Thank you for joining us at our earnings announcement today.

(1) FY2006 Nine Months Results
Our Operating Profit for the first nine months was 107.3 billion yen, up 28%. This is primarily due to the impact of the yen's depreciation and cost reductions, exceeding the impact of raw material price hikes, in addition to product mix improvements. Revenues were up 9% to 2,289.6 billion yen reflecting product mix improvements and the weaker yen. We introduced the new crossover SUV CX-7 in Japan and Australia, following North America. This model substantially contributed to the product mix improvements and to our product-led growth. Net income was 42.1 billion yen, up 26% excluding the impact of pension fund return gains and asset-impairment losses in the prior year. Losses, net of the projected insurance coverage, from the accident of the car carrying vessel were booked as an extraordinary loss for the 3rd quarter.

Revenues were up 9% to 2,289.6 billion yen. Our group operating profit was 107.3 billion yen, up 28% from prior year. Consolidated profit before tax was down by 12% to 76.7 billion yen, but consolidated net income was up 2% to 42.1 billion yen. As I said earlier, our Net Income was up 26% from the prior year excluding the one-time impact of an extraordinary gain from the transfer of the substitutional portion of employee pension fund liabilities to the government and impact of asset-impairment losses in last year. Operating ROS for the nine months was 4.7%. Although we must improve further, I am pleased that operating margins continue on a positive trend.

From prior year, consolidated wholesales volumes were down 1%. The CX-7 in North America and diesel-powered Mazda5 and Mazda6 in Europe contributed to sales increases. However sales in Japan, where industry demand is declining, and sales in
other regions were down. Also, there was tight availability of car-carrying vessels. For the first nine months of FY2006, the average exchange rate for the Yen to the Dollar was 116, and the Yen to the Euro 148.

Global Revenues for the first nine months were up 9% from last year. The revenue growth was driven by substantial volume and mix improvements in overseas market, particularly due to the CX-7 in North America and strong growth in Europe. Revenues improved 5% due to volume and mix and improved 4% due to yen’s depreciation to the key currencies. Domestic revenues were up 2% and overseas revenues up 12%.

Let’s now look at our sales performance in each of our key markets.

In Japan, sales were down 8%. Sales volume of mini vehicles were up 5%, but registration vehicles were down 11% due to sales declines of carryover models. This primarily reflects overall drop in registration vehicle demand in Japan. Following its launch in North America, we introduced the CX-7 in Japan in December. It is off to a good start as sales volume for the first one month after the launch exceeded our initial sales plan.

Sales in the United States for the first nine months increased 4%. The CX-7, along with Mazda5 and new MX-5, which were launched in last year, contributed to higher sales. Incentive levels were down year over year as planned. Exclusive dealership ratio at the end of December was 46% and we aim to achieve 50% by the end of this fiscal year. In the United States, new product introductions, incentive reductions and exclusive dealership ratio expansion are all on track.

In Europe, our sales momentum remained strong. Retail sales volume was up 11% on high demand for the diesel-powered Mazda5 and Mazda6, and MX-5. Our sales network strategy also helped the sales momentum. We opened sales companies in Czech and Slovakia in October, following Russia in April and Ireland in July. We now have sales companies in 15 European countries including Russia and sales through those companies account for about 89% of our total sales. We expect this sales network strategy to substantially contribute to sales growth and enhancement of brand image.

In the China, competitive environment remains fierce and sales volume was down 4%. This is mainly due to lower sales of the Mazda6 reflecting competitive market condition
caused by other makers’ new model introductions and the discounts of their existing models. Also, the delay of the re-start of Mazda3 Production limited our opportunities for growth.

I will explain the key factors behind the 23.6 billion yen improvement in Operating Profit.

Volume and Mix effects were 16.2 billion yen favorable. Product mix substantially improved reflecting introduction of the CX-7 in North America and higher sales of the Premacy and Roadster globally. This positive volume and mix demonstrates that our continued focus on building the Mazda Brand globally is generating dividends.

Exchange rates had a favorable effect on operating profits of 29.8 billion yen. The yen remained weaker against most of the currencies, particularly against the Euro, compared to the prior year. Other currencies mainly include the impact of the weaker yen to the Canadian dollar.

Product enhancement costs increased 14.4 billion yen in total, primarily reflecting costs for product enhancement actions for freshened Mazda3, MPV and MX-5. Net cost reduction improved 8.7 billion yen. This reflects cost reduction effects, which more than fully offset the impact of more than 15 Billion yen from higher raw material costs.

Fixed marketing cost improved 2.1 billion yen from the prior year. Other costs increased 18.8 billion yen from the prior year, primary due to higher quality-related costs and R&D costs.

Looking at the nine months results from a different angle, among operating profit improvements of about 24 billion yen, 15 billion yen is due to external impact and remaining 9 billion yen is due to our internal performance improvement.

(2) FY2006 Full Year Projections
We revise up our full year operating profit forecast to 158 billion yen from 148 billion yen we announced in November. On the other hand, we revise down our ordinary profit, profit before tax and net income from our November Plan. This revision is based on our 9 months actual results, including impact of volume and exchange rates, as well as a revision of quality-related cost. Product-led growth will continue. In the 4th quarter,
growth will be supported by introduction of the new CX-9 and Tribute, following the CX-7. Volume and Mix are expected to substantially improve with these new product introductions. However, there are challenges including weak domestic industry demand and quality-related cost increase. Our mid-term plan “Mazda Momentum” has only two months left. We remain focused to continue our progress and foundation building under the Plan.

Full-year revenues are projected to be 3,200.0 billion yen, up 10 percent on FY2005. Operating profit is projected to reach 158.0 billion yen, a 28 percent improvement, and ordinary profit is forecasted to grow by 28 percent, reaching 130.0 billion yen. Full-year net income is projected to rise 9 percent to 73.0 billion yen. However, excluding one-time impact of pension fund return gains and asset-impairment losses in the prior year, net income will improve 25%. We are forecasting sales and profit improvements for the sixth consecutive year, and record profits at all levels. Operating margins is forecasted to be 4.9%, up 0.7 percentage point. As indicated earlier, we revised Consolidated operating profit forecast up to 158 billion yen from 148 billion yen and ordinary profit down to 130 billion yen from 140 billion yen from November Plan, reflecting revisions of volume, exchange rate assumptions and fixed costs based on earnings results for the nine months of this fiscal year.

Consolidated wholesales are projected to be up 2% from last year to 1.17 million units. We decided to reduce 10,000 units from November Plan reflecting revisions of sales environments in Japan and Other Regions. Our full year exchange rate assumptions are 116 yen to the dollar and 148 yen to the Euro. And exchange rates for the 4th quarter are planned at 115 yen to the dollar and 150 yen to the Euro.

Global revenues are up 10% from last year. This reflects additions of the CX-7 and CX-9 in North America, as well as higher sales of the Premacy and Roadster globally. Favorable volume and mix improve revenues by 6% and more favorable exchange rates contribute another 4%.

Let’s look at our projected performance in each of our key markets.

In Japan, the industry continues to decline, with demand of registration vehicles staying weaker than our expectation. As we forecast the same difficult environment in the 4th quarter, we revised our industry demand assumptions and project retail volume
at 262,000 units. We continue to reinforce the Mazda Brand in Japan. The CX-7 receives high acclaims in urban areas as we targeted and the model will substantially contribute to our Brand Reinforcement. Enhancement of our sales network is on track. We will open 36 new-car outlets and 26 used-car outlets, compared with our original plan to open 20 new-car and 30 used-car outlets during the Mazda Momentum.

In the United States, sales are projected to be up 9% Year-on-Year to 285,000 units. Full year sales were marginally revised downwards by 5,000 units reflecting revised sales ramp up for new model launches. Following the CX-7, a medium crossover SUV, the CX-9, is being launched in the United States, to be followed by the new Tribute. As a result of these new models, our sales in the light truck segment are projected to increase. Our actions to enhance sales network are on track and exclusive dealership ratio will reach 50% at the end of this fiscal year.

In Europe, sales momentum continues. We raised full year sales volume projection to 305,000 units, up 8% year-over-year. Sales have increased with the Mazda5 and Mazda6 powered by the new diesel engine, and the MX-5, with a new power retractable hard top model. Sales network strategy is on track. In April 2007, we plan to establish sales companies in Belgium and Luxembourg. Through these additional actions, we expect our sales volume and Brand image to further improve.

In China, sales of Mazda3 resumed in January, after a suspension of production. Customer reaction is positive. Showroom traffic has increased since Mazda3 sales resumption. As a result of adding Mazda3 volume, our full-year sales in China are projected to be up 4% year-over-year to 135,000 units.

I will explain the key factors behind the 34.6 billion yen improvement in Operating Profit.

Volume and Mix effects are 30.7 billion yen favorable. Introduction of the CX-7 and CX-9 and higher sales of the Premacy and Roadster globally will substantially improve our Product Mix.

Exchange rates are projected to have a favorable effect of 36.1 billion yen on operating Profits. As I said earlier, full year exchange rates assumptions are 116 yen to the dollar and 148 yen to the Euro.
Product Enhancement cost of 18.7 billion yen includes content for the Mazda3 face-lift and to meet regulatory requirements. Net cost reduction is projected to be 11 billion yen, more than offsetting raw material price hikes of more than 20 billion yen.

Fixed marketing cost is projected to be 1.2 billion yen higher than the prior year to support new model introductions. Other cost will increase 23.3 billion yen due to higher R&D cost, depreciation and quality-related costs.

Let me summarize today's presentation.

Our operating profit for the first nine months of FY2006 was 107.3 billion yen, up 28% year-over-year. We plan to achieve an operating profit of 158 billion yen in FY2006, up 28% on last year. We forecast six straight years of improved sales and profit, which brings us record-high profits at all profit levels. However sales environments in Japan and other markets are getting increasingly fiercer and there are still challenges on quality cost. Looking ahead beyond Mazda Momentum, we will announce our new mid-term plan later in March.