

# **NEW MID-TERM PLAN**

**MAZDA MOTOR CORPORATION**

**March 22, 2007**

# PRESENTATION OUTLINE

- ➔ **Summary of Mazda Momentum**
- ➔ **Long Term Vision**
- ➔ **Mid Term Plan**
- ➔ **In Summary**

# Summary of Mazda Momentum

# COMMITMENTS

	<u>Target</u>	<u>Projection</u>	<u>Diff.</u>
<b>Operating Profit (Billion yen)</b>	<b>100+</b>	<b>158</b>	<b>58</b>
<b>Net Debt to Equity</b>	<b>&lt;100 %</b>	<b>&lt;60 %</b>	<b>40 Pts</b>
<b>Consol Wholesales (000)</b>	<b>1,250</b>	<b>1,170</b>	<b>(80)</b>

# ACHIEVEMENTS

## ➤ Reinforce R&D

- Launched 16 market-focused models
- Increased R&D spending 22%
- Increased R&D human resources 24%

## ➤ Strengthen Key Markets

- US: Achieved exclusive dealership ratio of 50%
- Japan: Opened 35 new-car and 22 used-car outlets
- Europe: Obtained direct control about 90% of sales
- China: Started construction of vehicle assembly plant and engine plant in Nanjing

# ACHIEVEMENTS

## ➔ Enhance Global Efficiencies and Synergies

- Joint program volume with Ford at 90%, exceeding 80% target
- Obtained prospects to achieve targets for ABC phase 2, and started commodity cycle plan
- Total cost reductions more than offset product enhancement
- Expanded the integrated scheduled production

## ➔ Leverage Human Resources

- Continued to implement MBLD
- Strengthened management capability – Implement MX program
- Leveraged expertise, skills and know-how

# CHALLENGES

- **Continue to Strengthen Brand, Owner Loyalty and Quality**
- **Improve Business Efficiency in All Areas**
- **Build Global Production Framework**
- **Further Reinforce Research and Development**

# Long-Term Vision



# LONG TERM VISION

As a trusted member of society, delight customers with products and services that are uniquely Mazda, proudly Japanese

Stakeholder Value

Brand

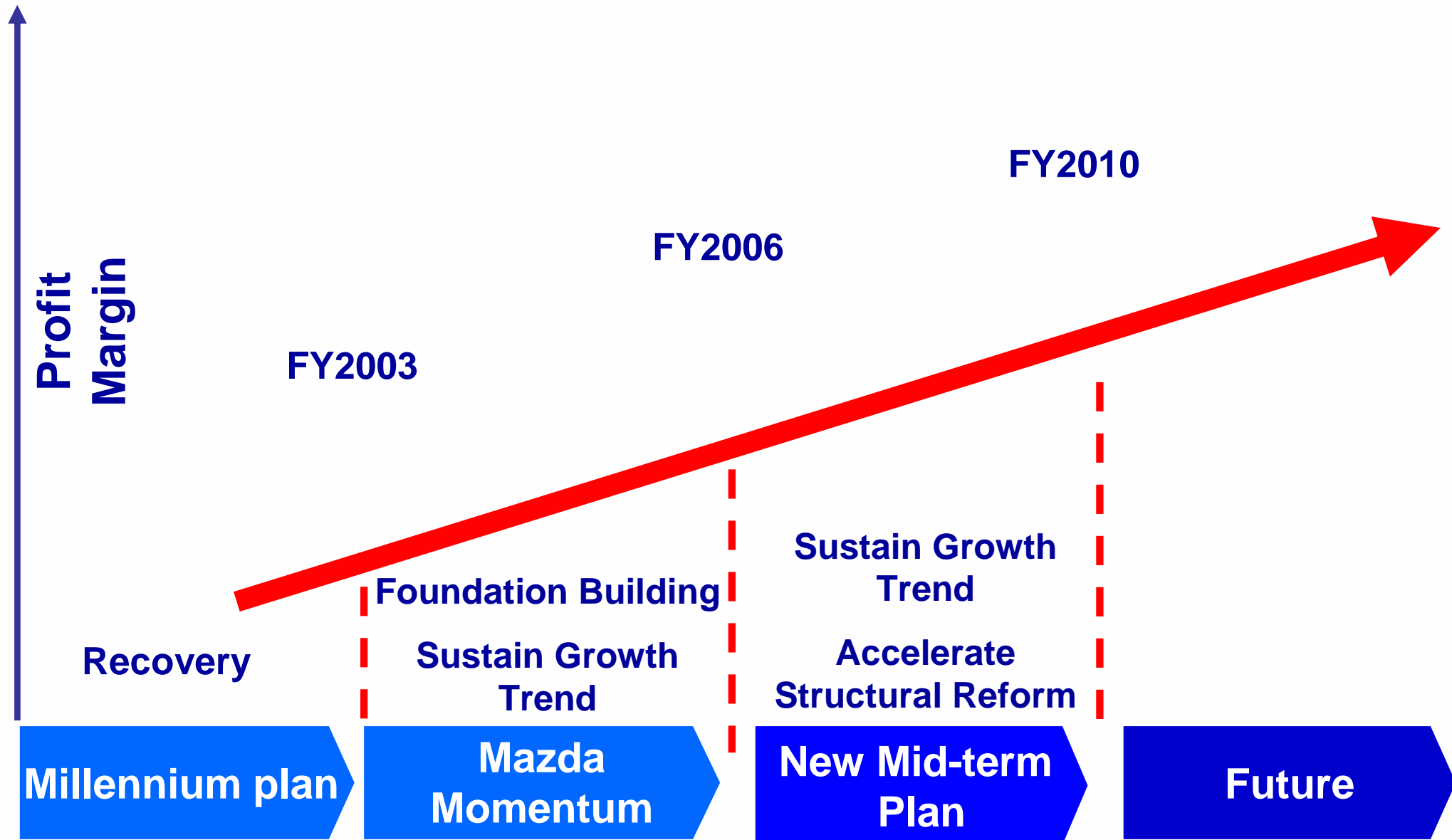
Product &  
Technology

Supply &  
Manufacture

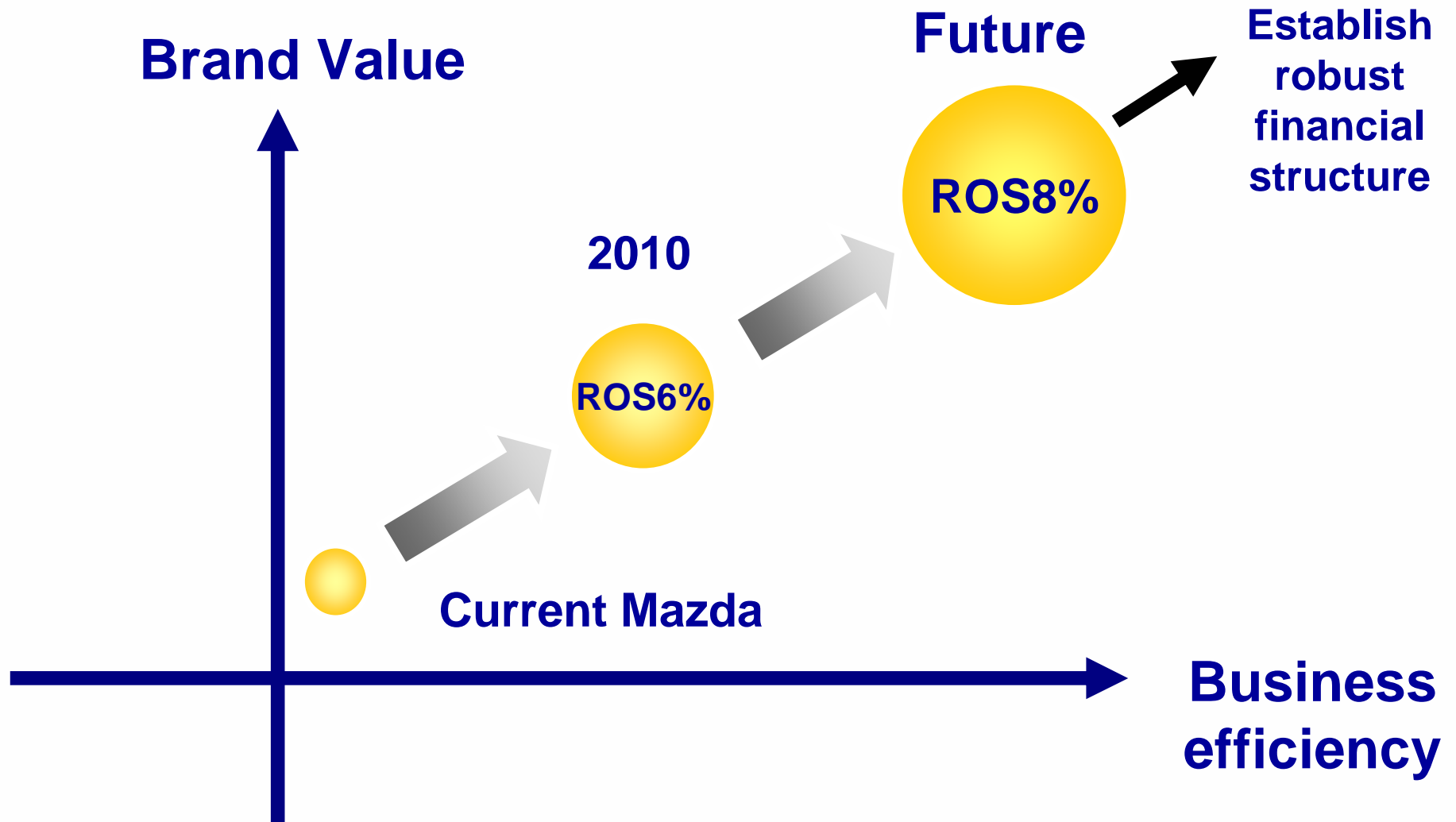
People

Corporate Social Responsibility

# OVERVIEW OF MID-TERM PLANS



# GROWTH MAZDA AIMS TO ACHIEVE



By maximizing synergies with Ford, realize balanced growth through improving brand value and achieving greater business efficiency

## Ford Synergy

## Brand Value

- ➔ **New Product**
- ➔ **Quality Excellence**
- ➔ **Owner Loyalty**

## Business Efficiency

- ➔ **Focus on Key Models**
- ➔ **Implement Manufacturing Innovation**
- ➔ **Laser Focus on Cost Optimization**

# THE POWER OF SYNERGY WITH FORD

Architecture Sharing

Personnel Sharing &  
Development

Powertrain Sharing

**Mazda & Ford**  
**“Strong and Enduring  
Partnership”**

Procurement  
Scale, Access to Supply  
Base

Joint Manufacturing  
AAI, AAT, China

Technical Development  
Hybrid, Environmental,  
Safety, Other

Dealership Operation,  
IT, Other

# BRAND VALUE - NEW PRODUCTS

**ZOOM-ZOOM**  
Stylish .Insightful .Spirited



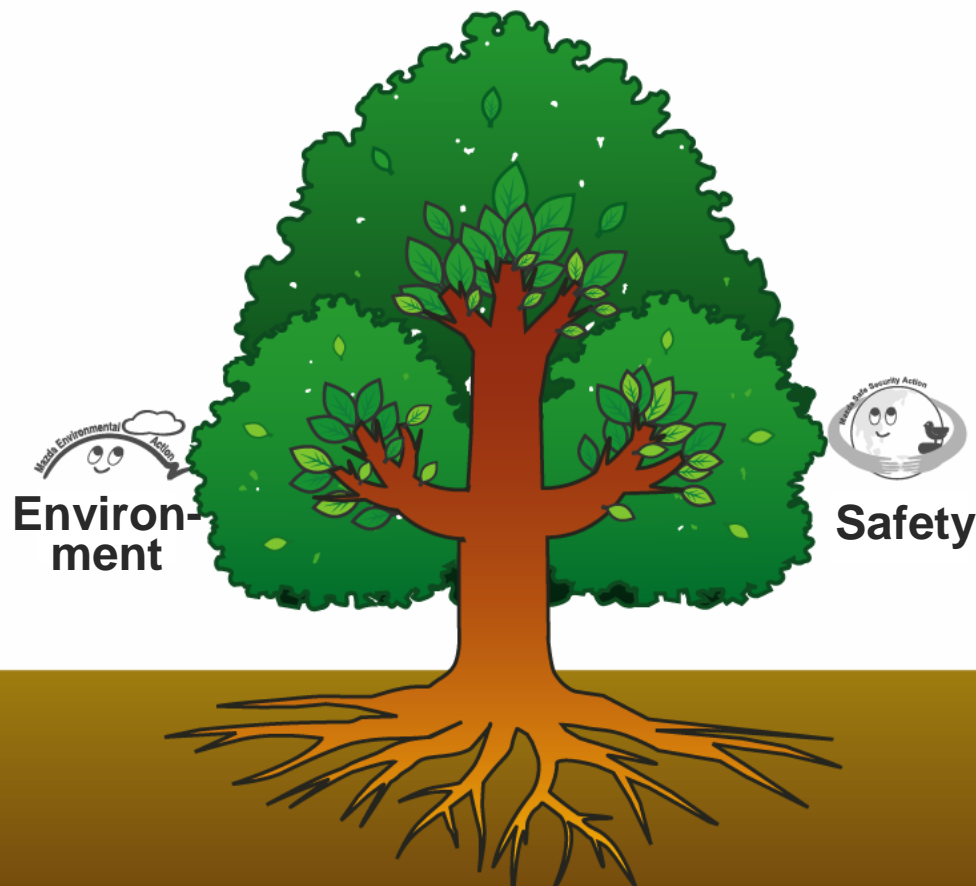
Present

**ZOOM-ZOOM**  
Stylish .Insightful .Spirited



2010

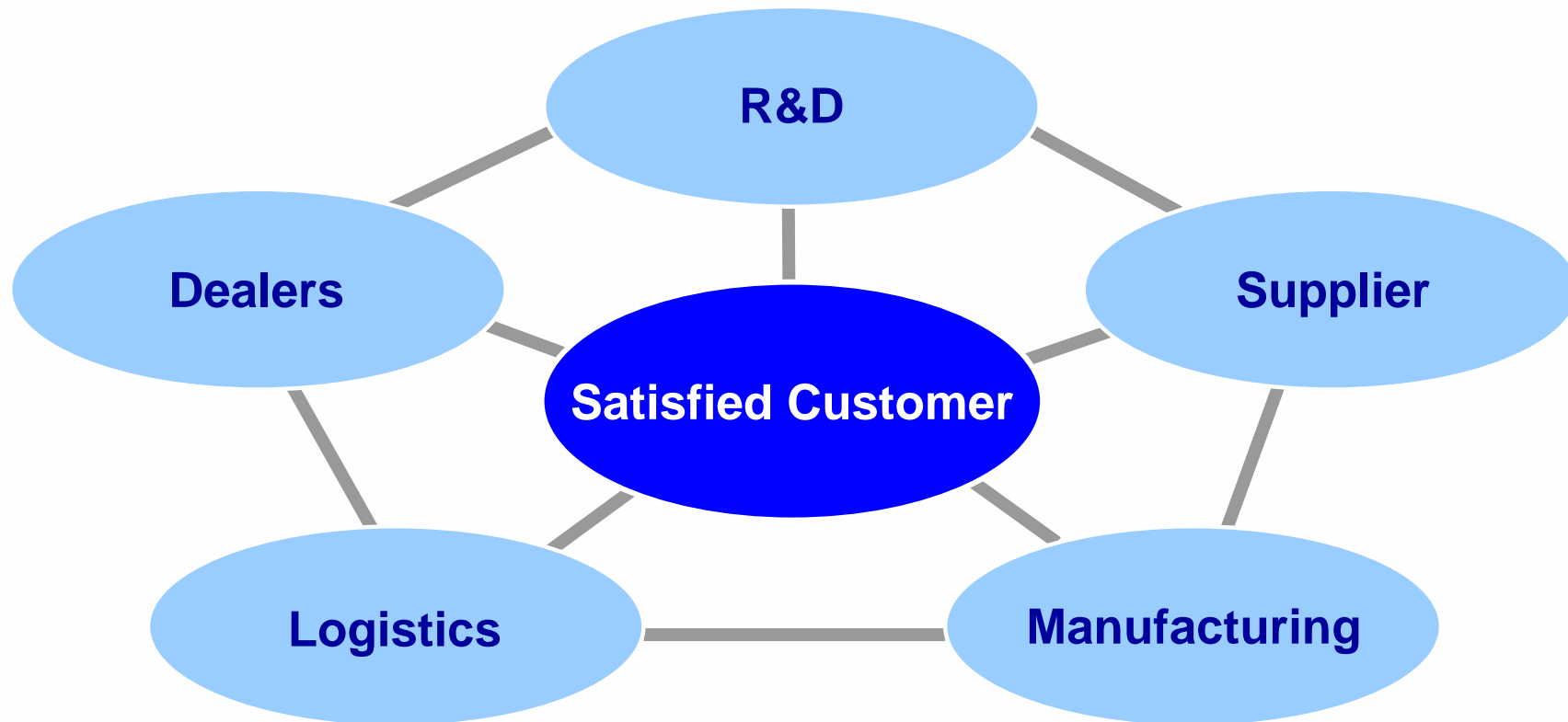
**ZOOM-ZOOM**  
Stylish .Insightful .Spirited



Future

Consistent Introduction of Evolutionary Zoom-Zoom Products

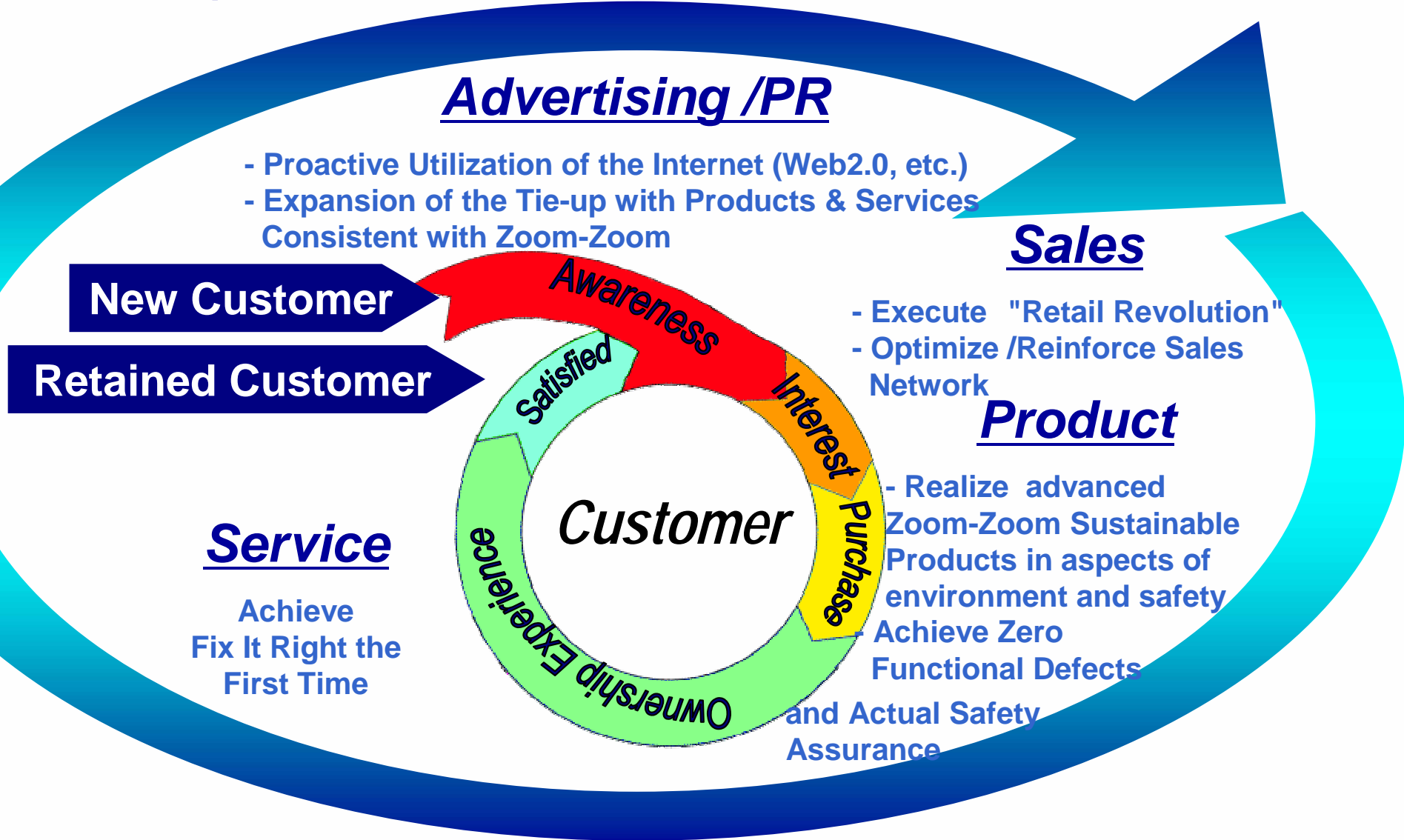
## One Mazda Approach to Quality



**Vision: Defect Free Vehicles**

# BRAND VALUE - LOYALTY

ZOOM-ZOOM Experience @ All Touch Points



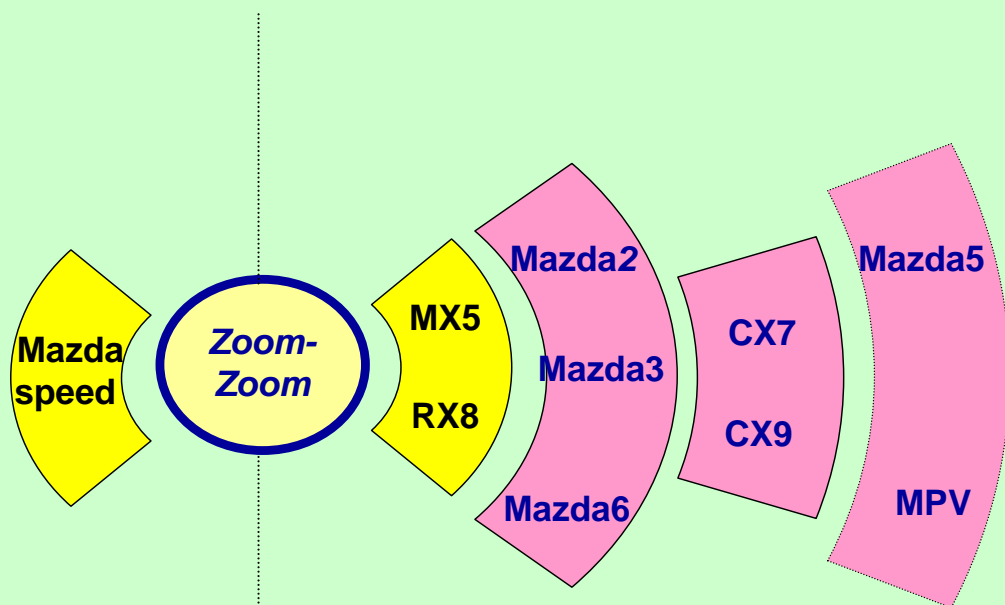
**Consistent Zoom-Zoom Products and Services**

**Surpassing Customers' Expectation at All Touch Points**



# BUSINESS EFFICIENCY - FOCUS ON KEY MODELS

## Focused Line-up

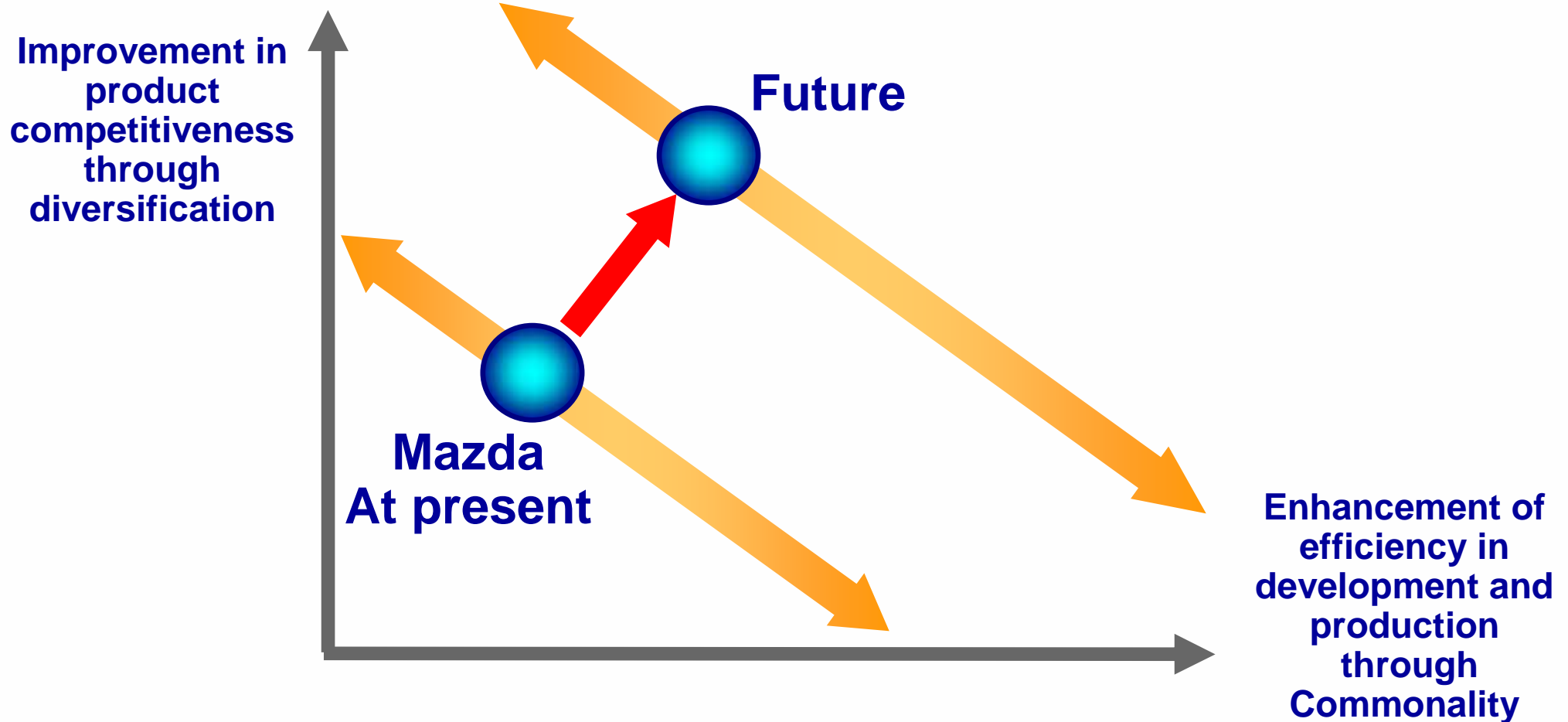


**Globally deploy models that embody the brand**



**Continuously Focus on Key Models**

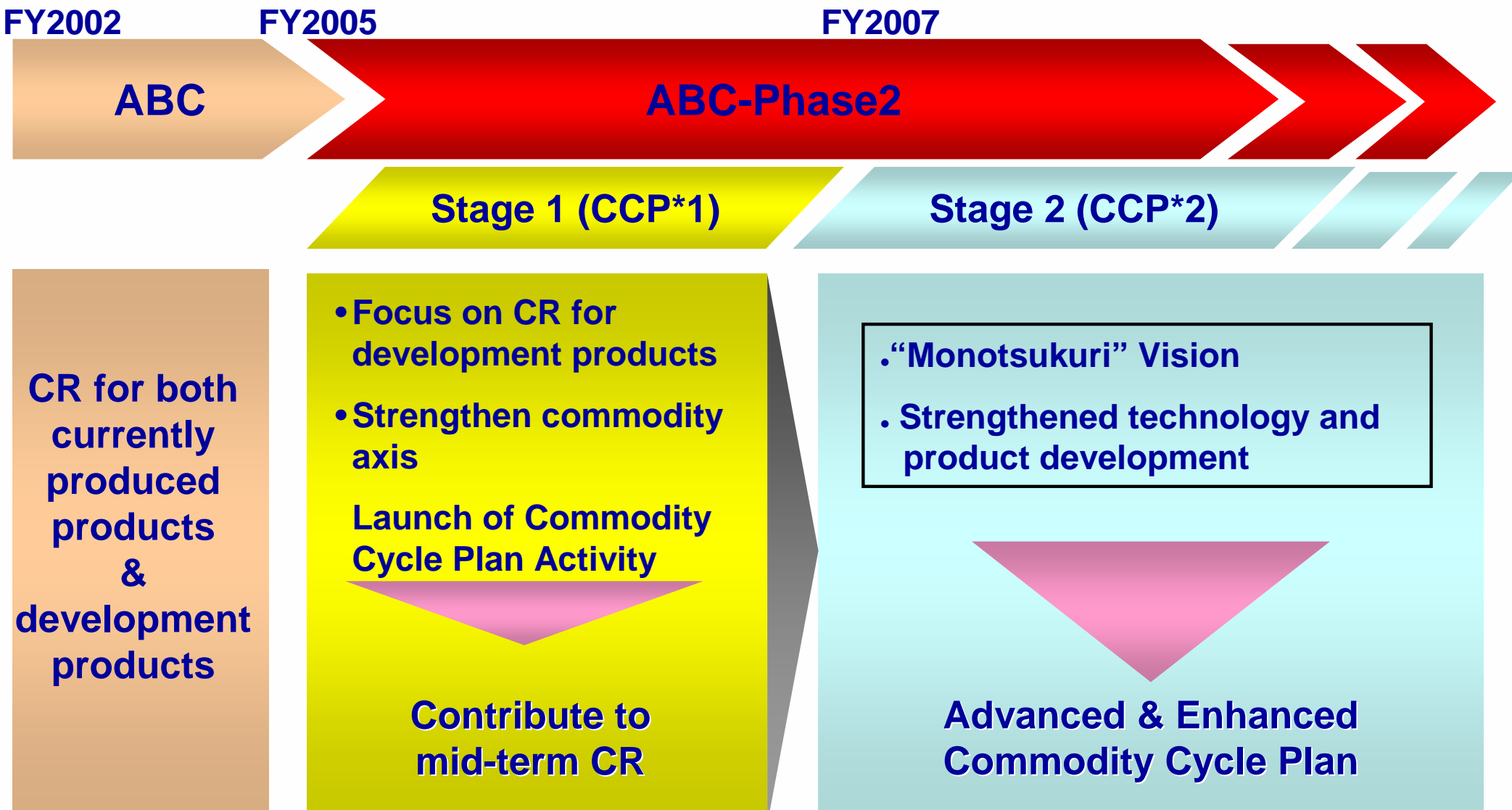
# BUSINESS EFFICIENCY - MANUFACTURING INNOVATION



## Implement Mazda MONOTSUKURI Vision

Multi-discipline approach to realize product competitiveness and manufacturing efficiency

# BUSINESS EFFICIENCY - COST OPTIMIZATION



\* Commodity Cycle Plan

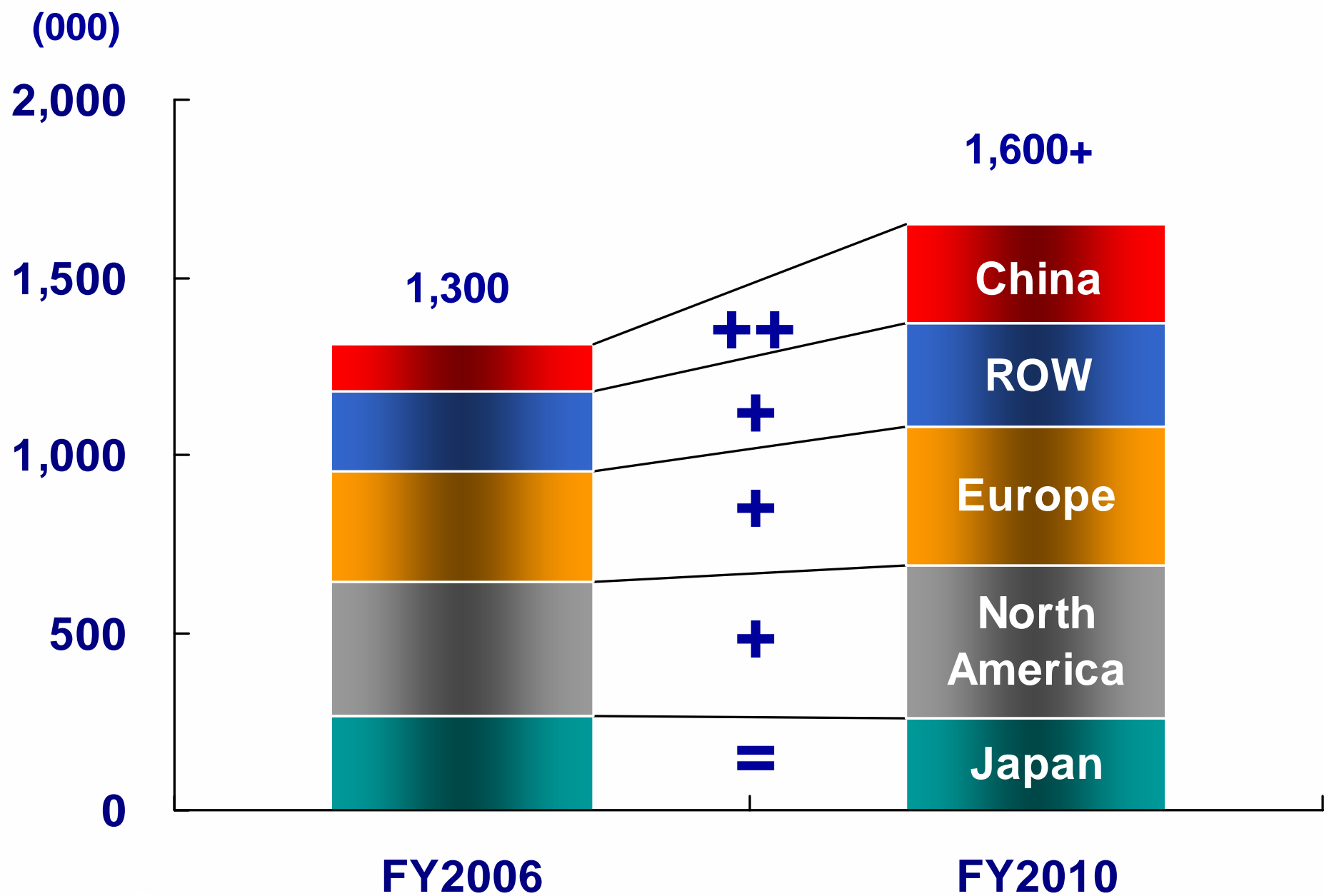
# Mid Term Plan

## “Mazda Advancement Plan”

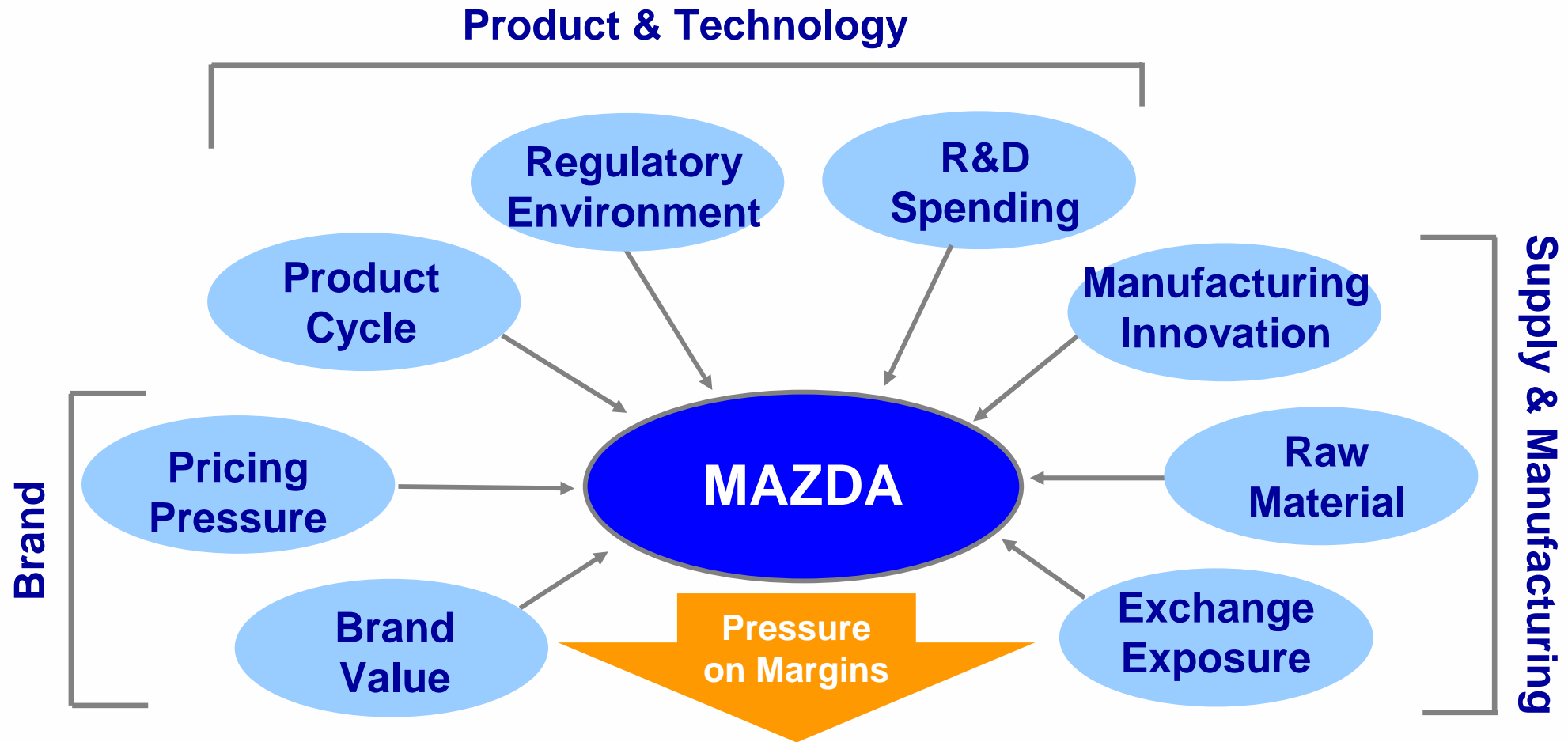
# FY2010 TARGETS

<b>Global Retail Volume</b>	<b>1.6+ Million Units</b>
<b>Operating Income</b>	<b>200+ Billion Yen</b>
<b>Operating ROS</b>	<b>6 %</b>
<b>Payout Ratio</b>	<b>Improve Steadily</b>

# GLOBAL RETAIL VOLUME

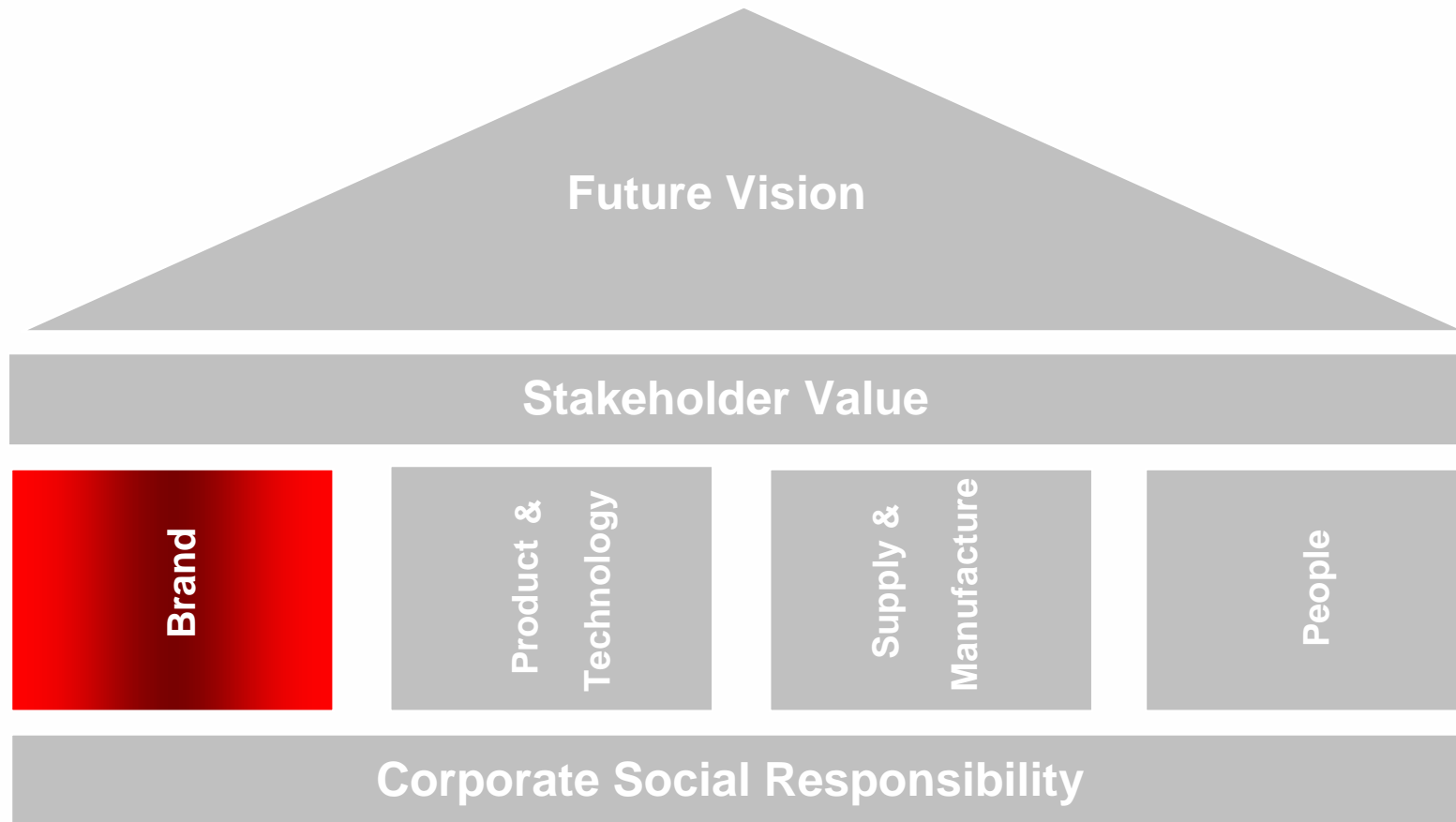


# BUSINESS ENVIRONMENT - CHALLENGES



**Must maintain laser focus on cost and quality**

# BRAND





# NORTH AMERICA - STRATEGIES AND ACTION PLANS

## STRATEGY

**Improve Owner Loyalty**

**Reinforce  
Dealer Network**

**Build on  
Generation Y Base**

**Strengthen Regional  
Focus**

## ACTION PLANS

- **Introduce class-leading models**
- **Execute consistent and focused marketing initiatives**
- **Continue residual value improvement**
- **Improve customer satisfaction at every touch point**
  
- **Expand Retail Revolution**
- **Improve sales efficiency at exclusive dealers**
  
- **Strengthen marketing initiatives to Mazda customer base and deepen relationship**
  
- **100% control of US and Canada operations**

# JAPAN - STRATEGIES AND ACTION PLANS

## STRATEGY

**Introduce New Models**

**Reinforce Dealer  
Network**

**Strengthen Brand**

## ACTION PLANS

- Reinforce product competitiveness in volume segments of registration market
- Accelerate representation in open areas, especially metro areas
- Enhance profitability at dealers
- Migrate to next-generation outlets in line with brand strategy
- Further deepen customer relationship throughout ownership period

# EUROPE - STRATEGIES AND ACTION PLANS

## STRATEGY

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**Strengthen Product Line Up**

**Reinforce Dealer Network**

**Improve Owner Loyalty**

## ACTION PLANS

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- **Enhance powertrain to fulfill future zoom-zoom customer requirements**
- **CO2 emission reduction**
  
- **Maintain profitability in core mature markets**
  - **Improve sales efficiency per outlet**
  - **Establish National Sales Company (Belgium & Netherlands)**
  - **Accelerate representation in key Metro locations**
- **Selectively enter into emerging markets**
  
- **Exploiting Mazda uniqueness and strengths, reinforce process and execution framework to further improve customer satisfaction**

# CHINA - STRATEGIES AND ACTION PLANS

## STRATEGY

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**Establish Efficient  
Production Operation**

**Reinforce Dealer  
Network**

**Improve Brand**

## ACTION PLANS

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- **Smooth launch of Nanjing Plant (and stable operation)**
- **Achieve stable production with high quality and efficiency**
  
- **Establish sales networks to support 300K units sales**
- **Expand sales outlets to approximately 300 outlets by 2010**
  
- **Enhance Zoom-Zoom positioning**
- **Efficient introduction of new/model change vehicles**

# ASEAN & AUSTRALIA - STRATEGIES AND ACTION PLANS

## STRATEGY

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**Strengthen Product Range**

**Reinforce Dealer Network**

**Improve Brand**

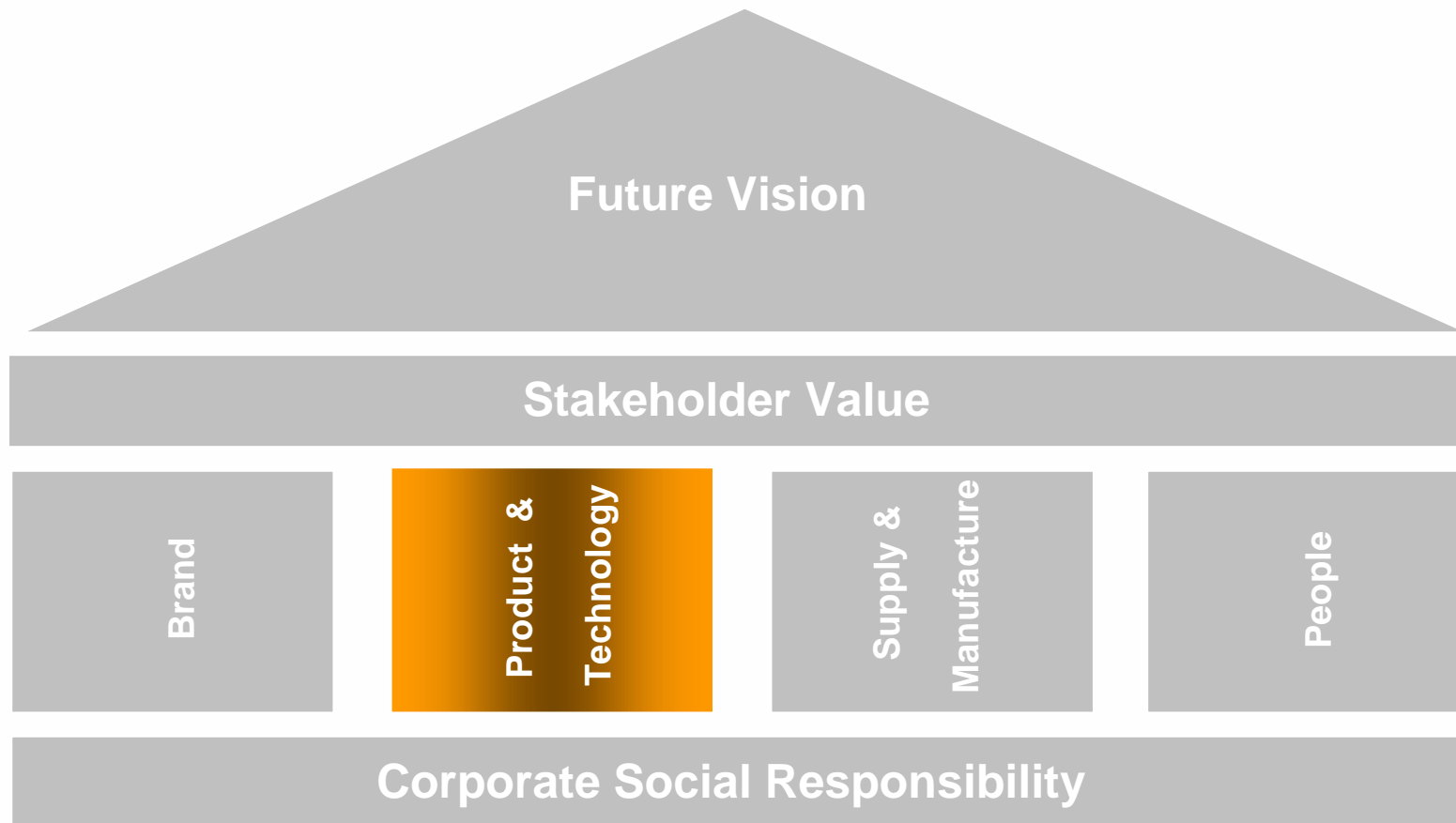
## ACTION PLANS

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- **Strengthen model line-up in ASEAN**
- **Introduce CX-7 / CX-9 for Australia**
  
- **Strengthen sales network mainly for metropolitan cities in growing regions**
- **Apply Mazda Australia's best practice to Asian countries**
  
- **Enhance functions of ASEAN integration office**
- **Improve customer satisfaction through CRM in Australia**

\*CRM: Establishment of process and system to improve customer satisfaction

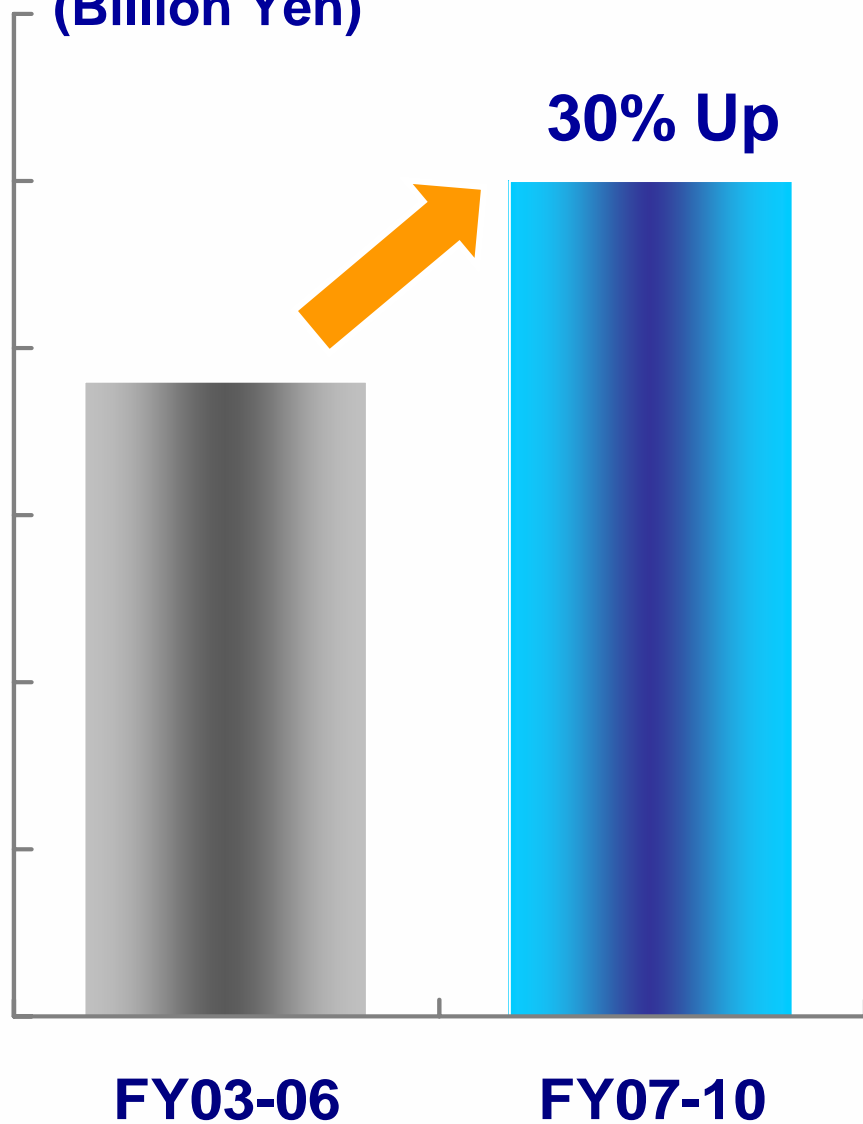
# PRODUCT & TECHNOLOGY



# INVESTMENTS

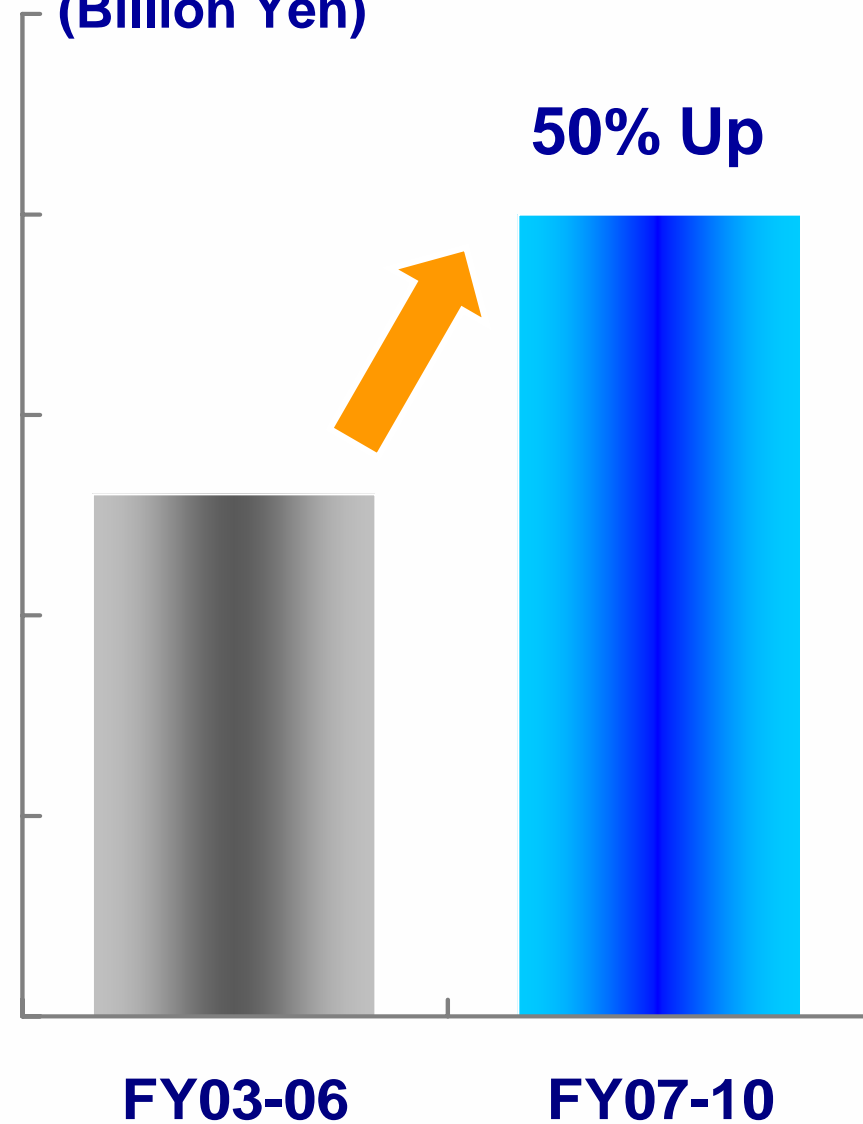
## R&D Spending

(Billion Yen)

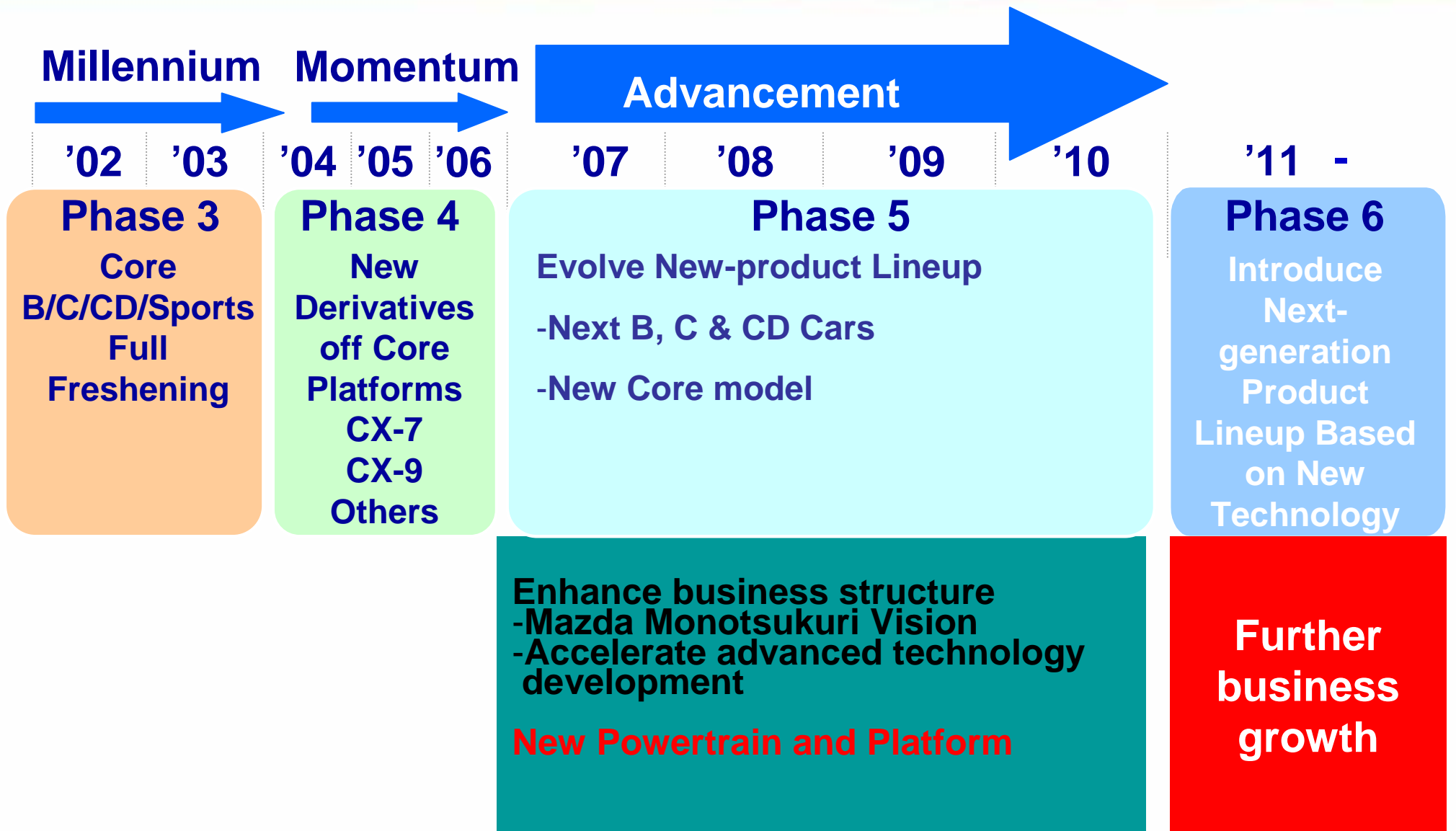


## Capital Expenditure

(Billion Yen)



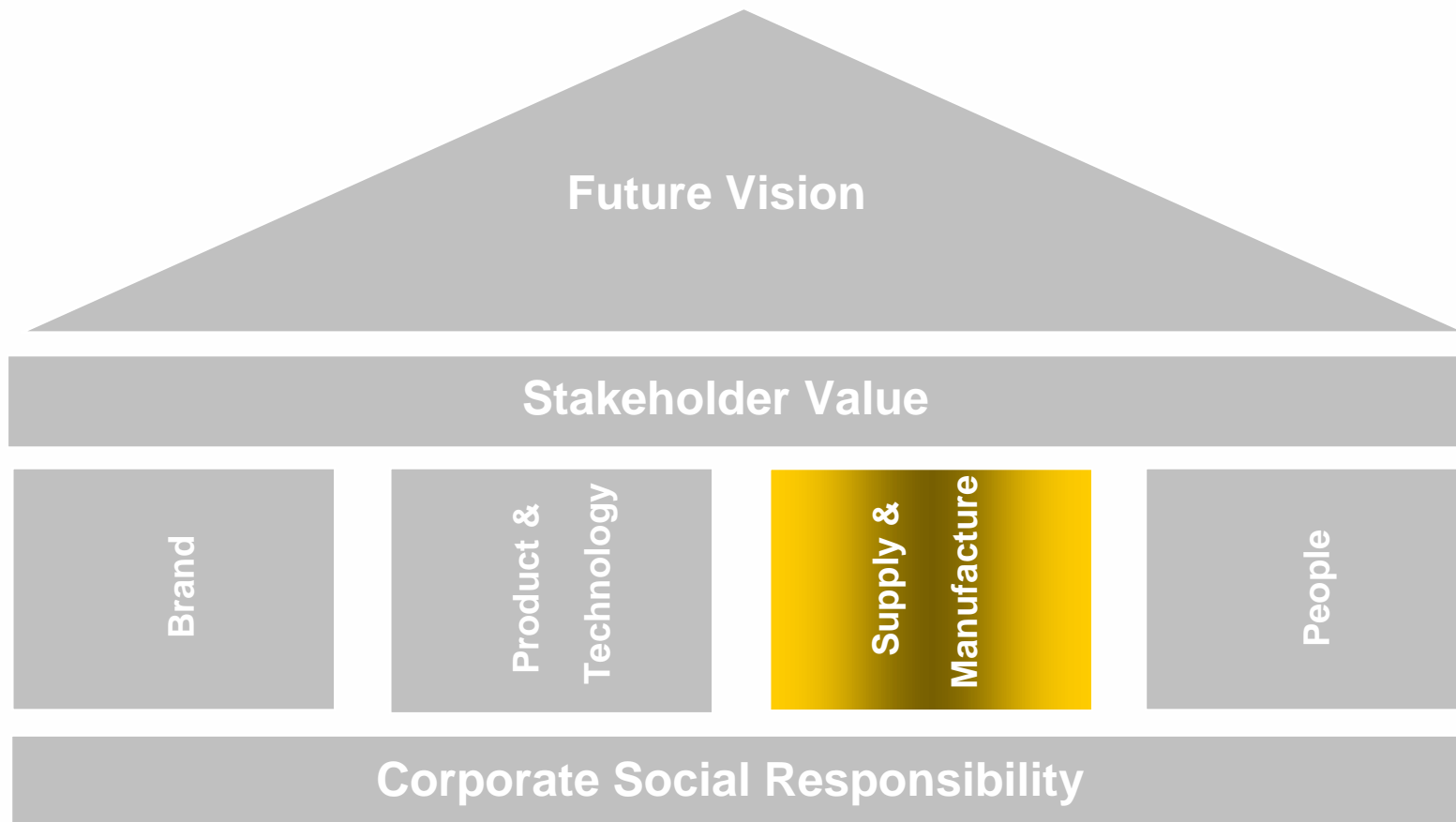
# OVERVIEW OF PRODUCT STRATEGY



**Continue growth through product evolution**



# SUPPLY & MANUFACTURING



# FOOTPRINT STRATEGY

- **Efficient Capacity Expansion Matched with Growth**
- **Enhance Quality and Cost Competitiveness of Existing Footprint**
- **Future Capacity Expansion Based on Sales Demand**

**Expand capacity based on market demand and available resources while leveraging Japan efficiencies**

# EFFICIENT CAPACITY EXPANSION

- Efficiently expand domestic production capacity by 11% in 2007 (Straight time).

(000 units)	<u>FY2006</u>	<u>FY2007</u>	<u>Increase</u>
Hiroshima	484	515	31
Hofu	414	481	67
Total	<u>898</u>	<u>996</u>	<u>98</u>

- Expand Engine Production Capacity

Expand production capacity quickly  
with minimum investment

# EFFICIENT CAPACITY ENHANCEMENT

## China : Successful Launch of Nanjing Plant

- ➔ Launch and stabilize operation of Nanjing plant
- ➔ Introduce advanced Mazda production systems
- ➔ Launch new models as planned, including powertrains

## North America : Reinforcement of AAI

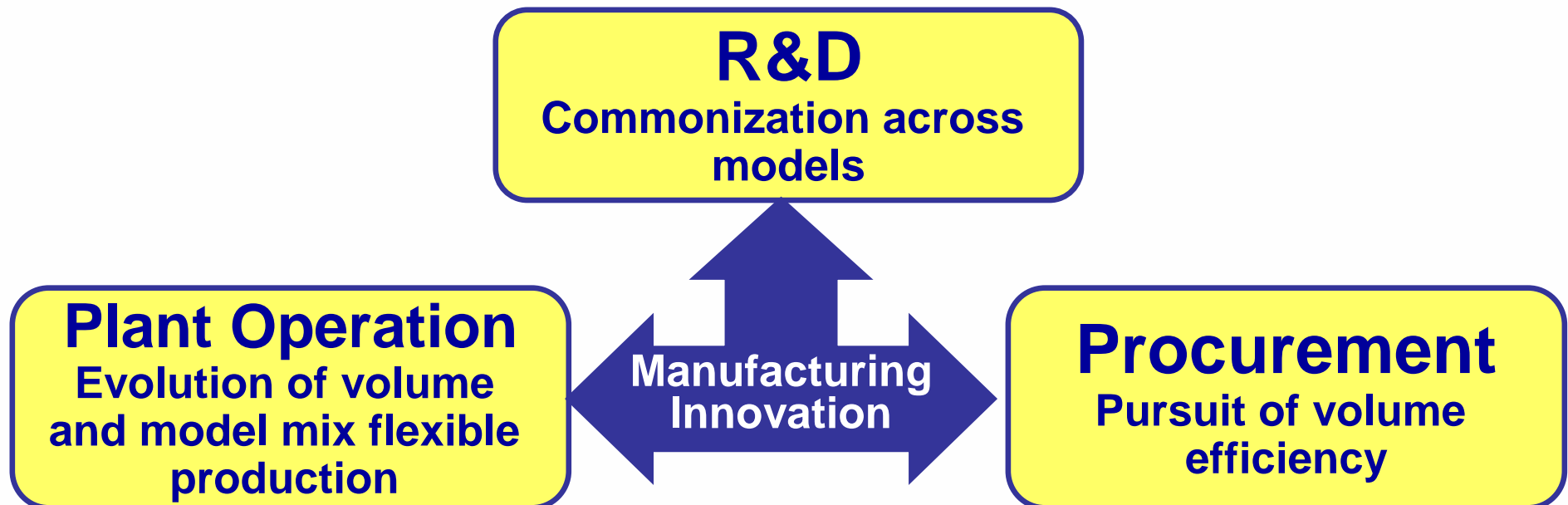
- ➔ Improve efficiency linked with Ford Way Forward Plan
- ➔ Reinforce quality and cost competitiveness of Mazda6

## ASEAN: Reinforcement of AAT

- ➔ Transform to be self sustainable
  - Nurture local engineers and operators who can implement Mazda's "Monotsukuri"

# CONCEPT FOR EXPANDING OVERSEAS CAPACITY

Achieve innovative design and production to enable volume and model mix flexible production which is competitive in quality and cost

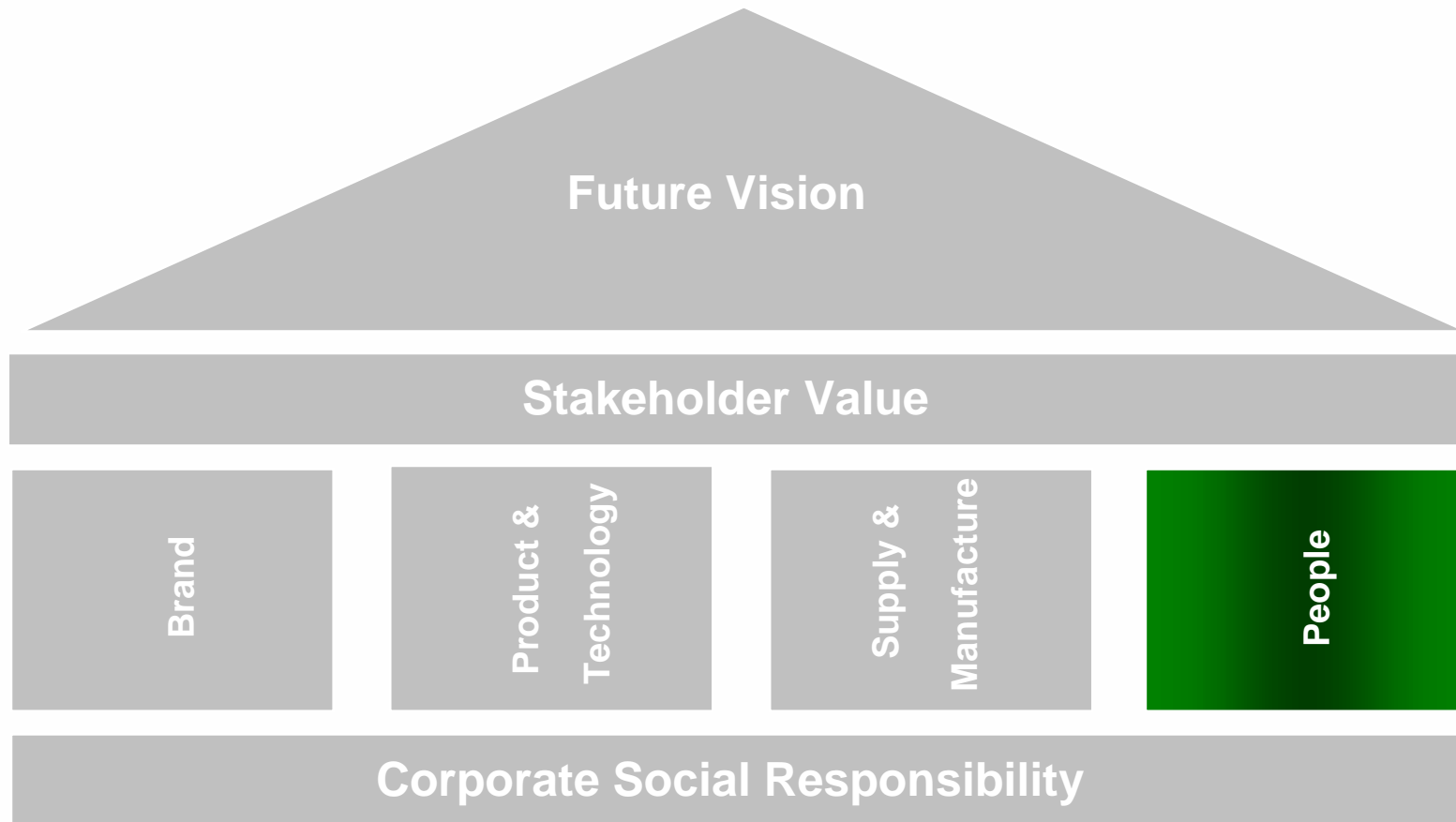


Promote “Manufacturing Innovation” to improve efficiency and reduce costs

# FUTURE EXPANSION OPPORTUNITIES

- **Leveraging technical competence in Japan**
  - **Ensure transfer of capability to other locations**
- **Actively studying options based on market demand and resource availability**
- **Priority Markets**
  - **Asia Pacific**
  - **Europe**
  - **North America**

# PEOPLE



## People Development / Utilization to Drive Growth

- **Utilize people globally**
  - Clarify and institutionalize Mazda's Value/Standard of Conduct globally
  - Develop leaders who can lead global business in each market
  - Strengthen global HR management system
- **Develop people with on-site capability**
  - Strengthen on-site capability which realizes "Manufacturing Innovation"
  - Strengthen and hand down skills/technologies/know-how which support Mazda's unique creativity
- **Create environment/culture in which employees work with vitality**
  - Promote "Work Style Evolution"
  - Utilize people with diversity
  - Expand support for individual



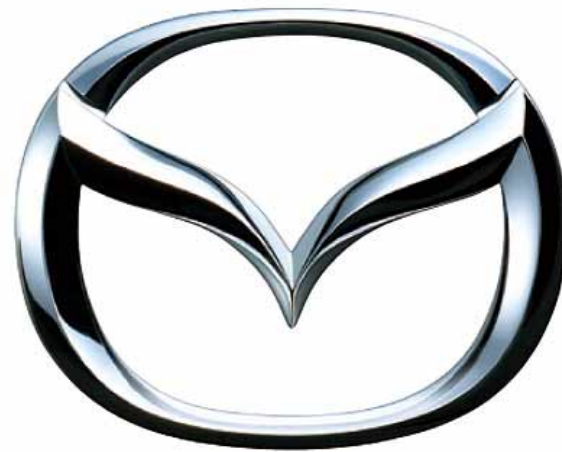
# IN SUMMARY

- ➔ **Continue Product-led Growth**
- ➔ **Continue Focus on Building Brand Value**
- ➔ **Accelerate Improving Business Efficiency**
- ➔ **Leverage Mazda Technologies and Ford Synergy**
- ➔ **2010 Targets are Aggressive but Achievable**

**While Sustaining Growth Trend, Accelerate  
Structural Reform for Future Growth**

# In Summary

- **Be Aware of Achievements and Challenges of Mazda Momentum**
- **Realize Growth in Long-term Vision, by Focusing on:**
  - **Pursuit of Synergy with Ford**
  - **Improvement of Brand Value**
  - **Improvements of Business Efficiency**
- **Achieve Mazda Advancement Plan Targets**
- **Declare Sustainable Zoom-Zoom**



**mazda**

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**The projections and future strategies shown in this presentation are based on various uncertainties including without limitation the conditions of the world economy in the future, the trend of the automotive industry and the risk of exchange-rate fluctuations.**

**So, please be aware that Mazda's actual performance may differ substantially from the projections.**

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