

A Conversation with the President



Representative Director, Chairman of the Board, President and CEO

Hisakazu Imaki

“Mazda posted record earnings once again in fiscal 2006, the last fiscal year of our mid-term plan, Mazda Momentum. Mazda has embarked on a new mid-term plan—the Mazda Advancement Plan—to maintain the growth trajectory that Mazda Momentum has achieved. Progress is already well under way in fiscal 2007, the first year of the new plan, and we will continue to press forward to meet our targets.”

Q Mazda extended its consecutive years of record earnings in fiscal 2006, the final fiscal year of Mazda Momentum. What factors contributed to this achievement?

We set new earnings records in all categories in fiscal 2006, surpassing the records set in fiscal 2005. In addition to higher unit sales and an improved model mix, and the impact of a weaker yen, we benefited from cost reductions that exceeded increases in raw material prices. Consequently, in fiscal 2006, consolidated operating income rose 28.4%, to ¥158.5 billion and ordinary income increased 25.9%, to ¥127.8 billion. Net income rose 10.5%, to ¥73.7 billion. However, it was affected by such extraordinary items as the transfer to the government of the substitution portion of employee pension fund liabilities and a loss on impairment registered in fiscal 2005. Excluding these one-time items, effective annual growth in net income was 26.2%. The operating income ratio was 4.9%, a solid 0.7 percentage point improvement.

We succeeded in maintaining overall growth in sales volumes, thanks to solid sales in North America and Europe and despite sluggish results in Japan and China. We launched the Mazda MPV in Japan in February 2006 and the Mazda CX-7 in North America in May and in Japan in December. In January 2007, we followed up those models with the

introduction of the Mazda CX-9 in the North American market. As Mazda's "Zoom-Zoom" approach to products is earning widespread acclaim, product-led growth continues to generate tangible benefits for our business.

Q The Mazda Momentum Plan concluded in March 2007. What were Mazda's achievements during the plan period? What are some upcoming challenges?

Under Mazda Momentum, we laid the foundation for product-led and full-fledged future growth. Our specific initiatives focused on four areas: reinforcing R&D, strengthening key markets, enhancing global efficiencies and synergies, and leveraging human resources.

In the first area, reinforcing R&D, we have steadily reinforced our development resources and infrastructure. Doing so has allowed us to roll out the 16 market-focused models as planned.

With regard to strengthening key markets, our U.S. exclusive dealership ratio reached 52%, which exceeded the target. We are making steady progress in strengthening our sales capacity by building new dealerships in Japan and expanding our European sales networks. Our Nanjing engine plant came on line this past April, and plans call for vehicle assembly operations to commence by year's end.

Mazda Momentum Achievements		As of March 31, 2007	
	Target	Result	Difference
Operating Income (billions of yen)	100.0+	158.5	58.5
Net Debt to Equity Ratio	<100%	49%	51 Pts
Consolidated Wholesales (thousands of units)	1,250	1,177	(73)

Turning to enhancing global efficiencies and synergies, joint program volume, involving our global collaboration with Ford Motor Company, has grown to the 90% level. We have also succeeded in building an infrastructure with our suppliers for even greater efficiencies by means of Integrated Scheduled Production that competitors cannot emulate.

Regarding leveraging human resources, we have built a foundation for cultivating a workforce that will take Mazda into the future, chiefly by means of the Mazda Business Leader Development (MBLD) program and the Family of Experts System, the latter of which is designed to use and pass on the skills, abilities and knowledge of Mazda retirees.

Implementing these key strategies has allowed us to achieve the numerical goals of Mazda Momentum—operating income of more than ¥100 billion and a net debt to equity ratio of less than 100%—a year ahead of schedule. On the other hand, our consolidated wholesales reached 1,177,000 units, short of the target of 1,250,000 units, owing to lower demand in Japan, increased competition and our focus on reinforcing the Mazda brand.

While Mazda Momentum has followed on from the Millennium Plan in terms of significant accomplishments, we are fully aware that there remain issues that demand resolution. We have thus created the Mazda Advancement Plan, which will guide us in achieving our long-term vision of how we see our company in a decade from now. Mazda Advancement Plan's mid-term objectives are:

1. Continue to strengthen brand, owner loyalty and quality;
2. Improve business efficiency in all areas;
3. Build a global production framework; and



4. Further reinforce research and development.

Q Please describe the background of Mazda's long-term vision and the Company's efforts to turn this vision into reality.

During the Mazda Momentum Plan period, we drafted a long-term vision of where we want to be a decade from now. Personnel from across divisions were brought together to form cross-functional teams, which carried out a wide range of studies and reviews. We adopted an approach of aligning each employee with an operating vector that he or she could understand and accept, rather than using a top-down approach. That vector approach is the Mazda way. It is my way. While it has been a time-consuming process, I believe that

Long-Term Vision

As a trusted member of society, we delight customers with products and services that are uniquely Mazda, proudly Japanese.

Stakeholder Value



Corporate Social Responsibility

persons using their own initiatives will make a significant difference when it comes time to take actions, versus the traditional top-down scheme.

Rather than simply becoming one of the largest automobile manufacturers, our aim is to be admired and trusted by our stakeholders. To that end, we will continue to offer the products and services that only Mazda can, and always provide an exhilarating ownership experience. Our long-term vision is underpinned by four core concepts: the brand, product and technology, supply and manufacturing, and people. We will work to establish a firm financial framework by intensifying the synergies between ourselves and Ford, as well as by reinforcing the Mazda brand as we pursue the “Zoom-Zoom” spirit and making our business more efficient.

Q What are the targets of the new mid-term Mazda Advancement Plan?

This new plan will run from fiscal 2007 through fiscal 2010. The plan’s objective is to further strengthen the foundation that was built during Mazda Momentum so as to promote long-term, sustained growth. Targets for fiscal 2010 have been set accordingly, as follows: we will achieve retail sales exceeding 1.6 million units worldwide, operating income over ¥200 billion and a 6% operating income ratio. Plans also call for stability in dividend payments and steady improvements in our dividend payout ratio.

First, we will achieve our growth plan in terms of worldwide retail sales by reinforcing our products and our key markets. Plans call for increasing sales by at least 20% over the four-year life of the plan. We intend to concentrate particularly on the Chinese market, where plans call for doubling our sales.

Fiscal 2010 Targets

Global Retail Volume	1.60+ Million Units
Operating Income	¥200.0+ Billion
Operating Income Ratio	6%
Dividend Payout Ratio	Improve steadily

Mazda will also strive for greater sales growth than was achieved in the fiscal year in review in North America, Europe and other markets. Plans include maintaining our current sales figures in Japan, where we foresee continued challenges in the tough operating environment.

We are making progress toward our operating income target over ¥200 billion through sustained product-led growth and cost reduction. We forecast that factors external to Mazda’s operations, which may include but are not limited to, rates of exchange, commodities markets and sales environments, will become increasingly severe over time. Despite these conditions, we will bring our operating income ratio to 6% while making forward-looking investments.

As with Mazda Momentum, we will make Mazda’s unique brand bigger and stronger, while leveraging our synergies with Ford to the utmost. During the Mazda Advancement Plan period, we will accelerate our structural reform centering on Monotsukuri Innovation and to strive for steady progress. At the same time, we will continue to maintain our current trajectory of growth. Achieving our fiscal 2010 targets is not easy and will require initiative and determination, qualities that we are bringing to bear.

Q Monotsukuri Innovation is at the heart of the Mazda Advancement Plan. Would you please describe what Monotsukuri Innovation is?

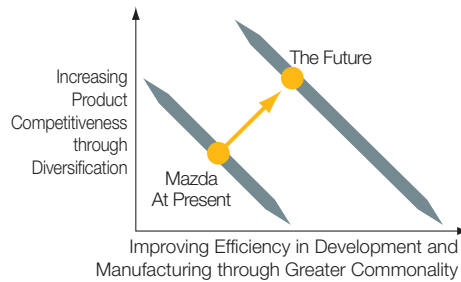
Monotsukuri Innovation, the very important concept, is to meet diverse customers' needs and to realize both flexibility that continuously improves products competitiveness and commonality that drastically enhance efficiency in development and production. To implement this innovation, we will work together with our suppliers as one multi-discipline team. As a result, we will be able to manufacture our products in a leaner, more flexible way.

Q What underlies the decision to strengthen Mazda's production capacity within Japan, and what are your thoughts regarding how to respond to the resulting increased exchange rate risk?

Mazda's fundamental policy regarding supply is to expand our manufacturing capacity by taking full advantage of our efficiencies, while taking into account marketplace demand and available resources. Accordingly, in fiscal 2007 we will increase production capacity at our Hiroshima and Hofu plants, resulting in an increase of about 98,000 units, or approximately 11% more than our existing manufacturing capacity, for a total capacity of 996,000 units. We will also increase our engine manufacturing capacity.

Our intent is to improve profitability through greater efficiency, rather than by expanding the scale of our operations. Monotsukuri Innovation forms the basis of this concept. Under the aegis of Monotsukuri Innovation, we will pursue greater efficiency by involving R&D, production, sales divisions and even

Business Efficiency — Monotsukuri Innovation



Implementing the Mazda Monotsukuri Innovation
Multidisciplinary approach to realize product competitiveness and manufacturing efficiency

suppliers in the product planning stage based on the “One Mazda” concept.

Naturally, we must be prepared for risks associated with currency exchange. We are reviewing the possible construction of a new plant in Thailand. In addition, we are using optimized global procurement and cost cutting to ensure that we continue to be cost-competitive.

Q “Sustainable Zoom-Zoom” was announced together with the Mazda Advancement Plan. Would you please describe that concept, as well as how Mazda is responding to environmental issues?

“Sustainable Zoom-Zoom” refers to a long-term vision for technology development that will raise the value of the Mazda brand. With this concept in mind, everyone in the Mazda Group is working on developing technologies to deal with the various issues the automobile is confronting, with the aim of achieving a sustainable future.

In more concrete terms, Mazda will intensify the pace of its pursuit of harmony between driving pleasure and environmental and safety features to help bring about a sustainable social framework, one in which everyone may enjoy the happiness and excitement that

comes from automobiles, with a clear conscience. Our hope is that the excitement and fun that Mazda vehicles offer to our customers will contribute to the maturation of a socially responsible culture, one that will bring about a sustainable future.

Mazda is clearly making progress in its work on environmental concerns. Our aim in this regard is to introduce, in stages, highly efficient, environmentally cleaner powertrains, as well as a brand new, lightweight and safe product platforms. We also have a wide range of technological development efforts under way to improve traffic congestion and road safety. Examples include human-machine interface technology and a driver's cockpit design that assists the driver in identifying and making decisions based on traffic conditions, as well as improving dynamic performance to realize automobiles with advanced collision avoidance systems.

Q What is Mazda doing to enhance shareholder and enterprise value?

Mazda is fully cognizant of the need to meet the expectations of its shareholders concerning dividends. Our objective is to pay a dividend that will be sustainable over the long term, even as we enhance our corporate performance and strengthen our balance sheet. We are also taking steps to make steady improvements to our dividend payout ratio. The first of these has been to increase the dividend per share by ¥1 for fiscal 2006—as we did in the previous fiscal year—to ¥6. We also plan to commence paying interim dividends for the first time in 15 years. Plans call for an interim dividend payment of ¥3 and a year-end dividend payment of ¥3 in fiscal 2007.



Q What are the Mazda Group's aspirations going forward?

Our aim is to move ever closer to our vision of the future by properly carrying out our targets for fiscal 2007, the inaugural year of the Mazda Advancement Plan.

Up to now, Mazda has been focused on operating from one day to the next. Now, however, we have reached a point where we can look ahead, where we can think about tomorrow. This does not mean, however, that Mazda has excess reserves to fall back on. We will continue to move forward one step at a time to ensure steadily enhanced shareholder and corporate value.

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Hisakazu Imaki

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