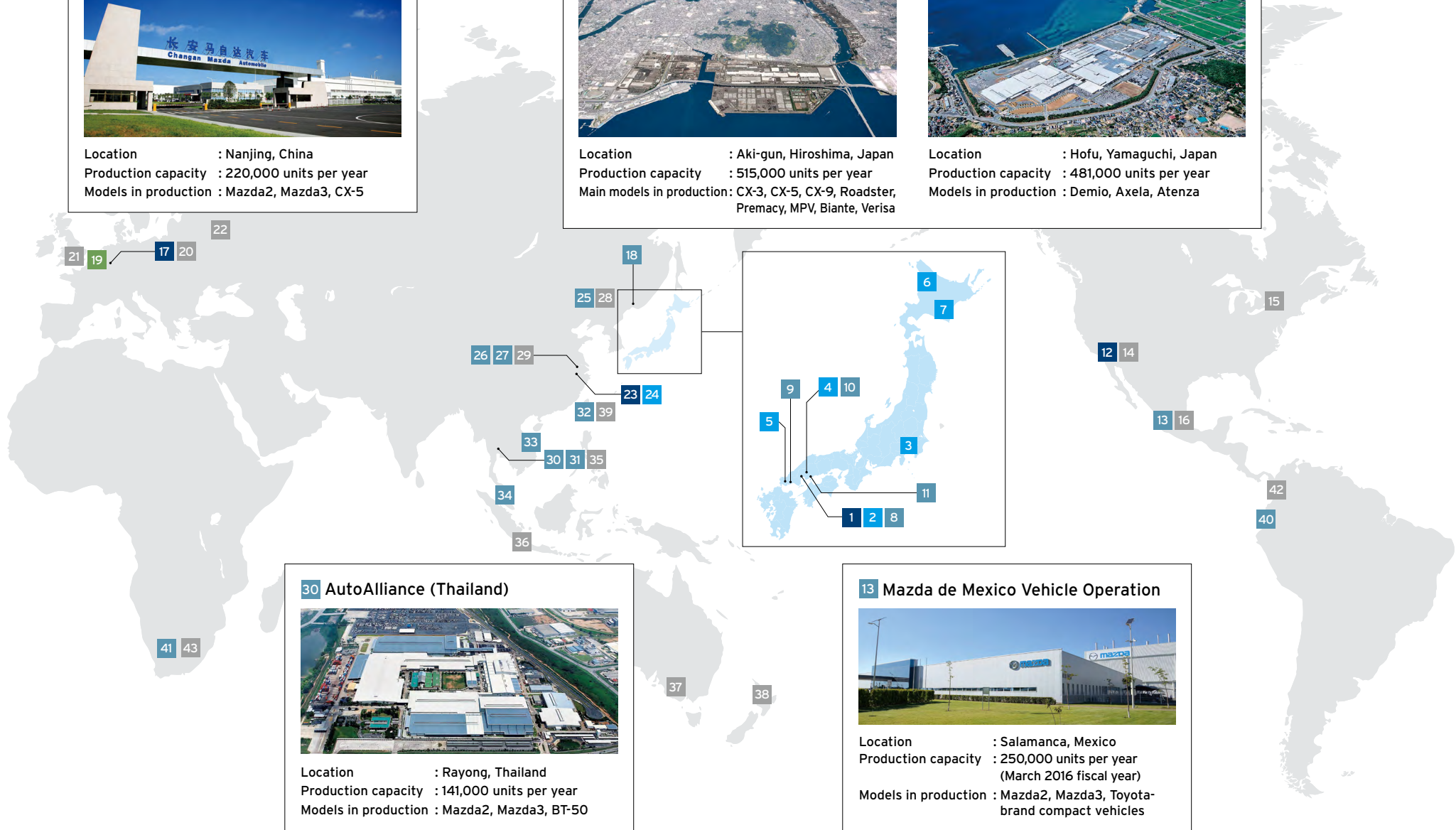


Location : Rayong, Thailand  
 Production capacity : 141,000 units per year  
 Models in production : Mazda2, Mazda3, BT-50

**13 Mazda de Mexico Vehicle Operation**



Location : Salamanca, Mexico  
 Production capacity : 250,000 units per year (March 2016 fiscal year)  
 Models in production : Mazda2, Mazda3, Toyota-brand compact vehicles



Review of Operations

Global Network

Major Facilities

Japan (Number of dealerships: 1,026)

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
Production facilities	7 Hokkaido Nakasatsunai Proving Ground
	8 Hiroshima Plant
	9 Hofu Plant
	10 Miyoshi Plant
	11 Press Kogyo Onomichi Plant*

North America (Number of dealerships: 857)

Regional headquarters / R&D	12 Mazda North American Operations
Production facilities	13 Mazda de Mexico Vehicle Operation
	14 Mazda Motor of America
Distributors	15 Mazda Canada
	16 Mazda de Mexico Sales & Commercial Operation

Europe (Number of dealerships: 1,717)

Regional headquarters / R&D	17 Mazda Motor Europe / European R&D Centre
Production facilities	18 Mazda Sollers Manufacturing Rus
Logistics / Sales	19 Mazda Motor Logistics Europe
Distributors	20 Mazda Motors (Deutschland)
	21 Mazda Motors UK
	22 Mazda Motor Russia
	19 others in major markets

China (Number of dealerships: 455)

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

Asia, Oceania (Number of dealerships: 533)

Production facilities	30 AutoAlliance (Thailand)
	31 Mazda Powertrain Manufacturing (Thailand)
	32 Ford Lio Ho Motor*
	33 Vina Mazda Automobile Manufacturing*
Distributors	34 Mazda Malaysia
	35 Mazda Sales (Thailand)
	36 PT. Mazda Motor Indonesia
	37 Mazda Australia
	38 Mazda Motors of New Zealand
	39 Mazda Motor Taiwan

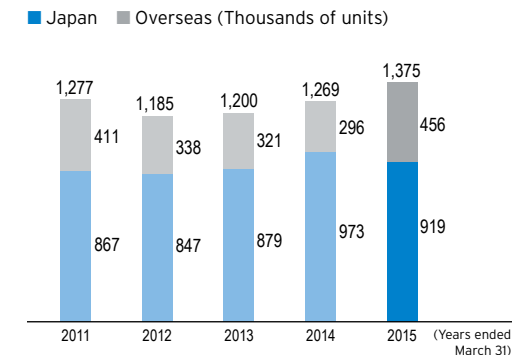
Central and South America, Middle East, Africa (Number of dealerships: 611)

Production facilities	40 Manufacturas, Armaduras y Repuestos Ecuatorianos*
Distributors	41 Ford Motor Company of Southern Africa*
	42 Mazda De Colombia
	43 Mazda Southern Africa

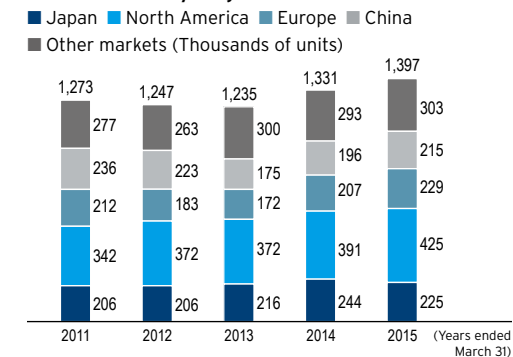
\* Consignment production facilities

(As of March 31, 2015)

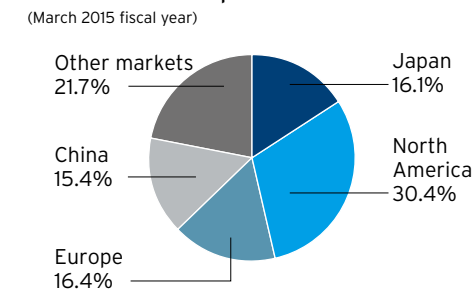
Trends in Production Volume



Sales Trends by Major Markets



Sales Volume Composition Ratios





## Review of Operations

## Major Product Lineup

Sales markets and production bases: **J** Japan **N** North America **E** Europe **C** China **O** Other markets

\*1. Global sales volume is for the March 2015 fiscal year; sales markets and production bases are as of March 31, 2015.

\*2. Vehicle specifications differ by market.

**MAZDA2**

(Japanese name: Demio)


**SKYACTIV**  
TECHNOLOGY
Global sales volume  
**145,000**Sales markets  
**J N E C O**Production bases  
**J N C O****MAZDA3**

(Japanese name: Axela)


**SKYACTIV**  
TECHNOLOGY
Global sales volume  
**438,000**Sales markets  
**J N E C O**Production bases  
**J N C O****MAZDA6**

(Japanese name: Atenza)


**SKYACTIV**  
TECHNOLOGY
Global sales volume  
**228,000**Sales markets  
**J N E C O**Production bases  
**J E C O****Mazda CX-3**
**SKYACTIV**  
TECHNOLOGY
Global sales volume  
**9,000**Sales markets  
**J O**Production base  
**J****Mazda CX-5**
**SKYACTIV**  
TECHNOLOGY
Global sales volume  
**356,000**Sales markets  
**J N E C O**Production bases  
**J E C O****Mazda MX-5**

(Japanese name: Roadster)


**SKYACTIV**  
TECHNOLOGY
Global sales volume  
**12,000**Sales markets  
**J N E C O**Production base  
**J****MAZDA5**

(Japanese name: Premacy)

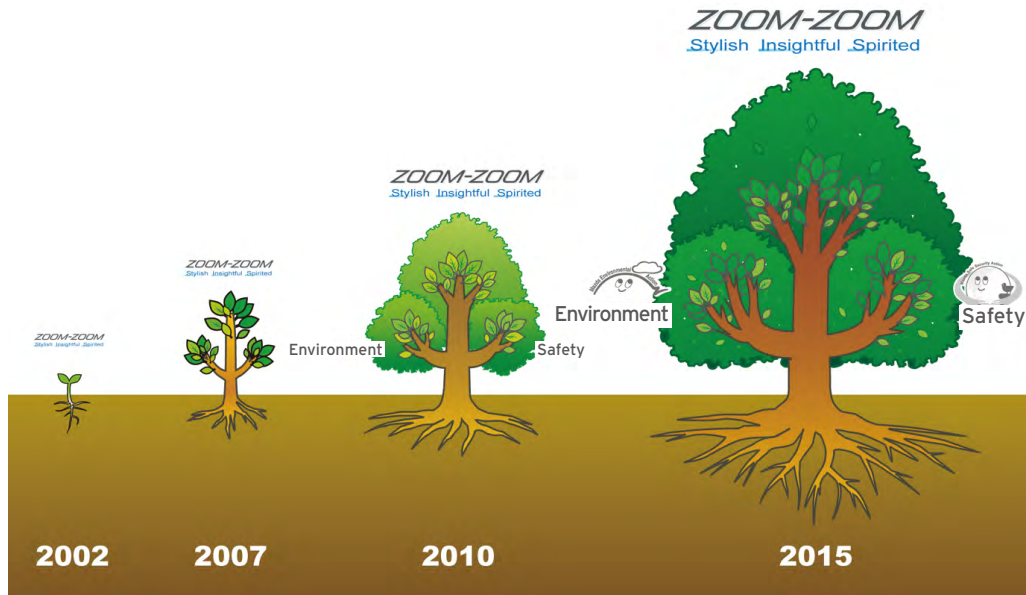

**SKYACTIV**  
TECHNOLOGY
Global sales volume  
**40,000**Sales markets  
**J N E C O**Production bases  
**J O****Mazda CX-9**Global sales volume  
**35,000**Sales markets  
**N E C O**Production base  
**J****Mazda BT-50**Global sales volume  
**53,000**Sales market  
**O**Production base  
**O**

# Long-Term Vision for Technology Development

## “Sustainable Zoom-Zoom”

**Provide All Customers who Purchase Mazda Vehicles with Driving Pleasure as well as Outstanding Environmental and Safety Performance.**

In March 2007, Mazda announced its long-term vision for technology development: “Sustainable Zoom-Zoom.” The basic policy of the vision is to “provide all customers who purchase Mazda vehicles with driving pleasure as well as outstanding environmental and safety performance.” This vision commits Mazda to making vehicles that always excite and that embody a “Zoom-Zoom” feeling, meaning they look inviting to drive, are fun to drive, and make you want to drive them again, helping to achieve an exciting, sustainable future for vehicles, people, and the Earth.



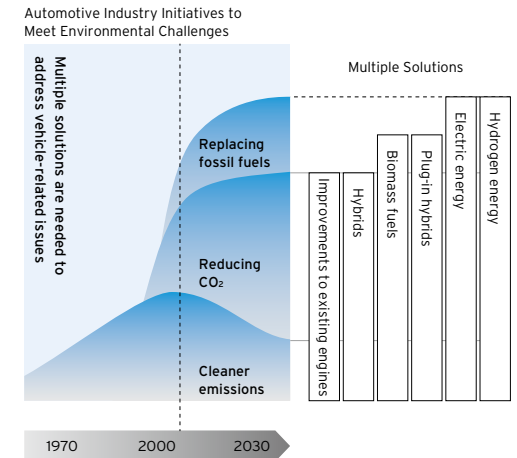
### Zoom-Zoom Tree

The “Zoom-Zoom Tree” embodies the “Zoom-Zoom” concept and its spread throughout society. The tree absorbs the ONE MAZDA\* corporate culture as nutrients through firmly planted roots. As it continues to grow, the left branch represents the environment, the right branch represents safety, and the treetop embodies the “Zoom-Zoom” concept.

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

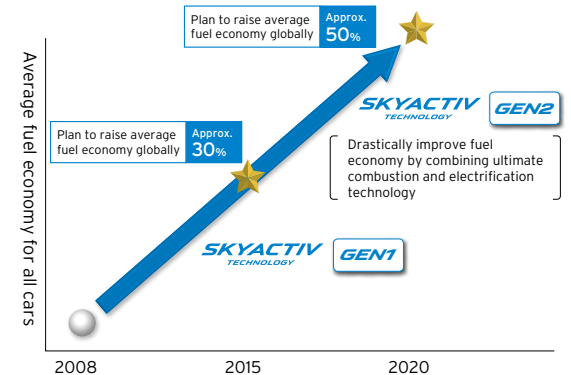
## Basic Approach to the Environment

As vehicle ownership continues to expand around the world, automobile manufacturers must redouble their efforts to achieve cleaner exhaust emissions, improve fuel economy in order to cut CO<sub>2</sub> emissions, and help reduce the world’s dependence on increasingly scarce fossil fuels. Mazda considers it necessary to develop a multi-solution approach to automobile-related environmental issues that takes into account various factors, such as regional characteristics, vehicle characteristics, and types of fuel.



## Improving the Fuel Economy of Mazda Vehicles 50% by 2020

Based on the Sustainable Zoom-Zoom long-term vision for technology, Mazda cuts CO<sub>2</sub> emissions through improved fuel economy and provides all customers who purchase Mazda vehicles with driving pleasure and outstanding environmental performance. In April 2015, Mazda has set a goal of raising the average fuel economy of Mazda vehicles sold worldwide by 2020 by 50% compared with 2008 levels.



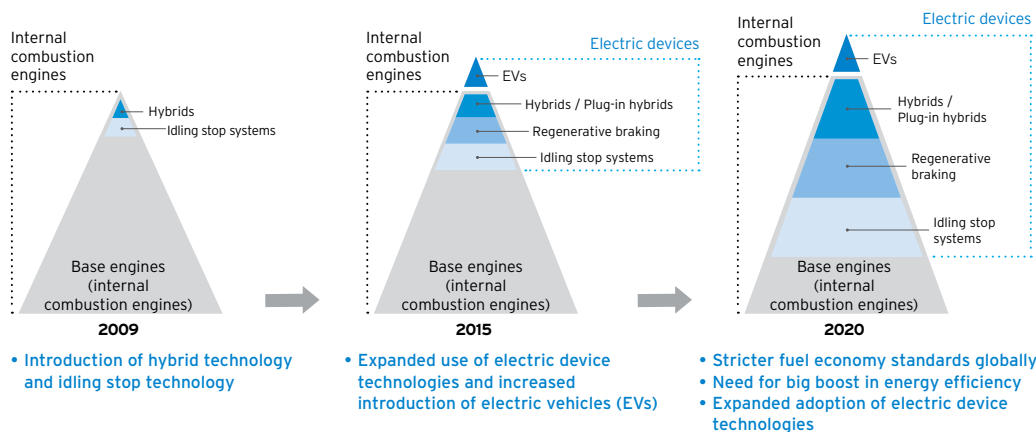
Long-Term Vision for Technology Development

Building-Block Strategy

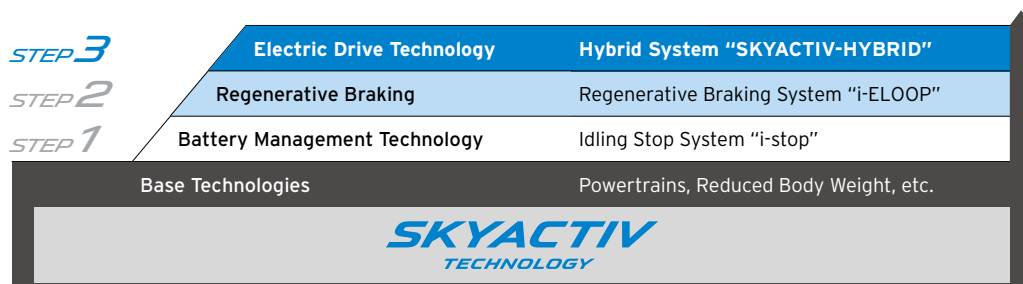
We anticipate that petroleum resources will still be the main energy and internal combustion engines the main drive technology in the global automobile market in 2020. As a result of having made dramatic improvements to the base technologies for a car's basic performance—including to the engine, transmission, body, and chassis—we are pursuing a Building-Block Strategy of gradually adding electric devices, such as regenerative braking and hybrid systems. Our approach is to effectively reduce CO<sub>2</sub> 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.

Anticipated Expansion in Adoption of Environmental Technologies (Through 2020)

Graphic representation of global market share of powertrain technologies



Building-Block Strategy



Mazda's revolutionary base technology, SKYACTIV TECHNOLOGY, is improving the car's powertrain efficiency, such as the basic performance of the engine and transmission, and bringing about profound improvements in such areas as vehicle weight reduction and aerodynamics. Based on a Building-Block Strategy, base technologies and electric device technologies are combined in the following three steps.

STEP 1 Battery Management Technology (Idling Stop System "i-stop")

This system saves fuel by automatically shutting off the engine when the driver brings the car to a standstill and restarting the engine when the vehicle returns to motion. Mazda's i-stop is an idling stop system that significantly improves fuel efficiency while maintaining a natural driving feel. In addition to realizing a quick engine restart through the latest control technologies and a natural, comfortable feel, the i-stop system improves fuel efficiency by approximately 8% (JC08 mode) compared with conventional idling stop systems.

Installed in the Mazda3 in 2009, the i-stop system has been expanded to other models. In February 2012, i-stop was installed in the CX-5 equipped with the SKYACTIV-D 2.2 clean diesel engine, marking the first use of an idling stop system in a diesel engine passenger car in Japan.

STEP 2 Regenerative Braking Technology (Regenerative Braking System "i-ELOOP")

Mazda has developed i-ELOOP, the world's first passenger vehicle regenerative braking system that uses a capacitor. A regenerative braking system recaptures (generates) as electricity part of the kinetic energy lost as a vehicle decelerates, energy that previously went to waste. The system stores the electricity so that it can be reused. The electrical power stored by energy regeneration is used to power a variety of electrical components, such as the air conditioner, headlamps, and audio equipment, thereby enabling the saving of fuel that was previously used to generate electricity.

The models equipped with i-ELOOP have been expanded since November 2012 when the system was fitted on the Mazda6.

STEP 3 Electric Motor Drive Technology (Hybrid System "SKYACTIV-HYBRID")

This type of system improves overall energy efficiency using an electric motor to assist gasoline engines at times when energy efficiency is low, such as when a vehicle is running at low engine speeds or during low-load operation. The combination of this hybrid system with the systems mentioned in steps 1 and 2 above can produce a substantial boost in overall efficiency (fuel efficiency).

In November 2013, Mazda launched the new Axela Hybrid onto the Japanese market. Developed under the concept of "the hybrid with Mazda DNA," the Axela realizes a unique *driving pleasure* sensation and, as it stands, a low fuel consumption in JC08 mode of 30.8km/L\*.

\* The rate of fuel consumption (Ministry of Land, Infrastructure and Transport review value) was the value achieved under stipulated test conditions. The rate of fuel consumption will differ depending on, for example, the environment in which customers use the car (climate, traffic conditions, etc.) and how the car is driven (sudden accelerations, air conditioner usage, etc.).

Mazda developed the Demio EV that combines to an advanced level the sporty driving people expect from Mazda with the remarkable driving range for an EV of 200km (Mazda-measured value in JC08 mode). Mazda began leasing the Demio EV to local government bodies and corporate customers in Japan in 2012. Mazda is also in the process of developing a range extender that charges the batteries of EVs by a rotary engine to increase their driving range.

## SKYACTIV TECHNOLOGY

Mazda has made dramatic improvements to the base technologies for a car's basic performance—including to the engine, transmission, body, and chassis.

### SKYACTIV-G

Mazda's highly efficient new-generation direct injection gasoline engine achieves the world's highest compression ratio (14.0:1) and delivers 15% better fuel economy and 15% more torque in the low- to mid-range\*



#### Features

- The world's first mass-produced gasoline engine to achieve a high compression ratio of 14.0:1.
- Vastly improved engine efficiency resulting from high-pressure combustion delivers a 15% improvement in both fuel economy and torque.
- More torque in the low- to mid-range where it is most useful in practical driving situations.

### SKYACTIV-D

Mazda's highly efficient new-generation clean diesel engine features the world's lowest compression ratio (14.0:1)\*



#### Features

- 20% improvement in fuel economy thanks to the low 14.0:1 compression ratio.
- Linear response from low to high speed and greatly improved low-end torque with the adoption of a two-stage turbocharger (max. 5,200 rpm).
- Complies with global emission standards (Euro6 for Europe, Tier2Bin5 for North America, and Post New Long-Term Emission Regulations for Japan) without expensive nitrogen oxides (NOx) aftertreatment systems.

\* Mazda data as of November 2012. Compression ratio and improvements in fuel economy and torque vary depending on specifications.

### SKYACTIV-DRIVE

Highly efficient new-generation six-speed automatic transmission has the direct feel of a manual and contributes to better fuel economy



#### Features

- Combines the advantages of all types of transmissions including conventional automatic, dual clutch, and continuously variable transmissions (CVT) in a single package.
- Maximized lock-up range for better fuel economy and direct feel just like a manual transmission.
- Powerful take-off and smooth shifting for your driving pleasure.

### SKYACTIV-MT

Highly efficient new-generation six-speed manual transmissions with a light and crisp shift-feel to accentuate your driving pleasure



#### Features

- A compact and lightweight six-speed manual transmission contributes to improved fuel economy and gives a light shift feel.
- Although the shift stroke has been shortened, it is easier to know what gear you are in by feel.
- A quick and sporty feel and gear shifts at the flick of a wrist.

### SKYACTIV-CHASSIS

Highly efficient new-generation, lightweight chassis aims to provide a sense of unity between car and driver and a ride feel that gives peace of mind



#### Features

- Thoroughly reviewed to achieve high levels of both enjoyable driving and ride comfort.
- Ratio in the power steering improve agility and drivability in the low- to mid- speed range and stability at high speed.
- Optimized mounting locations and finely tuned suspension produce exhilarating drivability and a high-quality ride feel while reducing weight.

### SKYACTIV-BODY

New-generation lightweight and high-rigidity body delivers driving pleasure and outstanding collision safety performance through technological improvements and innovative thinking



#### Features

- High rigidity and lightweight thanks to the concepts of 'straightening' basic structures as much as possible and 'continuous framework' in which each section functions in a coordinated manner with the other sections in the framework.
- Exhibits the highest levels of crash-worthiness thanks to the multi-load path structure that absorbs the impact of a crash by dispersing it in multiple directions.



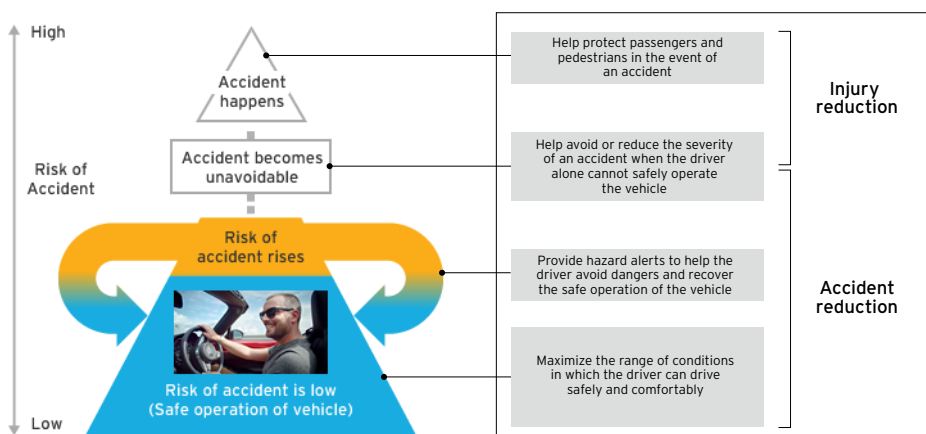
## Safety Technologies

### Mazda Proactive Safety

#### Mazda's objective for safety performance

Mazda's safety philosophy, which guides the research and development of safety technologies, is based on understanding, respecting, and trusting the driver.

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.

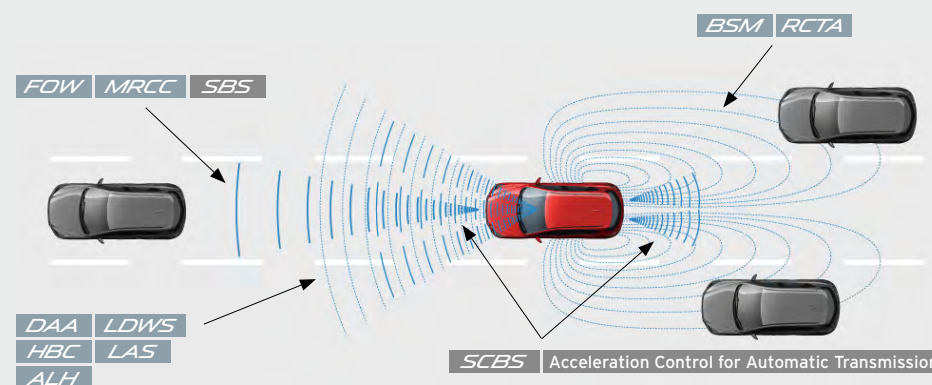


What Mazda's safety technologies aim to provide

### i-ACTIVSENSE

#### Mazda's Approach to Safety Technologies – Supporting the Driver

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 as well as pre-crash safety technologies that help to avert collisions or reduce their severity in situations where they cannot be avoided.



#### Active Safety Technologies (Helping prevent accidents from occurring)

- Blind Spot Monitoring (BSM)
- Rear Cross-Traffic Alert (RCTA)
- Driver Attention Alert (DAA)
- Adaptive Front-Lighting System (AFS)
- High-Beam Control System (HBC)
- Adaptive LED Headlights (ALH)
- Forward Obstruction Warning (FOW)
- Lane Departure Warning System (LDWS)
- Lane-Keep Assist System (LAS)
- Mazda Radar Cruise Control (MRCC)

#### Pre-Crash Safety Technologies (Reducing the risk of accidents)

- Smart Brake Support (SBS)
- Smart City Brake Support (SCBS)
- Acceleration Control for Automatic Transmission

#### CHECK

#### "Adaptive LED Headlights," a New-Generation Headlamp Technology, Recognized at Ninth Kids Design Awards

"Adaptive LED Headlights" are a new-generation headlamp system that is being used on the Mazda CX-5 and the Mazda6. This system received an award at the Ninth Kids Design Awards (safe, secure design from the viewpoint of children, general division). This marks the second consecutive year in which Mazda automotive technology was recognized at these awards.

"Adaptive LED Headlights" were developed with the objective of providing a field of vision environment that enables drivers to travel in a safe and secure manner even at night. With glare-free high beams and wide light distribution low beams, these headlights make it easier to visually confirm children who are crossing the street or are on the shoulder of the road. This technology, which is based on the approach of "MAZDA TECHNOLOGY FOR KIDS developed from the viewpoint of children," was recognized at the awards.



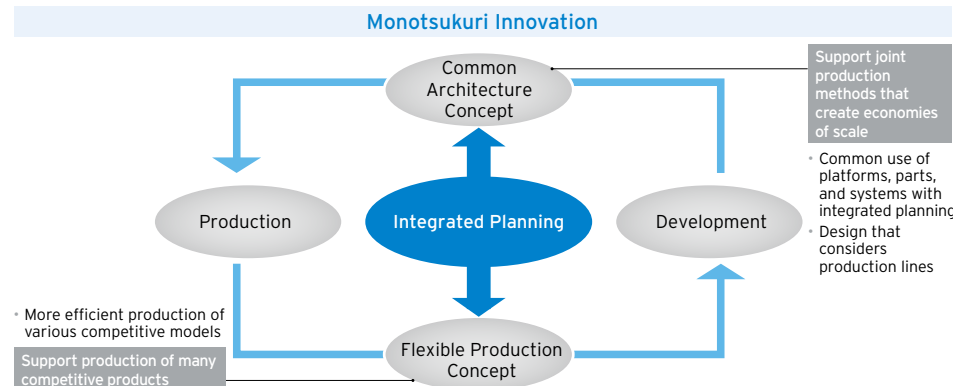
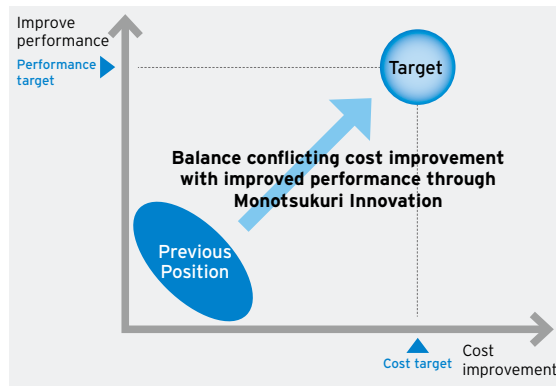
## Monotsukuri Innovation

Achieving diversity to meet various customer needs while reducing costs

Expanding 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. It is necessary 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 five 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.

### Aims of and Thinking behind Monotsukuri Innovation

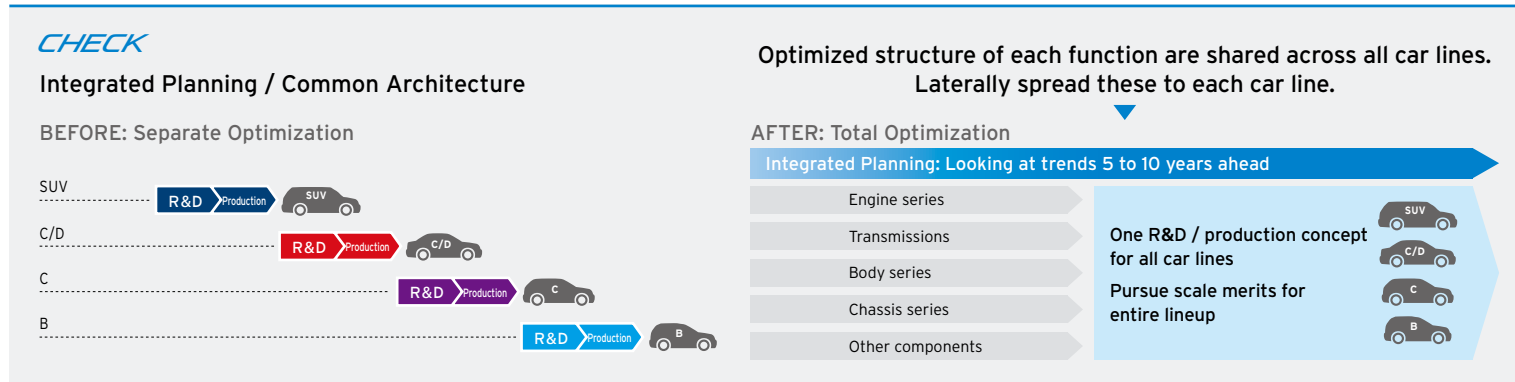


### Improvements through Monotsukuri Innovation

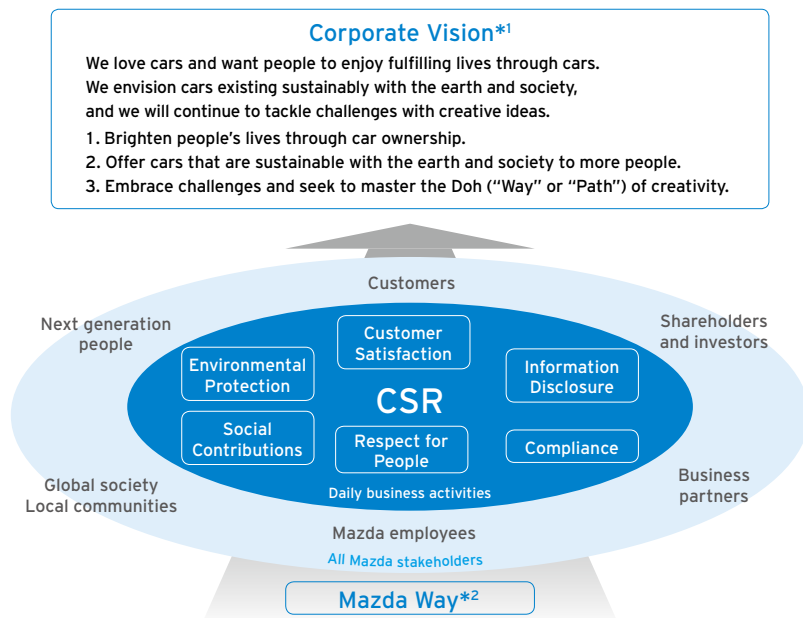
#### Dramatically improving development and manufacturing costs

Through Monotsukuri Innovation, our new products since the 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. For the new products we plan to introduce in the years to come, we will maintain and improve quality and accelerate cost improvements.

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



## Mazda CSR



\*1. Mazda revised its Corporate Vision in April 2015, with the following objectives, aiming to be recognized as a company gaining sincere trust of its stakeholders.

- Clarify the attributes of the Mazda brand, and make concerted efforts across the Mazda Group to realize the Corporate Vision.
- Promote the Group-wide dialogue process to share, understand and agree the goal of the Corporate Vision through the continuous thorough discussions.
- Closely link the Corporate Vision to our daily business activities.

\*2. The seven principles shared by all Mazda Group employees in the execution of their everyday work: integrity, basics / flawless execution, continuous *kaizen* (improvement), challenger spirit, self-initiative, *tomoiku* (mutual growth / success), ONE MAZDA.

### Basic Approach

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

### Six Areas

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

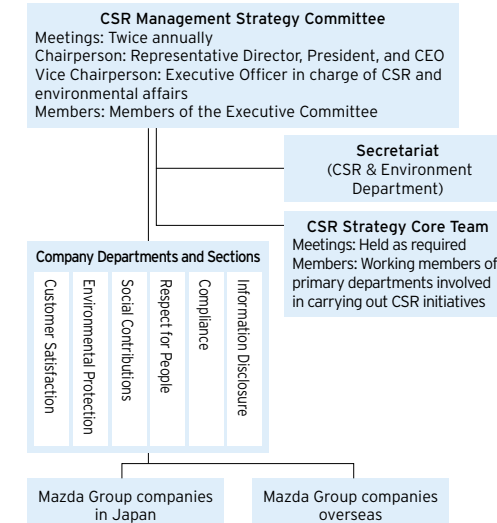
### CSR Promotion Organization

Each department carries out its operations based on goals and plans formulated with an understanding of the policies and guidelines determined by the CSR Management Strategy Committee, which the president chairs, and in cooperation with other Group companies.

### Review and Identify Key Areas of CSR Initiatives (Materiality)

Based on the GRI Sustainability Reporting Guidelines Version 4 (G4), starting in the March 2014 fiscal year Mazda has been implementing the four-phase process (Step 1 - Step 4) to review and identify key areas of its CSR initiatives (materiality).

### Organization



### CHECK

#### External Evaluations of CSR (As of June 1, 2015)

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

#### Inclusion in the FTSE4Good Index series since March 2011

An SRI index developed by the FTSE Group, a fully owned subsidiary of the London Stock Exchange.

#### Inclusion in the Ethibel EXCELLENCE Investment Register since October 1, 2013

Forum ETHIBEL is a non-profit organization based in Belgium that promotes SRI and CSR in Europe.

#### Inclusion in the MSCI Global Sustainability Indexes since June 1, 2015

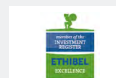
An SRI index developed by MSCI (Morgan Stanley Capital International). The indexes include companies with high ESG ratings in their industry.

#### Inclusion in the Morningstar Socially Responsible Investment Index since January 2008

The first SRI index developed in Japan.

#### In the CDP (formerly Carbon Disclosure Project) Japan 500 Climate Change Report 2014, Mazda's carbon disclosure score was 87 (out of 100), with its performance score rated in Band B

On behalf of 822 institutional investors with assets of US\$95 trillion, the CDP organization conducts research and discloses information to better understand the risks and opportunities posed by climate change.



## Business Management System

### 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.

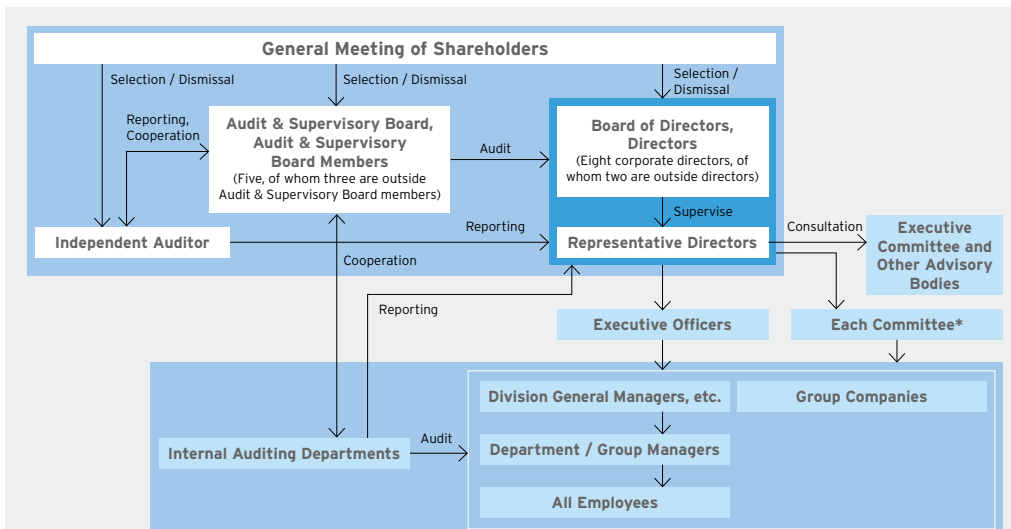
As of June 30, 2015, Mazda's Board of Directors is composed of eight members, two of whom are outside corporate directors with a high degree of independence. A quorum for a Board of Directors'

meeting is a majority of the Board members. The average attendance rate of the Board members was over 90% in the March 2015 fiscal year.

### Overview of the Corporate Governance Structure

Format	Company with Audit & Supervisory Board
Number of directors	8
Number of outside corporate directors	2
Term of directors	2 years
Incentives for directors	Earnings-based compensation
Individual disclosure of director compensation	No
Number of Audit & Supervisory Board members	5
Number of outside Audit & Supervisory Board members	3
Independent officers	5 (2 outside directors, 3 outside auditors)
Independent auditor	KPMG AZSA LLC
Adoption of executive officer system	Yes

### Corporate Governance Framework



\* Company-wide Safety and Health Committee Meeting, Quality Committee Meeting, Risk Compliance Committee, Human Rights Committee, Security Export Control Committee, Security-Related Export Control Committee, etc.

### 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. The Audit & Supervisory Board possesses knowledge based on the unique expertise of its members, and each member has a substantial amount of knowledge related to finance and accounting. Aside from statutory attendance at the Board of Directors' meetings, the Audit & Supervisory Board members attend management meetings, etc. KPMG AZSA LLC is retained under contract as Mazda's independent auditor.

### Outside Directors and Outside Audit & Supervisory Board Members

Outside corporate directors	Professional background	Reasons for assignment	Attendance at Board of Directors' meetings (Number of meetings attended / Total number of meetings)	
			Board of Directors' meetings	Audit and Supervisory Board
Ichiro Sakai	Attorney at law	Based on his years of experience and knowledge of the legal profession, Mr. Sakai provides advice regarding the Company's management, plays a supervisory role with respect to the Board of Directors, and further enhances management transparency.	14/15	
Kazuaki Jono	Local government	Based on his years of experience and knowledge of local government, including the executive position of vice governor of Hiroshima Prefecture and other important posts, Mr. Jono provides advice regarding the Company's management, plays a supervisory role with respect to the Board of Directors, and further enhances management transparency.	Appointed in June 2015	
Outside Audit & Supervisory Board members	Professional background	Reasons for assignment	Attendance at meetings (Number of meetings attended / Total number of meetings)	
Isao Akaoka	Academic	Based on his experience as a university administrator and experience and knowledge as a university professor of management studies, Mr. Akaoka brings an outside perspective to auditing activities.	14/15	13/15
Masahide Hirasawa	Unrelated company	Based on his years of experience and knowledge as a management executive of a company in an industry other than the automotive industry, Mr. Hirasawa brings an outside perspective to auditing activities.	14/15	13/15
Takao Hotta	Unrelated company	Based on his abundant experience with various companies and government agencies, such as the Ministry of Finance, and broad-based knowledge as a management executive, Mr. Hotta brings an outside perspective to auditing activities.	15/15	15/15

\* The Company does not have designated standards for determining independence in the nomination of outside directors and outside Audit & Supervisory Board members, but in light of the high degree of independence of the Company's outside directors and outside Audit & Supervisory Board members, the Company has notified the Tokyo Stock Exchange that all five individuals are designated as independent directors.



## Business Management System

**Cooperation Among Parties Responsible for Auditing**

Audit & Supervisory Board members (full-time), the auditing company, and the auditing department of Mazda hold the meetings below on a regular basis to exchange information mainly on issues related to internal controls.

- Meeting between Audit & Supervisory Board members (full-time) and the auditing company
- Meeting between Audit & Supervisory Board members (full-time) and Mazda's auditing department
- Three-party meeting between Audit & Supervisory Board members (full-time), the auditing company, and Mazda's auditing department

**Support Structure for Audit & Supervisory Board Members**

The Company has established a structure to support the Audit & Supervisory Board members in the performance of their duties, staffed by employees who are not responsible to the Board of Directors, with personnel assignments and performance appraisals carried out through advance discussions between the Human Resources Department and the full-time Audit & Supervisory Board members. Information is provided to outside Audit & Supervisory Board members prior to meetings of the Board of Directors and of the Audit & Supervisory Board, or at meetings of the Audit & Supervisory Board, by full-time Audit & Supervisory Board members based on information they have obtained and their opinions from their participation in management meetings and other important meetings and in the course of their daily audit activities.

**Structure for Ensuring That the Duties of the Board of Directors are Carried Out Efficiently**

- (1) Management under the management plan is carried out to achieve the targets for each reporting line based on medium- and long-term management plans and annual business plans.
- (2) For reporting line management, all items covered by the items for discussion stipulated in the regulations of the Board of Directors are discussed by the Board of Directors.
- (3) The performance of daily duties is carried out efficiently through the allocation of responsibilities among executive officers and the delegation of authority to executive officers, based on regulations covering operational authority, regulations on the division of operational duties, and other related internal regulations.

**Directors' and Audit & Supervisory Board Members' Compensation**

The total amount of compensation paid to directors and Audit & Supervisory Board members is within the limit approved at the annual General Meeting of Shareholders. Compensation paid to directors and Audit & Supervisory Board members during the March 2015 fiscal year is indicated below.

Category	People	Amount (millions of yen)
Directors	10	510
Audit & Supervisory Board members	6	107
Total (of which, Outside Auditors)	16 (5)	617 (65)

- Notes: 1. The numbers of directors and Audit & Supervisory Board members shown above include one director and one Audit & Supervisory Board member who retired as of the conclusion of the 148th Annual General Meeting of Shareholders held on June 24, 2014.
2. The amounts paid to directors do not include the employee's portion of compensation for directors who serve concurrently as employees. However, none of the 10 directors shown above serve concurrently as employees.
3. There is no director who earned compensation pay of more than ¥100 million.

The established policy for determining the amount of directors' compensation is based on a structure linked to the Company's performance and each individual director's performance. Goals are set at the beginning of the fiscal year, and an evaluation is made at the end of the fiscal year according to designated criteria and processes for measuring the degree of achievement of those goals, and based on this evaluation a final decision is made by the president. Compensation for Audit & Supervisory Board members is decided by an agreement among the Audit & Supervisory Board members.

**Makeup of Corporate Audit Compensation**

Remuneration for the Company's certified public accountants is as follows.

Category	March 2014 fiscal year		March 2015 fiscal year	
	Compensation based on audit certification work (millions of yen)	Compensation based on non-auditing work (millions of yen)	Compensation based on audit certification work (millions of yen)	Compensation based on non-auditing work (millions of yen)
Mazda Motor Corporation	210	7	221	-
Consolidated subsidiaries	76	-	80	-
Total	286	7	301	-

Furthermore, as another important detail concerning remuneration, the Company and its consolidated subsidiaries entrust auditing certification work and non-auditing work to offices that are affiliated closely with KPMG and which belong to the same network as the Company's certified public accountants. In the March 2015 fiscal year, the total amount of compensation paid by the Company and its consolidated subsidiaries was ¥567 million.

The corporate audit compensation paid to the Company's certified public accountants is decided by agreement with the Audit & Supervisory Board. Based on audit duration estimates, which are based on the audit plan for the next fiscal period, comprehensive consideration is given to whether the appropriate business conduct of the certified public accountants and others was to the ensured level.

## Business Management System

### Auditing for Group Companies' Management

In the Mazda Group, each Group company has established a corporate governance framework with the aim of enhancing cooperation between Mazda and its Group companies.

#### Japan

Group companies in Japan set the corporate auditors. Through the Group Audit & Supervisory Board Members' Meetings attended by the Audit & Supervisory Board members (full-time) of the Group's large companies and appointed part-time corporate auditors from among Mazda employees, Mazda aims to strengthen ties between Mazda and its Group companies.

#### Overseas

Major overseas Group companies have the Audit Committee\* to discuss matters relating to internal control. Executives and internal auditing-related departments of each overseas Group company, as well as Mazda's related departments and the auditing department, participate in each company's Audit Committee meetings and exchange opinions. Mazda's executive officers and full-time Audit & Supervisory Board members also attend the meetings at the Group companies in Europe, North America and Australia. In the March 2015 fiscal year, the Audit Committee was set up at newly established companies in Mexico and Malaysia. In the March 2016 fiscal year, the Audit Committee is scheduled to be set up sequentially in newly established companies in South Africa.

\* Committees are set and operated independently for each overseas Group company for the purpose of gathering information and exchanging opinions on internal control. (Overseas Group companies are not deemed as Companies with Committees under the Japanese Companies Act.)

### Dialogue with Shareholders and Investors

Mazda engages in a variety of investor relations initiatives in keeping with its policy of timely and appropriate disclosure of information. In addition to general shareholders' meetings, the Company holds meetings with shareholders and investors to explain its quarterly business results, management, and other business activities. Business briefings are also held for domestic and overseas securities analysts, institutional investors, and individual investors.

Mazda's website provides information including the schedule for general shareholders' meetings and financial results announcements, performance / financial data, notice of the general meeting of shareholders (business report), shareholders reports (Japanese only), summary of financial results, briefing materials for the financial results, asset securities reports (Japanese only), and annual reports for timely disclosure.

### Initiatives to Invigorate General Shareholders' Meetings and Ensure the Smooth Exercise of Voting Rights

Setting of date for general shareholders' meetings	General shareholders' meetings are held on dates that avoid concentrations of other companies' general meetings.
Exercise of voting rights	To improve convenience, voting by electromagnetic methods was introduced from the general shareholders' meeting held in June 2004.
Initiatives to improve environment for exercise of voting rights for institutional investors	Mazda has participated in the electronic voting platform operated by ICJ Co., Ltd., for the exercise of voting rights by institutional investors from the general shareholders' meeting held in June 2008.
English convocation notice	A English version of the convocation notice is prepared as a reference for the exercise of voting rights.
Others	The convocation notice is posted early on the corporate website, prior to mailing. English <a href="http://www.mazda.com/en/investors/stockinfo/meeting/">http://www.mazda.com/en/investors/stockinfo/meeting/</a> Japanese <a href="http://www.mazda.com/ja/investors/stockinfo/meeting/">http://www.mazda.com/ja/investors/stockinfo/meeting/</a>

Business Management System

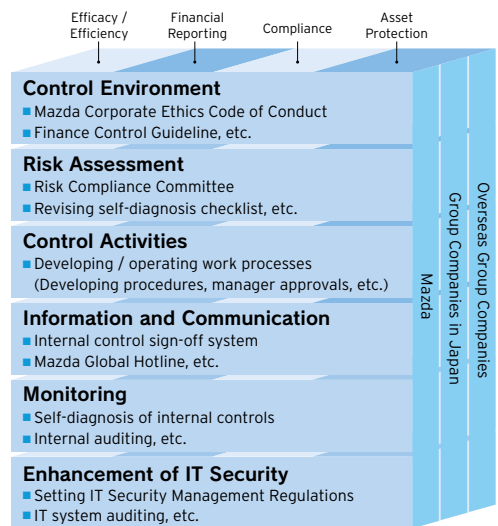
Internal Controls

Mazda has established the Mazda Corporate Ethics Code of Conduct, which states action guidelines for employees, the Finance Control Guideline for global financial control, and other guidelines. Based on these guidelines, each department develops rules, procedures, manuals, etc. to promote establishment of internal control.

For Group companies, cooperative systems have been established, in accordance with the Domestic Affiliates Administration Rules and the Overseas Affiliates Administration Rules.

At Mazda side, the department responsible for each Group company supports training and system improvement at respective Group company.

Mazda Internal Controls



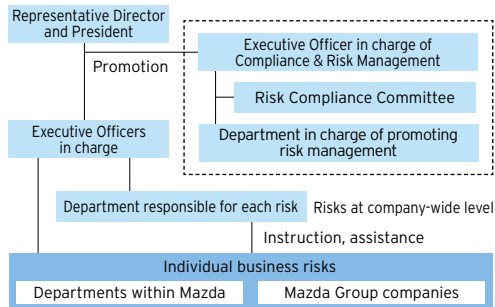
Risk Management

Mazda makes continuous efforts to identify and reduce various internal and external risks in accordance with the Basic Policy on Risk Management, Risk Management Regulations, and other related internal regulations, so as to ensure continuous and stable progress of business activities.

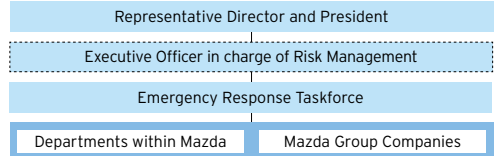
Among the risks identified, considering the level of importance, individual business risks are managed by the department in charge of that business area, while company-wide risks are handled by departments that carry out business on a company-wide basis. These departments manage the risks appropriately, following the PDCA cycle.

In the event of an emergency, such as a natural disaster or situation that creates serious

Risk Management Structure in Normal Times



Emergency Risk Management Structure



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

managerial consequences, Mazda takes appropriate measures in reference to its internal regulations, including establishing an emergency response taskforce when necessary.

Risk management is further enhanced by the Risk Compliance Committee, where key agenda items are established annually and the risk management status in each department is confirmed/evaluated.

Moreover, to prevent suspension of its businesses from causing a serious impact on society, Mazda has been developing measures for possible future large-scale earthquakes, such as the expected Nankai Trough earthquake.

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 "hardware" and "software" measures include quake-proofing buildings and facilities, and raising embankments, as well as maintaining emergency-contact networks, organizing self-disaster-defense teams, developing response manuals, selecting tsunami evacuation areas, and carrying out evacuation drills.

Disaster drills are held annually both jointly with the fire authorities and solely by Mazda's self-disaster-defense teams to confirm initial response to an emergency.

Further, based on lessons learned from the Great East Japan Earthquake, Mazda has communicated to all employees the procedures for initial responses and manuals for operating self-disaster-defense teams, which were newly clarified in the March 2014 fiscal year, with the aim of confirming and reviewing the precautions and initial responses in each workplace. Steady efforts to enhance both "hardware" and "software" aspects of emergency readiness

will continue in preparation for the Nankai Trough Earthquake or other large earthquakes and tsunami associated therewith.

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\* framework has been established as IT security management rules, under which the mechanisms for security control and monitoring that should be incorporated into IT systems are determined. Whether such mechanisms are properly installed and operated is confirmed on both a regular and random basis.

\* Standards on information security management established by the British Standards Institution (BSI), on which ISO/IEC27001 & 27002, the current international standards for information security management, are based.

## Business Management System

## Protection of Personal Information

Mazda rigorously protects personal information in line with its own Personal Information Protection Policy. Handling rules are set out in order to ensure appropriate management of personal information, regular examination of management records for retained personal data is taken, and management statuses are checked once a year. In cases in which the handling of personal information is entrusted to outside parties, such contractors are carefully selected based on a checklist which determined the necessary items including security management. The Mazda Call Center responds to customers who wish to inquire about the Company's handling of personal information and those who request disclosure regarding privacy issues.

## 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, to discuss and decide key items regarding intellectual property. The committee is comprised of division general managers from related divisions and chaired by an executive officer responsible for intellectual property issues. For its Group companies in Japan and overseas, Mazda supports them in developing/implementing policies and establishing systems for handling intellectual property, with the aim of enhancing the intellectual property management functions of the entire Mazda Group. Also, the invention incentive system is increasing motivation for inventions among employees working at the forefront of research and development.

## Protection of Intellectual Property and Intellectual Property Risk Management

Mazda's dedicated Intellectual Property Department leads Company activities regarding intellectual properties so as not to infringe upon the intellectual property rights of other companies, and conducts strategic activities aimed at fiercely protecting, accumulating, and making optimal use of the intellectual properties generated through these in-house activities.

1. Exhaustively uncovers and globally obtains rights concerning intellectual properties created by its business activities, including new technologies, markings, model names and vehicle designs, and protects Mazda technologies and the Mazda brand.
2. Takes steps to exhaustively investigate as well as prevent and solve any problems regarding intellectual properties that may obstruct business activities in each domain, such as infringement of other parties' patent rights; trademark rights, design rights, and copyrights; and violations of the Unfair Competition Prevention Act.

To avoid patent litigation driven by patent trolls,<sup>\*1</sup> which has been increasing mainly in the United States, Mazda joined the License on Transfer Network<sup>\*2</sup> in March 2015.

\*1. A patent troll is an organization or group that is not engaged in technology development itself but acquires patents for technologies developed by others, for the purpose of demanding unreasonably high patent royalties or settlement money from third parties that use the relevant technologies.

\*2. A patent association established in July 2014 by Canon Inc., Google Inc., and some other companies. If a member company sells a patent it owns to an external organization, group, or individual, the license for the patent will be automatically granted to other member companies. (If a patent troll obtains a patent of a member company, Mazda cannot be charged a patent royalty by the patent troll.)

## Compliance

At Mazda, the concept of compliance not only applies 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. The Mazda Corporate Ethics Code of Conduct is revised as needed to cope with changes in the social environment, social needs, etc.

The Global Employee Engagement Survey, which includes a questionnaire concerning compliance, is conducted to check the employees' degree of understanding of compliance.

## Mazda Global Hotline

In 1999, Mazda established the Ethics Advisory Office to handle employee inquiries about compliance and conduct investigations on ethical matters. In September 2007, the scope of the office was expanded to include domestic and

overseas Mazda Group companies, and it was renamed the Mazda Global Hotline as a contact point for receiving information.

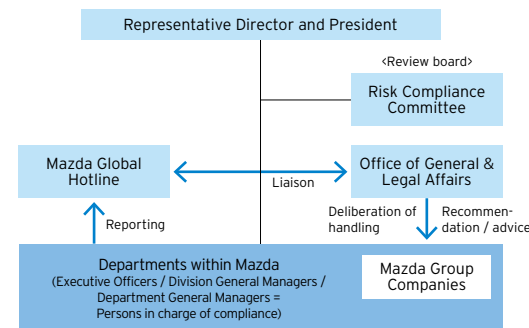
To ensure that all employees are aware of this hotline, Mazda has distributed the Compliance Card with the contact information to all employees at Mazda Motor Corporation and ensures awareness of this hotline at every opportunity through compliance education. Mazda has also introduced the hotline to Mazda Group companies in Japan and overseas via each company's Intranet.

This hotline is also introduced to suppliers so that they can report the questions arose from any transactions.

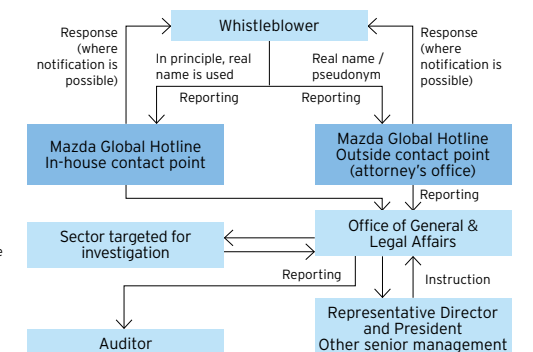
The Mazda Corporate Ethics Code of Conduct states that "Persons who report incidences of violation of the law and persons who cooperate in investigations of alleged violations shall not be subjected to retribution or disadvantageous treatment."

In addition, Mazda has set up several contact points to provide various consultations for employees. These contact points aid in the early detection and appropriate handling of important compliance-related information. The critical cases are reported to management.

## Compliance Promotion System



## Mazda Global Hotline





## Business Management System

## Directors, Audit &amp; Supervisory Board Members, and Executive Officers (As of June 23, 2015)

## Directors

Number of shares held:  
8,731

Seita Kanai

Representative Director and Chairman of the Board

Oct. 1974 Joined Toyo Kogyo Co., Ltd.  
(present Mazda Motor Corporation)  
Aug. 2002 General Manager, Vehicle Engineering Div.  
Jun. 2003 Executive Officer  
Jun. 2004 Managing Executive Officer  
Apr. 2006 Senior Managing Executive Officer  
Jun. 2006 Director; Senior Managing Executive Officer  
Apr. 2007 Director; Senior Managing Executive Officer;  
President, Mazda Engineering & Technology Co., Ltd.  
Apr. 2011 Director; Executive Vice President  
Jun. 2011 Representative Director; Executive Vice President  
Jun. 2013 Representative Director and  
Vice Chairman of the Board  
Jun. 2014 Representative Director and Chairman of the Board

Number of shares held:  
4,400

Masamichi Kogai

Representative Director

Apr. 1977 Joined Toyo Kogyo Co., Ltd.  
(present Mazda Motor Corporation)  
Jun. 2004 Executive Officer; General Manager,  
Hofu Plant  
Apr. 2008 Managing Executive Officer  
Apr. 2010 Senior Managing Executive Officer  
Jun. 2010 Director; Senior Managing Executive Officer  
Jun. 2013 Representative Director;  
President and CEO

Number of shares held:  
7,400

Akira Marumoto

Representative Director

Apr. 1980 Joined Toyo Kogyo Co., Ltd.  
(present Mazda Motor Corporation)  
Jun. 1997 Program Manager; Program Managers Div.  
Jun. 1999 Director  
Jun. 2002 Executive Officer  
Apr. 2006 Managing Executive Officer  
Apr. 2010 Senior Managing Executive Officer  
Jun. 2010 Director; Senior Managing Executive Officer  
Jun. 2013 Representative Director;  
Executive Vice President

Number of shares held:  
5,300

Yuji Harada

Director

Jun. 2002 Director; General Manager, Planning Dept.,  
International Banking Unit of Sumitomo  
Mitsui Banking Corporation  
Apr. 2004 Managing Director, The Japan Research  
Institute, Limited  
Jun. 2007 Senior Managing Director, The Japan  
Research Institute, Limited  
Apr. 2008 Joined Mazda Motor Corporation as  
Managing Executive Officer  
Nov. 2008 Senior Managing Executive Officer  
Jun. 2009 Director; Senior Managing Executive Officer

Number of shares held:  
11,100

Yuji Nakamine

Director

Apr. 1977 Joined Toyo Kogyo Co., Ltd.  
(present Mazda Motor Corporation)  
Mar. 2003 President, AutoAlliance (Thailand) Co., Ltd.  
Jun. 2005 Executive Officer  
Apr. 2007 Executive Officer; President, Mazda South  
East Asia Ltd.  
Nov. 2008 Managing Executive Officer  
Apr. 2011 Senior Managing Executive Officer  
Jun. 2011 Director; Senior Managing Executive Officer

Number of shares held:  
8,900

Nobuhide Inamoto

Director

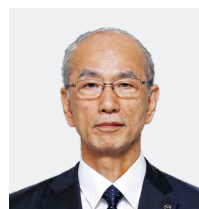
Apr. 1977 Joined Toyo Kogyo Co., Ltd.  
(present Mazda Motor Corporation)  
Oct. 1994 Manager, Body Production Engineering Dept.,  
Production Engineering Div.  
Jun. 1999 Representative Director and President,  
Mitsuba Kogyo Co., Ltd.  
Jun. 2001 Director  
Jun. 2002 Executive Officer  
Apr. 2007 Managing Executive Officer  
Jun. 2013 Director; Senior Managing Executive Officer;  
Chairman, Mazda Motor (China) Co., Ltd.

Number of shares held:  
7,300

Ichiro Sakai

Director

Apr. 1968 Appointed Prosecutor  
Dec. 1999 Chief Public Prosecutor of the Yokohama District  
Public Prosecutors Office  
May 2001 Chief of the Research and Training Institute of the  
Ministry of Justice  
Oct. 2002 Superintendent Public Prosecutor of the Hiroshima  
High Public Prosecutors Office  
Jun. 2004 Superintendent Public Prosecutor of the Fukuoka  
High Public Prosecutors Office  
Apr. 2005 Registered as Lawyer (Daiichi Tokyo Bar Association)  
Jun. 2005 Outside Corporate Auditor, Toray Industries, Inc.  
Feb. 2006 Outside Corporate Auditor, Kewpie Corporation  
Jun. 2007 Corporate Auditor, Mazda Motor Corporation  
Jun. 2011 Director, Mazda Motor Corporation  
Feb. 2014 Outside Corporate Auditor, Kewpie Corporation

Number of shares held:  
0

Kazuaki Jono

Director

Apr. 1970 Joined Hiroshima Prefecture  
Apr. 2005 General Manager, General Affairs and Planning Dept.,  
Hiroshima Prefecture  
Apr. 2006 General Manager, General Affairs Dept.,  
Hiroshima Prefecture  
Apr. 2007 Vice Governor, Hiroshima Prefecture  
Apr. 2014 Advisor, Hiroshima Prefectural Union of Agricultural  
Cooperatives  
Jun. 2015 Director, Mazda Motor Corporation

## Audit &amp; Supervisory Board Members

Nobuyoshi Tochio (Full-time)

Hirofumi Kawamura (Full-time)

Isao Akaoka

Masahide Hirasawa

Takao Hotta

## Business Management System

## 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; In charge of Global Auditing; Chairman, Mazda Motor (China) Co., Ltd.

**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. (Mazda de Mexico Vehicle Operation)

Jeffrey H. Guyton

President and CEO, Mazda Motor Europe GmbH

Minoru Mitsuda

Oversight of Fleet Sales No. 3 and Tokyo Office; In charge of Corporate Liaison; Assistant to the Officer in charge of Corporate Planning and Corporate Communications

Kiyotaka Shobuda

In charge of Global Production, Global Business Logistics, Global Product Quality and Brand Quality

Kiyoshi Fujiwara

In charge of R&D and Cost Innovation; General Manager, R&D Liaison Office; President, Mazda Engineering & Technology Co., Ltd.

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

Mitsuo Hitomi

In charge of Technical Research Center, Powertrain Development and Integrated Control System Development

Masatoshi Maruyama

Assistant to the Officer in charge of Global Production; General Manager, Hiroshima Plant

Takeshi Fujiga

In charge of Global Human Resources and Safety, Health & Disaster Prevention

Kazuhisa Fujikawa

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

Kazuyuki Fukuhara

In charge of Domestic Sales and Fleet Sales; President, Mazda Chuhan Co., Ltd.

**Executive Officers**

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, Risk Management and Mazda Hospital; General Manager, Office of General & Legal Affairs

Yasuhiro Aoyama

General Manager, Global Sales & Marketing Div.

Ichiro Hirose

General Manager, Powertrain Development Div.

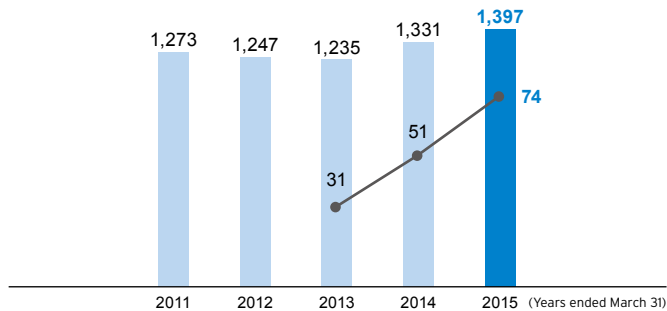
Takeshi Mukai

General Manager, Hofu Plant

## Financial Highlights

### Global Sales Volume / SKYACTIV Ratio

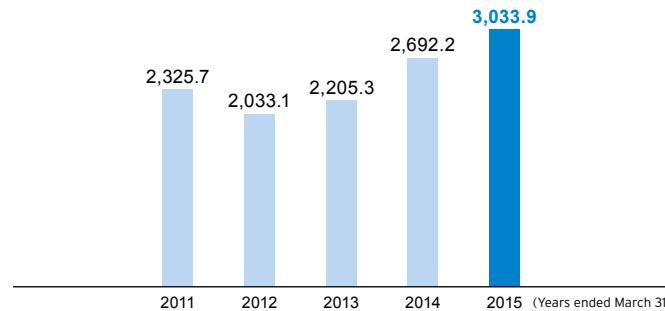
■ Global Sales Volume (Thousands of units) ● SKYACTIV Ratio (%)



In addition to continued strong sales of the CX-5 and the Mazda3 with the launch of the new Mazda2, global sales volume was up 5.0% year on year, at 1,397,000 units.

### Net Sales

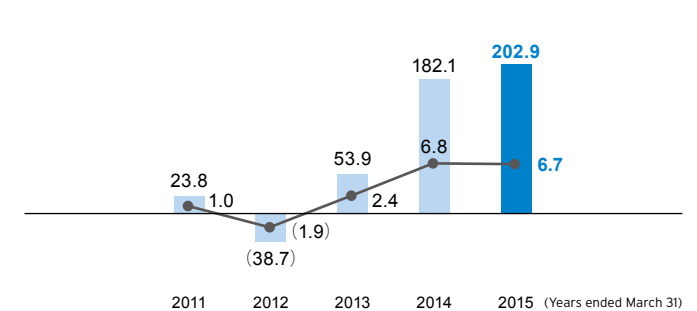
(Billions of yen)



Net sales amounted to ¥3,033.9 billion, an increase of 12.7% year on year, owing to increased sales of SKYACTIV models in global markets.

### Operating Income (Loss) / Operating Income Ratio

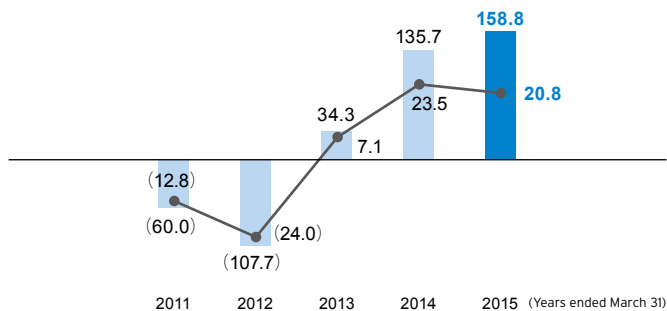
■ Operating Income (Loss) (Billions of yen) ● Operating Income Ratio (%)



Operating income amounted to ¥202.9 billion, an increase of 11.4% year on year, owing to improvements in volume and product mix as well as ongoing cost improvements through Monotsukuri Innovation.

### Net Income (Loss) / Return on Equity (ROE)

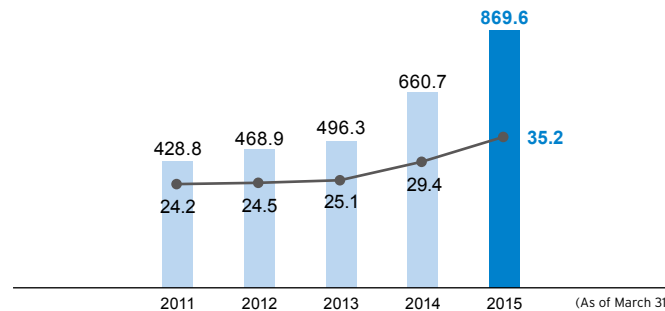
■ Net Income (Loss) (Billions of yen) ● ROE (%)



Net income amounted to ¥158.8 billion, an increase of 17.0% year on year. ROE was at 20.8%.

### Equity / Equity Ratio

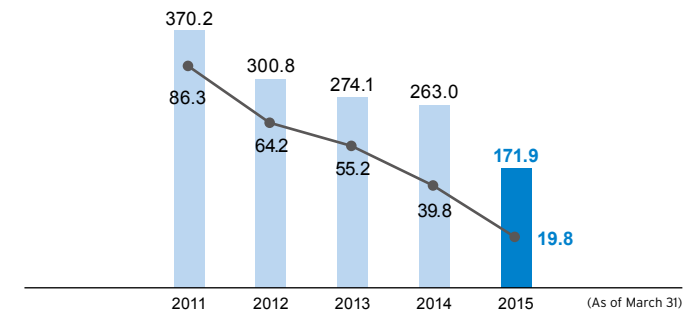
■ Equity (Billions of yen) ● Equity Ratio (%)



Equity amounted to ¥869.6 billion, an increase of ¥208.9 billion from the end of the prior fiscal year. The equity ratio increased 5.8 percentage points from the end of the prior fiscal year, to 35.2%. (The percentage after consideration of the equity credit attributes of the subordinated loan was 36.6%.)

### Net Interest-bearing Debt / Net Debt-to-equity Ratio

■ Net Interest-bearing Debt (Billions of yen) ● Net Debt-to-equity Ratio (%)



Net interest-bearing debt decreased ¥91.1 billion, to ¥171.9 billion. The net debt-to-equity ratio improved 20.0 percentage points, to 19.8%. (The percentage after consideration of the equity credit attributes of the subordinated loan was 15.1%.)

# Eleven-Year Summary of Consolidated Financial Statements

Mazda Motor Corporation and Consolidated Subsidiaries  
Years ended March 31

	Millions of yen											Thousands of U.S. dollars*1
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2015
<b>For the year*2:</b>												
Net sales	¥3,033,899	¥2,692,238	¥2,205,270	¥2,033,058	¥2,325,689	¥2,163,949	¥2,535,902	¥3,475,789	¥3,247,485	¥2,919,823	¥2,695,564	\$25,282,492
Domestic	617,397	655,716	588,042	560,216	541,490	574,982	620,336	880,132	887,327	887,662	845,620	5,144,975
Overseas	2,416,502	2,036,522	1,617,228	1,472,842	1,784,199	1,588,967	1,915,566	2,595,657	2,360,158	2,032,161	1,849,944	20,137,517
North America	1,022,247	834,803	651,165	575,633	631,327	574,640	697,600	1,015,315	1,017,874	843,988	761,684	8,518,725
Europe	613,367	534,937	347,918	347,346	427,398	477,337	653,382	888,555	789,135	668,941	634,233	5,111,392
Other areas	780,888	666,782	618,145	549,863	725,474	536,990	564,584	691,787	553,149	519,232	454,027	6,507,400
Cost of sales	2,247,720	1,993,643	1,729,296	1,662,592	1,863,678	1,710,699	2,021,851	2,485,905	2,322,644	2,110,934	1,972,574	18,731,000
Selling, general and administrative expenses	583,291	516,474	422,038	409,184	438,176	443,792	542,432	827,737	766,309	685,454	640,043	4,860,759
Operating income/(loss)	202,888	182,121	53,936	(38,718)	23,835	9,458	(28,381)	162,147	158,532	123,435	82,947	1,690,733
Income/(loss) before income taxes	209,335	97,409	39,101	(55,262)	16,081	(7,265)	(51,339)	143,117	118,450	117,468	73,847	1,744,458
Net income/(loss)	158,808	135,699	34,304	(107,733)	(60,042)	(6,478)	(71,489)	91,835	73,744	66,711	45,772	1,323,400
Capital expenditures*3	131,010	133,216	77,190	78,040	44,722	29,837	81,838	75,518	79,641	72,070	67,881	1,091,750
Depreciation and amortization*4	68,872	57,656	59,954	68,791	71,576	76,428	84,043	74,217	47,045	45,805	40,036	573,933
Research and development costs	108,378	99,363	89,930	91,716	90,961	85,206	95,967	114,400	107,553	95,730	90,841	903,150
Free cash flow*5	108,911	16,322	8,746	(79,415)	1,627	67,394	(129,244)	10,209	20,995	33,611	35,900	907,592
<b>At the year-end:</b>												
Total assets	¥2,473,287	¥2,246,036	¥1,978,567	¥1,915,943	¥1,771,767	¥1,947,769	¥1,800,981	¥1,985,566	¥1,907,752	¥1,788,659	¥1,767,846	\$20,610,725
Net assets*6	891,326	676,837	513,226	474,429	430,539	509,815	414,731	554,154	479,882	407,208	275,841	7,427,717
Interest-bearing debt	701,019	742,735	718,983	778,085	693,000	722,128	753,355	504,979	474,684	455,409	528,145	5,841,825
Net interest-bearing debt	171,871	262,981	274,108	300,778	370,151	375,825	532,631	281,085	232,179	246,751	313,506	1,432,258
Average number of shares outstanding (in thousands)	597,823*11	597,829*11	2,989,171	1,863,949	1,770,198	1,519,652	1,371,456	1,408,368	1,402,315	1,294,533	1,216,245	
Number of employees	44,035	40,892	37,745	37,617	38,117	38,987	39,852	39,364	38,004	36,626	35,680	
												U.S. dollars*1
<b>Amounts per share of common stock:</b>												
Net income/(loss)*7	¥ 265.64*11	¥ 226.99*11	¥ 11.48	¥ (57.80)	¥ (33.92)	¥ (4.26)	¥ (52.13)	¥ 65.21	¥ 52.59	¥ 51.53	¥ 37.63	\$ 2.21
Cash dividends applicable to the year*8	10.00	1.00	—	—	—	3.00	3.00	6.00	6.00	5.00	3.00	0.08
Net assets*9	1,454.61*11	1,105.21*11	166.04	156.85	242.24	286.92	314.98	391.82	336.45	284.28	220.22	12.12
												U.S. dollars*1
%												
Operating income ratio	6.7%	6.8%	2.4%	(1.9)%	1.0 %	0.4 %	(1.1)%	4.7%	4.9%	4.2%	3.1%	
Return on equity (ROE)*10	20.8	23.5	7.1	(24.0)	(12.8)	(1.4)	(14.8)	17.9	16.9	20.0	18.7	
Equity ratio*10	35.2*12	29.4	25.1	24.5	24.2	26.1	22.9	27.8	24.8	22.3	15.1	

Notes: 1. The translation of the Japanese yen amounts into U.S. dollars is presented solely for the convenience of readers outside of Japan, using the prevailing exchange rate on March 31, 2015, of ¥120 to US\$1.

2. Results information for the March 2011 fiscal year 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 net assets used in the calculation of net assets per share exclude minority interests (and, from the March 2007 fiscal year to the March 2013 fiscal year, stock acquisition rights) from net assets.

10. The amounts of equity exclude minority interests (and, from the March 2007 fiscal year to the March 2013 fiscal year, stock acquisition rights) from net assets.

11. A share consolidation was implemented on common stock with a ratio of five shares to one share on August 1, 2014. Average number of shares outstanding, net income per share and net assets per share are calculated based on the assumption that consolidation of shares had been carried out at the beginning of the March 2014 fiscal year.

12. Percentage after consideration of the equity credit attributes of the subordinated loan is 36.6%.



## Management Review and Analysis

### March 2015 Fiscal Year Review of Operations

#### Operating Environment

The operating environment for the Mazda Group in the March 2015 fiscal year—the year ended March 31, 2015—showed many elements of uncertainty, including slowdowns in emerging market economies and instability in foreign exchange markets, but the overall tone was one of a gradual improvement. Overseas, although China's economic growth slowed, the United States showed a steady recovery, and the beginning of a rebound was evident in the European economy as a result of monetary easing. In Japan, retail consumption remained weak in the wake of an increase in the consumption tax rate, but the direction of the economy pointed toward a clear recovery. Against this backdrop, the Mazda Group pursued structural reforms leveraging its SKYACTIV TECHNOLOGY, and it worked to

enhance brand value by providing attractive products and services unique to Mazda.

#### Global Sales Volume

Mazda's global sales volume in the March 2015 fiscal year rose 5.0% from the previous year, to 1,397,000 units. In addition to continued strong sales of the Mazda CX-5 and Mazda3 (Japanese name: Mazda Axela), the new model of the Mazda2 (Japanese name: Mazda Demio), which was introduced during the year, contributed to this growth in sales volume.

By market, sales volume in Japan declined 7.8% from the previous year, to 225,000 units, as a result of the effect of the consumption tax increase, but recent sales have shown a recovery due to solid sales of the new Demio and the launch of the new CX-3 in February 2015. Overseas, sales in North America rose 8.9%, to 425,000 units. Solid sales of main models, including the CX-5, the Mazda6

(Japanese name: Mazda Atenza), and the Mazda3, led to sales growth in the United States, and record sales were registered in Mexico as well. In Europe, firm sales of the Mazda3 contributed to a 10.8% increase in sales volume, to 229,000 units, with Mazda's sales in the major markets of Germany and the United Kingdom outpacing the growth of the overall market. In China, sales grew 9.2%, to 215,000 units, boosted by the locally produced CX-5 and Mazda3. In other markets, although weak demand impacted sales in some markets such as Thailand, solid sales of the CX-5 and Mazda3 led to an overall gain of 3.4%, to 303,000 units.

Consolidated wholesales rose 8.1% from the previous year, to 1,205,000 units.

#### Net Sales

Net sales totaled ¥3,033.9 billion, an increase of ¥341.7 billion, or 12.7%, from the previous year,

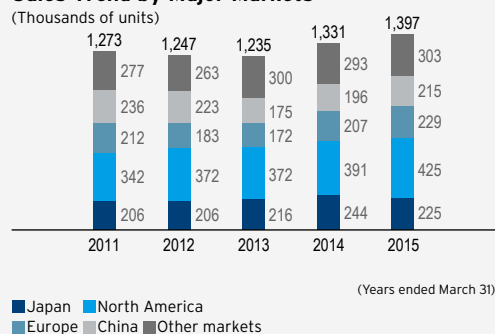
reflecting global sales growth of SKYACTIV-equipped models. By region, domestic sales posted a 5.8% decline, to ¥617.4 billion, and overseas sales registered an 18.7% increase, to ¥2,416.5 billion.

By product, vehicle sales rose ¥319.7 billion, or 14.7%, to ¥2,500.4 billion, stemming from growth in unit sales and an improved product mix. Sales of knockdown parts for overseas production expanded ¥8.6 billion, or 12.3%, to ¥79.0 billion, reflecting increased shipments to China. Sales of parts rose ¥25.2 billion, or 12.2%, to ¥231.7 billion, while other sales declined ¥11.9 billion, or 5.1%, to ¥222.7 billion.

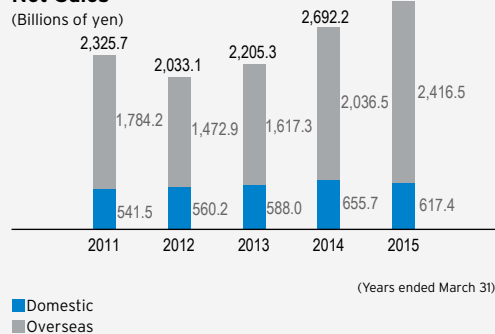
#### Operating Income

Operating income totaled ¥202.9 billion, marking an increase from the previous year of ¥20.8 billion, or 11.4%. In addition to higher spending to reinforce sales promotion activities, increased investments for future growth

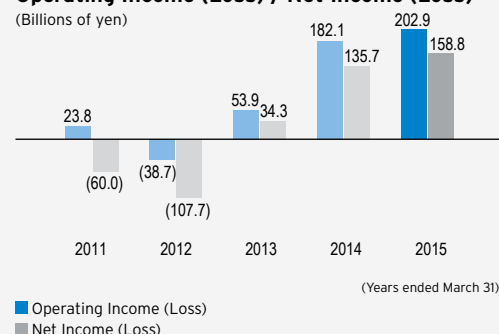
#### Sales Trend by Major Markets



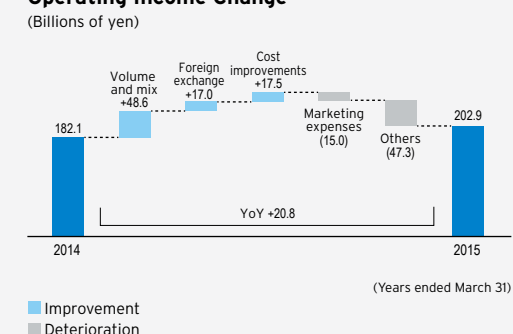
#### Net Sales



#### Operating Income (Loss) / Net Income (Loss)



#### Operating Income Change



included higher investment for research and development and fixed costs for a new plant in Mexico. Nevertheless, operating income grew on expanded sales volume and an improved model mix from SKYACTIV-equipped models, the effects of exchange rate movements, and cost reductions achieved through Monotsukuri Innovation.

### Income before Income Taxes, Net Income

Income before income taxes rose ¥111.9 billion, or 114.9%, from the previous year, to ¥209.3 billion, including a ¥17.2 billion gain from equity in net income of affiliates.

After the payment of ¥47.7 billion of income taxes, net income grew ¥23.1 billion, or 17.0%, to ¥158.8 billion. Net income per share was ¥265.64, compared with ¥226.99 in the previous fiscal year.

### Segment Information

In Japan, net sales totaled ¥2,528.1 billion, an increase of ¥264.9 billion, or 11.7%, from the previous year, with operating income of ¥142.4 billion, which declined ¥31.1 billion, or 17.9%. These results were mainly due to deteriorated sales volume and model mix, and increased R&D expenditures.

Net sales in North America grew ¥412.5 billion, or 48.9%, to ¥1,256.1 billion, with operating income of ¥37.9 billion, which increased ¥36.6 billion from the previous period. In addition to full-scale operations leading to profitability at the new plant in Mexico, this result reflected improved sales volume and model mix.

In Europe, net sales totaled ¥622.9 billion, an increase of ¥82.4 billion, or 15.2%, and ¥14.9 billion in operating income, which rose ¥6.5 billion, or 76.3%, mainly from improved sales volume and model mix.

Net sales in other areas rose ¥69.2 billion, or 16.7%, to ¥483.4 billion, and operating income grew ¥7.7 billion, or 132.5%, to ¥13.5 billion, mainly from improved sales volume and model mix.

### Financial Position

Total assets as of March 31, 2015, were ¥2,473.3 billion, a ¥227.3 billion gain from the end of the previous fiscal year, reflecting increases in cash and time deposits, inventories, and tangible fixed assets. The increase in tangible fixed assets was the result of investments for the new plant in Mexico and the new transmission plant in Thailand, as part of the establishment of our global production footprint.

Total liabilities were ¥1,582.0 billion, a ¥12.8 billion increase from the previous fiscal year-end, stemming from an increase in trade notes and accounts payable. Net interest-bearing debt, or interest-bearing debt minus

cash and cash equivalents, as of the fiscal year-end totaled ¥171.9 billion, a ¥91.1 billion decrease from the end of the previous fiscal year. The net debt-to-equity ratio improved 20.0 percentage points, to 19.8%, or 15.1% after the recognition of the equity credit attributes of subordinated loans.

Net assets grew ¥214.5 billion, to ¥891.3 billion, which included the recording of ¥158.8 billion of net income. The equity ratio rose 5.8 percentage points, to 35.2%, or 36.6% after the recognition of the equity credit attributes of subordinated loans.

### Cash Flows

Operating activities provided net cash in the amount of ¥204.5 billion, compared with ¥136.4 billion provided in previous fiscal year. This included ¥209.3 billion of income before income taxes and ¥68.9 billion of depreciation and amortization, which were partially

### Sales by Segment\*

(Billions of yen)

(Years ended March 31)	2011	2012	2013	2014	2015
Japan	1,999.5	1,745.0	1,893.6	2,263.3	<b>2,528.1</b>
North America	631.0	571.6	650.0	843.6	<b>1,256.1</b>
Europe	438.2	360.4	354.8	540.5	<b>622.9</b>
Other markets	310.4	294.2	418.7	414.2	<b>483.4</b>
Adjustment	(1,053.4)	(938.1)	(1,111.8)	(1,369.4)	<b>(1,856.7)</b>
Consolidated	2,325.7	2,033.1	2,205.3	2,692.2	<b>3,033.9</b>

\* Net sales by geographic area based on reportable segments

### Operating Income (Loss) by Segment\*

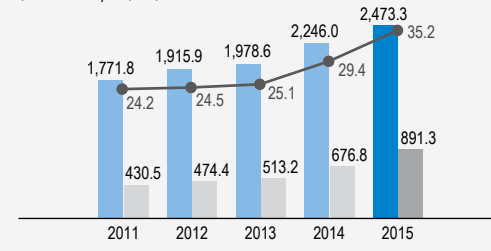
(Billions of yen)

(Years ended March 31)	2011	2012	2013	2014	2015
Japan	32.6	(18.4)	108.4	173.5	<b>142.4</b>
North America	(31.7)	(40.3)	(48.9)	1.3	<b>37.9</b>
Europe	7.9	5.6	3.1	8.5	<b>14.9</b>
Other markets	12.8	10.1	16.8	5.8	<b>13.5</b>
Adjustment	2.2	4.3	(25.5)	(7.0)	<b>(5.8)</b>
Consolidated	23.8	(38.7)	53.9	182.1	<b>202.9</b>

\* Operating income by geographic area based on reportable segments

### Total Assets / Net Assets / Equity Ratio

(Billions of yen / %)

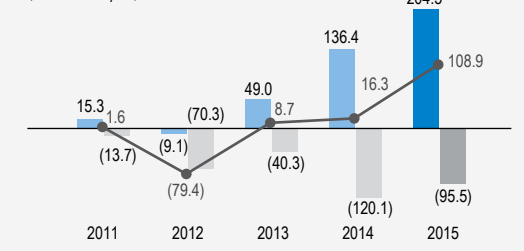


(As of March 31)

■ Total Assets  
■ Net Assets  
● Equity Ratio

### Cash Flows

(Billions of yen)



(Years ended March 31)

■ Cash Flow from Operating Activities  
■ Cash Flow from Investing Activities  
● Free Cash Flow

offset by the payment of income taxes and a decrease in working capital from an increase in inventories.

Investing activities used net cash in the amount of ¥95.5 billion, compared with ¥120.1 billion used in the previous fiscal year. The main component of this net outflow was ¥123.4 billion of outlays for the acquisition of tangible fixed assets, including capital investment for the new plant in Mexico and the new transmission plant in Thailand.

As a result, consolidated free cash flow was positive in the amount of ¥108.9 billion, compared with a ¥16.3 billion positive free cash flow in the previous fiscal year. The Company was able to generate more than ¥100.0 billion of consolidated free cash flow while maintaining a high level of capital investment for future growth.

Financing activities used net cash in the amount of ¥62.8 billion, mainly from the

repayment of long-term loans payable, compared with ¥10.5 billion generated in the previous fiscal year.

#### Basic Dividend Policy, Dividends for March 2015 and March 2016 Fiscal Years

Mazda's basic policy regarding the stock dividend is to determine the dividend by comprehensively taking into account factors including financial results for the fiscal year, the business environment, and the Company's financial position, while striving to maintain stable shareholder returns with steady future increases.

A dividend of ¥10 per share was paid for the March 2015 fiscal year, and for the March 2016 fiscal year we intend to increase the dividend by ¥20 per share, to a full-year dividend of ¥30 per share, comprising an interim dividend of ¥15 per share and a year-end dividend of ¥15 per share.

Mazda intends to use internal reserves for research and development and capital investment for future growth.

#### Forecast for March 2016 Fiscal Year

Although the global economy is expected to show a gradual recovery, positioning ahead of a review of U.S. monetary policy, economic trends in emerging economies, and fluctuations in exchange rates and crude oil prices represent elements of continued uncertainty regarding the outlook for Mazda's operating environment. Against this backdrop, the Company will continue to implement structural reforms leveraging SKYACTIV TECHNOLOGY and further enhance brand value in the March 2016 fiscal year, the final year under the Structural Reform Plan.

We are projecting a 6.6% increase in global sales volume in the March 2016 fiscal year, to 1,490,000 units. By market, we are

forecasting a 6.9% increase in Japan, to 240,000 units; a 5.6% increase in North America, to 449,000 units; a 4.7% increase in Europe, to 240,000 units; a 2.5% increase in China, to 220,000 units; and a 12.3% increase in other markets, to 341,000 units.

Our projections for consolidated financial results are for a 7.1% increase in net sales, to ¥3,250.0 billion; a 3.5% increase in operating income, to ¥210.0 billion; and an 11.8% decline in net income, to ¥140.0 billion. Our exchange rate assumptions for the March 2016 fiscal year are ¥120 to the U.S. dollar and ¥130 to the euro.

#### Forecast for the March 2016 Fiscal Year (Billions of yen)

(Years ended March 31)	2015	2016 (Forecast)	Difference
Net sales	3,033.9	3,250.0	216.1
Operating income	202.9	210.0	7.1
Net income	158.8	140.0	(18.8)
(Exchange assumptions)			
US\$/Yen	110	120	
€/Yen	139	130	

#### Forecast for Global Sales Volume (Thousands of units)

(Years ended March 31)	2015	2016 (Forecast)	Difference
Japan	225	240	15
North America	425	449	24
Europe	229	240	11
China	215	220	5
Other markets	303	341	38
Total	1,397	1,490	93

## Business Risks

Significant risks that could affect the Mazda Group's business results and financial position include those listed below.

This list, however, shows the main risks anticipated at the end of the fiscal year ended March 31, 2015, and does not represent a comprehensive list of all the risks faced by the Group. The forward-looking statements in this section are based on the judgments of the Group as of the end of the fiscal year ended March 31, 2015.

### 1. Economic Conditions Impacting the Mazda Group

Selling its products in Japan and other parts of the world, including in North America, Europe, and Asia, the Group is greatly impacted by economic trends and fluctuations in demand in each of its markets. Therefore, the Group's business results and financial position could be adversely affected by, for example, an economic downturn, recession, changes in demand structure, declining demand, and intensifying price competition in its main markets.

### 2. Fluctuations in Exchange Rates

The Group is engaged in business activities on a global scale. The Group not only exports products from Japan to other parts of the

world but also exports products manufactured at overseas plants to other markets in the world. These transactions are conducted in various currencies, and consequently its business results and financial position are exposed to the effects of fluctuations in exchange rates. In addition, as overseas assets and liabilities denominated in local currencies are translated into yen, there could be an adverse effect on shareholders' equity through foreign currency translation adjustments due to exchange rate fluctuations.

The Group uses forward-exchange contracts and other instruments to minimize the impact of short-term exchange rate risk. However, depending on the circumstances of fluctuations in exchange rates, loss of opportunity could be generated.

### 3. Alliances and Joint Ventures

The Group is performing or examining joint activities with other companies under technology alliances, joint ventures, and in other forms with respect to the development, production, and sales of products. These joint activities are designed to optimize resources, facilitate their prioritization, and generate synergies. However, in the event of a disagreement over management, financial, or other matters between the parties involved,

or in the event that the expected results were not produced due to such factors as changes to or terminations of alliances and joint ventures, the Group's business results and financial position could be adversely affected. In addition, unintended changes to or terminations of alliances and joint ventures could have an adverse effect on the Group's business results and financial position.

### 4. Statutory Regulations Covering the Environment

In addition to being subject to environmental regulations pertaining to fuel consumption and exhaust emissions, automobile safety, and the pollutant emission levels from manufacturing plants, the Group's operations in each country where it does business are also subject to various statutory regulations, such as labor regulations.

Going forward, the Group's business results and financial position could be adversely affected by the increased costs associated with more stringent statutory regulations.

### 5. Market Competitiveness

The Group competes with a large number of companies in automobile markets in all parts of the world. Maintaining and enhancing the Group's ability to compete in these markets,

which includes maintaining and developing Mazda brand value, is crucial to ensuring growth. Consequently, the Group is implementing a range of initiatives to boost its competitiveness in product development, manufacturing, sales, and other areas.

However, the Group's business results and financial position could be affected in the event that it fails to launch appealing products at opportune times, due to a failure to accurately ascertain market trends or as a result of issues related to technological capabilities and manufacturing. The same holds true if the Group fails to take effective steps to respond to customer values or changes thereof, including declines in market share or product prices, through its dealership network or sales methods.

### 6. Procurement of Materials and Components

The Group relies on numerous suppliers outside the Group for the procurement of materials and components.

For that reason, the Group may face difficulties in procuring the necessary level of materials and components for volume production, due to supply constraints or reduced logistics functions in the event of these suppliers being affected by a disaster, due to tight supply balances, or due to changes to



and breaches of supply contracts.

Should the Group be unable to absorb the effects of any increases in the prices of the materials being procured by the Company—for example, by making internal efforts to boost productivity or passing on price rises to customers—or should procured materials and components be of insufficient quality, the possibility exists of a deterioration in output or higher costs, which could adversely affect the Group's business results and financial position.

#### **7. International Business Activities**

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

- Adverse political and economic developments
- Impediments arising from changes in laws and regulations
- Import / export regulations, such as tariffs, detrimental taxes, and other regulations
- Difficulties in attracting and securing personnel
- Undeveloped infrastructure

- Strikes and other labor disputes
- Terrorist incidents, war, disease, and other factors leading to social disorder

#### **8. Protection of Intellectual Property**

In order to maintain competitiveness, the Group is working to accumulate and protect technologies and expertise that help it to develop unique products. At the same time, the Group is taking steps to prevent the infringement of third-party intellectual property rights. Nonetheless, should differences in recognition or opinion lead to a disputed infringement of third-party intellectual property rights that results in the Group being forced to halt the production and sale of products, or needing to pay damages, this could also adversely affect the Group's business results and financial position.

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

#### **9. Product Quality**

While striving to improve the quality of its products to meet the requirements of the market, the Group also does its utmost to ensure the safety of its products. However, should a defect develop in a product due to unforeseen circumstances or a large-scale recall occur, this could adversely affect the Group's business results and financial position due to such factors as the incurring of significant costs, the Group's diminished brand image, and loss of market trust.

#### **10. Natural Disasters and Accidents**

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

#### **11. Dependence on Information Technology**

In the course of various business activities such as development, production, and sales of products, the Group utilizes information technology, networks, and systems. The Group's products are also equipped with these technologies, including driving support system, etc. Despite countermeasures implemented in information technology, networks, and systems to allow safe operations, such factors as failures in infrastructure, cyberattacks, and infection by computer viruses may result in suspension of business activities, loss of data, and deterioration in product functions. Should these events occur, the Group's business results and financial position could be adversely affected due to the incurring of costs associated with countermeasures, loss of product credibility, and damage to the brand image, etc.

## 12. Financial Accounting

Including the financial accounting factors set out below, the Group's operating results and financial position could be affected by financial accounting assessment of its assets and liabilities as well as changes in or new applications of accounting standards.

### (i) Deferred Tax Assets

Provided on deductible temporary differences, deferred tax assets are recorded by assessing the likelihood of recovery based on expectations of future taxable income. However, the amount of deferred tax assets could be reduced by, for example, the recording of valuation allowances against deferred tax assets in the event that they are judged to be unrecoverable due to a deterioration in business conditions or in the event of tax reforms that include changes in tax rates. This could adversely affect the Group's business results and financial position.

### (ii) Impairment of Long-Lived Assets

With regard to long-lived assets, should the carrying amount be considered to be unrecoverable due, for example, to a deterioration in business conditions, an impairment loss against the carrying value of assets will be recorded. This could adversely affect the Group's business results and financial position.

### (iii) Retirement Benefits

Liability for retirement benefits changes in accordance with trends in retirement benefit obligations and pension assets. However, in

the event of changes being made to the actuarial prerequisites or of a deterioration in fair value of plan assets caused by lower returns, the Group's business results and financial position could be adversely affected.

## 13. Changes in Financing Procurement Environment and Interest Rate Fluctuations

In addition to loans from banks, the Group has been raising funds by issuing its shares and bonds. However, in the event of turmoil in financial market tax reforms, institutional changes being made to government-affiliated financial organizations, or the downgrading of the Group's credit rating, the Group's business results and financial position could be adversely affected due to such factors as the increased funding costs and the difficulties associated with raising money for the amount of funds required. Moreover, factoring in the effect of interest rate changes on the Group's interest-bearing debt, were the costs of financing to increase due to a rise in interest rates, the Group's business results and financial position could also be adversely affected. In the event that any deterioration in the Group's financial standing were to infringe the financial covenants of some of the loans and lead to the forfeiture of the benefit of time, the Group's business results and financial position could be adversely affected.

## 14. Compliance and Reputation

Commencing with information security efforts to protect personal information and confidential information, the Group has taken preventive measures regarding compliance, such as compliance with the law. In addition, in the event of a compliance-related incident being detected, the Group has a rapid response system in place to prevent any impact on the Group's social credibility and reputation. However, the Group cannot guarantee that there is no possibility of a legal violation occurring in the future. Should there be evidence of an illegal act or should the rapidity and content of the response prove insufficient, the Group's social credibility and reputation could be harmed, and the Group's business results and financial position could be adversely affected.

## 15. Forecasts

The Group formulated its "Structural Reform Plan" and "Structural Reform Stage 2" in order to respond to the change in external environment and ensure future growth. In implementing the plans, however, in the event of external environment changes that differ greatly from assumptions or progress not being made according to plan, the expected outcome would not be realized and the Group's business results and financial position could be adversely affected.

# Consolidated Balance Sheets

Mazda Motor Corporation and Consolidated Subsidiaries  
March 31, 2015 and 2014

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)	LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015		2015	2014	2015
<b>Current assets:</b>				<b>Current liabilities:</b>			
Cash and cash equivalents	¥ 529,148	¥ 479,754	\$ 4,409,567	Short-term debt (Notes 4 and 9)	¥ 116,677	¥ 105,283	\$ 972,308
Trade notes and accounts receivable (Note 4)	215,161	180,544	1,793,008	Long-term debt due within one year (Notes 4 and 9)	96,132	109,715	801,100
Inventories (Notes 6 and 9)	379,502	323,677	3,162,517	Trade notes and accounts payable (Note 4)	379,358	331,678	3,161,317
Deferred tax assets (Note 14)	76,758	54,897	639,650	Accrued income taxes	16,398	3,476	136,650
Other current assets	114,622	94,503	955,183	Accrued expenses (Note 4)	215,011	194,250	1,791,758
Allowance for doubtful receivables	(763)	(848)	(6,358)	Reserve for warranty expenses	45,763	32,080	381,358
Total current assets	1,314,428	1,132,527	10,953,567	Other current liabilities (Note 14)	34,720	35,591	289,334
				Total current liabilities	904,059	812,073	7,533,825
<b>Property, plant and equipment:</b>				<b>Long-term liabilities:</b>			
Land (Note 7)	414,347	411,886	3,452,892	Long-term debt due after one year (Notes 4 and 9)	488,210	527,737	4,068,417
Buildings and structures	485,498	463,998	4,045,817	Deferred tax liability related to land revaluation (Note 7)	68,134	75,195	567,783
Machinery and equipment	866,077	833,434	7,217,308	Liability for retirement benefits (Note 10)	62,669	70,149	522,242
Tools, furniture, and fixtures	206,656	173,508	1,722,133	Reserve for loss from business of affiliates	8,955	44,249	74,625
Leased property	7,623	9,983	63,525	Reserve for environmental measures	1,090	1,584	9,083
Construction in progress	52,939	53,040	441,158	Other long-term liabilities (Note 14)	48,844	38,212	407,033
	2,033,140	1,945,849	16,942,833	Total long-term liabilities	677,902	757,126	5,649,183
Accumulated depreciation	(1,090,116)	(1,079,892)	(9,084,300)	<b>Contingent liabilities (Note 11)</b>			
Net property, plant and equipment (Notes 8 and 9)	943,024	865,957	7,858,533	<b>Net Assets:</b>			
				Capital and retained earnings (Note 12):			
<b>Intangible assets</b>	29,361	22,826	244,675	Common stock	258,957	258,957	2,157,975
				Authorized:			
				1,200,000,000 shares in 2015			
				6,000,000,000 shares in 2014			
				Issued:			
				599,875,479 shares in 2015			
				2,999,377,399 shares in 2014			
				Capital surplus	242,650	242,649	2,022,083
				Retained earnings	248,094	89,424	2,067,450
				Treasury stock			
				(2,055,369 shares in 2015 and 10,241,243 shares in 2014)	(2,222)	(2,204)	(18,517)
				Total capital and retained earnings	747,479	588,826	6,228,991
				Accumulated other comprehensive income/(loss):			
				Net unrealized gain/(loss) on available-for-sale securities	3,681	1,152	30,675
				Deferred gains/(losses) on hedges	668	(1,223)	5,567
				Land revaluation (Note 7)	142,586	135,541	1,188,217
				Foreign currency translation adjustments	(21,376)	(55,586)	(178,133)
				Accumulated adjustments for retirement benefit	(3,443)	(7,988)	(28,692)
				Total accumulated other comprehensive income	122,116	71,896	1,017,634
				Net assets attributable to shareholders of Mazda Motor Corporation	869,595	660,722	7,246,625
				Minority interests in consolidated subsidiaries	21,731	16,115	181,092
				Total net assets	891,326	676,837	7,427,717
<b>Total assets</b>	¥ 2,473,287	¥ 2,246,036	\$20,610,725	<b>Total liabilities and net assets</b>	¥2,473,287	¥2,246,036	\$20,610,725

See accompanying notes.

# Consolidated Statements of Income and Comprehensive Income

Mazda Motor Corporation and Consolidated Subsidiaries  
Years ended March 31, 2015 and 2014

## Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Net sales</b>	<b>¥3,033,899</b>	¥2,692,238	<b>\$25,282,492</b>
<b>Cost and expenses:</b>			
Cost of sales	2,247,720	1,993,643	18,731,000
Selling, general and administrative expenses	583,291	516,474	4,860,759
	<b>2,831,011</b>	2,510,117	<b>23,591,759</b>
<b>Operating income</b>	<b>202,888</b>	182,121	<b>1,690,733</b>
<b>Other income/(expenses):</b>			
Interest and dividend income	4,268	2,846	35,567
Interest expense	(13,706)	(12,975)	(114,217)
Equity in net income of affiliated companies	17,216	9,677	143,467
Other, net (Note 13)	(1,331)	(84,260)	(11,092)
	<b>6,447</b>	(84,712)	<b>53,725</b>
<b>Income before income taxes</b>	<b>209,335</b>	97,409	<b>1,744,458</b>
<b>Income taxes</b> (Note 14):			
Current	29,379	15,655	244,825
Deferred	18,295	(51,745)	152,458
	<b>47,674</b>	(36,090)	<b>397,283</b>
<b>Income before minority interests</b>	<b>161,661</b>	133,499	<b>1,347,175</b>
<b>Minority interests in consolidated subsidiaries</b>	<b>2,853</b>	(2,200)	<b>23,775</b>
<b>Net income</b>	<b>¥ 158,808</b>	¥ 135,699	<b>\$ 1,323,400</b>
<b>Amounts per share of common stock:</b>			
Net income (Note 2)			
Basic	<b>¥265.64</b>	¥226.99	<b>\$2.21</b>
Cash dividends applicable to the year	<b>10.00</b>	1.00	<b>0.08</b>

See accompanying notes.

## Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Income before minority interests</b>	<b>¥161,661</b>	¥133,499	<b>\$1,347,175</b>
<b>Other comprehensive income/(loss):</b>			
Net unrealized gain/(loss) on available-for-sale securities	2,523	751	21,025
Deferred gains/(losses) on hedges	1,900	13,689	15,833
Land revaluation	7,055	—	58,792
Foreign currency translation adjustments	4,059	1,206	33,825
Adjustments for retirement benefit	4,643	1,369	38,692
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	32,865	16,825	273,875
Total other comprehensive income/(loss)	<b>53,045</b>	33,840	<b>442,042</b>
<b>Comprehensive income</b>	<b>¥214,706</b>	¥167,339	<b>\$1,789,217</b>
<b>Comprehensive income/(loss) attributable to:</b>			
Shareholders of Mazda Motor Corporation	<b>209,038</b>	168,266	<b>1,741,984</b>
Minority shareholders	<b>5,668</b>	(927)	<b>47,233</b>



# Consolidated Statements of Changes in Net Assets

Mazda Motor Corporation and Consolidated Subsidiaries  
Years ended March 31, 2015 and 2014

	Millions of yen														
	Capital and retained earnings					Accumulated other comprehensive income/(loss)									Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gain/(loss) on available-for-sale securities	Deferred gains/(losses) on hedges	Land revaluation	Foreign currency translation adjustments	Pension adjustments recognized by foreign consolidated subsidiaries	Accumulated adjustments for retirement benefit	Stock acquisition rights	Minority interests in consolidated subsidiaries		
<b>April 1, 2013</b>	¥258,957	¥242,649	¥(46,299)	¥(2,192)	¥453,115	¥ 409	¥(15,064)	¥135,565	¥(72,200)	¥(5,513)	¥ —	¥ 6	¥16,908	¥513,226	
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
<b>Restated balance</b>	258,957	242,649	(46,299)	(2,192)	453,115	409	(15,064)	135,565	(72,200)	(5,513)	—	6	16,908	513,226	
<b>Increase/(decrease)</b>															
Dividends paid	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Net income	—	—	135,699	—	135,699	—	—	—	—	—	—	—	—	135,699	
Purchase of treasury stock	—	—	—	(12)	(12)	—	—	—	—	—	—	—	—	(12)	
Sale of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Land revaluation	—	—	24	—	24	—	—	—	—	—	—	—	—	24	
Changes in items other than capital and retained earnings, net	—	—	—	—	—	743	13,841	(24)	16,614	5,513	(7,988)	(6)	(793)	27,900	
<b>Total changes during the fiscal year</b>	—	—	135,723	(12)	135,711	743	13,841	(24)	16,614	5,513	(7,988)	(6)	(793)	163,611	
<b>April 1, 2014</b>	¥258,957	¥242,649	¥ 89,424	¥(2,204)	¥588,826	¥1,152	¥ (1,223)	¥135,541	¥(55,586)	¥ —	¥(7,988)	¥—	¥16,115	¥676,837	
Cumulative effects of changes in accounting policies	—	—	2,841	—	2,841	—	—	—	—	—	—	—	(52)	2,789	
<b>Restated balance</b>	258,957	242,649	92,265	(2,204)	591,667	1,152	(1,223)	135,541	(55,586)	—	(7,988)	—	16,063	679,626	
<b>Increase/(decrease)</b>															
Dividends paid	—	—	(2,989)	—	(2,989)	—	—	—	—	—	—	—	—	(2,989)	
Net income	—	—	158,808	—	158,808	—	—	—	—	—	—	—	—	158,808	
Purchase of treasury stock	—	—	—	(18)	(18)	—	—	—	—	—	—	—	—	(18)	
Sale of treasury stock	—	1	—	0	1	—	—	—	—	—	—	—	—	1	
Land revaluation	—	—	10	—	10	—	—	—	—	—	—	—	—	10	
Changes in items other than capital and retained earnings, net	—	—	—	—	—	2,529	1,891	7,045	34,210	—	4,545	—	5,668	55,888	
<b>Total changes during the fiscal year</b>	—	1	155,829	(18)	155,812	2,529	1,891	7,045	34,210	—	4,545	—	5,668	211,700	
<b>March 31, 2015</b>	¥258,957	¥242,650	¥248,094	¥(2,222)	¥747,479	¥3,681	¥ 668	¥142,586	¥(21,376)	¥ —	¥(3,443)	¥—	¥21,731	¥891,326	

	Thousands of U.S. dollars (Note 1)														
	Capital and retained earnings					Accumulated other comprehensive income/(loss)									Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gain/(loss) on available-for-sale securities	Deferred gains/(losses) on hedges	Land revaluation	Foreign currency translation adjustments	Pension adjustments recognized by foreign consolidated subsidiaries	Accumulated adjustments for retirement benefit	Stock acquisition rights	Minority interests in consolidated subsidiaries		
<b>April 1, 2014</b>	\$2,157,975	\$2,022,075	\$ 745,200	\$(18,367)	\$4,906,883	\$ 9,600	\$(10,192)	\$1,129,508	\$(463,217)	\$—	\$(66,567)	\$—	\$134,292	\$5,640,307	
Cumulative effects of changes in accounting policies	—	—	23,675	—	23,675	—	—	—	—	—	—	—	(433)	23,242	
<b>Restated balance</b>	2,157,975	2,022,075	768,875	(18,367)	4,930,558	9,600	(10,192)	1,129,508	(463,217)	—	(66,567)	—	133,859	5,663,549	
<b>Increase/(decrease)</b>															
Dividends paid	—	—	(24,908)	—	(24,908)	—	—	—	—	—	—	—	—	(24,908)	
Net income	—	—	1,323,400	—	1,323,400	—	—	—	—	—	—	—	—	1,323,400	
Purchase of treasury stock	—	—	—	(150)	(150)	—	—	—	—	—	—	—	—	(150)	
Sale of treasury stock	—	8	—	0	8	—	—	—	—	—	—	—	—	8	
Land revaluation	—	—	83	—	83	—	—	—	—	—	—	—	—	83	
Changes in items other than capital and retained earnings, net	—	—	—	—	—	21,075	15,759	58,709	285,084	—	37,875	—	47,233	465,735	
<b>Total changes during the fiscal year</b>	—	8	1,298,575	(150)	1,298,433	21,075	15,759	58,709	285,084	—	37,875	—	47,233	1,764,168	
<b>March 31, 2015</b>	\$2,157,975	\$2,022,083	\$2,067,450	\$(18,517)	\$6,228,991	\$30,675	\$ 5,567	\$1,188,217	\$(178,133)	\$—	\$(28,692)	\$—	\$181,092	\$7,427,717	

See accompanying notes.

## Consolidated Statements of Cash Flows

Mazda Motor Corporation and Consolidated Subsidiaries  
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015	2015	2014	2015
<b>Cash flows from operating activities:</b>						
Income before income taxes	¥ 209,335	¥ 97,409	\$ 1,744,458			
Adjustments to reconcile income before income taxes to net cash provided by/(used in) operating activities:						
Depreciation and amortization	68,872	57,656	573,933			
Loss on impairment of fixed assets	2,495	2,754	20,792			
Allowance for doubtful receivables	(20)	(1,364)	(167)			
Reserve for warranty expenses	13,683	3,454	114,025			
Reserve for loss from business of affiliates	(6,131)	37,292	(51,092)			
Reserve for environmental measures	(484)	8	(4,033)			
Increase/(decrease) in liability for retirement benefits	(2,596)	(1,546)	(21,633)			
Interest and dividend income	(4,268)	(2,846)	(35,567)			
Interest expense	13,706	12,975	114,217			
Equity in net loss/(income) of affiliated companies	(17,216)	(9,677)	(143,467)			
Loss/(gain) on sale/disposition of property, plant and equipment, net	5,608	4,107	46,733			
Decrease/(increase) in trade notes and accounts receivable	(30,252)	(1,416)	(252,100)			
Decrease/(increase) in inventories	(49,403)	(47,058)	(411,692)			
Increase/(decrease) in trade notes and accounts payable	46,568	48,068	388,067			
Increase/(decrease) in other current liabilities	24,710	10,006	205,917			
Other	(45,467)	(48,572)	(378,891)			
Subtotal	229,140	161,250	1,909,500			
Interest and dividends received	4,898	3,149	40,817			
Interest paid	(14,081)	(13,324)	(117,342)			
Income taxes paid	(15,498)	(14,696)	(129,150)			
Net cash provided by/(used in) operating activities	¥ 204,459	¥ 136,379	\$ 1,703,825			
<b>Cash flows from investing activities:</b>						
Decrease/(increase) in time deposits	¥ 988	¥ 11	\$ 8,233			
Purchase of investment securities	(1,907)	(1,823)	(15,892)			
Proceeds from sales and redemption of investment securities	40,810	152	340,083			
Acquisition of property, plant and equipment	(123,370)	(110,830)	(1,028,083)			
Proceeds from sale of property, plant and equipment	1,476	1,841	12,300			
Acquisition of intangible assets	(12,758)	(8,263)	(106,317)			
Decrease/(increase) in short-term loans receivable	(784)	4	(6,533)			
Long-term loans receivable made	(592)	(1,235)	(4,933)			
Collections of long-term loans receivable	1,075	274	8,958			
Other	(486)	(188)	(4,049)			
Net cash provided by/(used in) investing activities	(95,548)	(120,057)	(796,233)			
<b>Cash flows from financing activities:</b>						
Increase/(decrease) in short-term debt	11,909	(1,100)	99,242			
Proceeds from long-term debt	38,505	116,048	320,875			
Repayment of long-term debt	(110,184)	(104,594)	(918,200)			
Cash dividends paid	(2,989)	—	(24,908)			
Proceeds from stock issuance to minority shareholders	—	356	—			
Cash dividends paid to the minority shareholders of consolidated subsidiaries	—	(215)	—			
Treasury stock transactions	(17)	(12)	(142)			
Net cash provided by/(used in) financing activities	(62,776)	10,483	(523,133)			
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	3,259	8,074	27,158			
<b>Net increase/(decrease) in cash and cash equivalents</b>	49,394	34,879	411,617			
<b>Cash and cash equivalents at beginning of the year</b>	479,754	444,875	3,997,950			
<b>Cash and cash equivalents at end of the year</b>	¥ 529,148	¥ 479,754	\$ 4,409,567			

See accompanying notes.

# Notes to Consolidated Financial Statements

Mazda Motor Corporation and Consolidated Subsidiaries

## 1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Mazda Motor Corporation (the "Company") and its consolidated subsidiaries (together, the "Group") 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 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, 2015, which was ¥120 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 its 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 59 subsidiaries (59 in the year ended March 31, 2014). In addition, 14 affiliates (15 in the year ended March 31, 2014) are accounted for by the equity method.

The consolidated year-end balance sheet date is March 31. Among the consolidated subsidiaries, 15 companies (15 at March 31, 2014) 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 15 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 8 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 net assets 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 net assets as foreign currency translation adjustments and minority interests in consolidated subsidiaries.

### Cash and cash equivalents

The Group considers 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 unconsolidated 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 Group does not have trading securities or held-to-maturity debt securities. Equity securities issued by unconsolidated subsidiaries and affiliated companies which, based on the applicable materiality provisions of Japanese GAAP, are not 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 net assets. 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 not on the equity method 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 economic useful lives of the assets with a residual value at the end of useful lives to be a memorandum value.

#### Intangible assets (except for leased property)

Intangible assets are amortized by 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 principally 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 in which ownership is not transferred to the lessee**

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, 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

Reserve for warranty expenses provides for after-sales expenses to product (vehicle). Primarily, according to the product warranty provisions, the amount estimated based on actual costs incurred in the past, taking future prospects into consideration, is recognized.

#### 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.

#### Employees’ severance and retirement benefits

The Group provides 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.

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

Past 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.



### 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 elect to file a consolidated corporate tax return as a consolidation group.

### Research and development costs

Research and development costs are charged to income when incurred. For the years ended March 31, 2015 and 2014, research and development costs were ¥108,378 million (\$903,150 thousand) and ¥99,363 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 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, 2015 and 2014, only information on net income per share of common stock is provided without information on diluted net income per share of common stock to reflect the diluting effect, because there were no dilutive potential common stocks for the years ended March 31, 2015 and 2014.

The Company implemented a share consolidation on its common stock with a ratio of five shares to one share on August 1, 2014. Net income per share of common stock are calculated based on the assumption that consolidation of shares had been carried out at the beginning of the year ended March 31, 2014.

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

## 3 ADOPTION OF NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES

### (Changes in accounting policies)

Effective from the year ended March 31, 2015, the Company and its domestic subsidiaries have applied the article 35 of the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (“ASBJ”) Statement No.26, May 17, 2012 (hereinafter, the “Statement No.26”)) and the article 67 of the Guidance on Accounting Standard for Retirement Benefits ASBJ Guidance No.25, March 26, 2015, and have reviewed the determination of retirement benefit obligations and current service costs. As a result the Company and its domestic subsidiaries have changed the method of attributing expected benefit to periods from a straight-line basis to a benefit formula basis. In addition, the method for determination of the discount rate has been also amended. The amended method is to use the different discount rates, which reflect the estimated timing of each benefit payment. Under the previous method, the discount rate was determined based on the average period up to the estimated timing of benefit payment.

In accordance with the article 37 of the Statement No.26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings, at the beginning of the year ended March 31, 2015.

As a result of the application, an asset for retirement benefits has increased by ¥221 million (\$1,842 thousand), a liability for retirement benefits has decreased by ¥2,861 million (\$23,842 thousand) and retained earnings has increased by ¥2,841 million (\$23,675 thousand), at the beginning of the year ended March 31, 2015. In addition, operating income and income before income taxes for the year ended March 31, 2015 have each increased by ¥630 million (\$5,250 thousand).

## 4 FINANCIAL INSTRUMENTS

### Qualitative information on financial instruments

#### Policies for using financial instruments

The Group finances 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.

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 57 years and 4 months from March 31, 2015. 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 Group manages 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.

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

For derivatives, the credit risks of counterparty financial institutions are reviewed on a quarterly basis.

The amount of maximum risk as of March 31, 2015 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 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 Group 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, 2015 and 2014, 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 for which fair value is deemed highly difficult to measure are excluded from the following table.

As of March 31, 2015	Millions of yen			Thousands of U.S. dollars		
	Carrying values	Fair values	Difference	Carrying values	Fair values	Difference
<b>Assets:</b>						
1) Trade notes and accounts receivable	¥ 215,161			\$ 1,793,008		
Allowance for doubtful receivables <sup>(1)</sup>	(101)			(842)		
Trade notes and accounts receivable, net	215,060	¥ 215,060	¥ —	1,792,166	\$ 1,792,166	\$ —
2) Investment securities						
Available-for-sale securities	12,760	12,760	—	106,333	106,333	—
3) Long-term loans receivable <sup>(2)</sup>	6,390			53,250		
Allowance for doubtful receivables <sup>(3)</sup>	(2,452)			(20,433)		
Long-term loans receivable, net	3,938	3,938	—	32,817	32,817	—
Total	¥ 231,758	¥ 231,758	¥ —	\$ 1,931,316	\$ 1,931,316	\$ —
<b>Liabilities:</b>						
1) Trade notes and accounts payable	¥ 379,358	¥ 379,358	¥ —	\$ 3,161,317	\$ 3,161,317	\$ —
2) Other accounts payable	41,019	41,019	—	341,825	341,825	—
3) Short-term debt	116,677	116,677	—	972,308	972,308	—
4) Long-term debt	584,342	599,374	15,032	4,869,517	4,994,784	125,267
Total	¥1,121,396	¥1,136,428	¥15,032	\$ 9,344,967	\$ 9,470,234	\$ 125,267
<b>Derivative instruments: <sup>(4)</sup></b>						
1) Hedge accounting not applied	¥ 269	¥ 269	¥ —	\$ 2,242	\$ 2,242	\$ —
2) Hedge accounting applied	1,014	1,014	—	8,450	8,450	—
Total	¥ 1,283	¥ 1,283	¥ —	\$ 10,692	\$ 10,692	\$ —

As of March 31, 2014	Millions of yen		
	Carrying values	Fair values	Difference
<b>Assets:</b>			
1) Trade notes and accounts receivable	¥ 180,544		
Allowance for doubtful receivables <sup>(1)</sup>	(175)		
Trade notes and accounts receivable, net	180,369	¥ 180,369	¥ —
2) Investment securities			
Available-for-sale securities	9,141	9,141	—
3) Long-term loans receivable <sup>(2)</sup>	6,829		
Allowance for doubtful receivables <sup>(3)</sup>	(2,509)		
Long-term loans receivable, net	4,320	4,320	—
Total	¥ 193,830	¥ 193,830	¥ —
<b>Liabilities:</b>			
1) Trade notes and accounts payable	¥ 331,678	¥ 331,678	¥ —
2) Other accounts payable	38,469	38,469	—
3) Short-term debt	105,283	105,283	—
4) Long-term debt	637,452	654,766	17,314
Total	¥1,112,882	¥1,130,196	¥17,314
<b>Derivative instruments: <sup>(4)</sup></b>			
1) Hedge accounting not applied	¥ (1,046)	¥ (1,046)	¥ —
2) Hedge accounting applied	(1,903)	(1,903)	—
Total	¥ (2,949)	¥ (2,949)	¥ —

(\*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 sheets.

(\*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.

As of March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Available-for-sale securities:</b>			
Non-listed equity securities	¥ 2,488	¥ 2,321	\$ 20,734
<b>Investment securities of affiliated companies</b>	118,977	136,890	991,475
Total	¥121,465	¥139,211	\$1,012,209

### 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

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

#### 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 debt  
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 Group 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) Finance 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:

As of March 31, 2015	Millions of yen				Thousands of U.S. dollars			
	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years
Trade notes and accounts receivable	¥215,161	¥ —	¥ —	¥ —	\$1,793,008	\$ —	\$ —	\$ —
Long-term loans receivable	354	5,365	366	305	2,950	44,708	3,050	2,542
Total	¥215,515	¥5,365	¥366	¥305	\$1,795,958	\$44,708	\$3,050	\$2,542

As of March 31, 2014	Millions of yen			
	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years
Trade notes and accounts receivable	¥180,544	¥ —	¥ —	¥ —
Long-term loans receivable	278	5,632	582	337
Total	¥180,822	¥5,632	¥582	¥337

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 Group had no trading or held-to-maturity debt securities at March 31, 2015 and 2014.

Available-for-sale securities with market values as of March 31, 2015 and 2014 were as follows:

As of March 31, 2015	Millions of yen			Thousands of U.S. dollars		
	Acquisition costs	Carrying values	Difference	Acquisition costs	Carrying values	Difference
Stocks	¥5,180	¥ 9,727	¥4,547	\$43,167	\$ 81,058	\$37,891
Other	2,308	3,033	725	19,233	25,275	6,042
Total	¥7,488	¥12,760	¥5,272	\$62,400	\$106,333	\$43,933

As of March 31, 2014	Millions of yen		
	Acquisition costs	Carrying values	Difference
Stocks	¥5,093	¥6,556	¥1,463
Other	2,329	2,585	256
Total	¥7,422	¥9,141	¥1,719

## 6 INVENTORIES

Inventories as of March 31, 2015 and 2014 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Finished products	¥257,788	¥232,021	\$2,148,233
Work in process	111,071	80,875	925,592
Raw materials and supplies	10,643	10,781	88,692
Total	¥379,502	¥323,677	\$3,162,517

## 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 net assets as "Land revaluation", net of deferred taxes. The deferred taxes on the unrealized gains are included in liabilities as "Deferred tax liability related to land revaluation".

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, 2015 and 2014 from that at the time of revaluation, as stipulated in Article 10 of the Land Revaluation Law, were ¥98,720 million (\$822,667 thousand) and ¥98,990 million, respectively.

## 8 IMPAIRMENT OF LONG-LIVED ASSETS

Details of impairment losses of long-lived assets for the years ended March 31, 2015 and 2014 were as follows:

<For the year ended March 31, 2015>			Millions of yen	Thousands of U.S. dollars
Purpose of use	Location	Type of assets	2015	2015
Idle assets (Sales facilities)	Fukuoka Prefecture, Japan, etc.	Buildings and structures, Land, etc.	¥1,149	\$ 9,575
Idle assets (Production facilities)	Hiroshima Prefecture, Japan, etc.	Buildings and structures, Machinery and equipment, etc.	1,210	10,084
Assets for selling	Kyoto Prefecture, Japan	Land	136	1,133
Total			¥2,495	\$20,792

<For the year ended March 31, 2014>			Millions of yen
Purpose of use	Location	Type of assets	2014
Idle assets (Sales facilities)	Osaka Prefecture, Japan, etc.	Buildings and structures, Land, etc.	¥ 239
Idle assets (Production facilities)	Hiroshima Prefecture, Japan, etc.	Buildings and structures, Machinery and equipment, etc.	2,040
Assets for selling	Ehime Prefecture, Japan, etc.	Buildings and structures, Land	475
Total			¥2,754

For the purpose of reviewing for impairment, the Group has principally grouped its long-lived assets into asset groups by company; however, idle assets, assets for rent, and assets for selling are individually reviewed for impairment. The recoverable amounts of these assets were measured at their net realizable value.

## 9 SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt as of March 31, 2015 and 2014 consisted of loans, principally from banks with interest averaging 1.42% and 1.39% for the respective years.

Long-term debt as of March 31, 2015 and 2014 consisted of the following:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Domestic unsecured bonds due serially 2014 through 2019 at rate of 0.25% to 1.87% per annum	¥ 40,450(*)	¥ 40,550	\$ 337,083
Loans principally from banks, maturing through 2072:			
Secured loans	48,946	81,004	407,883
Unsecured loans	489,964	510,938	4,083,034
Lease obligations, maturing through 2022	4,982	4,960	41,517
Sub total	584,342	637,452	4,869,517
Amount due within one year	(96,132)	(109,715)	(801,100)
Total	¥488,210	¥ 527,737	\$4,068,417

(\*) As of March 31, 2015, certain of these unsecured bonds amounting to ¥450 million (\$3,750 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 1.68% and 1.51%, respectively, for obligations due within one year and 1.95% and 1.47%, respectively, for obligations due after one year at March 31, 2015.

The annual interest rates applicable to long-term loans and lease obligations outstanding averaged 1.29% and 1.95%, respectively, for obligations due within one year and 1.89% and 2.01%, respectively, for obligations due after one year at March 31, 2014.

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, 2015 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 96,132	\$ 801,100
2017	144,066	1,200,550
2018	91,647	763,725
2019	97,157	809,642
2020	46,835	390,292
Thereafter	108,505	904,208
Total	¥584,342	\$4,869,517

The assets pledged as collateral for short-term debt of ¥33,973 million (\$283,108 thousand) and ¥30,412 million, and long-term debt of ¥49,396 million (\$411,633 thousand) and ¥81,554 million at March 31, 2015 and 2014, respectively, were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Property, plant and equipment, at net book value	¥412,999	¥396,511	\$3,441,658
Inventories	61,797	70,739	514,975
Other	63,498	63,247	529,150
Total	¥538,294	¥530,497	\$4,485,783

## 10 EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The Group has contributory defined contribution plans and defined benefit plans, and non-contributory defined benefit plans. For the accounting policies for retirement benefits, refer to Note 2, "Employees' severance and retirement benefits".

Reconciliations of beginning and ending balances of the retirement benefit obligations and the plan assets for the years ended March 31, 2015 and 2014 were as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Movements in retirement benefit obligations:			
Balance at beginning of year	¥301,619	¥300,322	\$2,513,492
Cumulative effects of changes in accounting policies	(3,082)	—	(25,683)
Restated balance	298,537	300,322	2,487,809
Service cost	9,900	10,417	82,500
Interest cost	4,611	4,694	38,425
Actuarial gains/(losses)	14,543	6,819	121,192
Benefits paid	(16,074)	(16,311)	(133,950)
Past service costs	—	(7,456)	—
Other	2,735	3,134	22,792
Balance at end of year	¥314,252	¥301,619	\$2,618,768

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Movements in plan assets:			
Balance at beginning of year	¥233,516	¥210,382	\$1,945,967
Expected return on plan assets	4,579	4,157	38,158
Actuarial gains/(losses)	13,602	13,442	113,350
Contributions paid by the employer	12,961	17,011	108,008
Benefits paid	(12,515)	(12,671)	(104,292)
Other	2,763	1,195	23,026
Balance at end of year	¥254,906	¥233,516	\$2,124,217

The reconciliation of the retirement benefit obligations and plan assets to the liability and asset for retirement benefits recognized in the consolidated balance sheets of March 31, 2015 and 2014 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligations	¥294,389	¥288,762	\$2,453,242
Plan assets	(254,906)	(233,516)	(2,124,217)
Subtotal	39,483	55,246	329,025
Unfunded retirement benefit obligations	19,863	12,857	165,525
Total net liability (asset) for retirement benefits recognized in consolidated balance sheets	59,346	68,103	494,550
Liability for retirement benefits	62,669	70,149	522,242
Asset for retirement benefits	(3,323)	(2,046)	(27,692)
Total net liability (asset) for retirement benefits recognized in consolidated balance sheets	¥ 59,346	¥ 68,103	\$ 494,550

The profits and losses related to retirement benefits for the years ended March 31, 2015 and 2014 were as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 9,900	¥10,417	\$ 82,500
Interest cost	4,611	4,694	38,425
Expected return on plan assets	(4,579)	(4,157)	(38,158)
Net actuarial loss amortization	6,429	8,413	53,575
Past service costs amortization	(3,132)	(2,637)	(26,100)
Other	3,358	770	27,983
Severance and retirement benefit expenses	¥16,587	¥17,500	\$138,225

Note: For the years ended March 31, 2015 and 2014, accrued pension costs related to defined contribution plans were charged to income as ¥3,298 million (\$27,483 thousand) and ¥3,397 million, respectively. This cost is not included in the above.

The breakdown of items of adjustments for retirement benefit (before tax) recognized in other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Past service costs	¥(3,132)	¥ 15	\$(26,100)
Actuarial differences	6,987	2,240	58,225
Other	(2)	(3)	(17)
Total	¥ 3,853	¥2,252	\$ 32,108

The breakdown of items of accumulated adjustments for retirement benefit (before tax) recognized in accumulated other comprehensive income as of March 31, 2015 and 2014 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Past service costs that are yet to be recognized	¥ 11,096	¥ 14,228	\$ 92,467
Actuarial gains and losses that are yet to be recognized	(15,489)	(22,476)	(129,075)
Other	8	10	67
Total	¥ (4,385)	¥ (8,238)	\$ (36,541)

The breakdown of plan assets by major category as of March 31, 2015 and 2014 were as follows:

As of March 31	2015	2014
Bonds	41%	40%
Equity securities	29%	27%
General accounts of the life insurance companies	17%	18%
Other	13%	15%
Total	100%	100%

The major items of actuarial assumptions for the years ended March 31, 2015 and 2014 were as follows:

For the years ended March 31	2015	2014
Discount rate	Primarily 1.1%	Primarily 1.3%
Long-term expected rate of return	Primarily 1.5%	Primarily 1.5%

## 11 CONTINGENT LIABILITIES

Contingent liabilities as of March 31, 2015 and 2014 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Guarantees of loans and similar agreements	<b>¥9,591</b>	¥14,728	<b>\$79,925</b>

## 12 NET ASSETS

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 are year-end cash dividends for the preceding fiscal year and interim cash dividends for the current fiscal year. At the annual shareholders’ meeting held on June 23, 2015, the cash dividends shareholders approved amounting to ¥5,978 million (\$49,817 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2015. This type of appropriations is recognized in the period in which they are approved by the shareholders.

On August 1, 2014, the Company reduced the total number of shares authorized to be issued by 4.8 billion from 6 billion to 1.2 billion following a partial revision of the Articles of Incorporation through a resolution at the 148th Ordinary General Meeting of Shareholders held on June 24, 2014. Also, on August 1, 2014, the Company consolidated its common stock at a ratio of five shares to one based on a resolution at the Meeting of Shareholders. As a result, the total number of shares outstanding declined by 2,399,501,920 from

2,999,377,399 to 599,875,479. At the same time, the number of treasury stock declined in the same ratio.

## 13 OTHER INCOME / (EXPENSES)

The components of “Other, net” in Other income/(expenses) in the consolidated statements of income for the years ended March 31, 2015 and 2014 were comprised as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Loss on retirement and sale of property, plant and equipment, net	<b>¥(5,649)</b>	¥ (4,230)	<b>\$(47,075)</b>
Rental income	<b>1,927</b>	2,910	<b>16,058</b>
Loss on sale of receivables	<b>(1,091)</b>	(972)	<b>(9,092)</b>
Loss on impairment of long-lived assets	<b>(2,495)</b>	(2,754)	<b>(20,792)</b>
Foreign exchange gain/(loss)	<b>432</b>	(42,215)	<b>3,600</b>
Subsidy income (*1)	<b>—</b>	224	<b>—</b>
Compensation received for the exercise of eminent domain	<b>41</b>	123	<b>342</b>
Gain on reversal of reserve for loss from business of subsidiaries and affiliates	<b>6,131</b>	—	<b>51,092</b>
Loss on business of subsidiaries and affiliates	<b>(1,149)</b>	—	<b>(9,575)</b>
Reserve for loss from business of affiliates (*2)	<b>—</b>	(36,616)	<b>—</b>
Reserve for environmental measures	<b>(107)</b>	(8)	<b>(892)</b>
Other	<b>629</b>	(722)	<b>5,242</b>
Total	<b>¥(1,331)</b>	¥(84,260)	<b>\$(11,092)</b>

(\*1) Restoration and construction subsidy for facilities and equipment of small and medium enterprises in Fukushima prefecture, which was granted to our consolidated subsidiary, affected by the Great East Japan Earthquake.

(\*2) Reserve for loss related to the losses of domestic and foreign subsidiaries’ and affiliates’ businesses.

## 14 INCOME TAXES

The effective tax rate reflected in the consolidated statements of income for the years ended March 31, 2015 and 2014 differs from the statutory tax rate for the following reasons.

For the years ended March 31	2015	2014
Statutory tax rate	<b>35.4 %</b>	37.8 %
Valuation allowance	<b>(11.3)</b>	(74.3)
Equity in net income of affiliated companies	<b>(2.9)</b>	(3.8)
Decrease in deferred tax assets at end of year due to the change in tax rate	<b>1.5</b>	3.5
Other	<b>0.1</b>	(0.2)
Effective tax rate	<b>22.8 %</b>	(37.0)%

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, 2015 and 2014 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Allowance for doubtful receivables	¥ 1,187	¥ 1,226	\$ 9,892
Liability for retirement benefits	22,053	24,034	183,775
Loss on impairment of long-lived assets	4,186	4,539	34,883
Accrued bonuses and other reserves	26,906	33,734	224,217
Inventory valuation	6,873	5,659	57,275
Valuation loss on investment securities, etc.	121	1,405	1,008
Deferred gains/(losses) on hedges	—	672	—
Net operating loss carryforwards	57,989	88,189	483,242
Other	53,665	36,770	447,207
Total gross deferred tax assets	172,980	196,228	1,441,499
Less valuation allowance	(66,862)	(84,089)	(557,183)
Total deferred tax assets	106,118	112,139	884,316
Deferred tax liabilities:			
Asset retirement cost corresponding to asset retirement obligations, and others	(13,159)	(5,841)	(109,658)
Net deferred tax assets	¥ 92,959	¥106,298	\$ 774,658

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

As of March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current assets—Deferred tax assets	¥76,758	¥54,897	\$639,650
Investments and other assets—Deferred tax assets	25,784	54,189	214,867
Current liabilities—Other current liabilities	(47)	(59)	(392)
Long-term liabilities—Other long-term liabilities	(9,536)	(2,729)	(79,467)
Net deferred tax assets	¥92,959	¥106,298	\$774,658

#### (Additional information)

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

On March 31, 2015, “Act on Partial Amendment of the Income Tax Act, etc.” (Act No. 9 of 2015) and “Act on Partial Amendment of the Local Tax Act, etc.” (Act No. 2 of 2015) were enacted into law. As a result of the amendment, the statutory income tax rates, which the Domestic Companies have utilized for the measurement of deferred tax assets and liabilities for the year ended March 31, 2015, have been changed from the previous 35.4% to the following rates.

- For the temporary differences expected to be reversed from April 1, 2015 to March 31, 2016: 32.8%
- For the temporary differences expected to be reversed on or after April 1, 2016: 32.1%

Due to this change in statutory income tax rates, net deferred tax assets as of March 31, 2015 decreased by ¥3,058 million (\$25,483 thousand) and deferred income tax expense recognized for the year ended March 31, 2015 increased by ¥3,211 million (\$26,758 thousand). And net unrealized gain/(loss) on available-for-sale securities, deferred gains/(losses) on hedges and accumulated adjustments for retirement benefit increased by ¥118 million (\$983 thousand), ¥26 million (\$217 thousand) and ¥9 million (\$75 thousand), respectively. Further, the balance of deferred tax liabilities relating to land revaluation decreased by ¥7,055 million (\$58,792 thousand) and land revaluation in accumulated other comprehensive income/(loss) increased by the same amount.

#### 15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Group uses 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 Group uses interest rate swap contracts. The Group does not engage in speculative transactions as a matter of policy, limiting the transaction amount to actual demand.

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 Group uses 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 Group are approved by the Company's President or 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 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 Group and items hedged:

Hedging instruments:

Forward foreign exchange contracts

Interest rate swap contracts

Hedged items:

Foreign currency-denominated transactions planned in the future

Interest on borrowings

The following tables summarize fair value information as of March 31, 2015 and 2014 of derivative transactions for which hedge accounting has not been applied:

As of March 31, 2015	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	¥ 4,205	¥ 4	¥ 4	\$ 35,042	\$ 34	\$ 34
Euro	2,016	62	62	16,800	517	517
Canadian dollar	5,663	(21)	(21)	47,192	(175)	(175)
Australian dollar	9,702	51	51	80,850	425	425
Sterling pound	727	16	16	6,058	133	133
Buy:						
Thai baht	4,099	157	157	34,158	1,308	1,308
Total	¥26,412	¥269	¥269	\$220,100	\$2,242	\$2,242

As of March 31, 2014	Millions of yen		
	Contract amount	Estimated fair value	Difference
Forward foreign exchange contracts:			
Sell:			
U.S. dollar	¥20,682	¥ (921)	¥ (921)
Euro	2,002	(121)	(121)
Canadian dollar	5,200	80	80
Australian dollar	9,725	(260)	(260)
Sterling pound	955	(73)	(73)
Russian ruble	7,279	282	282
Buy:			
U.S. dollar	355	6	6
Australian dollar	1,380	(110)	(110)
Thai baht	2,468	71	71
Total	¥50,046	¥(1,046)	¥(1,046)

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, 2015 and 2014 of derivative transactions for which hedge accounting has been applied:

As of March 31, 2015	Millions of yen			Thousands of U.S. dollars		
	Contract amount	Thereof due after 1 year	Estimated fair value	Contract amount	Thereof due after 1 year	Estimated fair value
Interest rate swaps:						
On long-term loans payable:						
Where certain hedging criteria are met <sup>(*)</sup>	¥17,900	¥11,100	¥ —	\$149,167	\$92,500	\$ —
Forward foreign exchange contracts:						
Sell:						
U.S. dollar	1,200	—	(0)	10,000	—	(0)
Euro	31,082	—	467	259,017	—	3,892
Canadian dollar	14,782	—	122	123,183	—	1,017
Australian dollar	17,161	—	214	143,008	—	1,783
Sterling pound	2,311	—	(3)	19,258	—	(25)
Buy:						
Thai baht	11,551	—	214	96,258	—	1,783
Total	¥95,987	¥11,100	¥1,014	\$799,891	\$92,500	\$8,450

As of March 31, 2014	Millions of yen		
	Contract amount	Thereof due after 1 year	Estimated fair value
Interest rate swaps:			
On long-term loans payable:			
Where certain hedging criteria are met <sup>(*)</sup>	¥ 23,500	¥17,900	¥ —
Forward foreign exchange contracts:			
Sell:			
U.S. dollar	68,084	—	(297)
Euro	39,616	—	(706)
Canadian dollar	24,058	—	380
Australian dollar	37,540	—	(1,190)
Sterling pound	15,722	—	(354)
Russian ruble	6,207	—	163
Buy:			
Thai baht	6,853	—	101
Total	¥221,580	¥17,900	¥(1,903)

(\*)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, 2015 and 2014 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current portion	¥ 4,115	¥ 3,748	\$ 34,292
Non-current portion	34,898	33,599	290,817
Total	¥39,013	¥37,347	\$325,109

## 17 SEGMENT INFORMATION

### 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 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 3, "Changes in accounting policies", effective from the year ended March 31, 2015, the Company and its domestic subsidiaries, which are grouped in "Japan" segment, have changed the determination of retirement benefit obligations and current service costs. As a result of this change, segment income of "Japan" for the year ended March 31, 2015 increased by ¥630 million (\$5,250 thousand), compared to the previous method.

**Net sales, income or loss, and assets by reportable segments**

Net sales, income or loss, and assets by reportable segments for the years ended March 31, 2015 and 2014 were as follows:

For the year ended March 31, 2015	Millions of yen						
	Reportable segments					Adjustment <sup>(1)</sup>	Consolidated <sup>(2)</sup>
	Japan	North America	Europe	Other areas	Total		
Net sales:							
Outside customers	¥ 942,414	¥1,019,269	¥606,647	¥465,569	¥3,033,899	¥ —	¥3,033,899
Inter-segment	1,585,731	236,877	16,257	17,811	1,856,676	(1,856,676)	—
Total	2,528,145	1,256,146	622,904	483,380	4,890,575	(1,856,676)	3,033,899
Segment income	142,382	37,881	14,925	13,491	208,679	(5,791)	202,888
Segment assets	1,973,969	442,361	209,672	271,156	2,897,158	(423,871)	2,473,287
Other items:							
Depreciation and amortization	52,081	11,693	3,863	1,220	68,857	—	68,857
Amortization of goodwill	15	—	—	—	15	—	15
Investments in affiliated companies on the equity method	20,828	—	2,440	92,676	115,944	—	115,944
Increase in property, plant and equipment and intangible assets	75,706	34,296	2,194	18,814	131,010	—	131,010

For the year ended March 31, 2015	Thousands of U.S. dollars						
	Reportable segments					Adjustment <sup>(1)</sup>	Consolidated <sup>(2)</sup>
	Japan	North America	Europe	Other areas	Total		
Net sales:							
Outside customers	\$ 7,853,450	\$ 8,493,908	\$5,055,392	\$3,879,742	\$25,282,492	\$ —	\$25,282,492
Inter-segment	13,214,425	1,973,975	135,475	148,425	15,472,300	(15,472,300)	—
Total	21,067,875	10,467,883	5,190,867	4,028,167	40,754,792	(15,472,300)	25,282,492
Segment income	1,186,517	315,675	124,375	112,425	1,738,992	(48,259)	1,690,733
Segment assets	16,449,742	3,686,342	1,747,267	2,259,633	24,142,984	(3,532,259)	20,610,725
Other items:							
Depreciation and amortization	434,008	97,442	32,192	10,167	573,809	—	573,809
Amortization of goodwill	124	—	—	—	124	—	124
Investments in affiliated companies on the equity method	173,567	—	20,333	772,300	966,200	—	966,200
Increase in property, plant and equipment and intangible assets	630,883	285,800	18,283	156,784	1,091,750	—	1,091,750

	Millions of yen						
	Reportable segments					Adjustment <sup>(*)1</sup>	Consolidated <sup>(*)2</sup>
	Japan	North America	Europe	Other areas	Total		
For the year ended March 31, 2014							
Net sales:							
Outside customers	¥ 925,638	¥832,105	¥529,100	¥405,395	¥2,692,238	¥ —	¥2,692,238
Inter-segment	1,337,632	11,529	11,432	8,794	1,369,387	(1,369,387)	—
Total	2,263,270	843,634	540,532	414,189	4,061,625	(1,369,387)	2,692,238
Segment income	173,500	1,324	8,466	5,803	189,093	(6,972)	182,121
Segment assets	1,791,383	406,254	195,196	195,481	2,588,314	(342,278)	2,246,036
Other items:							
Depreciation and amortization	50,543	2,694	3,282	1,109	57,628	—	57,628
Amortization of goodwill	28	—	—	—	28	—	28
Investments in affiliated companies on the equity method	17,005	42,473	3,748	70,993	134,219	—	134,219
Increase in property, plant and equipment and intangible assets	70,302	54,394	1,519	7,001	133,216	—	133,216

(\*)1) Notes on adjustment:

(1) The adjustment on segment income are eliminations of inter-segment transactions.

(2) The adjustment on segment assets are mainly eliminations of inter-segment receivables and payables.

(\*)2) Segment income is reconciled with the operating income in the consolidated statements of income for the years ended March 31, 2015 and 2014.

Segment assets are reconciled with the total assets in the consolidated balance sheets for the years ended March 31, 2015 and 2014.

## Associated information

### Information by geographic areas

The sales information by geographic areas as of March 31, 2015 and 2014 were as follows:

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Japan	¥ 617,397	¥ 655,716	\$ 5,144,975
North America	1,022,247	834,803	8,518,725
Europe	613,367	534,937	5,111,392
Other areas	780,888	666,782	6,507,400
Total	¥3,033,899	¥2,692,238	\$25,282,492

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 during the years ended March 31, 2015 and 2014.

## 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, 2015, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and 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 appro-

priate 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, 2015, 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, 2015 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 23, 2015  
Hiroshima, Japan

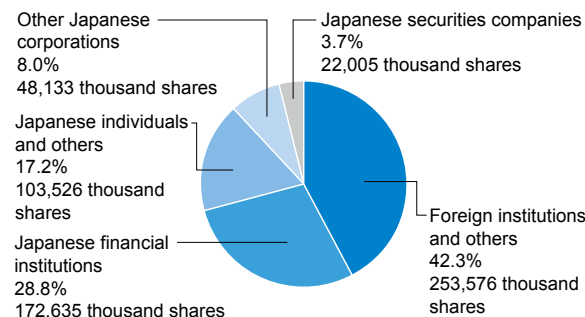


## Stock Information

(As of March 31, 2015)

Authorized:	1,200,000,000 shares
Issued:	599,875,479 shares
Number of shareholders:	150,386
Listing:	Tokyo Stock Exchange, First Section
Code:	7261
Fiscal year-end:	March 31
Transfer agent:	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)	34,115	5.7
The Master Trust Bank of Japan, Ltd. (Trust)	29,286	4.9
Sumitomo Mitsui Banking Corporation	12,857	2.2
FORD MOTOR COMPANY ACCOUNT FOR MAZDA SECURITIES	12,462	2.1
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	9,317	1.6
Mitsui Sumitomo Insurance Company, Limited	8,136	1.4
NORTHERN TRUST CO. (AVFC) RE 15PCT TREATY ACCOUNT	7,540	1.3
SAJAP	7,105	1.2
STATE STREET BANK WEST CLIENT - TREATY 505234	6,983	1.2
STATE STREET BANK AND TRUST COMPANY 505225	6,390	1.1

Note: Treasury stock of 2,048,585 shares is excluded in the calculation of the ratio.

## Corporate Data

(As of March 31, 2015)

Name:	Mazda Motor Corporation
Founded:	January 1920
Capital:	¥259.0 billion
Number of employees:	44,035 (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, Mexico, South Africa, Ecuador, Taiwan, Vietnam\*1, Malaysia\*2, Russia\*2

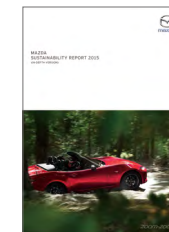
Sales companies: Japan: 240, Overseas: 144

Principal products: Four-wheeled vehicles, gasoline reciprocating engines, diesel engines, rotary engines, automatic and manual transmissions for vehicles

\*1. Some models are assembled locally. (Volume is not disclosed.)

\*2. Assembly only. (Volume is not disclosed.)

### INTRODUCTION TO OTHER TOOLS



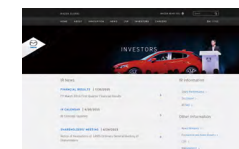
#### Mazda Sustainability Report 2015

Compilation of Mazda's CSR Activities

<http://www2.mazda.com/en/csr/download/>

\* To be published at the end of September 2015

### PLEASE VISIT OUR OFFICIAL WEBSITE



#### Investor Relations

Includes president's message, financial results, presentation documents

<http://www.mazda.com/en/investors/>



#### CSR

Includes environmental protection, social contributions, approaches to safety

<http://www.mazda.com/en/csr/>



#### About Mazda

Includes Mazda Vision, Company profile

<http://www.mazda.com/en/about/>

### FOR REQUESTS AND INQUIRIES

For inquiries concerning this Annual Report, please contact:

IR Group, Financial Planning Department  
Financial Services Division

Mazda Motor Corporation

3-1 Shinchi, Fuchu-cho, Aki-gun, Hiroshima 730-8670, Japan

Phone: +81 (82) 282-1111

# History of Mazda

## CORPORATE



## PRODUCT\*

**1931.10**  
 Production of 3-wheel truck "Mazda-go DA model," Mazda's first automobile, begins



**1980.6**  
 "Familia (GLC/323)" is fully redesigned



**1991.6**  
 "Mazda 787B" wins the 59th Le Mans 24-Hour Endurance Race, claiming the first-ever victory for a Japanese automobile



**2003.10**  
 Introduction of the first "Mazda3"



**2012.11**  
 "Mazda6" is fully redesigned



**2014.9**  
 "Mazda2" is fully redesigned



**1960.5**  
 Introduction of "R360 Coupe," Mazda's first passenger car



**1963.10**  
 Introduction of the first "Familia"



**1989.9**  
 Introduction of the first "MX-5"



**2002.5**  
 Introduction of the first "Mazda6"



**2012.2**  
 Introduction of "CX-5"



**2015.2**  
 Introduction of "CX-3"



**1967.5**  
 Introduction of the "Cosmo Sports (110s)," Mazda's first rotary engine vehicle



**1996.8**  
 Introduction of the first "Mazda2"



**2010.1**  
 Next-generation SKYACTIV TECHNOLOGY announced



**2013.11**  
 "Mazda3" is fully redesigned



**2015.5**  
 "MX-5" is fully redesigned



\* Launching date is based on the Japanese market

