



Tokyo Motor Show Investors Conference

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Mazda Motor Corporation
Representative Director,
Executive Vice President and CFO

Kiyoshi Ozaki

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Presentation Outline

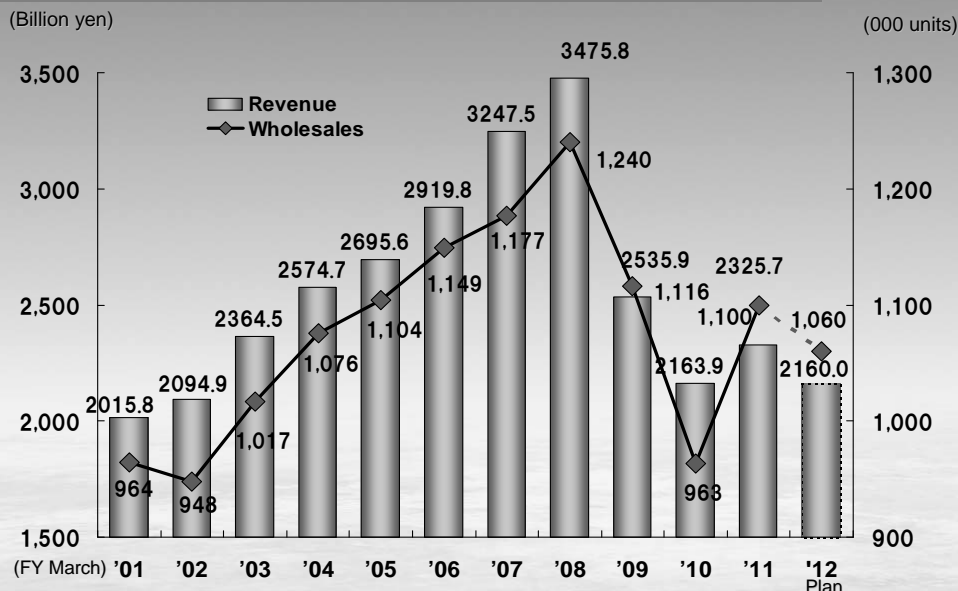
- Mazda Business Status and Measures to Address Challenges
- Monotsukuri Innovation: Key Driver of Cost Structure Innovation
- Environmental and Safety Technologies: SKYACTIV TECHNOLOGY
- Brand Value: SKYACTIV Introduction Strategy
- Emerging Markets: ASEAN, China, Central and South America, and Russia
- Toward Turnaround

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Mazda Business Status and Measures to Address Challenges

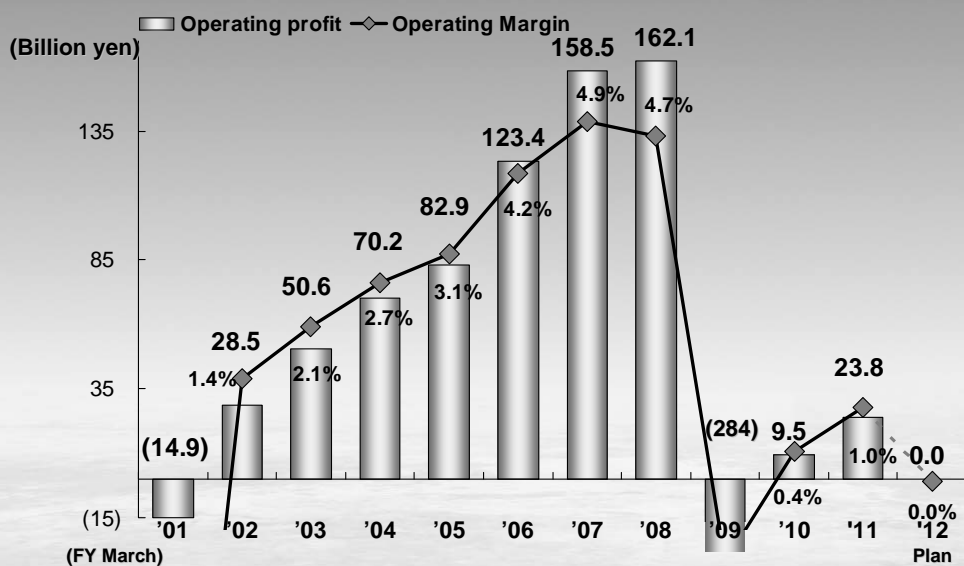
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Revenue and Wholesales



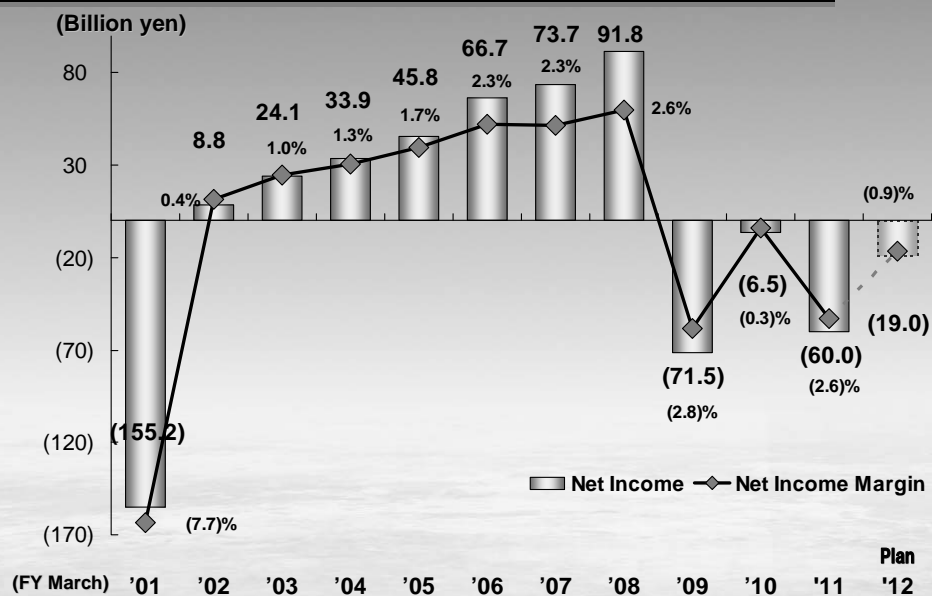
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Operating Profit and Operating Margin



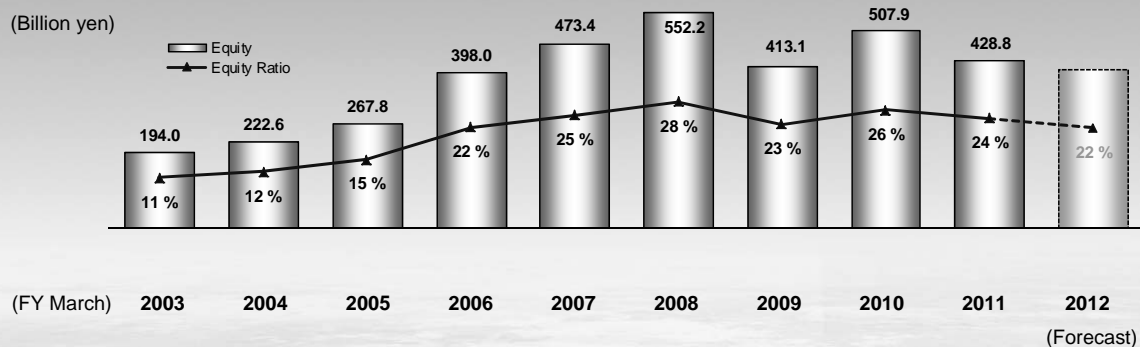
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Net Income and Net Income Margin



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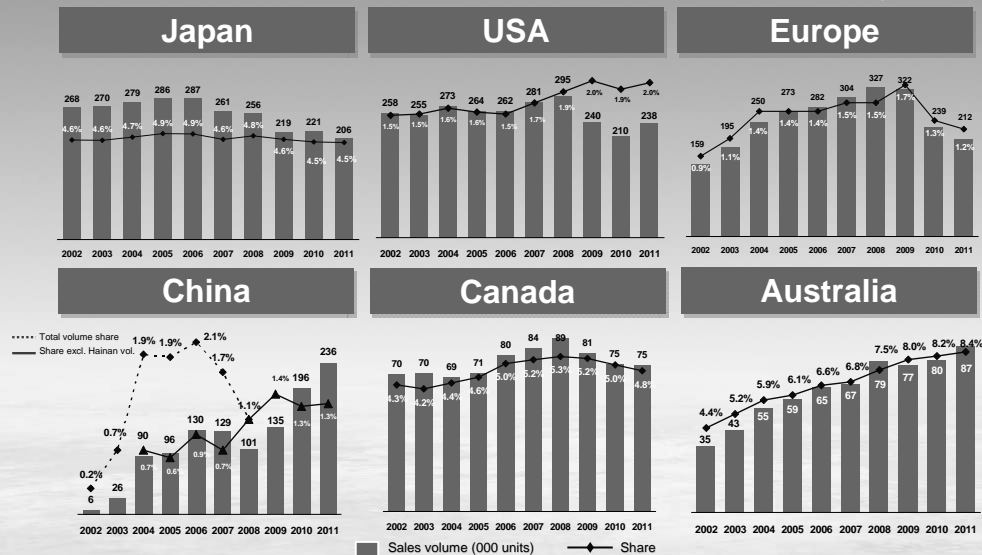
Equity Ratio Trend



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Sales Performance in Major Markets

Fiscal years ended in March



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Business Status

- After introductions of Zoom-Zoom products, our presence has steadily improved in major markets
- Our approach to sell at full price is producing good results, and our brand value has consistently improved
- Our actions to cope with Lehman Shock and Great East Japan Earthquake were quick and appropriate leading to early recovery
- SKYACTIV TECHNOLOGY (PT) has been receiving great responses since its debut in Demio in Japan and Mazda3 in North America
- However, due to continued yen's appreciation and a series of disasters, our business performance is affected.

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Mazda Business Challenges

Mazda's structural challenges

Mazda possesses excellent R&D and production technologies, as well as highly-efficient plants and suppliers centering in Hiroshima and Yamaguchi, and has established a certain presence in developed countries in terms of sales

➡ Production and Procurement Structure:

- Inadequate ability to respond to yen's appreciation due to delays in expansion of overseas production footprint
- Low utilization ratio at AAI, our only production site in USA

➡ Sales:

- We focused on developed countries and entrance into growing markets has been limited (Generally, due to high tariffs in growing markets, price is not competitive without production sites)
- Threats of FTA/Korean makers

➡ Finance:

- Financial base still needs improvement
- SKYACTIV introduction and contribution to profits are on track. But it takes time

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Measures to Address Challenges Toward Growth (1)

➡ Measures to overcome the current crisis by offsetting exchange impact

- Identify every opportunity to increase profits such as sales expansion, price increase, and mix improvement
- Reinforce cost improvement initiatives together with suppliers (Thorough reassessment of costs of existing models)
- Accelerate increase of overseas sourcing ratio and transactions in foreign currencies
- Thorough reassessment of fixed cost (Reduce overtime work and recruitment, etc.)

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Measures to Address Challenges Toward Growth (2)

✦ Turnaround toward mid- and long-term growth

- Globally introduce new-generation products that fully reflect KODO design and are powered by advanced technology, SKYACTIV
- By accelerating “Monotsukuri Innovation”, further improve costs of existing and new-generation products and improve productivity at domestic plants
- Progress of Tsunagari innovation and Sales method innovation with introductions of SKYACTIV
- Increase sales in ASEAN and other emerging markets
- Through construction of new plants in Mexico, capacity increase at Nanjing plants and joint venture production in Russia, expand production capacity at overseas plants and increase local sourcing ratio

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Framework for Medium- and Long-term Initiatives

Framework for Medium- and Long-term Initiatives

5 pillars

Monotsukuri Innovation

Environmental & Safety Technologies

Brand Value

Emerging Markets

Ford Synergy

Announced on April 27, 2010

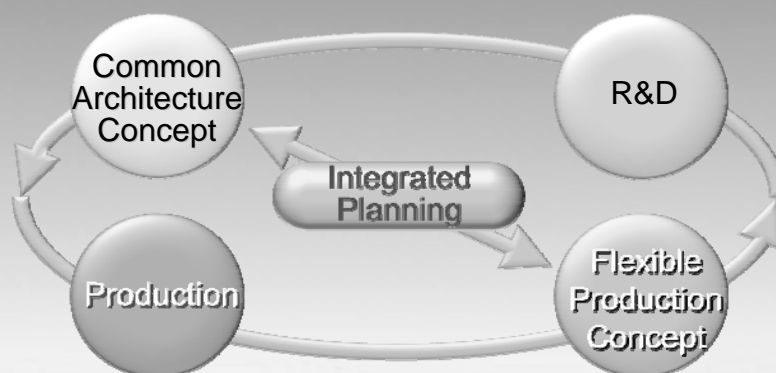
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Monotsukuri Innovation

Key Driver of Cost Structure Innovation

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Monotsukuri Innovation



**Breakthrough to solve mutually
conflicting issues**

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Monotsukuri Innovation

		Performance	Improve Cost/Efficiency
R&D Efficiency			30% or more
Investment in Production Facilities	SKYACTIV-G		60% or more
	VEHICLE		20% or more
Cost Improvement	VEHICLE (excl. additional equipment)	100 kg or more weight reduction (equivalent to 5% fuel economy improvement)	25% level or more
	SKYACTIV-D	20% better fuel economy / Euro6 compliance	Better than current engine
	SKYACTIV-G	15% better fuel economy and torque. Possible to comply with Euro6	Better than current direct-injection engine
	SKYACTIV-DRIVE	4-7% better fuel economy. Direct feeling improvement	Same as current transmission

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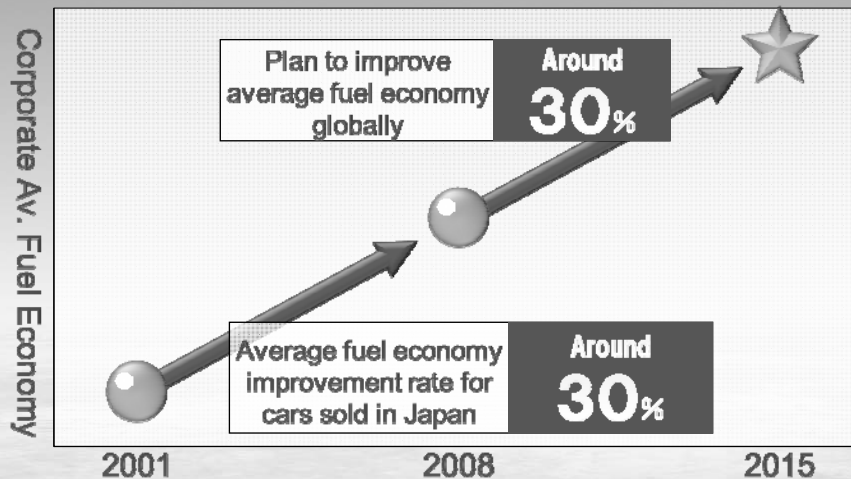
Environmental and Safety Technologies

SKYACTIV TECHNOLOGY

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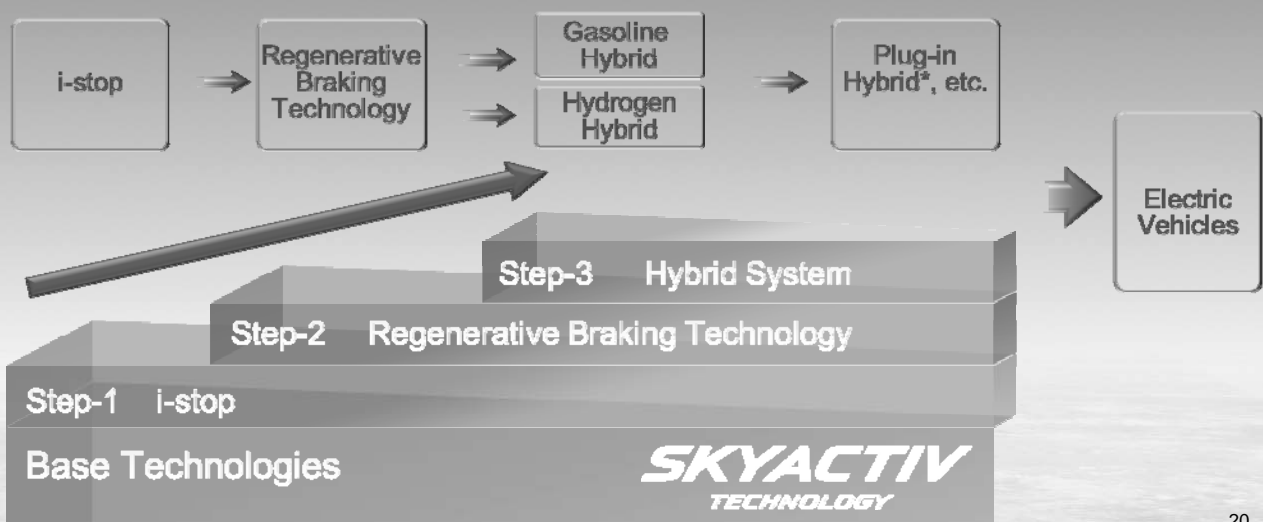
Sustainable Zoom - Zoom

- Aim to further improve average fuel economy by 30% through development of super-efficient new-generation powertrain and light-weight new-generation platform



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Building Block Strategy



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*Hybrid vehicle with a battery that can be charged with household power supply

Fuel Economy Improvement by SKYACTIV

By Engines		
New-generation GE	<i>SKYACTIV-G</i>	15%
New-generation DE	<i>SKYACTIV-D</i>	20%
By Transmission		
New-generation AT	<i>SKYACTIV-DRIVE</i>	4 - 7%
By weight Reduction		
Reduce weight by 100 kg or more from prior models		3 - 5%
Other		+α%
Total		20 - 30%

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New Mazda Demio (Mazda2)



- Sharp and strong design
- Eco-friendliness & Fun to Drive DM
- Best-in-class safety feature
- SKYACTIV-G 1.3 with high compression ratio (14:1) won 2012 RJC Technology of the Year
- Demio 13-SKYACTIV won "Chairperson's Award, Eco-Products Awards Steering Committee"



SKYACTIV-G 1.3 equipped with i-stop

Fuel Economy of 30km/L (10-15 mode)

2012 **RJC** TECHNOLOGY OF THE YEAR

25km/L (JC08 mode)



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New Mazda Axela/Mazda3



SKYACTIV-G 2.0
SKYACTIV-Drive (6-speed AT)
 equipped with i-stop

Fuel Economy of 40 mpg (US Highway mode)
 20.0 km/L (10-15 mode) 17.6 km/L (JC08 mode, Sedan)

- New sense of direct driving
- Eco-friendliness & Fun to Drive = "i-DM"
- Realized both exhilarating driving performance and class-top fuel economy



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Mazda CX-5

New Design Theme
 "KODO - Soul of Motion" X

SKYACTIV
 TECHNOLOGY



First Model of Mazda New Generation Products
 to be fully equipped with SKYACTIV

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Mazda CX-5 / SKYACTIV-D

New-generation Clean Diesel

To be introduced
in Japan in 2012



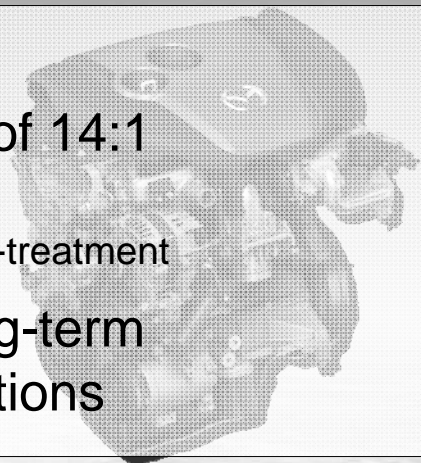
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Mazda CX-5 / SKYACTIV-D

World's Lowest
Compression Ratio of 14:1

Without expensive NOx after-treatment

Meet Post New Long-term
Emissions Regulations



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Mazda CX-5 / SKYACTIV-D

Improve fuel
economy about 20%
from prior model

Fuel Economy
18.6Km/L (JC08 mode)
Top among all SUVs

- SKYACTIV-D (2.2L)
- SKYACTIV-Drive (AT)
- i-stop



Mazda CX-5 / SKYACTIV-D

Adopts two-stage turbo charger

Linear response from low to high engine speeds

As same as 4-liter V8 GE

Maximum
Torque 420Nm



SKYACTIV-G

SKYACTIV-G

- 15% improvement in low-mid range torque
- 15% improvement in fuel economy
- Reduced pumping loss
- Reduced weight and mechanical friction

[Environmental performance of CX-5/SKYACTIV-G 2.0]

- 16.0 km/L (JC08)
- 17.6 km/L (10-15)



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Environmental and Safety Technologies

⚡ Introduction of environmentally-friendly vehicles is on track

- ✓(1) Jun. 2011•• Introduced new Demio equipped with SKYACTIV-G in Japan, achieving fuel economy of 30km/L without an assistance of electric devices and received high acclaim
- ✓(2) Sep. 2011•• Started sales of new Mazda3 with SKYACTIV-G and SKYACTIV-Drive in Japan, North America and Australia
- (3) 2012 ••••• Globally launch the CX-5 fully equipped with SKYACTIV TECHNOLOGY
- (4) From 2012•• Introduce regenerative braking system “i-ELOOP”
- (5) 2012••••• Start leasing electric vehicles
- (6) 2013••••• Start sales of hybrid vehicles

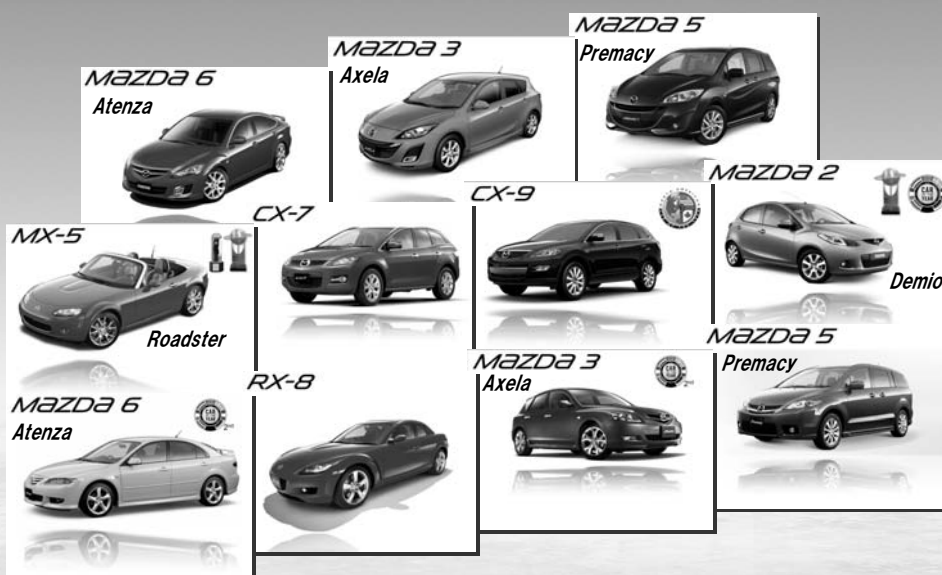
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Brand Value

SKYACTIV Introduction Strategy

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Brand Value - Product Line-up Since 2002



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Improvements of Brand Value in Major Markets

Brand Value and Residual Value Improved in Main Markets

USA

ALG Top Residual Value Award: Mazda3 (2010 MY)
CX-9 (2011 MY)
Mazda3 MPS (2012 MY)

J.D.P IQS: Brand 5th (from 18th prior year)
J.D.P APEAL: Mazda2 2nd

Europe

J.D.P VOSS (Germany):
Mazda2 1st
Mazda3 1st (2 consecutive years)

China

J.D.P IQS: Mazda6 1st (2 consecutive years)

J.D.P: J.D. Power and Associates

IQS: Initial Quality Study

APEAL: Automotive Performance, Execution and Layout

VOSS: Vehicle Ownership Satisfaction Study

ALG: Automotive Lease Guide Inc.

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Brand Value

Tsunagari Innovation

Small-scale but “one and only”
indispensable brand for the customers

Sales Method Innovation

New marketing strategy starting
with SKYACTIV-equipped models



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SKYACTIV Introduction Strategy

- ✦ “Sales method innovation”: New marketing strategy starting with SKYACTIV-equipped models
- (1) Driving experience: Globally promote test-drive events in major regions under the maker's initiatives. Connect customers in the world together through impressive experience of SKYACTIV
- (2) Advertisement: Promote communication and dissemination of information by utilizing digital media and social media
- (3) Inside-Out strategy: Distributors and dealers perform as influencers as they gain great confidence in the products through driving and training sessions
- (4) Pricing strategy: Reduce the gap between list price and transaction price by selling at full price, and keep residual value at a high level
- (5) Grade and equipment strategy: Simple grade system, strategic equipment to emphasize brand and differentiation equipment

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Strong Response to SKYACTIV - Japan -

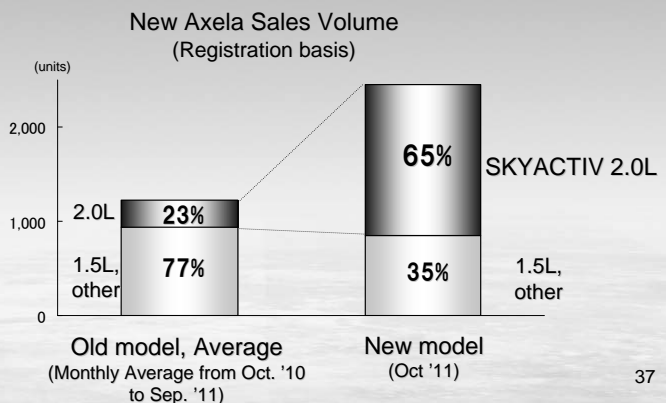
- ✦ Strong response to SKYACTIV
- (1) Response from dealers
 - Strong confidence and high expectation for sales increase
 - Drastic improvement of brand loyalty through clear differentiation from other makers
- (2) Response from media and specialists
 - Champion of the 3rd eco-car
 - High acclaim for Mazda's challenge and world's best-level technologies
 - (Received 2012 RJC Technology of the Year, Chairperson's Award, Eco-Products Awards Steering Committee, Nikkei Global Environmental Technology Award, and 1st place of Nikkei Trendy “Eco-car Selection, etc.)
- (3) Response from customers
 - High appraisal for strong attractiveness for its environmental performance and fun to drive

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SKYACTIV Sales Status - Japan -

- New-generation Demio (Mazda2)
 - Off to a good start by selling 8,000 units a month on average for the 3 months after sales started
 - Ratio of SKYACTIV model is 64%, higher than plan

- New-generation Axela (Mazda3)
 - Orders exceeded 5,000 units for one month after sales started (More than twice as many as old model average monthly sales)
 - SKYACTIV 2.0L model ratio is about 60% (Old model's 2.0L ratio was about 25%)



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New-Generation SKYACTIV Demio Customer Profile - Japan -

- Reasons for the purchase of New Demio (Comparison with prior to SKYACTIV introduction)
 1. Fuel economy, 2. Environmental performance and 3. Safety performance substantially increased
 As a result, brand image sharply improved
- SKYACTIV Demio Customer Profile
 - About 60% of total purchase was by the customers specifying the exact model they want (no other models considered)
 - Hybrid vehicles increased to be the comparing models
- New-generation Demio Customer Profile
 - Replacement by existing customers (retention)
 - Also gaining new customers
- Purchase price (Compared with prior to SKYACTIV introduction)
 - Purchase price range increased
 - Discount amount substantially reduced

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SKYACTIV Sales Status – North America -

- ✦ New Mazda3 SKYACTIV
 - September: Tied-up with popular TV program before introduction
 - October: Sales started in USA and Canada
 - Start communicating Mazda3 “40 mpg”
 - Soon after the start, access to internet sharply increased
- ✦ Showroom Traffic
 - About half of the visitors came to see SKYACTIV
 - About 80% of them are new visitors (Main dealer reports)
- ✦ Data on Buyers (Launch timing)
 - About 80% said they purchased because of its fuel economy (up more than 20% from prior to introduction)
 - Shift to smaller-sized vehicles has increased (for example, replacement from CD class, SUV, and recent model year vehicles)
 - Higher age group than before. Inflow of new high income customers.
- ✦ Purchase Price
 - Purchase price range increased and we hold down discounts

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Summary:

SKYACTIV Introduction - Japan, North America & Australia -

- ✦ Sales are off to a good start both in Japan and North America
- ✦ Highly acclaimed also in Australia
- ✦ SKYACTIV TECHNOLOGY received strong response from customers, dealers as well as media
- ✦ Expect sales increase with new customers suited to Mazda Brand
- ✦ Merits from SKYACTIV
 - Obtain new customers
 - Retain existing customers
 - Contribute to substantial improvements in profitability at makers and dealers
 - Contribute to brand value improvement

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Emerging Markets

ASEAN, China, Central and South America and Russia

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Emerging Markets (1)

✦ Target

In addition to expansion and enhancement of production and sales structures in emerging markets which we have already entered, expand overseas production and newly enter other emerging markets

✦ Results achieved

- Started production of new Mazda3 at the plant in Nanjing, China after production consolidation. Production capacity was increased to 240,000 units a year. Sales network was also expanded.
- Started local assembly of Mazda2 Sedan and Mazda3 at AAT's new passenger car plant. Strengthened production and sales framework
- Started local assembly of Mazda3 in Malaysia
- In Vietnam, started sales in March 2011 and production of Mazda2 in October 2011.

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Emerging Markets (2)



Future actions

- Promote growth strategy in emerging markets (ASEAN & China)
- Expand local production

(1) ASEAN

- Centering on AAT, accelerate local production in ASEAN and intra-regional export
- Expand sales in growing markets including Malaysia and Vietnam
- Enhance product lineups in Indonesia where sales are successful

(2) China

- Increase local production and local assembly models
- Expand sales network to 370 outlets by end of 2011
- Accelerate to open outlets in inland cities and in open areas

(3) Manufacturing Business in Mexico

- Start plant operation from FY March 2014 (Capacity 140,000 units)
- Studying to export to North America

(4) Sales Business in Brazil

(5) JV Production in Russia (Started talks)

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Emerging Markets (3) - Manufacturing Business in Mexico -

<Outline>

Construct joint venture vehicle and engine assembly plants with Sumitomo Corporation

Manufacturing Business

- | | | |
|-------------------|------|----------------------------------------------------------------------------|
| • Operation start | •••• | FY March 2014 |
| • Capacity | •••• | 140,000 units a year |
| • Models | •••• | Mazda2, Mazda3 |
| • Markets | •••• | Primarily Central and South America
Studying to export to North America |
| • Investments | •••• | US\$500 million |
| • Head Office | •••• | Salamanca City, Guanajuato States |

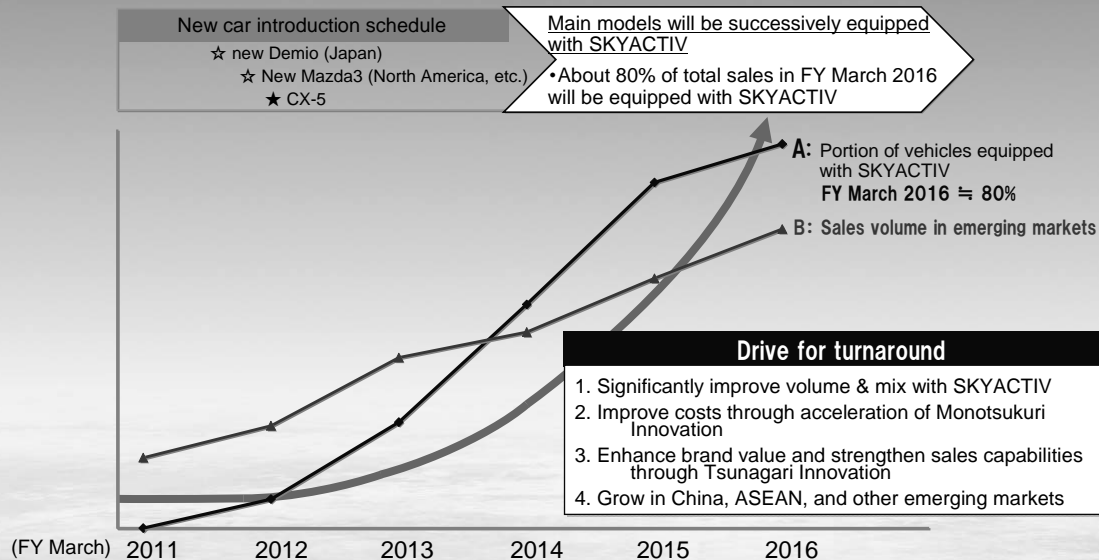
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Location of Plants in Mexico



Toward Turnaround

Toward Turnaround



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Toward Turnaround

- ➡ Put utmost efforts to return to profitability (in all profit categories) in the 2nd half and breakeven operating profit in the full year of FY March 2012
- ➡ Accelerate structural reforms in order to steadily generate profits even under super strong yen situation
- ➡ Identify sales and profit increase opportunities centering around SKYACTIV TECHNOLOGY which has received high acclaims since its introduction
- ➡ In line with expansion of models equipped with SKYACTIV, volume and mix will substantially improve and the ratio of SKYACTIV model sales is expected to reach 80% of global sales in FY March 2016.
- ➡ Accelerate cost structural reforms through Monotsukuri Innovation
- ➡ Overcome this super strong yen and realize the turnaround by improving productivity at plants in Japan, expanding capacity and newly establishing overseas manufacturing sites, and increasing overseas sourcing ratio and transactions in foreign currencies.

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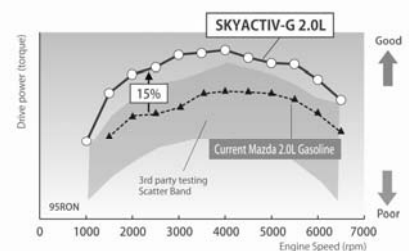
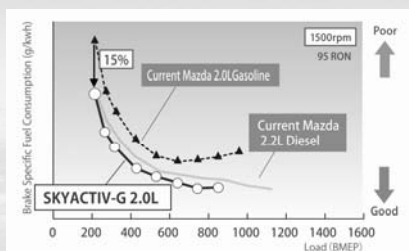
"Environmental Technology, Pushing the
Boundaries of the Emotion of Motion"

Appendix

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New-generation Gasoline Engine SKYACTIV-G

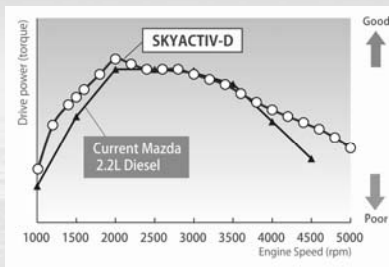
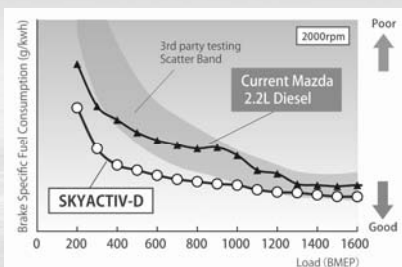
- 15% improvement in fuel efficiency, achieving fuel economy level of current Mazda2 with Mazda3 class vehicles
- 15% improvement in low-mid range torque
- World 1st mass-production engine with the high compression ratio of 14:1
- Reduced pumping loss
- Reduced weight and mechanical friction



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New-generation Clean Diesel Engine SKYACTIV-D

- Fuel efficiency improved by 20%, achieving fuel economy level of current Mazda2 with Mazda6 class vehicles
- Major enhancement of low-high range torque, with a smooth, linear response
- Complies with tough emissions standards in Japan, the United States and Europe, without using costly NOx after-treatment
- World lowest compression ratio of 14:1 as a mass-production engine.
- Optimized combustion timing
- Reduced weight and mechanical friction
- 2 stage turbochargers



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New-Generation Transmissions

New-Generation Highly-Efficient Automatic Transmission SKYACTIV-Drive

- Fuel efficiency improved by 4-7%
- Direct driving feel a par with manual transmissions
- Smooth, forceful start and seamless acceleration
- Combination of all the benefits of step AT, CVT and DCT
- Dramatically expanded lock-up range



New-Generation Manual Transmission SKYACTIV-MT

- Light, crisp shift feel, like a sports car
- Major reduction of weight, and more compact



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SKYACTIV Platform

- Vehicle weight reduced by more than 100kg
- Fuel efficiency improvement of 3-5%, and fun to drive, in maneuvering a car as you wish

SKYACTIV BODY

- Next-generation highly rigid body, delivering driving pleasure
- Combination of weight reduction and outstanding crash safety performance
- 8% lighter than previous models, with 30% improved rigidity

SKYACTIV Chassis

- Thorough revision of functionality, to achieve driving pleasure with a sense of oneness between car and driver
- Enhanced comfort and feeling of security, with major improvements in driving quality
- Adoption of newly-developed lightweight suspension and electric power steering
- Weight reduced by 14% compared with previous models



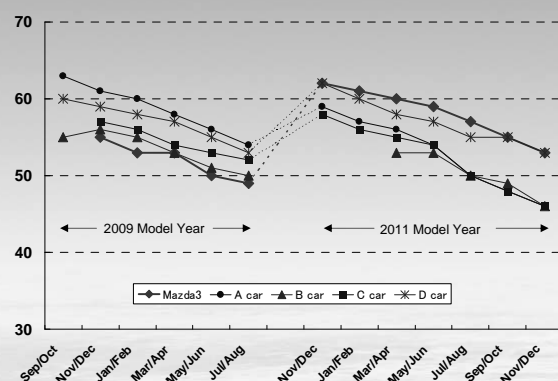
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US Residual Value

US trend (comparison with Japanese makers)

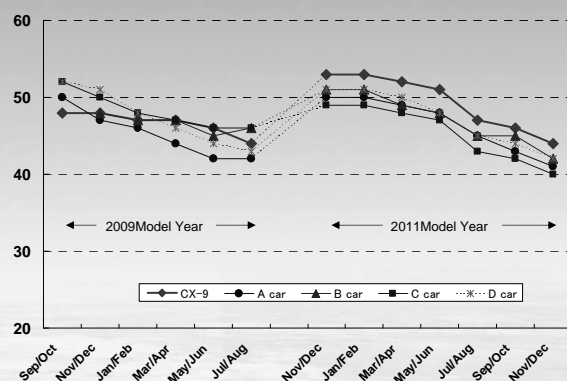
<Compact Car>

Mazda3 - top of the Japanese car segment



<Full-size Utility>

CX-9 - won the 2011 ALG Best Residual Value Award



Source: Residual value after 36 months by Automotive Lease Guide

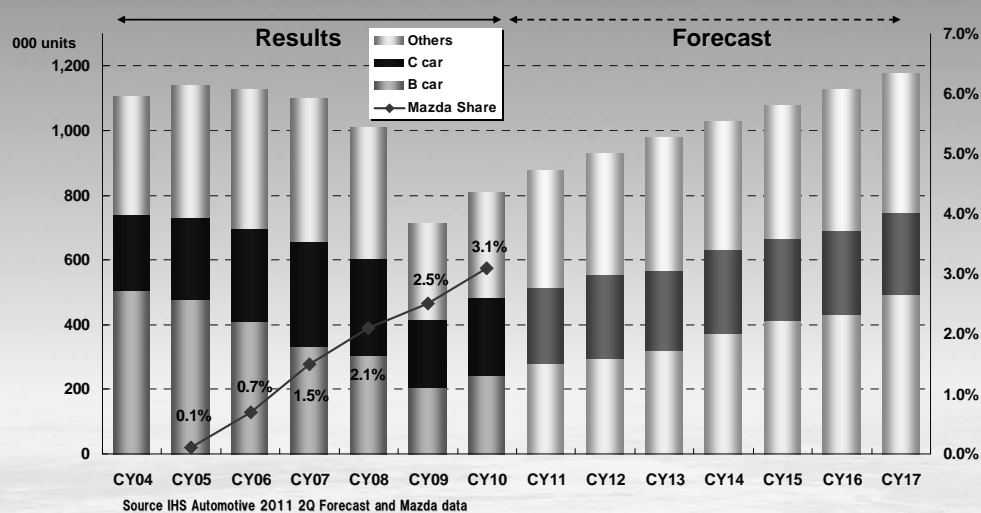
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Mazda Motor Manufacturing de Mexico S.A. de C.V.



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Mexico Auto Industry Trend



Our share is increasing every year since 2005 when we entered the market. We pursue further growth.



mazda