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(For Your Information)

Mazda Motor Corporation
FY2008 Nine Month 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

Revenue for the nine months of FY2008 was down 17% to ¥2,087.9 billion. Operating profit was ¥36.5 billion, down 66% from the prior year, reflecting yen's appreciations against key currencies and sharp deteriorations in global sales environment which started in the second half of last year.

Net income was down 36% to ¥28.9 billion reflecting exchange gains.

Our global sales results were up 6% from the prior year reflecting strong sales in Europe, China and Other markets in the first half of this fiscal year, but our nine months sales results were down 1% to 964,000 units due to sharp sales slowdown from the 3rd quarter.

Last year we introduced our new generation products, the new Mazda2 and new Mazda6, and they are gaining worldwide acclaim. The new Mazda6 and Mazda2 won 22 and 48 awards respectively. Throughout the year 2008, we won 82 awards in total Mazda vehicles.

We unveiled new Mazda3, which represents Mazda Brand, at auto shows first in Los Angeles, then in Bologna and Detroit.

We will introduce new Mazda3 first in North America and full-scale introduction starts next fiscal year.

We will cover the detail later, but we started emergency measures in October to respond to sharp deteriorations in business environment.

There was a change in our major shareholders in November, but we continue strategic alliance with Ford.

I will highlight the full year projections for FY2008.

We revise profits at all levels reflecting the sharp deterioration of sales environment in global markets and the impact of yen's appreciation against key currencies since October.

Revenue is projected to be down 27% from the prior year to ¥2,550 billion, and operating profit down ¥187.1 billion to operating loss of ¥25 billion.

We will accelerate emergency measures against external environment which has further deteriorated since January.

As part of emergency measures, we will implement further production cut to realize optimum inventory level in the end of this fiscal year.

2. FY2008 Nine Months Results

Our consolidated operating profit for the nine months of FY2008 was ¥36.5 billion, down ¥71.9 billion or 66% from the prior year.

The breakdown of the decrease will be explained later, but this was a result of global demand declines triggered by financial crisis, the exchange impact of yen's appreciation against key currencies since the fall, and material price hikes.

Ordinary profit was down 42% to ¥52.1 billion, reflecting exchange gains.

Consolidated net income was down 36% to ¥28.9 billion.

Operating ROS was 1.7%.

With respect to capital spending and R&D cost, we postponed any non-urgent spending. Capital spending for the nine months was at ¥70.4 billion, up ¥16.7 billion due to investment in new model facilities and so on.

Depreciation increased ¥8.1 billion to ¥57.4 billion reflecting higher capital spending over the past few years.

R&D cost was down ¥4.7 billion to ¥81.2 billion as a result of emergency measures. We are promoting more efficient R&D activities, focusing on developments of next-generation products and environmental technologies.

Our global retail volume declined 1% from the prior year to 964,000 units, reflecting deteriorations in sales environment since October.

The yen to dollar exchange rate for the nine months of FY2008 averaged 103 and the yen to Euro exchange rate averaged 151.

Revenues were down 17% from prior year.

Volume and mix deteriorated revenues by 2%, explained by lower volume in Japan and

mix deterioration in overseas.

Exchange rates negatively impacted by 7% and a change in accounting standard by 8%.

I will take you through sales performance in each of key markets.

In Japan, sales volume was 164,000 units, down 6% from prior year.

While new Biante and new Atenza introduction had positive new model effects, overall sales volume declined due to significant reduction in registered vehicle demand.

Share was 4.7%, flat year over year.

In North America, sales declined 10% year over year to 271,000 units.

New Mazda6 has received high acclaim.

In the United States, sales volume was down 14% to 186,000 units due to deteriorations of sales environment. However, share increased 0.1 point for the nine months.

Canada's sales volume also declined 5% to 65,000 units, but sales in Mexico increased.

In North America excluding the United States, sales volume, at 85,000 units, remained at the same level as the same period last year.

Sales in Europe increased 6% to 242,000 units. This is mainly due to Russia's sales increase of 39% to 57,000 units.

CY2008 sales achieved the record high volume.

In Norway, we introduced hydrogen rotary engine vehicles to public roads drive.

Sales in China were 97,000 units.

Passenger car industry from October through December recorded the negative growth, down slightly less than 3% Year-over-Year. However, Mazda2 new model effect and strong sales of Mazda6 contributed to year over year sales increase of 38%.

The total number of the outlets of the 2 sales channels increased to 212 as of the end of December, up 37 from March end. We continue our efforts to improve sales network to grow Mazda brand in the market. We also continue to work on enhancement of sales productivity per outlet.

In other markets, sales were down 5% to 190,000 units.

While new model effect of Mazda2 still continued, impact of sales decline of other existing model was larger than the positive effect.

By country, sales in Australia were 58,000 units, maintaining the last year's level, despite the market decline.

Sales in Australia in calendar year 2008 were about 80,000 units, up 3% from the prior year, hitting the record high volume.

However, sales in Taiwan, Thailand and Venezuela decreased.

Next, I would like to explain key factors for the ¥71.9 billion consolidated operating profit reduction from the prior year.

The volume and mixed effects were ¥11.0 billion favorable.

Although the higher European volume contributed to ¥11.0 billion improvement, the gain was significantly reduced due to global volume decline from the 3rd quarter.

The sharp appreciation of the yen impacted the profit by ¥35.0 billion from US dollar, ¥10.0 billion from Euro, and ¥25.0 billion from other currencies, totaling to ¥70.0 billion deterioration.

Product enhancement costs increased by ¥12.1 billion, primarily reflecting additional expenses to improve the new Atenza/ Mazda6.

Cost reduction improved ¥31.3 billion. Material cost deteriorated ¥37.2 billion reflecting steel and other material price hikes, which was mostly offset by the accelerated cost innovation initiatives.

Others include postponed non-urgent R&D spending and reduction of quality related cost and improved by ¥5.1 billion.

As explained, the impact of exchange and material price hikes exceeded volume & mix improvement. As a result, operating profit decreased ¥71.9 billion from the prior year.

3. FY2008 Full Year Forecast

Revenue is projected to be down 27% from the prior year to ¥2,550 billion.

We project an operating loss of ¥25 billion and net loss of ¥13 billion.

The global sales plan was reduced to 1,240,000 units, down 165,000 units from October plan, reflecting declines in globally sales environment. From the 2nd half, due to world-wide economic slowdown, sales in all markets except for China are projected to post year-over-year declines. The full year plan is down 123,000 from the prior year.

Exchange rate assumptions for full year are ¥100 for the dollar and ¥144 for the Euro, and for the 4th quarter are ¥90 for the dollar, and ¥120 for the Euro.

I will now explain the key factors behind the deterioration in operating profit of ¥187.1 billion from the prior year.

The volume and mix effect is projected to worsen by ¥88.0 billion, reflecting the global volume decline from the 3rd quarter.

Reflecting the updated exchange assumptions, negative exchange impact is ¥42.0 billion from US dollar and ¥18.0 billion from Euro. Including ¥43.0 billion impact from other currencies, the total exchange effect is expected to deteriorate ¥103.0 billion.

Among other currencies, large impacts come from Canadian dollar, Australian dollar, and Great Britain pound.

Product enhancement costs increase ¥19.0 billion reflecting additional expenses to improve the new Atenza/ Mazda6 and new Mazda3.

Cost reduction effects improve by ¥44.0 billion. Our plan is to offset ¥44.0 billion impact of material cost hikes including steels by the accelerated cost innovation initiatives.

Other costs are expected to improve by ¥18.4 billion by postponing non-urgent R&D spending and reducing quality related costs.

I will explain the key factors behind the deterioration in operating profit of ¥115.0 billion from October Plan.

Volume and mix deterioration is as much as ¥115.0 billion, reflecting the global volume declines from the 3rd quarter.

Reflecting the updated exchange assumptions, the exchange impact is now larger by ¥6.0 billion from US dollar and ¥7.0 billion from Euro. Including ¥12.0 billion impact from other currencies, the total exchange effects deteriorate by ¥25.0 billion.

Other costs are expected to improve by ¥17.5 billion by cost reduction efforts in all areas including R&D spending efficiency, quality-related cost cut, and labor cost reduction.

4. Emergency Measures and Initiatives for FY2009 and Onward

We have started taking emergency measures to respond to sharp deteriorations in global markets started in the second half of the year.

First to optimize globally-grown inventory levels by the end of March, we will further cut production volume. In the second half, we additionally cut production volume by 148,000 units from October Plan. Full year production volume is projected at 900,000 units. Including 73,000 unit cut announced in October, production volume will be reduced 221,000 units in the second half and 196,000 units in the full year.

As we have already announced, we will take actions in February and March to improve efficiency of plant operation, which include a change to one day-shift operations at Ujina No.2 and Hofu No.2 plants. In addition, we decided to suspend operations on Friday every week.

We are also trying to reduce all cost items including compression of labor cost. We are taking all the possible actions to overcome the emergent situations including voluntary return of directors' remuneration, reduction of salary of middle management, 2 shutdown days for indirect employees.

We are reviewing all expenses including R&D cost, capital spending and advertisement

costs, and postponing non-urgent spending. But we further accelerate investment in environmental matters including next-generation products and powertrains.

At the same time, we will not renew contracts with non-permanent employees in the manufacturing area when their contract terms expire.

We seriously take that this has a substantial impact on regional employment status. So please understand this is a painful decision.

We will strengthen measures to support non-permanent employees in the manufacturing area to assist them in seeking reemployment, in consideration of the severe employment environment.

We will focus on conducting and accelerating these emergency measures.

Concerning dealer inventory in Europe and the United States, we plan to reduce the dealer inventory by 33,000 units in total including 16,000 units in Europe and 17,000 units in the United States. This is an inventory reduction of 19,000 units from March last year.

We target to normalize the inventory level by pursuing reductions of dealer inventory levels.

We started project activities for FY2009 and onward last year.

As you are aware, the environment surrounding the automotive industry is exposed to the unprecedentedly severe challenges. We started emergency measures to respond to the critical situation and reassessment of the management actions that envisions the future.

First of all, based on the assumption that the slowdown in demand is prolonged, we will reassess our product line-up.

Next, we will ensure our production system is flexible to meet the demand.

Also, we will reassess our sales network and sales measures in key markets.

Needless to say but we will accelerate and innovate the on-going cost innovation activities. One of the examples is the joint CR effort where we built joint teams with about 100 suppliers to reduce cost. This activity can enable us to implement the CR ideas faster. We will continue to eliminate any loss identified through this effort. Through these activities, we will pursue business efficiency improvement in all areas.

At the same time, we will further focus on the environment. We plan to introduce new products with new powertrain and new platforms in various stages from 2011 to improve the corporate average fuel economy by 30% globally including the action to improve the existing internal combustion chamber and weight reduction. Following this action, we

are developing the roadmap to put the hybrid technology into practical use in stages. In addition, we recognize that we need to develop the electronic device in our line-up. We continue our preparation to make sure to implement both of them. We plan to explain Mazda's environmental actions in a separate meeting. We will explain the specific measures toward FY2009 and onward in the full year earnings announcement.

5. In Summary

Let me make some concluding comments.

As I mentioned in the outset, due to the unprecedented deterioration of the external environment that hits us once in 100 years, we reduce the operating profit outlook for the full year to negative ¥25.0 billion. However, we forecast ordinary loss at ¥15.0 billion and the net loss at ¥13.0 billion due to exchange gains.

To respond to this situation, we are implementing and accelerating emergency measures. At the same time, to achieve streamlined and lean business structure, we are quickly promoting structural reforms in key areas including production, sales, R&D, cost and so on.

Lastly, the year-end dividend is undecided due to the severe business environment in which we forecast losses.