

MAZDA MID-TERM PLAN

FY2000 First Half Results

&

Full Year Projection



PRESENTATION OUTLINE

- **FY2000 First Half Results**
- **FY2000 Full Year Projection**
- **Mid-Term Plan**
- **Attachments**
 - **Unconsolidated Financial Data**
 - **Market Data**



FY2000 FIRST HALF RESULTS



Summary – First Half FY2000

- **Consolidated Financial Results Better Than May Forecast**
- **Yen Slightly Stronger**
- **Retail Sales and Market Shares Lower**
- **42 Of 58 Domestic Dealers Profitable**
- **All-New Tribute Launched In North America – Very Strong Start**



First Half FY2000 Consolidated Financial Results

	<u>B/(W) Than</u>		
	<u>Actual</u>	<u>Plan</u>	<u>Prior Year</u>
	(Oku yen)	(Oku yen)	(Oku yen)
Operating Profit	(47)	48	(131)
Ordinary Profit	(166)	54	(135)
Profit Before Tax	(207)	38	(335)
Net Income	(95)	25	(227)
Return On Sales	(1.0) %	0.2 Pts	(2.2) Pts
Return On Assets	(0.7) %	0.2 Pts	(1.5) Pts
Cash Flow	159	129	N/A



First Half FY2000 Consolidated Net Income

	B/(W) Than		
	<u>Actual</u> (Oku yen)	<u>Plan</u> (Oku yen)	<u>Prior Year</u> (Oku yen)
Japan			
Parent	(127)	(17)	(165)
Other	52	6	36
Total Japan*	<u>(40)</u>	<u>20</u>	<u>(161)</u>
North America	(19)	3	(56)
Europe	(30)	2	(37)
Rest of World	(6)	0	27
Total	<u>(95)</u>	<u>25</u>	<u>(227)</u>
Return On Sales	(1.0) %	0.2 Pts	(2.2) Pts
Return On Assets	(0.7) %	0.2 Pts	(1.5) Pts

* Including Consolidation Adjustments



First Half FY2000 Unconsolidated Profit Changes

	B /(W) Than	
	<u>Plan</u>	<u>Prior Year</u>
	(Oku yen)	(Oku yen)
Volume & Mix	(52)	(153)
Exchange Rates	(31)	(331)
Subtotal	<u>(83)</u>	<u>(484)</u>
Cost Reductions	26	158
Warranty Accounting Change	0	73
R&D Cost	10	1
Pension Liability	48	0
Fixed Costs & Other	35	40
Operating Profit	<u>36</u>	<u>(212)</u>
Non-Operating Items	11	(9)
Ordinary Profit	<u>47</u>	<u>(221)</u>
Extraordinary Items	(51)	(55)
Profit Before Tax	<u>(4)</u>	<u>(276)</u>
Corporate Income Tax	(13)	111
Net Income Changes	<u>(17)</u>	<u>(165)</u>



First Half FY2000 Consolidated Net Income Changes

	B /(W) Than	
	<u>Plan</u>	<u>Prior Year</u>
	(Oku yen)	(Oku yen)
Unconsolidated	(17)	(165)
Domestic Subsidiaries	6	36
Overseas Subsidiaries	5	(66)
Subtotal Subsidiaries	<u>11</u>	<u>(30)</u>
Net Income Changes*	<u>25</u>	<u>(227)</u>

* Including Consolidation Adjustments



First Half FY2000 Consolidated Net Debt and Cash Flow

	B/(W) Than		
	Actual	Plan	Prior Year End
	(Oku yen)	(Oku yen)	(Oku yen)
Cash & Cash Equivalents	2,079	67	(257)
Borrowing	7,293	74	413
Net Debt	<u>5,214</u>	<u>141</u>	<u>156</u>
Cash Flow	159	129	N/A
Net Debt-To-Equity	293 %	19 Pts	(75) Pts



FY2000 FULL YEAR PROJECTION



FY2000 – External Environment

- **Industries**
 - **Japan: 6.0 Million Units**
 - **U.S.: 17.3 Million Units**
 - **Western Europe: 17.0 Million Units**
- **No Significant Segmentation Changes**
- **Prices For Oil and Precious Metals High**
- **Competitive Pressures Increasing**
- **Yen To Remain Strong**



Summary – Full Year FY2000

- **Consolidated Operating Loss Of ¥160 Oku**
- **Restructuring Charges Of ¥357 Oku**
- **Consolidated Net Loss Of ¥495 Oku**
- **Positive Cash Flow Of ¥300 Oku**
- **Subsidiary Performance Largely In Line With May Forecast**
- **Dividend Eliminated**



FY2000 Key Assumptions

	<u>1st Half</u> <u>Actual</u>	<u>Projection</u>	
		<u>2nd Half</u>	<u>Full Year</u>
<u>Industry Volume (Mils.)</u>			
Japan	2.8	3.2	6.0
U.S.	9.0	8.3	17.3
Europe	9.4	7.6	17.0
<u>Market Shares (Pct.)</u>			
Japan	5.4 %	5.3 %	5.3 %
U.S.	1.4	1.6	1.5
Western Europe	1.3	1.0	1.2
<u>Exchange Rates</u>			
Yen Per U.S. Dollar	107.2	108.0	107.6
Yen Per Euro	98.6	94.5	96.6



Full Year FY2000 Consolidated Financial Forecast

	<u>Forecast</u>	<u>B/(W) Than</u>	
		<u>Plan</u>	<u>Prior Year</u>
	(Oku yen)	(Oku yen)	(Oku yen)
Operating Profit	(160)	(525)	(411)
Ordinary Profit	(420)	(575)	(481)
Profit Before Tax	(865)	(975)	(1,091)
Net Income	(495)	(620)	(756)
Return On Sales	(2.4) %	(2.9) Pts	(3.6) Pts
Return On Assets	(3.6) %	(4.5) Pts	(5.4) Pts
Cash Flow	300	(600)	N/A



Full Year FY2000 Consolidated Net Income

	<u>B/(W) Than</u>		
	<u>Forecast</u>	<u>Plan</u>	<u>Prior Year</u>
	(Oku yen)	(Oku yen)	(Oku yen)
Japan			
Parent	(570)	(595)	(621)
Other	124	(18)	57
Total Japan*	<u>(451)</u>	<u>(600)</u>	<u>(720)</u>
North America	(22)	10	(95)
Europe	(27)	(24)	(28)
Rest of World	5	(6)	87
Total	<u>(495)</u>	<u>(620)</u>	<u>(756)</u>
ROS	(2.4) %	(2.9) Pts	(3.6) Pts
ROA	(3.6) %	(4.5) Pts	(5.4) Pts

* Including Consolidation Adjustments



Full Year FY2000 Unconsolidated Profit Changes

	B /(W) Than	
	Plan	Prior Year
	(Oku yen)	(Oku yen)
Volume and Mix	(310)	(285)
Exchange Rates	(242)	(616)
Subtotal	(552)	(901)
Cost Reductions	7	309
Warranty Accounting Change	0	151
R&D Cost	9	(14)
Pension Liability	97	0
Fixed Costs & Other	(36)	(100)
Operating Profit	(475)	(555)
Non-Operating Items	(80)	(42)
Ordinary Profit	(555)	(597)
Extraordinary Items	(410)	(445)
Profit Before Tax	(965)	(1,042)
Corporate Income Tax	370	421
Net Income Changes	(595)	(621)



Full Year FY2000 Consolidated Net Income Changes

	B /(W) Than	
	<u>Plan</u>	<u>Prior Year</u>
	(Oku yen)	(Oku yen)
Unconsolidated	(595)	(621)
Domestic Subsidiaries	(18)	57
Overseas Subsidiaries	(20)	(36)
Subtotal Subsidiaries	(38)	21
Net Income Changes*	(620)	(756)

* Including Consolidation Adjustments



Full Year FY2000 Extraordinary Items (Unconsolidated)

	<u>B/(W) Than</u>		
	<u>Forecast</u>	<u>Plan</u>	<u>Prior Year</u>
	(Oku yen)	(Oku yen)	(Oku yen)
Restructuring			
Parent	(271)	(271)	(271)
Subsidiaries	(86)	(33)	251
Subtotal	<u>(357)</u>	<u>(304)</u>	<u>(20)</u>
Sale of Assets	(8)	(1)	(244)
Sale of Subsidiaries	22	(35)	(151)
Sale & Valuation of Stocks	(49)	(48)	(49)
Other	(43)	(22)	19
Total	<u><u>(435)</u></u>	<u><u>(410)</u></u>	<u><u>(445)</u></u>



Full Year FY2000 Consolidated Net Debt and Cash Flow

	<u>Forecast</u>	<u>B/(W) Than</u>	
		<u>Plan</u>	<u>Prior Year End</u>
	(Oku yen)	(Oku yen)	(Oku yen)
Cash & Cash Equivalents	1,985	45	(351)
Borrowing	7,026	(582)	680
Net Debt	<u>5,041</u>	<u>(537)</u>	<u>329</u>
Cash Flow	300	(600)	N/A
Net Debt-To-Equity	360 %	(132) Pts	(142) Pts



MAZDA MID-TERM PLAN



mazda



Mazda At Crossroads

- **Restructuring Underway For Over 4 Years**
- **Significant Improvements Made, But...**
- **Further Measures Required**



Why Is Further Action Necessary?

**Targeted Cost Structure Achieved, But
Revenue Fell Short**



What Have We Done?

- **In Early 2000, A Cross-Functional, Deep-Dive Into The “State of Mazda” and Future Challenges**
- **Extensive Involvement By All Senior Management**
- **Mazda Business Leadership Development Program (MBLD)**
- **Nothing Off Limits**
- **Objective? A 5-Year, Growth-Oriented Operating Plan By End 2000**





MAZDA

To Create
New Value,
Excite and
Delight Our
Customers Through
The Best Automotive
Products and Services

Vision

**Source of
Competitive Advantages**

- Mazda Brand”心を動かす新発想“
“New Ideas That Stir Your Emotions”
- Distinctive, Exciting & Appealing
Design and Products
- PD & Manufacturing Speed & Efficiency
- Highly-Motivated Human Resources
- Global Synergy With Ford

Those Individuals Who Stay Young, Have A Good Capability
To Express Themselves, Always Keep Passion and Are
Self-Confident In Their Choices

Target Customers

Competitive Benchmarks

Principal Battlefields

Segments

Regions

**Strategic
Imperatives**

Understand
The Future

Build The Consumer
Base For The Future

Build The Structure To
Thrive In The Future

Efficiently Plan and
Build The Profitable
Products For The Future

Fund The
Future

Enable Our
People For The Future

Key Operating Initiatives

Mid-Term Plan – Overall Strategy

- **Clarify and Strengthen Mazda's Role In Ford Group**
- **Restructuring**
- **Growth**
- **Our People**



Mid-Term Plan – Synergies With Ford

- **Global Relationship**
- **Mazda – A Distinctive & Unique Brand**
- **Global Center Of Excellence For:**
 - **Engineering Large I4 Engines**
 - **Developing FWD Mid-Size Architectures**
- **Technology Development**
- **Distribution, Logistics, and e-Business**
- **Personnel**



Mid-Term Plan – Selected Benefits Of Ford Relationship

- **Lower Per-Unit Engineering Expense**
- **Lower Variable Cost**
- **Reduced Exchange Rate Exposure**
- **Distribution and Logistics Savings**
- **Full Access To Advanced Technology**
- **Operating Cash Flow Improvements**
- **Personnel Development Opportunities**



Mid-Term Plan – Restructure & Reform

- **Capacity In Japan**
- **Production In Europe With Ford**
- **Global Optimal Sourcing**
- **Indirect Personnel Reductions**
- **Management Spans Of Control & Management Layers**
- **Local Supply Base**
- **Subsidiary Reform**
- **Net Debt**



Mid-Term Plan – Capacity Rationalization

- **Excess Facility Capacity In Japan**
- **Close Ujina 2 By End September 2001**
- **Improve Stamping Utilization**
- **Improve Utilization For Engines and Transmissions**
- **No Direct Labor Reductions Required**

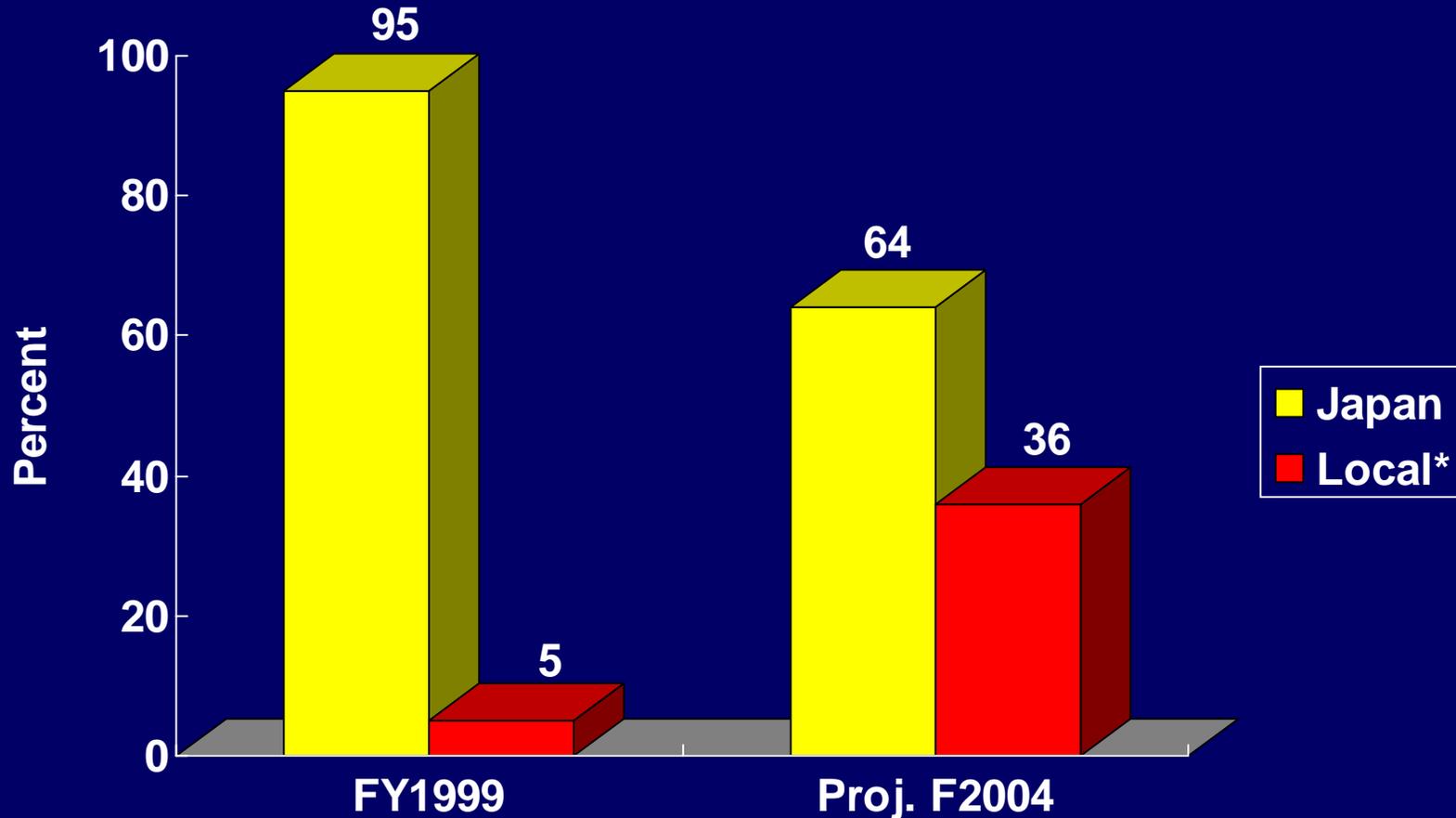


Mid-Term Plan – European Production

- **Production In Europe With Ford**
- **Site To Be Announced Later**
- **Demio (B Car) and 323 (C Car)**
- **100,000 Units Annually**
- **Improve Mazda Profitability**
- **Shorten Pipeline**
- **Reduce Exchange Exposure**



Mid-Term Plan – Production Sources For European Sales



*Including Imports From The U.S. and Thailand
That Reduce Yen/Euro Exposure



Mid-Term Plan – Exchange Exposure

- **Optimized Global Sourcing**
- **Full Utilization Of U.S. Production Capacity**

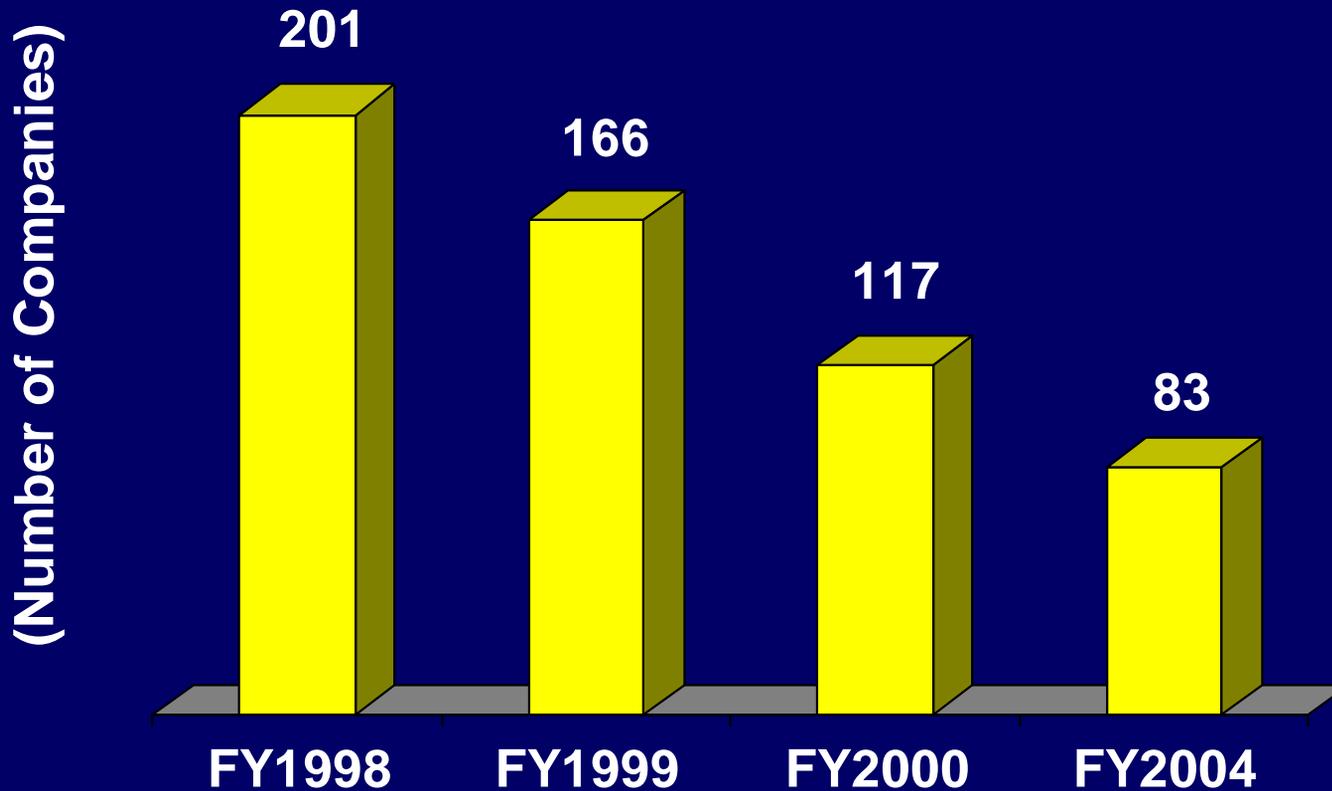


Mid-Term Plan – Supply Base

- **Technical or Equity Relationships**
- **Full-Service Suppliers**
- **Cost Reductions**
- **Rationalization Of Excess Capacity**



Mid-Term Plan – Subsidiary Rationalization



Mid-Term Plan – Grow The Business

- **Brand Strategy & DNA**
- **Higher Product Spending**
- **Focus On Major Markets and Strengthened Distribution**
- **Aggressively Integrate Internet**

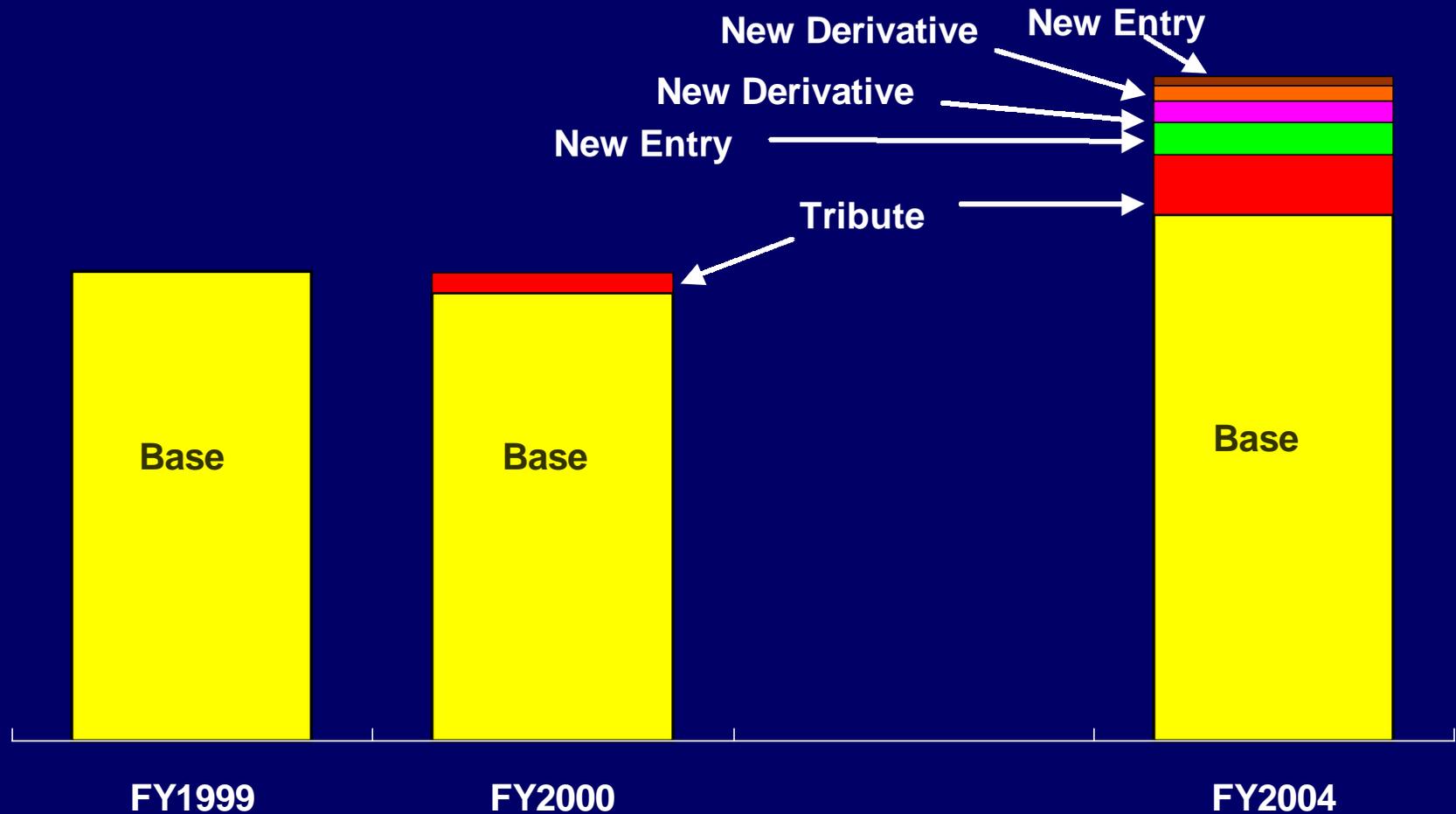


Mid-Term Plan – Product

- **30% Increase In Product Spending**
- **Four New Platforms**
- **Extensive Powertrain Upgrades**
- **All-New, Incremental Derivatives**
- **Large Number Of Product Introductions**



Grow The Business – Sources Of Future Retail Sales



Mid-Term Plan – Distribution

- **Japan**
- **U.S.**
- **Europe**
- **Global**



Mid-Term Plan – People Transformation Actions Taken

- **Mazda Business Leadership Development (MBLD)**
- **Performance-Based Personnel System**
- **Compensation Revisions**
- **Diversity Initiatives**
- **Ethics and Human Rights**
- **Cross-Training With Ford**



Mid-Term Plan – People Transformation Actions Planned

- **MBLD Phase II and Six-Sigma In FY2001**
- **More Cross-Development Programs With Ford**
- **Further Compensation Reform**
- **360° Reviews For Managers**
- **Accelerated Diversity Initiatives**
- **Be A Preferred Employer**



Mid-Term Plan – Financial & Operating Objectives

<u>Metric</u>	<u>Target</u>	<u>Timing</u>
Consolidated Net Income	Breakeven	FY2001
Consolidated Net ROS	3%	FY2004
Consolidated Net ROA	6%	FY2004
Cumulative Cost Reductions	15%	FY2004
Net Debt-Equity	50%	FY2004
Credit Rating	Prime	FY2004
Customer Satisfaction	Better Than Non-Luxury Avg.	FY2001
Production In Europe	Job #1	FY2002
Subsidiary Companies (No.)	83	FY2004



Mid-Term Plan – Summary

- **Substantial Reform Achieved By Mazda**
- **External and Competitive Environment More Challenging Than Expected**
- **Further Transformation Required**
- **Comprehensive Plan Developed**
- **Sense of Urgency**



Mid-Term Plan – Summary

- **FY2000 and FY2001 Transition Years**
- **Mazda An Indispensable Part Of Ford Group**
- **Restructuring Addresses Major Issues**
- **Brand- and Product-Based Growth**
- **Enable Our People**





mazda



mazda



ATTACHMENTS

- **Unconsolidated Financial Results and Full Year Forecast**
- **Volumes and Market Shares**



First Half FY2000 Unconsolidated Financial Results

	<u>B/(W) Than</u>		
	<u>Actual</u>	<u>Plan</u>	<u>Prior Year</u>
	(Oku yen)	(Oku yen)	(Oku yen)
Operating Profit	(134)	36	(212)
Ordinary Profit	(163)	47	(221)
Profit Before Tax	(214)	(4)	(276)
Net Income	(127)	(17)	(165)
Return On Sales	(1.9) %	(0.3) Pts	(2.4) Pts
Return On Assets	(1.2) %	(0.1) Pts	(1.5) Pts
Cash Flow	136	26	N/A



Full Year FY2000 Unconsolidated Financial Forecast

	Forecast	B/(W) Than	
		Plan	Prior Year
	(Oku yen)	(Oku yen)	(Oku yen)
Operating Profit	(425)	(475)	(555)
Ordinary Profit	(520)	(555)	(597)
Profit Before Tax	(955)	(965)	(1,042)
Net Income	(570)	(595)	(621)
Return On Sales	(4.2) %	(4.4) Pts	(4.5) Pts
Return On Assets	(5.2) %	(5.4) Pts	(5.7) Pts
Cash Flow	25	(515)	N/A



First Half FY2000 Market Data – Japan

	<u>Actual</u>	<u>O/(U)</u>	
		<u>Plan</u>	<u>Prior Year</u>
<u>Registered</u>			
Industry (000)			
Sedan	730	5.1 %	7.2 %
RV	776	0.9 %	0.4 %
Other	422	(7.4) %	0.1 %
Total	<u>1,928</u>		
Mazda Market Share	6.8 %	(0.6) Pts	(0.2) Pts
Mazda Retail (000)	132	(7.9) %	0.2 %
<u>Micro</u>			
Industry (000)	888	(2.8) %	(1.6) %
Mazda Market Share	2.3 %	(0.1) Pts	(0.4) Pts
Mazda Retail (000)	20	(6.3) %	(14.9) %
<u>Total</u>			
Industry (000)	2,816	(0.6) %	1.4 %
Mazda Market Share	5.4 %	(0.4) Pts	(0.2) Pts
Mazda Retail (000)	152	(7.7) %	(2.1) %



First Half FY2000 Market Data – U.S.A. (CY2000)

	<u>Actual</u>	<u>O/(U)</u>	
		<u>Plan</u>	<u>Prior Year</u>
Industry (000)	9,016	0.9 %	6.0 %
Mazda Market Share	1.4 %	0.0 Pts	0.0 Pts
Mazda Retail (000)	125	3.6 %	3.7 %



First Half FY2000 Market Data – Western Europe (CY2000)

	<u>Actual</u>	<u>O/(U)</u>	
		<u>Plan</u>	<u>Prior Year</u>
Industry (000)	9,418	4.2 %	3.0 %
Mazda Market Share	1.3 %	(0.2) Pts	(0.2) Pts
Mazda Retail (000)	119	(9.0) %	(10.5) %



First Half FY2000 Market Data – Europe By Market (CY2000)

	O/(U)					
	Actual		Plan		Prior Year	
	Retail	Market Share	Retail	Market Share	Retail	Market Share
	(000)	(%)	(%)	(Pts)	(%)	(Pts)
Germany	48	2.4	(6.5)	(0.1)	(4.8)	0.1
UK	14	1.0	(17.6)	(0.3)	(8.1)	(0.1)
France	4	0.3	(7.0)	(0.1)	(17.9)	(0.1)
Netherlands	11	2.5	(12.2)	(0.4)	(22.0)	(0.7)
Belgium / Luxemburg	6	1.4	(0.5)	(0.2)	(6.0)	(0.2)
Switzerland	5	2.8	(8.7)	(0.5)	(2.0)	(0.1)
Austria	9	4.7	(2.0)	(0.1)	4.7	0.0
Denmark	4	4.2	8.1	0.9	(32.7)	(1.2)
Italy	3	0.2	(16.4)	0.0	(28.4)	(0.1)
Spain	1	0.1	(57.3)	(0.2)	(39.8)	(0.1)
Portugal	1	0.6	(18.3)	(0.2)	(23.1)	(0.2)
Others	13	1.8	(5.0)	(0.2)	(15.0)	(0.7)
Total Western Europe	119	1.3	(9.0)	(0.1)	(10.5)	(0.1)
Memo: Total Europe	125		(8.3)		(10.5)	



First Half FY2000 Japan Wholesales & Production

	Actual	O/(U)	
		Plan	Prior Year
<u>Wholesales</u>	(000)	(000)	(000)
Japan	167	(10)	4
North America	85	0	(4)
Europe	81	(6)	(27)
Rest of World	80	10	23
Total	413	(6)	(4)
Memo:			
Excluding Outsourced Vehicles	370	(13)	(9)
<u>Production</u>			
Domestic	141	(6)	5
Export	225	(5)	(17)
Total	366	(11)	(12)



First Half FY2000 Consolidated Wholesales and Production

	Actual (000)	○/(U)	
		Plan (000)	Prior Year (000)
<u>Wholesales</u>			
Japan	166	(11)	1
North America	147	(3)	6
Europe	100	(10)	(15)
Rest of World	81	10	21
Total	494	(14)	13
<u>Production</u>			
Mazda	366	(11)	(12)
AAI	44	2	(5)
AAT	11	0	0
Other *	55	9	(2)
Total	476	0	(19)

* Including Ford, CCA (Colombia) and Suzuki



Full Year FY2000 Market Data – Japan

<u>Registered</u>	<u>Forecast</u>	<u>O/(U)</u>	
		<u>Plan</u>	<u>Prior Year</u>
Industry (000)			
Sedan	1,619	5.4 %	7.5 %
RV	1,644	(0.1) %	1.9 %
Other	864	(7.9) %	0.3 %
Total	<u>4,127</u>		
Mazda Market Share	6.7 %	(0.5) Pts	(0.3) Pts
Mazda Retail (000)	277	(7.1) %	(0.3) %
<u>Micro</u>			
Industry (000)	1,849	(1.7) %	(2.8) %
Mazda Market Share	2.2 %	(0.2) Pts	(0.2) Pts
Mazda Retail (000)	41	(9.0) %	(9.5) %
<u>Total</u>			
Industry (000)	5,976	(0.4) %	1.6 %
Mazda Market Share	5.3 %	(0.4) Pts	(0.2) Pts
Mazda Retail (000)	318	(7.3) %	(1.6) %



Full Year FY2000 Market Data – U.S.A. (CY2000)

	<u>Forecast</u>	<u>O/(U)</u>	
		<u>Plan</u>	<u>Prior Year</u>
Industry (000)	17,311	2.8 %	2.8 %
Mazda Market Share	1.5 %	(0.2) Pts	0.1 Pts
Mazda Retail (000)	260	(7.5) %	6.5 %



Full Year FY2000 Market Data – Western Europe (CY2000)

	<u>Forecast</u>	<u>O/(U)</u>	
		<u>Plan</u>	<u>Prior Year</u>
Industry (000)	16,975	0.4 %	(1.0) %
Mazda Market Share	1.2 %	(0.2) Pts	(0.2) Pts
Mazda Retail (000)	198	(15.0) %	(12.7) %



Full Year FY2000 Market Data – Europe By Market (CY2000)

	O/(U)					
	Forecast		Plan		Prior Year	
	Retail	Market Share	Retail	Market Share	Retail	Market Share
	(000)	(%)	(%)	(Pts)	(%)	(Pts)
Germany	79	2.1	(11.8)	(0.2)	(12.0)	(0.1)
UK	22	0.9	(26.8)	(0.4)	(14.7)	(0.2)
France	7	0.3	(20.2)	(0.1)	(21.6)	(0.1)
Netherlands	17	2.5	(13.1)	(0.4)	(15.0)	(0.3)
Belgium / Luxemburg	9	1.4	(2.7)	(0.2)	(2.9)	(0.1)
Switzerland	9	2.7	(9.2)	(0.3)	1.7	0.0
Austria	15	4.5	(2.8)	(0.2)	0.0	0.0
Denmark	6	3.8	15.8	1.0	(34.9)	(0.9)
Italy	6	0.2	(40.1)	(0.2)	(8.7)	(0.1)
Spain	4	0.2	(63.9)	(0.4)	(4.1)	0.0
Portugal	3	0.6	(25.2)	(0.3)	(14.0)	(0.1)
Others	21	1.7	0.3	(0.1)	(19.1)	(0.6)
Total Western Europe	198	1.2	(15.1)	(0.2)	(12.7)	(0.1)
 Memo: Total Europe	 211		 (13.8)		 (12.3)	



Full Year FY2000 Japan Wholesales & Production

	Forecast	O / (U)	
		Plan	Prior Year
	(000)	(000)	(000)
<u>Wholesales</u>			
Japan	349	(27)	5
North America	179	(7)	2
Europe	169	(70)	(67)
Rest of World	162	16	40
Total	859	(88)	(20)
Memo:			
Excluding Outsourced Vehicles	767	(99)	(39)
<u>Production</u>			
Domestic	293	(26)	(4)
Export	466	(75)	(42)
Total	759	(101)	(46)



Full Year FY2000 Consolidated Wholesales and Production

	Forecast	○ /(U)	
		Plan	Prior Year
	(000)	(000)	(000)
<u>Wholesales</u>			
Japan	348	(28)	3
North America	311	(17)	14
Europe	186	(60)	(55)
Rest of World	164	12	34
Total	1,009	(93)	(4)
<u>Production</u>			
Mazda	759	(101)	(46)
AAI	69	(3)	(18)
AAT	24	0	2
Other *	149	9	38
Total	1,001	(95)	(24)

* Including Ford, CCA (Colombia) and Suzuki

