

Consolidated Financial Review

Fiscal 1998, year ended March 31, 1998, was a year of substantial progress in improving Mazda's financial performance. Highlights included:

- Consolidated sales totaled ¥2,041.4 billion, up 7.8%, or ¥147.2 billion, over fiscal 1997, year ended March 31, 1997.
- Consolidated net losses of ¥6.8 billion were recorded, representing an improvement of ¥10.7 billion compared with fiscal 1997.
- Profits of Mazda Motor Corporation (hereafter the "Company") totaled ¥11.5 billion, a 88.4% increase, or ¥5.4 billion, compared with fiscal 1997. Importantly, the operating profit of ¥31.2 billion yen, which signified an improvement of ¥36.5 billion compared with the previous year, was the first operating profit since fiscal 1993.

Business Conditions

In Japan, the economy remained sluggish and consumer confidence declined. This was reflected in lower auto industry sales of 6,275 thousand units, down 13.9% from fiscal 1997. Despite this downturn and a very competitive market environment, Mazda's market share was successfully increased from 4.8% to 5.1%.

In North America and Europe, industry sales remained strong during fiscal 1998, but competitive market pressures intensified with many value-for-money new product launches. Mazda's market share in the United States was 1.5%, equal to that of fiscal 1997. In Europe, Mazda's market share was 1.4%, up 0.1 percentage points from the prior term.

In Asia, the sharp economic downturn and currency devaluations resulted in rising interest rates, increased unemployment and a rapid decline in demand for automobiles in all markets.

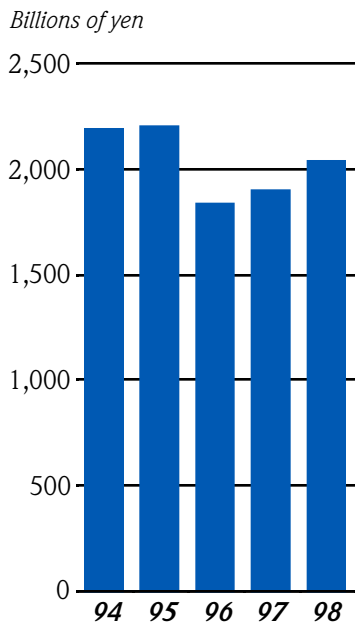
Consolidated Financial Results

Mazda's consolidated net loss of ¥6.8 billion reflected an improvement of ¥5.4 billion in Company profits and a reduction of ¥5.3 billion in consolidated subsidiary losses and consolidation adjustments.

The improvement in Company profits reflected cost reductions and operating efficiencies in all elements of the business, favorable currency movements and an improved sales mix. Increases in research and development and sales expense, nonrecurrence of profits from the sale of securities and an investment revaluation provision were partial offsets.

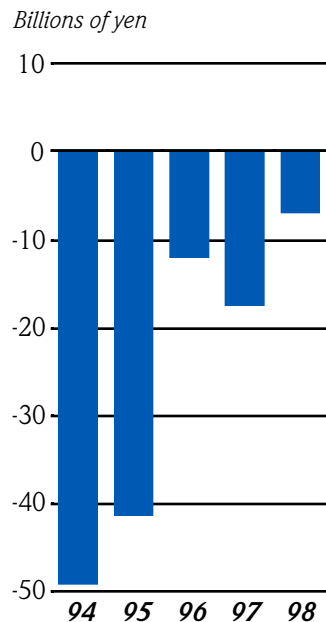
Net Sales

(For the fiscal year)



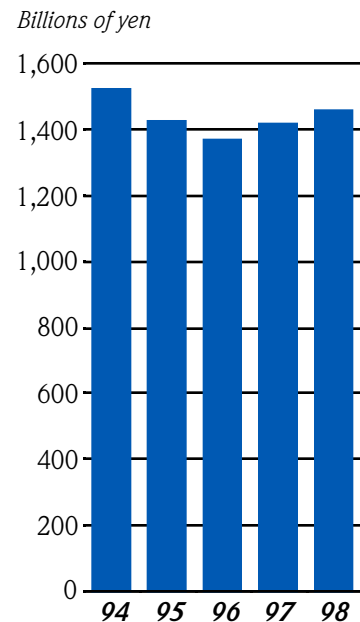
Net Loss

(For the fiscal year)



Total Assets

(At fiscal year-end)



Cost reductions and improved operating efficiencies further improved the Company's financial structure and contributed substantially to the operating profit of ¥31.2 billion, an improvement of ¥36.5 billion and the first operating profit in five years.

The ¥5.3 billion improvement in consolidated subsidiary results was due mainly to more efficient manufacturing and distribution operations in North America. The North American results were offset partially by increased losses in Europe, owing mainly to currency fluctuations, and losses in Rest of World operations, primarily reflecting pre start-up costs for AutoAlliance (Thailand) Company Limited and the downturn in Asian economies.

	Billions of yen		
	1998	1997	Change from prior year
Japan	¥12.3	¥ 7.5	¥ 4.8
North America	(10.0)	(19.8)	9.8
Europe	(3.1)	(1.7)	(1.4)
Rest of World	(3.6)	1.9	(5.5)
Inter-segment elimination	(2.4)	(5.4)	3.0
Total	¥ (6.8)	¥(17.5)	¥10.7

Financial Position and Liquidity

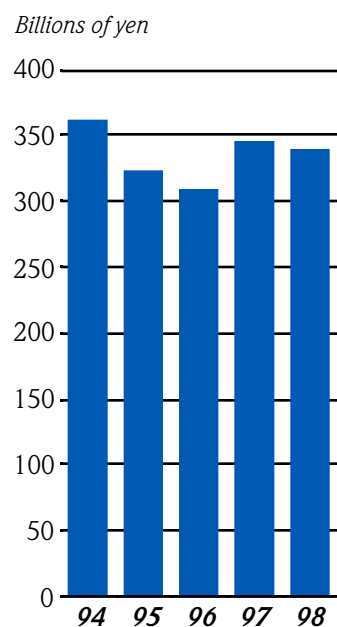
Cash and cash equivalents increased ¥31.5 billion to ¥155.3 billion.

Mazda recorded its third consecutive year of positive cash flows, ¥482 million, in fiscal 1998. Capital expenditures was ¥55.1 billion (or ¥50.1 billion on cash basis), up ¥27.9 billion from fiscal 1997, primarily reflecting an increase in investment in new products and technologies, including those for the U.S. manufacturing plant.

Total assets increased ¥38.9 billion to ¥1,456.3 billion and total debt increased ¥36.0 billion to ¥735.5 billion, reflecting an expansion of credit sales of Mazda Credit Corporation in the domestic market.

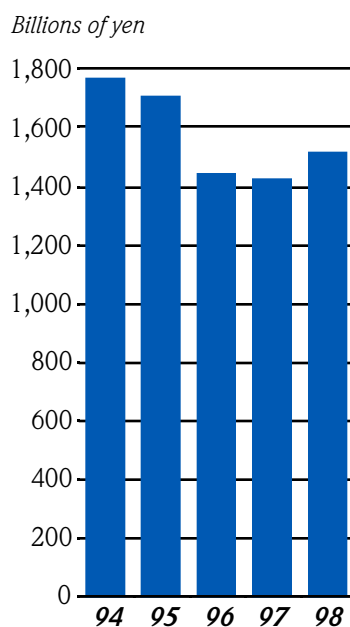
Shareholders' Equity

(At fiscal year-end)



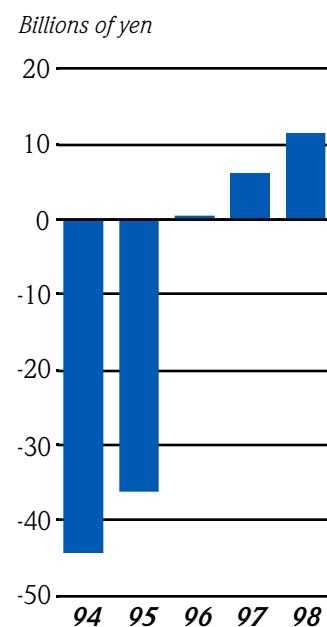
Net Sales (Parent Company)

(For the fiscal year)



Net Income (Parent Company)

(For the fiscal year)



Consolidated Balance Sheets

MAZDA MOTOR CORPORATION
March 31, 1998 and 1997

Assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	1998	1997	1998
Current assets:			
Cash and cash equivalents	¥ 155,340	¥ 123,838	\$ 1,176,818
Short-term investments	53,218	54,284	403,167
Trade notes and accounts receivable	362,942	343,117	2,749,561
Inventories (Note 5)	193,862	178,585	1,468,651
Other current assets	59,517	57,605	450,886
Allowance for doubtful receivables	(18,188)	(8,149)	(137,788)
Total current assets	806,691	749,280	6,111,295
Property, plant and equipment:			
Land	116,972	117,012	886,152
Buildings and structures	328,395	324,396	2,487,841
Machinery and equipment	750,247	746,092	5,683,689
Tools, furniture and fixtures	343,014	341,089	2,598,591
Construction in progress	37,593	31,410	284,795
	1,576,221	1,559,999	11,941,068
Accumulated depreciation	(1,087,648)	(1,062,205)	(8,239,757)
Net property, plant and equipment	488,573	497,794	3,701,311
Investments and other assets:			
Investment securities:			
Unconsolidated subsidiaries and affiliated companies	54,938	64,103	416,197
Other	22,418	22,322	169,833
Long-term loans receivable	10,987	5,043	83,235
Other investments and other assets	85,054	79,368	644,349
Allowance for doubtful receivables	(6,293)	(503)	(47,674)
Investment valuation allowance	(6,000)	—	(45,455)
Total investments and other assets	161,104	170,333	1,220,485
	¥1,456,368	¥1,417,407	\$11,033,091

See accompanying notes.

Liabilities and Shareholders' Equity

	Millions of yen		Thousands of U.S. dollars (Note 1)
	1998	1997	1998
Current liabilities:			
Short-term bank loans	¥ 361,982	¥ 307,747	\$ 2,742,288
Long-term debt due within one year (Note 6)	133,740	122,800	1,013,182
Trade notes and accounts payable	177,974	191,894	1,348,288
Accrued income taxes	1,404	1,188	10,636
Accrued expenses	73,723	65,845	558,507
Other current liabilities	78,380	62,507	593,788
Total current liabilities	827,203	751,981	6,266,689
Long-term debt due after one year (Note 6)	239,833	268,950	1,816,917
Employees' retirement benefits (Note 7)	26,129	25,890	197,947
Other long-term liabilities	10,755	12,702	81,477
Minority interests in consolidated subsidiaries	13,874	13,405	105,106
Contingent liabilities (Note 8)			
Shareholders' equity:			
Common stock, par value ¥50 per share:			
Authorized: 3,000,000,000 shares			
Issued: 1,222,273,377 shares in 1998 and 1997	120,026	120,026	909,288
Capital surplus	104,163	104,163	789,114
Legal reserve	15,724	15,607	119,121
Retained earnings	98,661	104,683	747,432
Total shareholders' equity	338,574	344,479	2,564,955
	¥1,456,368	¥1,417,407	\$ 11,033,091

Consolidated Statements of Income

MAZDA MOTOR CORPORATION
Years ended March 31, 1998, 1997 and 1996

	Millions of yen			Thousands of U.S. dollars (Note 1)
	1998	1997	1996	1998
Net sales	¥2,041,428	¥1,894,200	¥1,842,892	\$15,465,364
Cost and expenses:				
Cost of sales	1,633,694	1,661,731	1,635,774	12,376,470
Selling, general and administrative expenses	374,510	232,158	215,254	2,837,197
	2,008,204	1,893,889	1,851,028	15,213,667
Operating income (loss)	33,224	311	(8,136)	251,697
Other income (expense):				
Interest and dividend income	6,838	5,353	5,959	51,803
Interest expense	(27,660)	(26,238)	(31,792)	(209,545)
Other, net (Note 12)	(11,400)	22,299	29,874	(86,364)
	(32,222)	1,414	4,041	(244,106)
Income (loss) before income taxes	1,002	1,725	(4,095)	7,591
Income taxes:				
Current	2,971	2,750	1,916	22,507
Deferred	(1,850)	(1,132)	(577)	(14,015)
	1,121	1,618	1,339	8,492
Minority interests of consolidated subsidiaries	(119)	107	(5,434)	(901)
Amortization of consolidation adjustments	(175)	560	1,274	(1,326)
Equity in net loss of unconsolidated subsidiaries and affiliated companies	(5)	(244)	(244)	(38)
	(6,502)	(17,971)	(7,474)	(49,258)
Net loss	¥ (6,801)	¥ (17,548)	¥ (11,878)	\$ (51,523)

	Yen			U.S. dollars (Note 1)
Amounts per share of common stock:				
Net loss	¥(5.56)	¥(14.62)	¥(11.02)	\$ (0.042)
Cash dividends applicable to the year	-	-	-	-

See accompanying notes.

Consolidated Statements of Shareholders' Equity

MAZDA MOTOR CORPORATION
Years ended March 31, 1998, 1997 and 1996

	Shares of common stock	Millions of yen			
		Common stock	Capital surplus	Legal reserve	Retained earnings
Balance at March 31, 1995	1,078,168,030	¥ 93,798	¥ 78,080	¥ 15,471	¥134,478
Net loss	—	—	—	—	(11,878)
Bonuses to directors and corporate auditors	—	—	—	—	(21)
Transfer to legal reserve	—	—	—	85	(85)
Decrease due to merger					
by an equity method company	—	—	—	—	(516)
Foreign currency translation adjustment	—	—	—	—	(69)
Balance at March 31, 1996	1,078,168,030	93,798	78,080	15,556	121,909
Net loss	—	—	—	—	(17,548)
Bonuses to directors and corporate auditors	—	—	—	—	(18)
Transfer to legal reserve	—	—	—	44	(44)
Increase due to merger by a consolidated subsidiary with its subsidiary	—	—	—	7	384
Common stock issued upon third party allotment to Ford Motor Company	144,100,000	26,226	26,082	—	—
Common stock issued upon conversion of convertible bonds	5,347	2	1	—	—
Balance at March 31, 1997	1,222,273,377	120,026	104,163	15,607	104,683
Decrease due to a company newly accounted for by the equity method	—	—	—	—	(630)
Net loss	—	—	—	—	(6,801)
Bonuses to directors and corporate auditors	—	—	—	—	(14)
Transfer to legal reserve	—	—	—	66	(66)
Increase due to merger by consolidated subsidiaries with their subsidiaries	—	—	—	51	1,489
Balance at March 31, 1998	1,222,273,377	¥120,026	¥104,163	¥15,724	¥ 98,661

	Thousands of U.S. dollars (Note 1)			
	Common stock	Capital surplus	Legal reserve	Retained earnings
Balance at March 31, 1997	\$ 909,288	\$ 789,114	\$ 118,235	\$ 793,053
Decrease due to a company newly accounted for by the equity method	—	—	—	(4,772)
Net loss	—	—	—	(51,523)
Bonuses to directors and corporate auditors	—	—	—	(106)
Transfer to legal reserve	—	—	500	(500)
Increase due to merger by consolidated subsidiaries with their subsidiaries	—	—	386	11,280
Balance at March 31, 1998	\$ 909,288	\$ 789,114	\$ 119,121	\$ 747,432

See accompanying notes.

Consolidated Statements of Cash Flows

MAZDA MOTOR CORPORATION
Years ended March 31, 1998, 1997 and 1996

	Millions of yen			Thousands of U.S. dollars (Note 1)
	1998	1997	1996	1998
Cash flows from operating activities:				
Net loss	¥ (6,801)	¥ (17,548)	¥ (11,878)	\$ (51,523)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	46,530	50,948	57,909	352,500
Loss (gain) on sale of property, plant and equipment—net	4,656	2,476	(3,392)	35,273
Provision for (reversal of) retirement allowances	239	(3,978)	(3,216)	1,811
Allowance for doubtful long-term receivables	5,790	—	—	43,864
Investment valuation allowance	6,000	—	—	45,455
Increase (decrease) in minority interests	469	(1,456)	(897)	3,553
Changes in operating assets and liabilities, net of effects from changes in scope of consolidation:				
Increase in trade notes and accounts receivable	(9,786)	(1,509)	(27,726)	(74,136)
Decrease (increase) in inventories	(15,277)	18,854	30,712	(115,735)
Decrease (increase) in other current assets	(870)	(7,637)	6,177	(6,591)
Decrease in trade notes and accounts payable	(13,920)	(17,417)	(4,558)	(105,455)
Increase (decrease) in other current liabilities	18,942	15,279	(8,810)	143,500
Other	16,767	35,938	15,399	127,022
Net cash provided by operating activities	52,739	73,950	49,720	399,538
Cash flows from investing activities:				
Decrease in short-term investments	1,066	5,993	9,623	8,076
Decrease (increase) in investment securities	396	(19,069)	(2,915)	3,000
Increase in long-term loans receivable	(5,944)	(3,931)	(134)	(45,030)
Additions to property, plant and equipment	(50,131)	(27,250)	(19,403)	(379,780)
Proceeds from sale of property, plant and equipment	8,202	4,354	24,751	62,136
Other	(5,846)	(6,476)	(6,299)	(44,289)
Net cash provided by (used in) investing activities	(52,257)	(46,379)	5,623	(395,887)
Cash flows from financing activities:				
Increase (decrease) in short-term bank loans	49,623	(29,859)	7,509	375,932
Proceeds from long-term debt	108,500	29,820	46,052	821,970
Repayment of long-term debt	(126,570)	(96,074)	(81,257)	(958,864)
Issuance of common stock	—	52,308	—	—
Other	(14)	(2,214)	(151)	(106)
Net cash provided by (used in) financing activities	31,539	(46,019)	(27,847)	238,932
Effect of exchange rate fluctuations on cash and cash equivalents				
	(519)	(1,104)	(1,010)	(3,932)
Net increase (decrease) in cash and cash equivalents	31,502	(19,552)	26,486	238,651
Cash and cash equivalents at beginning of the year	123,838	143,390	116,904	938,167
Cash and cash equivalents at end of the year	¥ 155,340	¥ 123,838	¥ 143,390	\$ 1,176,818

See accompanying notes.

Notes to Consolidated Financial Statements

MAZDA MOTOR CORPORATION

1. Basis of Presenting Consolidated Financial Statements

Mazda Motor Corporation (the “Company”), a Japanese company, maintains its records and prepares its financial statements in yen in accordance with accounting principles generally accepted in Japan.

The accompanying consolidated financial statements have been translated from the financial statements that are prepared for Japanese domestic purposes in accordance with the provisions of the Securities and Exchange Law of Japan. The statements have been filed with the Minister of Finance of Japan.

In preparing the accompanying financial statements, certain modifications and reclassifications have been made and some information, including the statements of shareholders’ equity and cash flows, has been added to facilitate understanding by readers outside Japan.

The financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 1998, of ¥132 to US\$1. The translations should not be construed as representations that the Japanese yen amounts have been or could be converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of the Company’s significant domestic and foreign subsidiaries. Intercompany transactions and accounts have been eliminated.

Equity method

Investments in certain unconsolidated subsidiaries and affiliated companies (20% to 50% owned) are accounted for by the equity method and, accordingly, are stated at cost adjusted for equity in undistributed earnings and losses from the date of acquisition.

Foreign currency translation

Current monetary assets and liabilities denominated in foreign currencies are translated into yen at the rate of exchange in effect at the balance sheet date.

Long-term monetary assets and liabilities denominated in foreign currencies are translated at the historical exchange rate. Such translated amounts do not include unrealized exchange losses for which recoveries are not reasonably expected.

Revenues and expenses are translated at the rates of exchange prevailing when transactions occur.

Foreign exchange gains and losses are reflected in the statements of income.

Translation of foreign currency financial statements

The Company translates assets and liabilities at the rate of exchange in effect at the balance sheet date; revenues, expenses and net income at the average rate of exchange during the year; and retained earnings at historical exchange rates commencing with the historical rate in effect on April 1, 1996 when the Company applied the amended accounting standard for foreign currency translation. Translation differences are included in other assets in the consolidated balance sheets.

Prior to application of the new standard referred to above, net income and retained earnings were translated at the rate of exchange in effect at the balance sheet date. Translation differences derived from the translation of retained earnings were charged or credited directly to retained earnings.

Cash and cash equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Marketable securities and investment securities

Marketable securities and investment securities are stated at cost determined by the average method.

Inventories

Inventories are stated at cost determined by the average method.

Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is computed using the declining balance method over the useful lives of the assets. For tools, however, the straight-line method is used.

Employees' retirement benefits

Employees' retirement benefits covering all employees of the Company are provided through an unfunded lump-sum benefit plan and a funded pension plan. Under the plans, eligible employees are entitled, under most circumstances, to severance payments based on compensation at the time of severance and years of service.

The funded pension plan covers 50% of total retirement benefits for all employees and the unfunded lump-sum benefit plan covers the remaining benefits.

The liability for employees' retirement benefits under the lump-sum benefit plan is provided to the maximum amount permitted by Japanese income tax law, based on the amount which would be required if all eligible employees voluntarily retired at the balance sheet date.

Income taxes

Current income taxes represent the amounts calculated on taxable income for the respective years. Accrued income taxes represent the amounts currently payable. Deferred income taxes are recognized only for temporary differences resulting from the elimination of intercompany profits and other consolidation entries. The tax effects of other temporary differences are not recognized.

Research and development costs

Research and development costs are charged to income when incurred and are included in cost of sales.

Amounts per share of common stock

The computations of net loss per share of common stock are based on the average number of shares outstanding during each fiscal year.

3. Market Value Information for Securities — The Company Only

At March 31, 1998 and 1997, book values, market values and net unrealized gains (losses) of marketable securities were as follows:

	Millions of yen						Thousands of U.S. dollars
	1998			1997			1998
	Book value	Market value	Unrealized gains (losses)	Book value	Market value	Unrealized gains (losses)	Unrealized gains (losses)
Short-term investments:							
Shares	¥51,792	¥41,421	¥(10,371)	¥53,001	¥49,970	¥(3,031)	\$ (78,569)
Investment securities:							
Shares	13,350	3,762	(9,588)	13,349	12,364	(985)	(72,636)
Other	1,252	1,198	(54)	1,210	1,230	20	(409)
	14,602	4,960	(9,642)	14,559	13,594	(965)	(73,045)
	¥66,394	¥46,381	¥(20,013)	¥67,560	¥63,564	¥(3,996)	\$(151,614)

4. Off Balance Sheet Derivatives — The Company Only

The Company enters into foreign exchange contracts for hedging exposures to currency fluctuations in foreign currency transactions. These instruments involve risks of exchange rate fluctuations.

At March 31, 1998, the Company had outstanding foreign exchange contracts to purchase U.S. dollars in the amount of \$30,000 thousand. Unrealized gains on these contracts were ¥182 million (\$1,379 thousand) using the prevailing forward exchange rates on that date.

5. Inventories

Inventories at March 31, 1998 and 1997, were as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Finished products	¥167,036	¥151,435	\$1,265,424
Work in process	21,683	21,850	164,265
Raw materials and supplies	5,143	5,300	38,962
	¥193,862	¥178,585	\$1,468,651

6. Long-Term Debt

Long-term debt at March 31, 1998 and 1997, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Domestic mortgage bonds due 1997 at rates of 7.3% to 7.8% per annum	¥ -	¥ 10,100	\$ -
Domestic mortgage bonds due 1998 at a rate of 6.5% per annum	500	500	3,788
Domestic unsecured bonds due serially 2001 through 2004 at rates of 2.25% to 3.0% per annum	50,000	-	378,788
Euroyen bonds due serially through 2002 at rates of 4.05% to 6.4% per annum	120,000	120,000	909,091
Floating rate Euroyen notes due 2000	10,000	10,000	75,758
Domestic unsecured convertible bonds due 1998 at a rate of 1.7% per annum	-	78,811	-
Domestic unsecured convertible bonds due 1999 at a rate of 6.5% per annum	78,312	78,312	593,273
3.0% U.S. dollar convertible bonds due 2000	112	112	848
Colombia peso bonds	-	1,259	-
Loans principally from banks and insurance companies	114,649	92,656	868,553
	373,573	391,750	2,830,099
Amount due within one year	(133,740)	(122,800)	(1,013,182)
	¥239,833	¥268,950	\$1,816,917

The indentures covering the 3.0% and 6.5% convertible bonds provide, among other conditions, for (1) conversion into shares of common stock at the conversion price of ¥470.60 (\$1.87 at the fixed rate of ¥251.65 to \$1), and ¥532.80 (\$4.04), respectively, and (2) redemption at the option of the Company commencing in April 1990 and April 1995, respectively, at prices ranging from 103% to 100% of the principal amounts.

As is customary in Japan, security must be given if requested by a lending bank. Such a bank has the right to offset cash deposited with it against any debt or obligation that becomes due and, in the case of default or certain other specified events, against all debts payable to the bank. The Company has never received any such requests.

The annual maturities of long-term debt at March 31, 1998, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
1999	¥133,740	\$1,013,182
2000	55,701	421,977
2001	68,104	515,939
2002	34,135	258,599
2003	40,755	308,750
Thereafter	41,138	311,652

7. Employees' Retirement Benefits

Charges with respect to the lump-sum benefit plan and funded pension plan included in costs and expenses were ¥10,321 million (\$78,189 thousand), ¥5,681 million, and ¥5,540 million for the years ended March 31, 1998, 1997 and 1996, respectively.

8. Contingent Liabilities

At March 31, 1998, the Company and its consolidated subsidiaries were contingently liable as guarantors for loans of other companies in the amount of ¥9,726 million (\$73,682 thousand) and for discounted trade notes receivable in the amount of ¥1,809 million (\$13,705 thousand).

9. Common Stock

In accordance with the Commercial Code of Japan (the "Code"), certain issues of shares of common stock, including conversion of convertible bonds, are required to be credited to common stock to the extent of the greater of par value or 50% of the proceeds by resolution of the Board of Directors. The remaining amounts are credited to capital surplus.

The Company reserved 147,222,615 shares of common stock at March 31, 1998, for conversion of the 3.0% and 6.5% convertible bonds.

10. Legal Reserve

Under the Code, the Company is required to appropriate to legal reserve an amount equal to at least 10% of the total amount of cash dividends paid and bonuses to directors and corporate auditors until the reserve equals 25% of common stock. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors.

11. Comparative Consolidated Financial Information

Income and expenses of Mazda Motor of America, Inc., which in prior years was accounted for as an affiliate under the equity method, have been consolidated commencing with the year ended March 31, 1998, as a result of an increase in the Company's ownership.

Had this company's income and expenses been consolidated for the two prior years, selective comparative financial information would have been as follows:

	Millions of yen			Thousands of U.S. dollars
	1998	1997	1996	1998
Net sales	¥2,041,428	¥1,970,904	¥1,970,801	\$15,465,364
Costs and expenses	2,008,204	1,980,667	1,981,962	15,213,667
Operating income (loss)	33,224	(9,763)	(11,161)	251,697
Equity in net loss of unconsolidated subsidiaries and affiliated companies	¥ (6,502)	¥ (4,555)	¥ (2,816)	\$ (49,258)
Net loss	¥ (6,801)	¥ (17,548)	¥ (11,878)	\$ (51,523)

12. Other Income (Expenses)

Other income (expenses) in the statements of income for the years ended March 31, 1998, 1997 and 1996, were comprised as follows:

	Millions of yen			Thousands of U.S. dollars
	1998	1997	1996	1998
Gain on sale of securities	¥ –	¥24,691	¥24,432	\$ –
Gain (loss) on sale of property, plant and equipment, net	(4,656)	(2,476)	3,392	(35,273)
Rental income	6,205	6,442	6,683	47,008
Past service costs of the pension plan	(3,131)	(3,201)	(3,271)	(23,720)
Restructuring of affiliates	(928)	(4,562)	(897)	(7,030)
Investment valuation allowance	(6,000)	–	–	(45,455)
Miscellaneous	(2,890)	1,405	(465)	(21,894)
	¥(11,400)	¥22,299	¥29,874	\$ (86,364)

13. Segment Information

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

Net sales, operating income (loss) and identifiable assets by geographic area for the years ended March 31, 1998, 1997 and 1996 were as follows:

1998	Millions of yen						
	Japan	North America	Europe	Other areas	Total	Elimination or corporate	Consolidated
Net sales:							
Outside customers	¥1,180,696	¥581,390	¥182,843	¥96,499	¥2,041,428	¥ -	¥2,041,428
Inter-area	409,879	14,938	40	-	424,857	(424,857)	-
Total	1,590,575	596,328	182,883	96,499	2,466,285	(424,857)	2,041,428
Costs and expenses	1,549,867	601,575	183,327	94,504	2,429,273	(421,069)	2,008,204
Operating income (loss)	¥ 40,708	¥ (5,247)	¥ (444)	¥ 1,995	¥ 37,012	¥ (3,788)	¥ 33,224
Total identifiable assets	¥1,213,863	¥179,509	¥ 89,174	¥33,792	¥1,516,338	¥ (59,970)	¥1,456,368

1997	Millions of yen				
	Japan	Other areas	Total	Elimination or corporate	Consolidated
Net sales:					
Outside customers	¥1,355,239	¥538,961	¥1,894,200	¥ -	¥1,894,200
Inter-area	154,903	11,675	166,578	(166,578)	-
Total	1,510,142	550,636	2,060,778	(166,578)	1,894,200
Costs and expenses	1,509,352	549,026	2,058,378	(164,489)	1,893,889
Operating income	¥ 790	¥ 1,610	¥ 2,400	¥ (2,089)	¥ 311
Total identifiable assets	¥1,171,619	¥284,143	¥1,455,762	¥ (38,355)	¥1,417,407

1996	Millions of yen				
	Japan	Other areas	Total	Elimination or corporate	Consolidated
Net sales:					
Outside customers	¥1,368,754	¥474,138	¥1,842,892	¥ -	¥1,842,892
Inter-area	164,971	10,739	175,710	(175,710)	-
Total	1,533,725	484,877	2,018,602	(175,710)	1,842,892
Costs and expenses	1,542,030	483,623	2,025,653	(174,625)	1,851,028
Operating income (loss)	¥ (8,305)	¥ 1,254	¥ (7,051)	¥ (1,085)	¥ (8,136)
Total identifiable assets	¥1,214,583	¥182,031	¥1,396,614	¥ (28,428)	¥1,368,186

1998	Thousands of U.S. dollars						
	Japan	North America	Europe	Other areas	Total	Elimination or corporate	Consolidated
Net sales:							
Outside customers	\$ 8,944,667	\$4,404,470	\$1,385,174	\$731,053	\$15,465,364	\$ -	\$15,465,364
Inter-area	3,105,144	113,166	303	-	3,218,613	(3,218,613)	-
Total	12,049,811	4,517,636	1,385,477	731,053	18,683,977	(3,218,613)	15,465,364
Costs and expenses	11,741,417	4,557,386	1,388,841	715,939	18,403,583	(3,189,916)	15,213,667
Operating income (loss)	\$ 308,394	\$ (39,750)	\$ (3,364)	\$ 15,114	\$ 280,394	\$ (28,697)	\$ 251,697
Total identifiable assets	\$ 9,195,932	\$1,359,917	\$ 675,560	\$256,000	\$11,487,409	\$ (454,318)	\$11,033,091

In accordance with the change in the provisions of the Securities and Exchange Law of Japan, the Company began to disclose segment information by more detailed geographic areas from 1998.

International sales of the Company and its consolidated subsidiaries for the year ended March 31, 1998 were as follows:

	North America	Europe	Other areas	Total
	Millions of yen			
International sales	¥ 670,110	¥ 337,007	¥ 330,553	¥ 1,337,670
	Thousands of U.S. dollars			
International sales	\$5,076,591	\$2,553,083	\$2,504,190	\$10,133,864
Percentage of consolidated net sales	32.8%	16.5%	16.2%	65.5%

In prior years international sales were required to be disclosed in totals only. International sales for the years ended March 31, 1997 and 1996 and the respective percentages of consolidated net sales were ¥1,144,292 million (60.4%) and ¥1,025,599 million (55.7%).

International sales include exports by the Company and its domestic consolidated subsidiaries as well as sales by overseas consolidated subsidiaries.

14. Subsequent Events

The Board of Directors of the Company resolved on April 28, 1998 to issue notes and bonds of up to ¥70,000 million from April to July 1998. The Company issued domestic unsecured bonds of ¥5,000 million bearing interest of 2.2% per annum on June 2, 1998 and also decided to issue French franc 500 million notes bearing interest of 5.875% per annum on July 8, 1998. The bonds and notes mature in 2003.

Report of Independent Certified Public Accountants

To the Shareholders and the Board of Directors of Mazda Motor Corporation:

We have audited the accompanying consolidated balance sheets of Mazda Motor Corporation (a Japanese corporation) and subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 1998, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Mazda Motor Corporation and subsidiaries as of March 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 1998 in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Asahi & Co.

Hiroshima Japan

June 26, 1998

Consolidated Five-Year Summary

MAZDA MOTOR CORPORATION
Years ended March 31, 1998, 1997, 1996, 1995 and 1994

	Millions of yen					Thousands of U.S. dollars ¹
	1998	1997	1996	1995	1994	1998
Net sales	¥2,041,428	¥1,894,200	¥1,842,892	¥2,204,129	¥2,188,201	\$ 15,465,364
Domestic	703,758	749,908	817,293	810,684	770,910	5,331,500
Overseas	1,337,670	1,144,292	1,025,599	1,393,445	1,417,291	10,133,864
Net loss	(6,801)	(17,548)	(11,878)	(41,156)	(48,993)	(51,523)
Total assets	1,456,368	1,417,407	1,368,186	1,425,595	1,519,801	11,033,091
Shareholders' equity	338,574	344,479	309,343	321,827	361,107	2,564,955
Capital expenditures ²	55,156	27,298	19,681	36,663	65,017	417,848
Depreciation and amortization	46,530	50,948	57,909	67,384	81,442	352,500
Financial debts	735,555	699,497	747,309	774,901	772,520	5,572,387
Cash flows ³	482	27,571	55,343	(216)	(51,988)	3,651
Number of employees	31,665	32,919	33,705	35,361	33,118	
	Thousands of shares					
Shares outstanding at year-end	1,222,273	1,222,273	1,078,168	1,078,168	1,076,058	
	Yen					U.S. dollars
Net loss per share ⁴	¥ (5.56)	¥ (14.62)	¥ (11.02)	¥ (38.19)	¥ (45.53)	\$ (0.042)

Notes:

- The translation of the Japanese yen amounts into U.S. dollars are presented solely for the convenience of readers, using the prevailing exchange rate at March 31, 1998, of ¥132 to US\$1.
- Capital expenditures are calculated on an accrual basis.
- Cash flows represent net of cash flows from operating activities and those from investing activities.
- The computations of net loss per share of common stock are based on the average number of shares outstanding during each fiscal year.

Nonconsolidated Five-Year Summary

MAZDA MOTOR CORPORATION
Years ended March 31, 1998, 1997, 1996, 1995 and 1994

	Millions of yen					Thousands of U.S. dollars ¹
	1998	1997	1996	1995	1994	1998
Net sales	¥1,512,397	¥1,426,803	¥1,443,328	¥1,699,611	¥1,768,685	\$11,457,553
Domestic	631,191	673,675	734,253	718,106	700,966	4,781,758
Export	881,206	753,128	709,075	981,505	1,067,719	6,675,795
Net income (loss)	11,513	6,111	355	(35,798)	(44,182)	87,220
Total assets	1,014,868	997,094	1,035,956	1,088,511	1,256,685	7,688,394
Shareholders' equity	385,733	374,220	315,798	315,443	349,433	2,922,220
Capital expenditures ²	34,156	21,555	15,586	27,487	54,017	258,758
Depreciation and amortization	38,002	43,452	50,347	57,784	75,823	287,894
Financial debts	394,162	398,003	486,800	527,504	584,871	2,986,076
Number of employees	23,873	24,891	26,072	27,321	29,161	
	Thousands of shares					
Shares outstanding at year-end	1,222,273	1,222,273	1,078,168	1,078,168	1,076,058	
	Yen					U.S. dollars
Net income (loss) per share ³	¥ 9.42	¥ 5.09	¥ 0.33	¥ (33.22)	¥ (41.06)	\$ 0.07
Factory sales⁴:	Units					
Domestic	345,045	376,906	390,717	409,852	394,954	
Export	556,938	466,039	427,443	574,077	614,038	
Total	901,983	842,945	818,160	983,929	1,008,992	

Notes:

1. The translation of the Japanese yen amounts into U.S. dollars are presented solely for the convenience of readers, using the prevailing exchange rate at March 31, 1998, of ¥132 to US\$1.
2. Capital expenditures are calculated on an accrual basis.
3. The computations of net income (loss) per share of common stock are based on the average number of shares outstanding during each fiscal year.
4. "Factory sales" represent sales by unit from Mazda Motor Corporation to wholesalers and dealerships.

Board of Directors

(As of June 26, 1998)



Mamoru Takebayashi
Representative Director and
Chairman of the Board



James E. Miller
Representative Director
and President



Gary K. Hexter
Representative Director,
Senior Managing Director
and Chief Financial Officer

**Representative Director and
Chairman of the Board**
Mamoru Takebayashi

**Representative Director and
President**
James E. Miller

**Representative Director,
Senior Managing Director
and Chief Financial Officer**
Gary K. Hexter



Ronald J. Leicht
Senior Managing Director



Yoichiro Furuse
Senior Managing Director



Tadahiko Takiguchi
Senior Managing Director



Katsuaki Yamamoto
Senior Managing Director



Kazuhide Watanabe
Senior Managing Director

Senior Managing Directors
Ronald J. Leicht
Yoichiro Furuse
Tadahiko Takiguchi
Katsuaki Yamamoto
Kazuhide Watanabe

Managing Directors
Richard N. Beattie
Robert L. Shanks
Tsuneo Matsubara
Mutsumi Fujiwara
Hisakazu Imaki
Kei Kado
Martin R. Leach
Kenichi Yamamoto
Takashi Yamanouchi



Richard N. Beattie
Managing Director



Robert L. Shanks
Managing Director



Tsuneo Matsubara
Managing Director



Mutsumi Fujiwara
Managing Director



Hisakazu Imaki
Managing Director

Directors
Tadahiko Hasegawa
Kenneth R. Kent
Teruo Makino
Toshio Wakiya
Shigetake Yoshimura
Akira Inabayashi
Shigeharu Hiraiwa
Katsuhiko Seo
Hitoshi Inoue
Paul R. Stokes
Masakatsu Takeyari
Nobuaki Sanada
Fumiaki Inami
Tadashi Meguro
Masaharu Yamaki
Sotoo Tatsumi



Kei Kado
Managing Director



Martin R. Leach
Managing Director



Kenichi Yamamoto
Managing Director



Takashi Yamanouchi
Managing Director

Standing Corporate Auditors
Yoshimasa Choami
Shigeo Kasuga
Yoshio Miyamoto

Corporate Auditor
Yataro Tamura

Corporate Data

(As of March 31, 1998)

FOUNDED 1920

COMMON STOCK

Par Value: ¥50
Authorized: 3,000,000,000 shares
Issued: 1,222,273,377 shares
Capital: ¥120,026 million
Number of Shareholders: 53,587
Listings: Tokyo, Osaka, Nagoya
Hiroshima, Fukuoka, Kyoto
Niigata, and Sapporo stock exchanges
Transfer Agent: The Sumitomo Trust & Banking Co., Ltd.
5-33, Kitahama 4-chome, Chuo-ku
Osaka 540-8639, Japan
Independent Certified
Public Accountants: Asahi & Co.
A member firm of Andersen Worldwide SC

NUMBER OF EMPLOYEES 23,873

OFFICES

Head Office: 3-1 Shinchi, Fuchu-cho, Aki-gun
Hiroshima 730-8670, Japan
Phone: +81 (82) 282-1111
Fax: +81 (82) 287-5190
+81 (82) 287-5192
Tokyo Office: 1-1-7 Uchisaiwai-cho, Chiyoda-ku,
Tokyo 100-0011, Japan
Phone: +81 (3) 3508-5055
Osaka Branch: Umeda Sky Building, Tower East
1-1-88-800, Oyodonaka, Kita-ku
Osaka 531-0076, Japan
Phone: +81 (6) 440-5811

PRINCIPAL SUBSIDIARIES AND AFFILIATES

Mazda Motor of America, Inc.
Mazda Motors (Deutschland) GmbH
Mazda Canada Inc.
Mazda Australia Pty. Ltd.
Eunos Inc.
Autozam Inc.
Mazda Chuhan Co., Ltd.
Kurashiki Kako Co., Ltd.
Mazda Credit Corporation
Malox Co., Ltd.
Toyo Advanced Technologies Co., Ltd
AutoAlliance International, Inc*
AutoAlliance (Thailand) Company Limited*
Ford Sales Japan Ltd.*

*Affiliate

SALES AND SERVICE NETWORK

Domestic: Approximately 1,000 dealers and 2,300 sales
and service outlets
Overseas: Approximately 130 distributors and 5,000 sales
and service outlets in more than 130 destinations

PLANTS

	Land area (m2)	Products
Hiroshima	2,244,000	Passenger cars and commercial vehicles
Hofu		
Nishinoura	792,000	Passenger cars
Nakanoseki	537,000	Transmissions
Miyoshi	1,695,000	Diesel engines

PRINCIPAL OVERSEAS ASSEMBLY OPERATIONS (As of July 31, 1998)*

Country	Assembler	Mazda vehicles assembled
U.S.A.	AutoAlliance International, Inc.	626
Thailand	AutoAlliance (Thailand) Company Limited	B-Series
South Africa	South African Motor Corp. (Pty) Ltd.	323, 626, B-Series, E-Series
Colombia	Compañía Colombiana Automotriz S.A.	323, 626, B-Series, T-Series
Zimbabwe	Willowvale Mazda Motor Industries (PVT) Ltd.	323, 626, B-Series, T-Series

*Overseas assembly operations are located in 16 countries.

FOR FURTHER INFORMATION

Japan

Public Relations Planning Department
Corporate Communications Division
Mazda Motor Corporation
Hiroshima: 3-1 Shinchi, Fuchu-cho, Aki-gun
Hiroshima 730-8670, Japan
Phone: +81 (82) 285-1030
Fax: +81 (82) 287-5225
Tokyo: 1-1-7 Uchisaiwai-cho
Chiyoda-ku, Tokyo 100-0011, Japan
Phone: +81 (3) 3508-5055
Fax: +81 (3) 3508-5094

North America

Mazda Information Bureau
900 Wilshire Drive, Suite 300, Troy, Michigan 48084, U.S.A.
Phone: +1 (248) 273-3085
Fax: +1 (248) 273-3099

Europe

Mazda Information Bureau
430 Avenue Louise, 1050 Brussels, Belgium
Phone: +32 (2) 649-1335
Fax: +32 (2) 640-4482

Australia

National Public Relations Department
Mazda Australia Pty. Ltd.
37 Lorimer Street, Southbank, Victoria 3006, Australia
Phone: +61 (3) 9698-5910
Fax: +61 (3) 9690-5481