



SPECIAL FEATURE

WHAT IS THE KEY FOR THE FUTURE?

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

P.14 ANSWER 1

SKYACTIV TECHNOLOGY

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

P.18 ANSWER 2

EMERGING MARKET STRATEGY

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

SPECIAL FEATURE



SKYACTIV

WHAT IS THE KEY FOR THE FUTURE?

ANSWER 1

SKYACTIV TECHNOLOGY

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

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

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

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

Mazda announced its "Sustainable Zoom-Zoom" long-term vision for technological development in March 2007. This vision commits us to make "cars that always excite, look inviting to drive, are fun to drive, and make you want to drive them again," and to help achieve "an exciting, sustainable future for cars, people and the Earth." Based on this plan, Mazda has announced that it will raise the average fuel economy of the Mazda vehicle fleet sold worldwide 30% by 2015, compared with the 2008 levels.

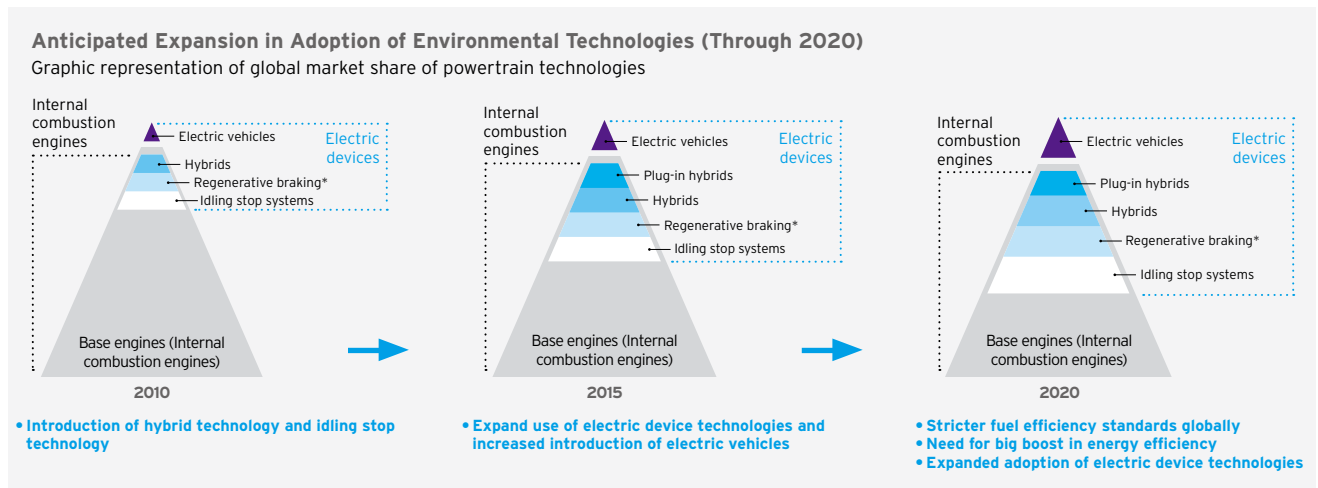
Building Block Strategy -The popularization of environmental technologies itself makes a real contribution

With the arrival of hybrid and electric vehicles in recent years, a car's functionality can be described as the comprehensive strength of its base technologies in the engine, transmission,

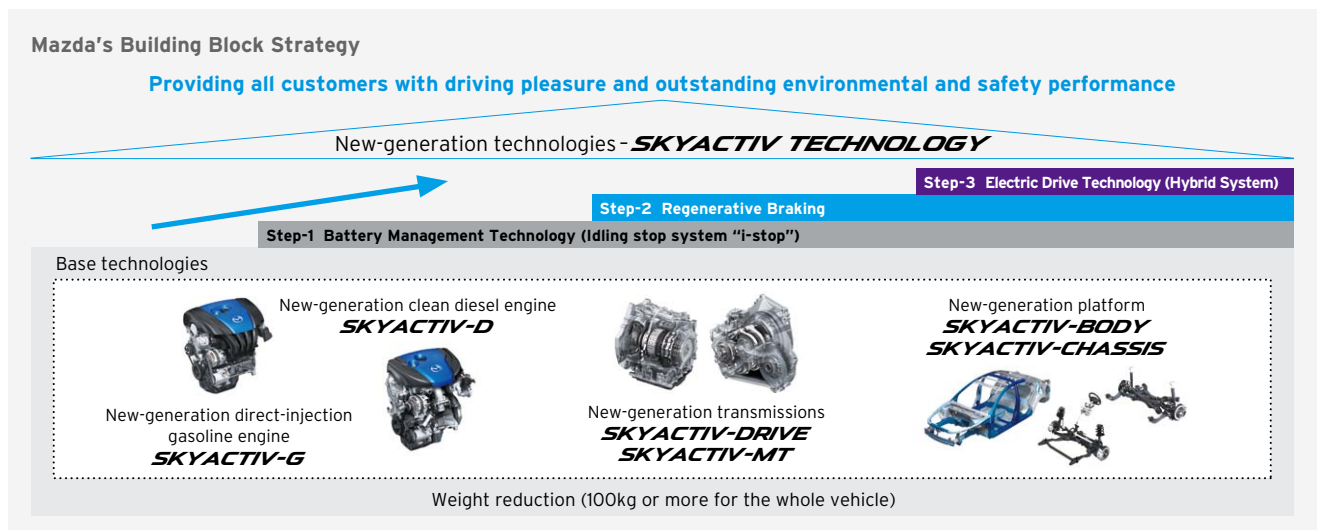
body, and chassis, as well as electric devices like regenerative braking and hybrid systems.

Nevertheless, it is forecasted that gasoline- and diesel-fueled internal combustion engines will continue to account for the majority of automobile powertrains even as far ahead as 2020. We are therefore pursuing a Building Block Strategy of improving the base technologies for a car's basic performance, and gradually adding electric devices such as regenerative braking and hybrid systems. Our approach is to effectively reduce CO₂ emissions by providing all customers with driving pleasure and outstanding environmental and safety performance, rather than to rely heavily on a subset of environmentally friendly vehicles. Improving the efficiency of the internal combustion engines upon which cars are based, for example, allows for smaller electric devices like motors and batteries in hybrid vehicles as well.

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



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



New-Generation SKYACTIV TECHNOLOGY

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

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

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

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



2 Pursuing ideal energy transfer with highly efficient transmissions

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

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

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

ENGINES

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



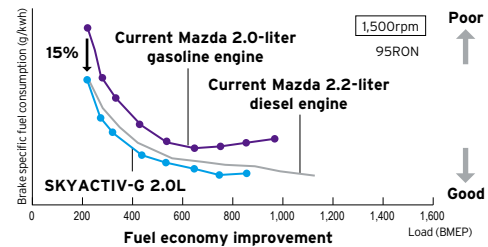
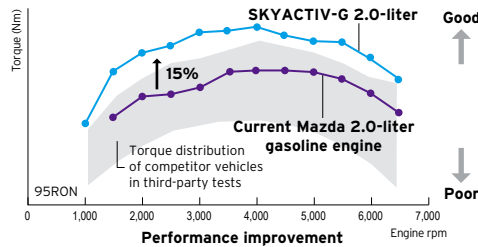
SKYACTIV-G

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

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

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

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

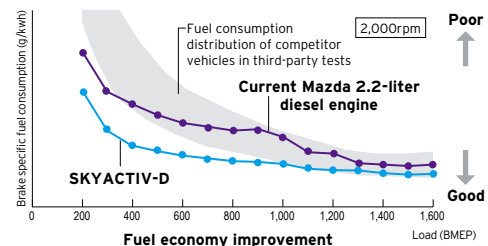
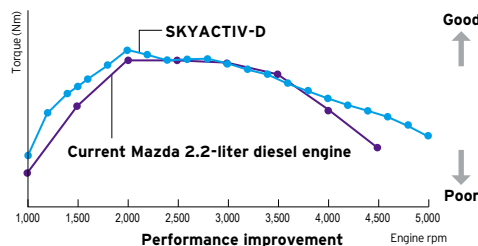


SKYACTIV-D

SKYACTIV-D new-generation highly efficient clean diesel engine

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

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



TRANSMISSIONS

2 Pursuing ideal energy transfer with highly efficient transmissions



SKYACTIV-DRIVE new-generation highly efficient automatic transmission

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

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

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

⊙ : Better



SKYACTIV-MT new-generation highly efficient manual transmission

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

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

PLATFORM

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



SKYACTIV-BODY

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

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



SKYACTIV-CHASSIS

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

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

Scheduled introduction of SKYACTIV TECHNOLOGY

NEW DEMIO



2011

SKYACTIV-G

NEW MAZDA3*



North American specifications

2012

SKYACTIV-DRIVE

MAZDA CX-5



European specifications

SKYACTIV-D

SKYACTIV-BODY

SKYACTIV-CHASSIS

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



WHAT IS THE KEY FOR THE FUTURE?

ANSWER 2

EMERGING MARKET STRATEGY

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

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

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

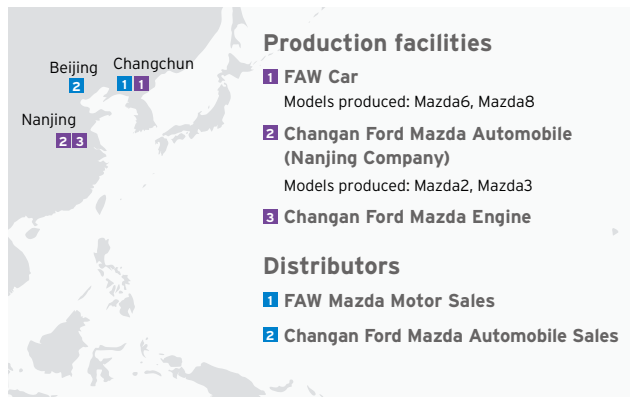
Mazda entered the Chinese market in earnest in 2001, and in the 2010 calendar year it became our largest single market by sales volume. As an update to our Framework for Medium- and Long-Term Initiatives, we announced in June 2011 that we would strengthen our activities in the ASEAN market, establish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

China

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

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

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

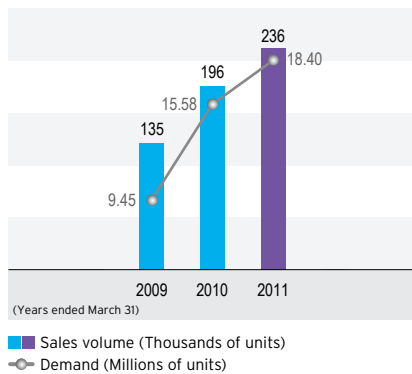


ASEAN Market

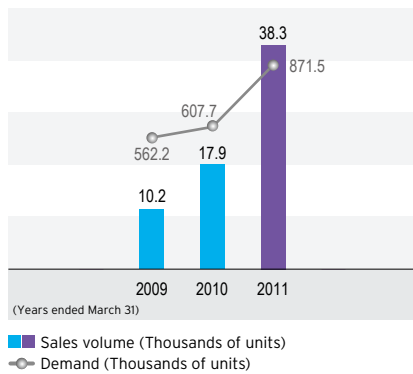
AutoAlliance (Thailand) Co., Ltd. (AAT) was established as a joint venture with Ford Motor Company in 1995, and in July 2009 a new passenger vehicle plant was completed and commenced production of the Mazda2 (Japanese name: Demio) primarily for the ASEAN market. With strong sales of the AAT-produced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

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

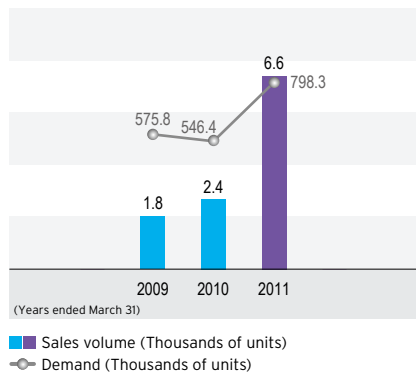
Demand and sales volume in China



Demand and sales volume in Thailand



Demand and sales volume in Indonesia



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

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



COLUMN

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

Production capacity: 220,000 units / year **Models produced:** BT-50, Mazda2, Mazda3

Ownership: Mazda: 50%; Ford Motor Company: 50%

AutoAlliance (Thailand) Co., Ltd. (AAT) was established as a joint venture with Ford Motor Company in Rayong Province. Production of pickup trucks began in 1998, and in July 2009 a new, state-of-the-art passenger vehicle plant was completed. Pickup trucks are exported to more than 130 countries around the world, while production of the Mazda2 is only for the Thai and ASEAN markets, and the Mazda3 for the domestic Thai market. The new passenger vehicle plant uses the latest production technologies, such as flexible production, and in addition to dramatically raising the level of AAT's quality, safety, and environmental compatibility, the new plant is extremely efficient. The new paint shop handles both pickup trucks and passenger vehicles, and uses an environmentally friendly Three Layer Wet Paint System. This paint system achieves a significant improvement in paint quality while also greatly reducing emissions of volatile organic compounds (VOCs) and CO₂.



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



Mazda2 produced at AAT



Central and South America

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

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

These activities have three aims.

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

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

In regard to our sales business in Brazil, we will set up a distributor joint venture with Sumitomo Corporation. Sales are scheduled to commence in the March 2013 fiscal year, initially of vehicles imported from Japan, and then of vehicles imported



1 Overview of Mexican manufacturing business
 Commencement of operations: March 2014 fiscal year
 Production capacity: 140,000 units / year
 Models to be produced: Mazda2, Mazda3
 Region to be supplied: Primarily Central and South America
 Investment amount: US\$500 million
 Head office: Salamanca City, Guanajuato State

2 Overview of Brazilian sales business
 Commencement of operations: March 2013 fiscal year
 Vehicles to be supplied: Vehicles manufactured in and imported from Japan in the March 2013 fiscal year; imports from Mexico plant planned when it is completed
 Head office: Sao Paulo State

from the Mexican plant when it is completed, with the aim of increasing sales in Brazil. The head office is located in Sao Paulo State.

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

