Representative Director,
President and CEO
Takashi Yamanouchi

Thank you for joining our earnings announcement today. Today, I will first explain the highlights of the results for the 1st half and forecast for the full year of FY ending March 2011, followed by the details. At the end, I will summarize the presentation.

1. Highlights
Revenue for the 1st half of FY ending March 2011 was ¥1 trillion and 157.7 billion, up 17% from the prior year. Operating profit was ¥12.2 billion and the net income was also positive at ¥5.5 billion. We exceeded the April forecast in revenue and all profit categories. Free cash flow was positive at ¥23.8 billion.
Reflecting the strong sales in major markets, global sales volume was 659,000 units, up 82,000 units or 14% from the prior year that exceeded the April forecast.
Global success of our major carlines such as Mazda2/Demio, Mazda3, Mazda6 and CX-7 has driven the sales increase, contributing to the share improvement in major countries such as Japan, US, China and Australia. Especially we achieved the record share in the 1st half in the US and Australia.
New Premacy launched in July in Japan had the successful start. We have received the orders that quadruple the plan in one month after the launch. It is one of the reasons that we have improved our market share in Japan.
The Mazda2 whose production started at AAT last year has received high reputation and it is leading the sales increase in ASEAN countries, etc.
In China we have transferred the production of Mazda3 to the Nanjing Plant. As we have prepared the structure to support the successful sales in China, we expect that it will contribute to the sales increase in the 2nd half and onward.
We continue and strengthen the actions that focus brand value improvements in major
Concerning the forecast for the full year of FY ending March 2011, revenue is projected to be ¥2 trillion and 300 billion, up 6% from the prior year. Operating profit is projected to be ¥25 billion and the net income projection is ¥6 billion.

Although the impact of the yen's appreciation against the major currencies is projected to be over ¥40 billion deterioration, we are implementing the initiatives to minimize it by the sales volume increase and the improvement of carline and country mix, in addition to cost improvements in all areas.

There is no change in the plan for the free cash flow to be positive.

Global sales volume projection is 1.32 million units, up 127,000 units or 11% from the prior year and up 50,000 units from the April forecast due to the successful sales of major carlines in the 2nd half.

New Mazda5 will be launched in globally in the 2nd half, following Japan. We expect that the New Mazda5 will lead the sales in the 2nd half. Further sales increase of Mazda2 is projected in ASEAN countries, etc. In order to cope with it, the Mazda2 production for Australia will be transferred from AAT, which is running in the full operation, to Japan, and we continue to expand sales in ASEAN countries, etc.

In the technology front, we announced the outline of next-generation technologies, SKYACTIV, on the October 20th including the engines that have the best compression ratio in the world. We will introduce the products powered by the next-generation technologies in 2011 and onward.

Despite the tough external environment including appreciation of the yen, we will steadily implement the actions for the future and will enhance and continue the initiatives for the turnaround and go on the offensive.

Executive Officer
Akira Koga

2. FY March 2011 1st Half Results
Revenue and all profit categories in FY March 2011 1st half were better than those a year ago and overachieved the April forecast. Operating profit was ¥12.2 billion, up ¥34.3 billion from the prior year. The details of the improvement will be explained later, but main contributing factors are gains in volume and mix due to strong sales and cost improvements in all areas, which more than offset the deterioration from impact of the yen's appreciation. Ordinary profit was ¥20.8 billion and net income was ¥5.5 billion.
The 1st half free cash flow was ¥23.8 billion. This was achieved as we improved the profit and kept the investment within depreciation by improving efficiency.

Net debt was ¥359.1 billion, down by ¥16.7 billion from the end of the prior fiscal year. Net debt-to-equity ratio was also improved by 2 points.

The global sales volume was up by 14% from the prior year to 659,000 units. We were able to overachieve the April forecast. Except for Europe where the demand was significantly declined, our sales volumes were better than the prior year in all major markets. Our main models such as Mazda2/Demio, Mazda3, Mazda6, and CX-7 contributed to the strong sales and growth of share in major countries. Also, we are continuing our strategy to reduce incentives and enhance our brand value.

The exchange rate on average was ¥89 against the dollar and ¥114 against Euro.

I will explain our sales result by each of our major markets.

Firstly, in Japan, our sales reached 125,000 units, up 19% from the prior year, helped by a program of tax reductions and subsidies for new car as well as strong sales of Demio and New Premacy. New Premacy was launched in July, and is off to a good start, receiving orders four times more units than planned in the first month. The share was up 0.1 point to 4.9%.

In North America, we achieved 177,000 units, up 12% year-over-year, thanks to strong sales of CX-7 and CX-9 in addition to Mazda3. We continue to hold down fleet mix and incentive level, as we keep our policy of improving our brand value. As a result, segment-top level of residual values is maintained by 2010 MY Mazda3, Mazda6, and CX-9 in the US. Also, Mazda2 was newly introduced in the US and Canada in August. It helped to expand the range of customers. Our share in the US was up 0.1 point year-over-year to 2.0%, which was a record high for the 1st half. Record high volume and share were achieved in Mexico as well.

In Europe, our sales were down 13% year-over-year to 108,000 units due to the impact of total industry decline. We continue to hold down incentives, and reduce fleet mix by focusing on retail sales in implementing promotional measures. Our policy to improve the Mazda brand is maintained. In Russia, our sales turned around to post year-over-year increase since the 2nd quarter thanks to the demand recovery in addition to introduction of special edition versions of the Mazda3 and Mazda6.

In China, we achieved 112,000 units, up 31% year-over-year, which is a record high for the 1st half thanks to brisk sales of main models such as Mazda6. The production of Mazda3
was transferred from Chongqing to Nanjing, facilitating the structure to cope with the increasing demand. Sales network has expanded steadily to 287 outlets. We are on track to expand to 300 outlets by the end of December. Our share was up 0.1 point to 1.3%.

In Other markets, the total sales were up 31% year-over-year to 137,000 units. In Australia, record high volume and share were achieved thanks to strong sales of main models such as Mazda3 and CX-7, leveraging our brand strength. Thanks to contribution by AAT-produced Mazda2, sales volume was substantially increased in ASEAN countries, etc. Also, record high share for the 1st half is achieved in Thailand, New Zealand, Indonesia, and Malaysia.

Next, I would like to explain the key factors behind the ¥34.3 billion improvement of consolidated operating profit from the prior year.

The volume and mix contributed to ¥33.0 billion improvement due to strong sales in major markets.

The exchange effect from the impact of the yen’s appreciation was negative ¥7.9 billion from US dollar, negative ¥9.4 billion from Euro, and positive ¥2.2 billion from other currencies, netting out at ¥15.1 billion deterioration.

In variable cost area, there were impacts from price hike for steel products and other materials, but we more than offset them by cost improvement efforts resulting ¥4.1 billion improvement.

Marketing expense was added by ¥3.9 billion as we enhanced our advertisement by focusing on brand value improvement in major markets.

In other cost area, we achieved ¥16.2 billion improvements by company-wide cost improvement efforts in all area.

3. FY March 2011 Full Year Forecast

Full year revenue is projected at ¥2 trillion and 300 billion, operating profit at ¥25 billion, and net income at ¥6 billion. Operating profit is projected to be ¥15.5 billion better than the prior year.

Global sales volume for FY ending March 2011 is projected at 1.32 million units, up by 11% compared with the prior year.

Given a strong performance in the 1st half, we revised the full year projection to add 50,000 units to the volume we announced in April. Our assumed exchange rates for the second half are ¥82 to the dollar and ¥115 to the Euro and those for the full year average are ¥85 to the dollar and ¥114 to the Euro.

I will explain the market summary. Mazda has designated the FY ending March 2011 as the
year of “resuming the offensive”, enhancing sales actions for individual markets. While continuing our policy of enhancing our brand value, we started a new sales action “Tsunagari innovation” on a global basis together with the introduction of the next-generation products.

Now I will talk about individual markets. First, in Japan, we’ve implemented marketing actions such as “100,000 yen Option Present” to prop up sales after subsidies ended, pursuing market share improvement for the full year.

In North America, as we launched Mazda2 in August and will introduce New Mazda5, we’re pursuing a broader good customer base. We also continue to expand sales, leveraging residual value improvements.

In Europe, we closely look at the markets and put our resource in prioritized countries that offer an opportunity. Talking about sales, in addition to the introduction of New Mazda5, we focus on sales expansion in Russia where demand is bouncing back.

In China, we continue to expand sales network. The number of outlets has grown to 287 and is projected to reach 300 by the end of this year. We’re aiming at further sales increase with Mazda8 as well as strongly selling current models.

In Australia and ASEAN markets, etc., we further strengthen robust sales of Mazda2 as well as Mazda3 and other models.

I will now take you through the key factors behind ¥15.5 billion improvement in operating profit from the prior year.

Volume and mix effect is projected at ¥46.6 billion thanks to the sales volume increase and the improvement of carline and country mix as a result of the marketing actions I’ve just mentioned.

Exchange rates are projected to have a negative impact of ¥45.1 billion in total, out of which ¥21.3 billion from the dollar, ¥18.6 billion from the Euro and 5.2 billion from the other currencies respectively.

Variable cost improvement is projected at ¥9.1 billion, offsetting price hike in steel products and other materials. Marketing expense is expected to increase by ¥6.8 billion due to reinforced advertising activities.

Other cost improvement is projected at ¥11.7 billion thanks to company-wide cost improvement efforts.

Next, I move onto the key factors behind an operating profit change of ¥5 billion from the April forecast.

Due to the sharp appreciation of the yen against the major currencies since our April
forecast, the impact of exchange rates is projected at ¥41.1 billion.
We will minimize the impact of exchange rates on the April forecast through gains in volume and mix and cost improvements in all the areas.
Specifically speaking, we project ¥17.6 billion improvement in volume and mix, ¥9.1 billion improvement in variable costs and ¥10.2 billion improvement in other costs.
Talking about specific measures, we’ll work on sales volume increase and the improvement of carline and country mix. In cost area, Mazda group will bend all-out efforts to tackle with cost improvement. Consequently, we project a full year operating profit of ¥25 billion.

Representative Director,
President and CEO
Takashi Yamanouchi

4. Summary
Finally I will conclude by summarizing the presentation today.
The 1st half results exceeded the April forecast for revenue and all profit categories.
Sales were led by strong performance by main models including Mazda2/Demio, Mazda3, Mazda6 and CX-7, contributing to share improvements in major countries.
For the full year, gains in volume and mix and cost improvements in all areas will help to minimize the over ¥40 billion deterioration from the appreciation of the yen against all currencies. Operating profit is forecast at ¥25 billion. Global sales volume is forecast at 1.32 million units, up 11% year-over-year. This is an upward revision of 50,000 units compared with the April forecast.
We will enhance and continue marketing and sales activities to further heighten our brand value in major markets.
Transfer of Mazda3 production to the Nanjing plant is completed in China. We are also looking into further expansion of supply capacity to cope with increasing demand.
Our initiatives in emerging countries such as Thailand and Indonesia are on track, including the successful launch of the AAT-produced Mazda2.
We have announced our next-generation technologies, SKYACTIV on October 20th. SKYACTIV is a blanket term for Mazda's innovative next-generation technologies that are intended to provide “driving pleasure” as well as “outstanding environmental and safety performance”. As a first product of SKYACTIV technology, Demio, which is equipped with next-generation direct injection gasoline engine, “SKYACTIV-G”, will be introduced by in the 1st half of next year. The Demio will achieve fuel economy of 30 km per liter without electric motor. The price will be set lower than that of hybrid models in the same class.
In this fiscal year, gains in volume and mix and cost improvements in all areas are implemented to minimize the over ¥40 billion deterioration from the appreciation of the yen against all currencies.

The Framework for Medium and Long-Term Initiatives, which we announced in April, are all on track. For further enhancement of brand value, “Tsunagari Innovation”, sales action focused on brand loyalty, are implemented on a global basis. By Monotsukuri Innovation based on Integrated Planning and Flexible Production Concept, we will pursue further reform of the cost structure.

In the area of environmental technology, we will introduce “SKYACTIV-G” with the world’s highest compression ratio on current models first, and update not only engines but also all parts of the vehicles including transmission and platform so that we can globally launch the real Mazda’s next-generation products in 2010. Initiatives in emerging countries are on track, such as maximum utilization of AAT and expansion of sales network in ASEAN markets, etc., and expansion and enhancement of production and sales network in China. Finally, we assume that we will continue to face tough external environment such as strong yen, but Mazda will enhance our efforts for the turnaround and go on the offensive while we keep preparing for the future step by step. We assure you that Mazda holds promise for the future.

This concludes my presentation. Thank you very much.