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(For your information)

Mazda Motor Corporation
FY2009 First Quarter Results
(Speech Outline)

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Thank you for joining us at our earnings announcement today.

1. Highlights

In the first quarter of FY2009, revenue was ¥428.2 billion, operating loss was ¥28.0 billion and net loss was ¥21.5 billion. The operating loss reflects the yen's appreciation against key currencies and a continued deterioration in the external environment reflecting the global decline in industry demand since the 2nd half of the prior fiscal year. However we reduced the level of operating loss by about 60% as compared with the 4th quarter of last fiscal year.

Initiatives such as Cost Innovation and fixed cost reductions, which we have been implementing since last fiscal year, have had a positive result in reducing the level of losses. In addition, inventory adjustments in Europe and the United States were completed.

Global sales volume totaled 263,000 units, down 26% compared with the last fiscal year, due to strong sales in the previous fiscal year and declining demand in key mature markets including Japan, US, and Europe. Sales were strong in China, achieving record high sales.

Also, the new Mazda3/Axela, our highest volume model, was launched globally.

The model has been fully introduced and already receiving high acclaim in Canada, Japan and Australia.

With the impact of a weaker yen compared with our projections at the beginning of the fiscal year, we were able to make a good start in the 1st quarter in all areas including sales and fixed costs as we work towards a return to profitability in the 2nd half.

The projections for the 1st half and full year remain unchanged as the demand and exchange rates trends are still uncertain.

2. FY2009 1st Quarter Results

Our consolidated operating loss in the 1st quarter was ¥28.0 billion, down ¥56.3 billion from the prior year. I will explain the details of the change later.

Revenue was down compared with the prior fiscal year's 4th quarter. However, operating loss was reduced by ¥36.9 billion. I will explain the factors behind this later.

I will explain the trend of free cash flow on a quarterly basis. Due to a sharp decline in demand, we posted negative free cash flow in the 3rd quarter of FY2008. However, since the 4th quarter it has been steadily improving mainly as a result of inventory adjustments and improvements in investment efficiency.

Free cash flow in the 1st quarter was negative ¥9.8 billion, but operating cash flow was positive, reflecting an increase in plant utilization ratio and an improvement in working capital.

Plant utilization ratio is expected to improve from the 2nd quarter compared with the 1st quarter, and thus future working capital improvements are planned. Therefore we are on track to achieve positive free cash flow in the full year.

Global sales volume was 263,000 units, down 95,000 units on the prior year, reflecting strong sales in the prior fiscal year and weakening demand in key markets. As mentioned earlier, however, we hit record high sales in China, selling 41,000 vehicles.

The yen exchange rates against the dollar and the Euro were 97 and 133 respectively. This was 8 yen stronger to the dollar and 30 yen stronger to the Euro compared to the prior year.

I will now cover the status of each market. First of all, we introduced the new Axela with i-stop in Japan. It was a successful start as the initial purchase order volume exceeded 7,600 units, which is 3.8 times more than the monthly sales target of 2,000 units, per month after the launch on June 11. In addition, orders have been exceeding our expectations, reaching 9,300 units as of July 27.

Since about a half of the sales are i-stop models, exceeding our initial forecast, we believe that this is a recognition of our eco-friendly efforts. In addition, in June, the effect of the new Mazda3 launch, and the impact of the eco-car tax reduction and subsidy system for purchase of new vehicles helped us to outperform the market.

In North America, the inventory adjustment in the USA was completed. We will launch the new Mazda3 in full-scale toward in the 2nd quarter.

The new Mazda3 is proving as popular as the previous model in Canada, the first market to commence sales, where it was the 3rd best-selling vehicle in June. Furthermore, in Mexico we achieved a record share.

In Europe, we have also completed the inventory adjustment. The Mazda2 is selling well due to the scrapping incentives. While our competitors are strengthening the incentive, Mazda has held down incentives as we continue to focus on improving brand value.

In China, sales of our core carlines such as Mazda6, Mazda3 and Mazda2 were better than the prior year, contributing to record high total sales of 41,000 units.

In other markets, we achieved an 8.1% share in Australia. This is a record high result for the 1st quarter.

Next, I would like to explain the key factors for the ¥ 56.3 billion reduction in consolidated operating profit from the 1st quarter of the prior year.

The volume and mix effects were ¥ 68.8 billion negative reflecting the sales volume decline in major markets.

Next are the exchange rates. The sharp appreciation of the yen since the latter half of last fiscal year impacted on profit by ¥3.1 billion for US dollar exchange, ¥8.3 billion for Euro exchange, and ¥17.9 billion for other currency exchanges, for a total ¥ 29.3 billion deterioration.

Product enhancement costs increased ¥2.9 billion. These were mainly due to the product enhancements for the New Mazda3/Axela.

However, cost reduction improved ¥13.7 billion due to the impact of Cost Innovation initiatives that exceeded product enhancements, and the impact of a reduction of raw material prices.

Marketing expenses improved by ¥11.2 billion and other costs ¥19.8 billion due to more efficient advertising and acceleration of fixed cost reductions. We are on track to achieve approximate ¥100 billion fixed cost reduction in the full year.

I will cover the revenue and operating profit trends on a quarterly basis.

First of all, the situation changed drastically from the 1st half to the 2nd half of the last fiscal year. In the first half, auto demand, particularly in the United States, shifted to lower segments, a tailwind for Mazda. In other market, sales remained strong, leading to a year-over-year growth of 6% in global sales volume. However, due to the yen's sole appreciation and a deterioration in the external environment, including a sharp decline in global demand which began in the 2nd half of prior year, revenue and profits substantially deteriorated.

In the first quarter, revenue was down and wholesales were also down 44,000 units from the prior 4th quarter, but operating loss was reduced ¥36.9 billion or about 60%.

This is mainly due to the effects of introducing the new Mazda3/Axela, the yen's depreciation against key currencies, a production increase and our Cost Innovation initiatives.

From the 2nd quarter, we will continue to promote these initiatives and focus on returning to profitability in the second half through volume and mix improvement after the completion of the inventory adjustments.

Now let me talk about our environmental initiatives in the first quarter.

We successfully developed the new "Aqua-tech Paint System", which has the world's lowest environmental impact, and introduced the technology to Ujina Plant No.1.

The new technology maintains the same world-class low CO2 emissions volume and reduces VOC emissions by 57%.

We have also made a significant progress in hydrogen rotary engine technology. Hydrogen technology has been attracting attention as zero CO2 emitting and post- fossil fuel next generation energy alternative.

We commenced commercial leasing of Mazda Premacy Hydrogen RE Hybrid in Japan in March. In May, a Mazda RX-8 Hydrogen RE vehicle with Norwegian specifications took part in the ceremonies in Oslo marking the official opening of HyNor's hydrogen filling stations. Following the first vehicle unveiled on the occasion, we will supply and commence leasing Norwegian specification Mazda RX-8 Hydrogen RE models from this summer.

3. In Summary

In the first quarter, we made a good start to achieve positive operating profit in the second half.

Cost innovation, fixed cost reduction and other initiatives are on track. Operating loss substantially reduced compared to the previous quarter despite the decline in wholesale volume.

As I mentioned in the beginning of my presentation, we successfully completed our inventory optimization in Europe and USA.

We expect the volume and mix to improve through a production and wholesale increase from the 2nd quarter with the full contribution of the new Mazda3 /Axela.

We introduced "i-stop" in Japan and Europe. We will continue to focus on improving market penetration of "i-stop" and reinforcing sales and eco-friendliness.

We are maintaining our first half and full year projections at the level we announced at the beginning of this fiscal year as the business environment is still uncertain.

Amid an uncertain market environment, we will continue to focus on achieving positive operating profit in the second half and free cash flow for the full year by enhancing our business structure to be lean and muscular.

This concludes my presentation. Thank you for your attention.