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(For Your Information)

**Mazda Motor Corporation**  
**FY2007 1<sup>st</sup> Half Results**  
(Speech Outline)

Representative Director, Chairman of the Board,  
President and CEO  
Hisakazu Imaki

Thank you for joining us at our earnings announcement today.

1. Outline

Our operating profit in the first half of FY2007 was 73.1 billion yen, up 5% from the prior year. Revenues were up 9% year over year, reflecting the improvements in volume from strong sales of Axela/Mazda3, the introduction of the new Demio/Mazda2, and the yen's depreciation to key currencies. Profits have been improved at all levels, exceeding our projections at the beginning of the year. Having achieved profit growth while expanding investment for development, we have made a good start for the Mazda Advancement Plan. The dealer inventory optimization, which was raised as a challenge at the beginning of the year, was completed by September as planned. In addition, we have introduced the first model of the second generation of Zoom-Zoom products, the new Demio/Mazda2, in Japan and just recently in Europe. Its sales in all markets have been strong, exceeding our targets. We are also implementing capacity enhancement actions. We are proceeding with the expansion of domestic vehicle and engine production capacity. In China, we launched a vehicle plant which employs the Mazda production method, and started mass production of new Mazda2 on October 30th. We also announced in October our plan for a new passenger vehicle plant in Thailand. We resume the payment of interim dividend for the first time in 15 fiscal years. We will pay a dividend of 3 yen per share.

We keep our full year projections for FY2007 unchanged.

We are on track improving our brand value and business efficiency. Also exchange rates are favorable compared to our original plan so far. However, considering challenging external factors such as the sub-prime loan issue, the crude oil and raw material price hike impact, and unstable exchange rates, we decided to keep our full-year projections

unchanged. As for new products, following the new Demio/Mazda2, we will first introduce new Atenza/Mazda6 in Japan and Europe. Expanded sales in other markets are contributing significantly. Sales increases in Australia, Israel, Venezuela and Ecuador, which hit the record high sales in the first half, will continue to drive sales growth in Other Markets. With product-led growth and business efficiency improvement, we are implementing the Mazda Advancement Plan steadily to achieve the full-year projections, while increasing investment in product development.

General Manager of Financial Services Division

Nobuyoshi Tochio

## 2. FY2007 1<sup>st</sup> Half Results

Our Consolidated Operating profit for the first half was 73.1 billion yen, up 5% from the prior year. This was a result of the yen's depreciations to key currencies and our efforts to reduce costs, partially offset by the increased development expense and capital investment for the future. Ordinary profit was 57.6 billion yen, up slightly from the prior year. Consolidated net income was 29.1 billion yen, up 7% from the prior year. Operating ROS was 4.4%. We have achieved profit improvements from the previous year at all levels.

Cash flow for the first half of FY2007 was negative 8.5 billion yen, consisting of Operating cash flow of 40.3 billion yen, less investments of 48.8 billion yen. The result is within our expectation at the beginning of the year. Net debt, at 287.5 billion yen, was up 55.3 billion yen from the end of the prior fiscal year, mainly due to an accounting change to add lease obligations to balance-sheet.

Our Global Retail Volume increased 1% from the prior year to 659,000 units. From this year, we discontinued production of 323 and Premacy as Mazda brand vehicles in Hainan China. Comparing year-over-year volume excluding Hainan, our global volume has increased 7%. In the first half of FY2007, the yen to dollar exchange rate averaged 119 and the yen to Euro exchange rate averaged 162.

Revenues were up 9% from prior year. Overseas revenues were up 15% and domestic revenues were down 6%. Favorable volume and mix improved revenues by 3% and more favorable exchange rates by 6%.

On our sales performance in each of our key markets, in Japan, sales were down 6% to 123,000 units, because new vehicle demand remained weak, declining more than 8% from the prior year. Amid such an environment, we increased our market share from last year led by the new Demio which was launched in July.

In North America, retail sales increased 7% to 213,000 units. In the United States, retail volume was at 149,000 units, up 5% year over year, while total industry declined. Share improved by 0.2 points to 1.8%. The sales in Canada and Mexico remained strong, increasing 12% from the prior year. In Canada, we achieved record monthly sales for

September.

In Europe, retail sales were about flat year over year at 153,000 units. The impact of lower industry in Germany was offset by higher sales in Russia. Sales in Europe continued the strong rate of the prior year, when sales exceeded 300,000 total units for the first time in 15 years. We aim for further growth in this fiscal year by full-scale introduction of the new Mazda2 and CX-7.

Sales in China were 41,000 units, up 78% from last year excluding impact of the termination of local production of the Mazda Brand vehicles at Hainan. We recently added a 1.6-liter model to Mazda3. This is adding to our sales momentum. In September, our retail volume exceeded 10,000 units mainly due to growth of both Mazda3 and Mazda6.

In Other Markets, sales were up 18% to 129,000 units. This reflects strong sales of the CX-7, which was launched last year, BT-50 pick-up truck and Mazda3. Sales in Australia, Middle East, and South America were strong. Above all, sales in Australia, Israel, Venezuela and Ecuador hit the record high level during the first half. In Australia, amid stable industry demand, sales were up 18% to 37,500 units, and sales achieved record levels for nine consecutive months.

The key factors behind the 3.3 billion yen improvement in the 1st Half Operating Profit; Volume and Mix had a negative effect of 2.8 billion yen, reflecting the volume growth in Other Markets, more than offset by the increased incentive spending in North America reflecting industry conditions, and the dealer inventory adjustment actions in United States and Europe. Dealer Inventory Adjustment Target of 20 thousand units was accomplished as planned by September. We put particular focus on inventory reduction of CX-7 and Mazda6 in the United States, and our global inventory is now at an appropriate level.

Exchange rates had a favorable effect on Operating Profits of 24.7 billion yen. This was due to the weaker yen against most currencies. Other currencies mainly include the impact of the Australian dollar.

Product Enhancement costs increased 4.8 billion yen in total. Net cost reduction improved 6.6 billion yen. This reflects cost reduction effects, which more than fully offset the impact of higher raw material costs including precious metals and aluminum.

Fixed marketing cost increased 1.1 billion yen from the previous year due to the launch activities for the new Demio/Mazda2. Other costs increased 19.3 billion yen from the prior year, primary reflecting higher R&D spending as indicated in Mazda Advancement Plan, and depreciation as well as the higher quality-related costs.

### 3. FY2007 Full Year Projections

We are projecting an Operating Profit of 160 billion yen and Net Income of 85 billion yen. We decided to keep our full year projections unchanged.

As we announced in Mazda Advancement Plan, we are increasing capital spending and R&D costs to prepare for the future. In Japan, we are expanding capacity at Hiroshima and Hofu plants. Main construction has been completed and we are preparing for full-scale capacity increase by the end of the year. Our full year plan is not changed from our April announcement.

Global Retail Volume is projected to be 1.36 million units, up 4% from last year and also up 10,000 units from our April Plan. This increase reflects higher sales overseas particularly in Other Markets, partially offset by lower sales in Japan. With the new Demio/Mazda2 and new Atenza/Mazda6 introduction together with introducing CX-7 and CX-9 into additional markets, sales are expected to grow, especially in Other Markets. Our exchange rate assumptions for the second half were revised to 110 yen to the dollar and 155 yen to the Euro considering the recent trend and the volatility. With the changes, our full year exchange rate forecasts are now 115 yen to the dollar and 159 yen to the Euro.

On our projected performance in each of our key markets, in Japan, reflecting worse-than-expected industry demand for registered vehicles, our full year sales volume is projected to be down from last year to 252,000 units. With the new Demio, which has been received well, and the New Atenza which we unveiled at Tokyo Motor Show, our market share is projected to increase.

Sales in North America are projected to be at 407,000 units, up 7% from last year, supported by full-year contribution of CX-7 and CX-9 as well as strong sales of Mazda3. In the United States, we project sales to be up 5% to 296,000 units despite a decline in industry.

We project sales in Europe to increase 6% to 321,000 units. Along with Mazda2 introduced in September, the new Mazda6 will contribute to our sales growth. Industry demand in Germany has deteriorated more than we expected, but it is offset by growth in Russia, and we continue product-led growth across Europe.

In China, sales are projected to down 19% to 105,000 units. This volume decline is due to the termination of local production of the Mazda Brand 323 and Premacy. If we exclude the volumes of these 2 models from the volume last year and make year-over-year comparison, sales are projected to substantially increase, up 98% from

prior year. This growth reflects higher sales of Mazda3 and new Mazda2. Production of the Mazda2 started at the new plant in Nanjing on October 30. Changan Mazda Motor sales network will launch in the second half, and the number of total outlets for both channels will exceed 200 by the end of the fiscal year.

In Other Markets, sales are projected to be up 21% to 275,000 units. In Australia, we plan to continue growth with introductions of CX-9 and Mazda2 following the CX-7. Growth of sales in Other Markets will be driven by the new Mazda2, BT-50 and Mazda3.

The key factors behind the improvement in Operating Profit;

Volume and Mix effects are 9.0 billion yen favorable. In the second half, through introduction of the new Demio/Mazda2, and new markets for CX-7 and CX-9, sales in Europe and Other Markets are expected to increase.

We changed exchange rates assumptions for the second half to 110 yen to the dollar and 155 yen to the Euro. Exchange rate impacts are projected to improve Operating Profit by 18.9 billion yen, with positive impact from stronger Euro and other currencies partially offset by a weaker U.S. dollar. Other currencies mainly include the impact of the Australian dollar.

Product Enhancement cost of 13.3 billion yen includes content for model updates including Demio/Mazda2, as well as our actions to meet regulatory requirements. Net cost reduction is projected to be 16.1 billion yen, including raw material price hikes. Material prices including for iron and steel have moved higher than originally forecasted at the beginning of the year.

Fixed marketing cost is projected to be 3.9 billion yen higher than the prior year to promote global introductions of new products, consistent with Mazda Advancement Plan strategy to take actions to improve Brand Value. Other cost will increase 25.3 billion yen primarily due to higher R&D cost and Depreciation.

Representative Director, Chairman of the Board,  
President and CEO  
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#### 4. In Summary

Profits at all levels improved for FY2007 first half, exceeding our original projections as of the beginning of fiscal year. We reduced dealer inventory, which has been a strategic objective, to an appropriate level. From the second half, our second-generation Zoom-Zoom models such as the New Demio/Mazda2 and the new Atenza/Mzada6, together with CX-7 will contribute to sales expansion. In addition, high demand for Mazda3 in global markets will continue to increase sales. The Mazda Advancement Plan, announced in March, has made a successful start. Product-led growth is on track and there was a first half favorable exchange impact. But our full year projection is not changed reflecting the challenging external environment such as the sub-prime loan issue, the crude oil and raw material price hike impact, and volatile exchange rates. Despite these challenges, we remain committed to achieve our targets for this fiscal year.

Thank you for your attention.