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(For your information)

Mazda Motor Corporation
FY2009 First Half Results and Full Year Forecast
(Speech Outline)

**Representative Director,
President and CEO
Takashi Yamanouchi**

Thank you for joining us at our earnings announcement today.

1. Highlights

Operating profit for the 3 months of the FY2009 2nd quarter was ¥5.9 billion. We achieved a positive operating profit earlier than planned as well as positive earnings at all profit levels. Revenue for the first half of the year was ¥990.3 billion, the operating loss was ¥22.1 billion, and the net loss was ¥20.8 billion. Cash flow for the first half was positive ¥10.2 billion.

At the earnings announcement in May, we noted our intention to change to a cost structure which ensures profitability at 80% plant utilization in Japan. We achieved it during the second quarter, earlier than planned. The new Axela/Mazda3 has been favorably received in all markets of the world, and sales have been strong. In addition, due to the impact of the scrappage incentive program and other measures, the sales volume in the 1st half was better than the May forecast in all major markets. We continue to strengthen our environmental efforts as well. We were successful in developing the new Aqua-tech Paint System, with the world's lowest environmental impact, which was introduced in Ujina No.1 Plant.

Revenue is projected at ¥2.13 trillion, operating loss at ¥12 billion, and net loss at ¥17 billion. Operating loss is expected to be reduced by ¥16.4 billion from the prior year. I will explain the details later. The operating loss forecast has been revised upward by ¥38.0 billion from the May forecast, reflecting results in the first half. The operating profit forecast for the 2nd half remains unchanged from the May forecast at ¥10.1 billion, but all other profits have been revised upward, and we forecast a return to profitability at all profit levels.

Global sales volume is projected to total 1,155,000 units, up 55,000 units from the May forecast. Year-over-year sales volume is expected to decline by 8% in the full year. Sales in the 2nd half are expected to increase by 3% over the prior year.

On October 8, we commenced Mazda2 production at the new passenger car assembly plant

at AAT, a joint venture with Ford. The Mazda2 being built at our state-of-the-art facility will contribute toward establishing the Mazda brand in ASEAN markets.

Through the public offering and sale of treasury shares announced on October 5, we will enhance our efforts in environmental and safety initiatives and improve our financial base.

2. FY2009 First Half Results

Our operating loss for the first half of the year was ¥22.1 billion, down ¥82.8 billion from the prior year. However, our operating profit for the 2nd quarter was ¥5.9 billion. We achieved a positive operating profit earlier than planned as well as positive earnings in all profit levels.

Capital spending for the first half of FY2009 was ¥15.9 billion. In the last fiscal year, we recognized about ¥25 billion in tooling costs at our overseas subsidiaries. Excluding this impact, the year-over-year reduction is about ¥20 billion. The reduction can be attributed to the completion of our product line-up as well as the effect of an improvement in investment efficiency following the establishment of our flexible manufacturing system.

Depreciation was ¥38.4 billion, the same level as the prior year, because of increased capital spending over the last few years.

Our R&D cost was ¥39.7 billion. Bundled Planning, Common Architecture, and other Monotsukuri Innovation initiatives improved our engineering efficiency. We are promoting more efficient development activities.

For the first half of FY2009, we achieved a positive free cash flow of ¥10.2 billion. In addition to the improvement in working capital due to the production recovery seen since late last year, a better focus on cash flow management, including stricter inventory control, is paying off. We now have a good prospect for achieving a full-year positive cash flow.

Net debt is ¥521.6 billion, ¥11 billion down from the end of the last fiscal year.

Global sales volume was 577,000 units, down 18% compared to the prior year, because of the challenging market conditions. But the volume was up 34,000 units over the May forecast, mainly due to strong sales of the new Axela/Mazda3, strong sales in China and the impact of scrappage incentives.

The average exchange rate for the first half of FY2009 was ¥96 to the US dollar and ¥133 to the Euro.

Revenue was down 37% compared to the prior year. Volume and mix deteriorated revenue 29%, reflecting harsh market conditions. Exchange rates negatively impacted on revenue by 8% as the yen significantly appreciated against key currencies such as the Euro.

Sales performance in each of key markets in FY2009.

In Japan, due to strong sales of the new Axela equipped with i-stop and tailwind due to the eco-car tax cut and subsidy, sales volume increased 9,000 units over the May forecast to

105,000 units. Registered vehicle demand declined sharply by 9% compared to the prior year although some signs of recovery, centering on hybrid vehicles, has been seen thanks to the tax incentive program. The new Axela has received high acclaim, and it achieved the highest ever first-half sales, at 16,000 units. The sales volume of new Axela was well above the monthly sales target of 2,000 units. Profitability at dealers improved substantially, mainly due to promotion of sales process reform. 86% of registered vehicles meet tax-incentive program requirements.

In North America, sales were up 8,000 units over the May forecast, to 158,000 units.

In the United States, sales mainly coming from the new Mazda3 remain strong thanks to the government's scrappage incentives. As a result of our focus on non-fleet sales to improve brand value, we achieved a market share of 1.8%, the highest share in the last 10 years, based on non-fleet sales volume. In Canada, the new Mazda3 was launched successfully, and the product has been highly acclaimed. Mazda3 was in 3rd place in first half sales.

In the US and Canada, improvements in the new Mazda3's residual values were remarkable. We are shifting to a brand-building approach to improving the value of our business.

Sales in Europe were 123,000 units, up 4,000 units compared to the May forecast. Scrappage incentives have been introduced in 13 countries and this stimulated industry demand. But due to the impact of the changeover from the old to the new Mazda3, supply shortages of the hot-selling Mazda2, as well as demand increases in the A and low-cost B segments, where Mazda is not present, sales declined 31% from the prior year. However, market share in segments where Mazda is present is increasing due to strong sales of the new Mazda3. Mazda has kept its distance from the substantial discounting war, and is focused on achieving targets that contribute to building the brand.

In Germany, share has increased for 2 months in a row after a model changeover from the old model Mazda3 to the new model, exceeding 2% in September. Also, in the UK, share of passenger car sales exceeded 3% in September; our sales in main markets increased.

In China, Mazda6 is selling well thanks to the launch of the new model. As the Changan Mazda sales network, which started operating in 2008, has developed well, sales of the Mazda2 and the Mazda3 grew as well. This boosted overall sales volume by 35% from the prior year, resulting in record-high sales of 85,000 units. Reflecting the impact of a sharp increase in low-priced local brand vehicle sales, share declined slightly. But share excluding local brands has increased from 3.6% to 3.9%. By increasing capital investment in FAW Mazda Motor Sales Co., Ltd., from 25% to 40%, we have been strengthening our sales

network. The total number of FAW Mazda and Changan Mazda outlets increased by 20 from the end of the prior year, to 241 outlets.

In other markets, sales were up 12,000 units over the May forecast, to 106,000 units, thanks to strong sales of the B-truck as well as the new Mazda3. In the biggest market, Australia, sales volume reached 39,000 units, gaining a record-high 8.2% market share thanks to brisk sales of the new Mazda3. In New Zealand, we achieved a 7.7% share, which is the highest 1st half share in the past 10 years. In Israel, new Mazda3 has been very popular and at the top of the new registered vehicle rankings since June.

Key factors for the ¥82.8 billion consolidated operating profit reduction from the prior year. The volume and mix deteriorated ¥122.7 billion reflecting demand decrease in major markets. The sharp appreciation of the yen since late last year impacted on profit by ¥7.7 billion for the US dollar, ¥18.0 billion for the Euro, and ¥30.3 billion for other currencies, a ¥56 billion total deterioration.

In response to the harsh operating environment, we reduced total costs by about ¥100 billion in the 1st half, including variable and fixed costs. Variable costs improved by ¥29.1 billion, marketing expenses were down ¥19.3 billion and other cost were reduced by ¥47.5 billion.

Since the economic crisis late last fiscal year, we have promptly adjusted production, controlled inventory and reduced variable and fixed costs, enabling our return to profitability this quarter. In the 4th quarter of the prior fiscal year, we conducted substantial production adjustments. But since then we reached bottom, and the production volume has turned to increase. In addition, with wholesale adjustments in the 1st quarter we completed dealer inventory optimization. In the 2nd quarter, it was back to normal operations for both production and wholesales in line with sales levels.

3. FY2009 Full Year Projections

Our full-year revenue projection has been revised to ¥2.13 trillion, ¥100 billion higher than the May forecast. Consolidated operating loss is projected to be ¥12 billion, a ¥38 billion improvement from the May forecast. Net loss is forecasted at ¥17 billion, ¥33 billion better than the May forecast. Operating profit is expected to improve by ¥16.4 billion over the prior year. I will explain the details later, but we will continue Cost Innovation initiatives and fixed cost reductions to achieve these improvements.

We project full year sales volume to be 1,155,000 units. In the 2nd half, volume is expected to decline compared to the 1st half results in North America due to seasonal factors in Canada and in Europe and due to the end of scrappage incentives. But we project the total volume in the 2nd half to be flat compared to the 1st half, at 578,000 units, thanks to increases in Japan, China and Other markets. Considering our first half results and the effect of scrappage incentive programs in each market, we revised our full year forecast up by 55,000 units from the May forecast. We expect the year-over-year sales reduction, which has continued since the 2nd half of the prior fiscal year, to end in the 1st half, and that sales will exceed the prior year level in the 2nd half. Exchange rates for the second half of the year are projected to be ¥88 to the US dollar and ¥130 to the Euro.

Key factors behind ¥16.4 billion improvement in operating profit compared to the prior year. Due to the decline in global volume, volume and mix deteriorated by ¥70 billion. Due to the difference compared to the currency rate assumptions, the exchange impact is projected to be ¥85.0 billion in total, with ¥20.9 billion attribute to the US dollar, ¥22.9 billion to the Euro, and ¥41.2 billion to other currencies. Among the other currencies, large impacts come from the Canadian dollar, the Australian dollar, and the UK pound.

To cope with such deteriorations from external factors, we are planning to reduce costs by ¥170 billion in total. In the variable cost area, we will promote Cost Innovation initiatives and maximize material price reductions for a ¥68 billion improvement. Also, we will improve the efficiency of our advertising spend and reduce other fixed costs so that we can improve more than ¥100 billion in total fixed costs.

In the 3rd quarter of the prior fiscal year and the 2nd quarter of this fiscal year, plant capacity utilization ratios in Japan were at the 80% level, but operating profit returned to a positive position. We promoted cost reductions in all areas and achieved a change in cost structure. The exchange assumptions for the 2nd half are ¥88 to the US dollar and ¥130 to the Euro.

We assume a stronger yen than the second quarter, but we will further enhance a cost structure which has been built by the second quarter so that we can maintain profitability at 80% plant utilization. We continue to aim for a streamlined and leaner business structure in the 2nd half.

4. Capital increase through a public share offering and sale of treasury shares & environmental and safety initiatives

On October 5, we announced a capital increase through a public offering and sale of treasury shares as well as environmental and safety initiatives.

This capital increase through a public offering and sale of treasury shares is intended to secure the necessary funding for R&D costs and capital spending for the development of environmentally-friendly and safe vehicles, and to improve our financial structure. In particular, concerning our environmental actions, we plan to improve the fuel economy of our vehicles sold globally by 30% by 2015 compared with 2008 levels. To do so, we will introduce next-generation powertrains such as the Mazda SKY-G, which I will introduce to you later, and reduced vehicle weight. At the same time, we will accelerate technology development of electric devices, including hybrids, for the future. A maximum of 460 million shares will be sold to raise up to ¥93.9 billion through a capital increase through a public share offering and sale of treasury shares, etc. As a result, we expect to improve our equity ratio from 22%, as of the end of 1st half of the fiscal year, to 26%, and our net debt-to-equity ratio from 129% to 86%. Our financial base is projected to improve substantially.

Concerning our efforts to enhance environmental and safety initiatives, we will steadily develop next generation powertrains based on the Mazda SKY concept and in line with "Sustainable Zoom-Zoom." I'm going to take you through three powertrains that we developed based on the SKY concept and are being exhibited at the Tokyo Motor Show.

First, the next generation direct injection gasoline engine "Mazda SKY-G" improves both fuel economy and torque by about 15% compared to a conventional gasoline engine. We will introduce it in Japan in 2011 ahead of other global markets.

The next clean diesel engine, "Mazda SKY-D", improves fuel economy by about 20% compared to the current turbo diesel engine. In terms of output performance, it has significantly increased torque at both low and high speeds. We will introduce it globally and will do so in Japan in 2012.

We will introduce the "Mazda SKY-G" and the "Mazda SKY-D" together with the next generation automatic transmission, "Mazda SKY-Drive". The "Mazda SKY-Drive" is a highly efficient transmission that achieves about a 5% improvement in fuel economy and considerably increases direct performance feel for drivers.

Also, in terms of safety, we will promote development of advanced safety features for a sustainable future for traffic environments.

In terms of Mazda's environmental strategy, in 2008, as a response to environmental issues, Mazda announced a plan to improve the average fuel economy of the vehicles it sells globally by 30% by 2015. This is in line with its long-term vision for technology development, "Sustainable Zoom-Zoom". To that end, we considered the importance of improving basic vehicle performance such as engines, transmissions and reducing body weight reduction. Correspondingly, we are going ahead with a strategy to focus on making these "base technologies" more advanced. Based on this, we will phase in electric devices, such as our unique idling stop system "i-stop", and regenerative braking, which slows a vehicle by converting its kinetic energy into electricity, and hybrid technology. Then we will develop them in plug-in hybrid vehicles and electric vehicles. This is Mazda's "building block" strategy.

5. In Summary

First, we achieved an operating profit in the 2nd quarter ahead of schedule.

We also achieved positive cash flow in the 1st half. Our various measures are producing good results. While we are not revising our operating profit forecast for the 2nd half which was set in May, we have made upward revisions to earnings indexes below ordinary profit., and the outlook is for a return to profitability at all profit levels. We are reducing costs in all areas to quickly change to a cost structure which ensures profitability when plants in Japan are operating at 80% capacity utilization. We will further accelerate this effort. Our full-year fixed cost reduction of ¥100 billion is on track. Sales of new Axela/Mazda3 remain strong, and have been well received in global markets. We started the production of Mazda2 at a new passenger car plant at AAT, a joint venture with Ford, in October, mainly targeting ASEAN markets. With the Mazda2 produced at this state-of-the-art plant, we will aim to establish the Mazda brand in the ASEAN region, pursue another leap forward, and reduce the impact of exchange fluctuations. With a capital increase through a public share offering and the sale of treasury shares, we will further accelerate environmental and safety initiatives. This has also improved our financial structure. We will accelerate structural reforms centered on Monotsukuri Innovation.

Lastly, I will introduce our compact concept car, the Mazda Kiyora, which is being exhibited at the Tokyo Motor Show.

The Mazda Kiyora is powered by a next-generation Mazda SKY-G 1.3L direct injection gasoline engine mated to the Mazda SKY Drive, a next-generation lightweight 6-speed automatic transmission. The vehicle achieves both eco-friendly performance and driving fun. The Kiyora aims for ultra-high fuel economy figures of 32 kilometers per liter without an assist from an electric motor, aided by our unique i-stop idling stop system. The Kiyora also features a system which uses regenerative braking to recharge the battery, and advanced aerodynamics around a compact body that is 100 kilograms lighter. To provide driving pleasure and environmental and safety features for all our customers, we will continue to strengthen our R&D. Your continuing understanding and support is appreciated.

Thank you for your attention

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