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(For your information)

Mazda Motor Corporation

FY2009 Third Quarter 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

For the 3rd quarter in FY2009, revenue was ¥557.6 billion, up 9% Year-over-Year. Operating profit was ¥11.1 billion. Net profit was ¥4.4 billion.
We returned to profitability in all profit categories in the 2nd quarter and raised profit levels in the 3rd quarter. Free cash flow for the 3rd quarter was positive ¥15.2 billion.
Global retail sales volume totaled to 287,000 units, up 9% year-over-year due to the strong sales of new Mazda3, Mazda2 and Mazda CX-7.
We have taken the action of issuing a public offering and sales of treasury shares in October 2009 to further enhance our initiatives for environment and safety. It has strengthened our financial structure and has improved the net debt-to-equity ratio to 84%.
Our brand value has been also steadily improving. The new Mazda3 received the Best Residual Value Award in the Mid-Compact Car segment from Automotive Lease Guide Inc. in the USA .
We are also rated highly for our products and the environmental technologies. Mazda's unique idling stop system, "i-stop", has gained high marks and received the "the Eco-Products Award" and "the 2010 RJC Technology of the Year Award".
In the production area, we have successfully launched the production of Mazda2 at the new passenger car plant at Auto Alliance Thailand.

Next I will explain the full-year projections for FY2009.
Revenue is projected to be ¥2.15 trillion and operating profit at ¥5 billion.
We upwardly revised the operating profit forecast by ¥17 billion from the October forecast, and project to return to profitability. By recovering in 9 months from the crisis resulting from the Lehman shock that hit us in the latter half of last fiscal year, we have turned around to

profitability from the 2nd quarter. It is forecasted that we will be profitable in the full year as well.

We forecast to achieve the profitability in each quarter from the 2nd quarter through the year-end. We forecast profit increase in the 4th quarter as well.

Global sales volume is projected to total 1.180 million units, up 25,000 units from the October forecast, reflecting the strong sales in China and other markets.

Sales are forecasted to reach a record high in China where the market is growing.

Our cost structure is also steadily improving. “By changing to the cost structure which ensures profitability even with a strong yen and at 80% plant utilization in Japan”, we are steadily strengthening the business structure.

Executive Officer
Akira Koga

2. FY2009 third quarter results

Our Consolidated Operating Profit for the 3rd quarter of FY2009 was ¥11.1 billion, up ¥35.3 billion from the prior year. Following the 2nd quarter, we continued to secure profitability and substantially higher profits in all profit categories.
Revenue for the 3rd quarter was up 9% from the prior year due to the improvement of volume & mix in overseas.
For the 3rd quarter in FY2009, we achieved a positive free cash flow of ¥15.2 billion. This is due to the improvement in the profitability.
We also strengthened our financial structure through a public offering and sales of treasury shares.
Net debt is ¥418.4 billion, ¥114.2 billion down from the end of the last fiscal year.
Net debt-to-equity ratio is 84%, improved a significant 45 percentage points from the end of last fiscal year.
With strong sales of the new Mazda3, Mazda2 and CX-7, the 3rd quarter global sales volume grew 9% or 24,000 units from last year to 287,000 units. I will explain the details of each key market later.
The average exchange rate for the 3rd quarter of FY2009 was ¥90 to the dollar and ¥133 to the Euro. The exchange rate for the first nine months was ¥94 to the dollar and ¥133 to the Euro.

I will take you through sales performance of each of key markets.
In Japan, 3rd quarter sales grew 10% compared to the prior year.
Since its launch, the new Mazda Axela has continuously overachieved its monthly target of 2,000 units, selling 160% of the original target.
Mazda's unique idling stop system "i-stop" is well supported by environmental- and fuel economy- conscious customers. And the sales mix of Axela and Biante's equipped with i-stop accounts for about 50% and 70% of sales respectively, both exceeding our forecast.
The i-stop received high acclaim and won the Eco-Products Award and the 2010 RJC Technology of the Year Award.

The 3rd quarter sales volume in North America was 70,000 units, about the same level as last year. Sales in the US also recovered to the previous year's level. Our brand value has

improved also in North America. The new Mazda3 won the Residual Value Award for Best Mid-Compact Car by the Automotive Lease Guide Inc. Overall, the Mazda brand was ranked third, up from sixth position in last year.
The residual value improvement was evident also in Canada and Mazda was ranked third in non-premium brands. Our brand value improvement activities have steadily generated positive outcome.
In the US, we maintained a 2.0% share for CY2009 while reducing our fleet sales by 35%. Also, Mexico recorded the highest ever share of 2.5% in CY2009 helped by strong sales of the new Mazda3.

In Europe, we continue our strategy to improve brand value by holding down our incentives. As a result of this effort, our residual values in key markets have improved.
The total 3rd quarter sales volume in Europe was 53,000 units, down 15% from the prior year. However, excluding Russia, sales recovered to almost the same level as last year.
In the UK, with our strong brand and the scrappage incentive serving as a tailwind, we achieved the successive highest November and December sales. We introduced the Mazda CX-7 clean diesel model that complies with the Euro5 emission regulation, the first vehicle produced by a Japanese automaker to be equipped with a urea SCR system. This model is highly rated and is contributing to our sales.

In the growing China market, our sales volume in the 3rd quarter was 57,000 units, up 68% compared to the same period last year. Nine months total sales grew 46% over the prior year to 142,000 units. In November, China became the single largest market in volume for Mazda. The Mazda6 continues to perform well. In addition to the old Mazda6 that remains strong in sales now, new Mazda6 sales have expanded and have significantly contributed to the sales increase. Sales of Mazda6 in CY2009 in China were 94,000 units, up 40% compared to the prior year. Sales volume of Mazda6 in China is the highest among other markets including North America and Europe. We are enhancing our product lineup in China. Mazda CX-7 was introduced in December last year and the Mazda8 launch is scheduled in the future. The number of sales outlets increased by 33 from the end of last March to a total of 254 outlets. We are making steady progress in our sales network enhancements.

In other markets, sales volume in the 3rd quarter was 62,000 units, up 17% from the same period last year due to strong sales in Australia, Israel, Thailand, Taiwan and others.
In Australia, the 3rd quarter sales grew 14% from the previous year and achieved the highest calendar year share of 8.3%, up 0.4 points over last year. Thailand, New Zealand

and Israel recorded their highest 3rd quarter shares. In particular, Israel is enjoying strong sales performance with the new Mazda3. Mazda was the top selling brand in Israel for the 14th consecutive year. Mazda's brand improvement strategy has generated positive effects in other markets as well.

Next, I would like to explain key factors behind the ¥47.5 billion reduction of consolidated operating profit for the nine month from the same period prior year.
The volume and mix effects were ¥107.3 billion unfavorable due to the industry reductions in key markets.
The sharp appreciation of the yen since the 2nd half of the previous fiscal year negatively impacted on profit by ¥15.7 billion for the US dollar, ¥22.9 billion for the Euro, and ¥39.4 billion from other currencies, totaling a ¥78.0 billion deterioration.
To cope with such a tough external environment, we improved efficiency and reduced both variable and fixed costs by ¥137.8 billion.
Variable costs improved ¥47.5 billion, marketing expenses were reduced ¥22.2 billion, and other costs were improved ¥68.1 billion.
Like this, we are reinforcing cost reduction efforts in all areas.

Concerning the quarterly trends of revenues and operating profits as well as retail, production and wholesale volumes, after the economic crisis in the 2nd half of the last fiscal year, we quickly implemented production adjustment and thorough inventory controls. In the 4th quarter of the last fiscal year, we made a significant adjustment in production. The production volumes bottomed out and have been increasing since then.
In the 2nd quarter of this year, production and wholesales became aligned with sales scale and normal operation resumed. As a result of variable and fixed cost reductions, we were able to return to profitability in the 2nd quarter and achieved even larger profits in the 3rd quarter.

3. FY2009 Full Year Forecast

I will take you through full year forecast for FY2009.
Revenue is projected to be ¥2.15 trillion, up ¥20 billion from the October forecast. Consolidated operating profit is projected to be ¥5 billion, up ¥17 billion from the October forecast. We project a net loss of ¥9 billion for the year, but we returned to profitability in the 2nd and 3rd quarter in all profit categories including net income. The 4th quarter is also projected to make positive results. Operating profit is projected to be ¥33.4 billion better than the prior year. Details will be explained later, but continued Cost Innovation initiatives and

fixed cost reductions will drive the improvement.

The full year sales volumes are planned to increase to 1.18 million units, up 25,000 units from the October forecast, reflecting the strong sales in China and other markets.
Sales in the 1st half were down from the prior year, but the total sales are expected to turn up from the 2nd half despite lower sales in North America and Europe.
Exchange rate assumptions for the 4th quarter are ¥88 to the dollar and ¥127 to the Euro and for the full year ¥92 to the dollar and ¥132 to the Euro.

I will now explain the key factors behind the consolidated operating profit improvement of ¥33.4 billion. The volume and mix effect is projected to worsen by ¥63.0 billion, reflecting global volume decline. Reflecting the difference from exchange assumptions for each currency, the negative exchange impact is ¥20.0 billion for the US dollar, ¥22.4 billion for the Euro, ¥35.6 billion from other currencies, totaling to a ¥78.0 billion unfavorable effect. Among other currencies, large impacts come from the Canadian dollar, the Australian dollar, and the British pound.
To address this deteriorating external environment, we'll reduce costs by ¥174.4 billion in total. Speaking of variable costs, we will promote Cost Innovation initiatives and maximize the effect of material price reductions to achieve an improvement of ¥68 billion.
We will also make our advertising efforts more efficient and cut other fixed costs to achieve a total fixed cost reduction of ¥106.4 billion, exceeding targets set at the beginning of the fiscal year.

I will explain the status of our progress toward a "Cost structure which ensures profitability at 80% plant utilization in Japan amid the appreciating yen" that we touched upon in October. Looking at the quarterly trend of plant utilization ratio, operating profit and exchange rates of US dollar and Euro since the 1st quarter of FY2008, we returned to profitability in the 2nd quarter. In the 3rd quarter, we further increased operating profit. Looking at the 3rd quarter 2008 and the 2nd quarter 2009, operating loss changed to operating profit even at 80% domestic plant utilization ratio in the both quarters.
In the 3rd quarter, the yen was stronger than these in the 2nd quarter at ¥90 to US dollar and ¥133 to Euro, and we achieved profit growth.
In the 4th quarter, we project the plant utilization ratio to continue to be at about 80%, as same as the 3rd quarter. Despite stronger yen, we project a profit increase.
We will continue our efforts in cost reductions in all areas to further reinforce a streamlined and lean business structure which is not substantially affected by the external environment.

Representative Director,
President and CEO
Takashi Yamanouchi

4. In Summary

In the 3rd quarter, we achieved positive earnings in all profit categories as we did in the 2nd quarter, while making more profit than in the 2nd quarter. We also maintained positive cash flow. We now forecast that our full-year operating profit will turn around to be ¥5 billion. We have secured profitability and also higher profits in all profit categories since the 2nd quarter. We forecast that global sales volume will be 1.18 million units, up by 25,000 units compared to October forecast by reflecting brisk sales in China and other markets.
Full year fixed cost reduction is projected to be ¥106.4 billion, exceeding the plan set at the beginning of fiscal year.
We've changed our cost structure so that we can ensure profitability at 80% plant utilization in Japan. Going forward, we will further promote and enhance the business structure.
We plan the year-end dividend at ¥3 per share as we initially announced.

Lastly, I'll talk about our initiatives for FY2010 and onward.
We will maintain the profitability momentum in FY2010 and onward through drastic cost structure reform led by Monotsukuri Innovation we've been working on. We'll go further to “improve brand value” and maintain product-led growth. We will strengthen our initiatives in growing markets such as China and ASEAN. In China, we move Mazda3 production to the Nanjing plant. By consolidating production of Mazda vehicles, we aim to cope with rising sales and improve cost efficiency. At AAT in Thailand, we started to produce Mazda2. Mazda2 production at AAT is an opportunity to increase our sales efforts in ASEAN markets. In the environmental aspect, we will promote the development of the next generation powertrains based on the Mazda SKY concept and new generation products that will be launched in 2011 and onward. And we will strengthen our environmental efforts based on the Building Block Strategy that introduced i-stop as Step 1.
We will maintain our strategic alliance with Ford. We will keep working together in the areas where we can obtain win-win results in terms of synergies, efficiency and economies of scale.
We will further strengthen our streamlined and lean business structure to grow in FY2010 and onward.

Thank you very much for your attention.