Thank you for joining our earnings announcement today.

1. HIGHLIGHTS
In the first half of FY March 2017, global sales volume was a record 775,000 units. New models such as CX-9 and CX-4, together with the updated Mazda3 and Mazda6, contributed to sales volume and profit. Revenue was ¥1,546.3 billion, operating profit was ¥88.3 billion and net income was ¥56.1 billion.

Global sales volume forecast for the full year is unchanged at 1,550,000 units, based on the good progress we made in the first half. We revised our full year exchange rate assumptions to ¥104 to the US dollar and ¥116 to the euro, and have revised our financial forecast accordingly. Forecast revenue is revised to ¥3,150 billion, operating profit to ¥150 billion and net income to ¥100 billion. Annual dividend is planned at ¥35 per share.

2. FISCAL YEAR MARCH 2017 FIRST HALF RESULTS
Global sales volume for the first half was a record 775,000 units. CX-3 and MX-5 contributed globally and the introduction of CX-9 in the US and CX-4 in China played key role in the volume growth. The updated Mazda3 and Mazda6 were also a driving force behind the volume growth. Global sales volume was up 1% year on year with growth in Europe, China and other markets offsetting declines in Japan and North America.

I would like to explain the performance in each market. In Japan, sales were down 23% year on year to 93,000 units. Market share of registered vehicle was 4.8%, down 2.0 points year on year. The apparent decline is mainly due to a spike in sales last year due to the new car effect. Updated Mazda3 was introduced in July, followed by updated Mazda6 in August. Sales in Japan are improving, as is per-unit profit.
We will also launch an updated Mazda2 and CX-3. The enhanced competitiveness of these key models and the launch of MX-5 RF within the year will help improve sales momentum in the second half.

In North America, sales were 224,000 units, down 4% year-on-year. Sales in the United States were 160,000 units, down 2% year-on-year. With demand shifting to crossover segment, competition in the passenger car segment has intensified. We are introducing updated Mazda3 and Mazda6 to increase sales momentum. Sales of the new CX-9, which started in earnest in June, are promising and a high ratio of sales are high-grade models. In Mexico, sales were down 9% year on year to 25,000 units. The sales environment has deteriorated due to actions to bolster the Mexican Peso.

In Europe, sales were 134,000 units, up 8% year on year. Strong sales of CX-3 and MX-5 contributed to volume growth. Sales in Europe excluding Russia grew 12% year on year to 123,000 units. Sales in Germany were 33,000 units, up 9% year on year, and sales in UK were 23,000 units, down 3% year on year. There have been no obvious signs of Brexit having an impact on European automobile markets. We will keep a close watch on various indicators, including competitors' movements.

In China, sales were 133,000 units, up 22% year on year. Mazda3 led sales, thanks in part to the compact car tax-reduction scheme. In addition, new CX-4 was launched in June and is also selling well. Updated Mazda6 was launched and contributed to the sales growth along with updated CX-5.

In other markets, sales were 191,000 units, up 7% year on year. Sales in Australia were 60,000 units, up 4% year on year, and market share reached 10%. CX-3 and CX-5 are the best sellers in their segments. In Thailand, sales were up 14% year on year. Sales in Vietnam were up 77%. Sales in the ASEAN region grew 18%. We achieved record sales in other markets, including New Zealand and Columbia.

Next, let me explain the financial results of the first half of FY March 2017. Revenue was down 9% from the prior year to ¥1,546.3 billion. Operating profit was ¥88.3 billion, ordinary profit was ¥82.6 billion, profit before tax was ¥76.2 billion, and net income was ¥56.1 billion. The average exchange rates were ¥105 to the US dollar and ¥118 to the euro, representing ¥17 appreciation against both currencies over the previous year.

I will explain the key factors behind the ¥37.6 billion decline in operating profit over the prior year.
Volume and mix improved ¥500 million. Volume in Japan dropped as the new-model effect ended, but profitability improved due to new CX-9 and updated models such as Mazda6.
Exchange rates deteriorated profits ¥64.8 billion in total, including deteriorations of ¥7.3 billion from the US dollar, ¥14.3 billion from the euro and ¥43.2 billion from other major currencies.
In the area of variable costs, cost improvements contributed to a ¥30.8 billion improvement.
Marketing expenses improved ¥2.3 billion and other fixed costs deteriorated ¥6.4 billion.

3. **FISCAL YEAR MARCH 2017 FULL YEAR FORECAST**
Forecast global sales remain unchanged from April, at 1.55 million units.
We will maintain the strong sales momentum of the first half in the second half as well.
We revised the sales plan for Japan to reflect the postponement of the consumption tax hike.
In addition, we upwardly revised the sales plan in Australia and in China where sales of new CX-4 and Mazda3 are strong.

We have revised our full year forecast.
Exchange assumption for US dollar is revised from ¥110 in the April forecast to ¥102 for the second half. Assumption for the euro is revised from ¥125 to ¥114. Along with this assumption change, we revise the forecast for revenue down to ¥3,150 billion, and operating profit to ¥150 billion. We project ordinary profit of ¥155 billion and net income of ¥100 billion.

I would like to go through key factors behind ¥76.8 billion operating profit decline from the prior year.
Volume and mix is projected to improve ¥19 billion, due to improved profitability thanks to new models such as new CX-9 and updated models.
Exchange rates are forecasted to deteriorate ¥123 billion in total, including deteriorations of ¥22.8 billion from the US dollar, ¥29.4 billion from the euro and ¥70.8 billion from other key currencies.
In the area of variable costs, we expect ¥48 billion improvement from progress in cost improvement activities.
We also project marketing expenses to deteriorate ¥3 billion and other fixed cost by ¥17.8 billion.
Other fixed costs include strengthened R&D activities for the future, and increased depreciation in new plants and new product facilities.

I would like to explain the factors behind the ¥20 billion decline in operating profit versus April forecast.
Mainly because of yen’s rise, we project negative impact of ¥7.2 billion from the US dollar, ¥14.5 billion from the euro, ¥3.1 billion from the Canadian dollar, ¥9.2 billion from the Australian dollar, and ¥11.1 billion from the British pound, totaling ¥42 billion deterioration versus April forecast.
Despite significant deterioration in exchange rates, we will reinforce efforts in all areas to minimize the impact on profits, including strengthening cost improvement efforts to improve ¥17 billion.
4. PROGRESS OF KEY INITIATIVES / FUTURE INITIATIVES

Firstly, on product and technology, we are making good progress in the development and introduction of new models, including CX-9 and CX-4, and updated models with new-generation vehicle dynamics control technologies, and latest design and features. We began production of the new MX-5 RF last month and plan to reveal the new CX-5 at the LA Auto Show.

Technology development for SKYACTIV GEN2 is progressing as planned. In terms of electric drive technology, we are moving forward with technology development of EV for market introduction.

We plan to combine these technologies with advanced internal combustion engines to meet increasingly stringent fuel economy and emissions regulations in each country. In the areas of safety and autonomous driving, in which interest is high, we are continuously advancing our i-ACTIVSENSE safety technologies, and working on the development of human-oriented autonomous driving technologies that are becoming of the Mazda brand.

On global sales and network enhancement, we will maintain volume growth at a pace of 50,000 units per year by launching new and updated models and strengthening initiatives to improve brand value. We will increase net revenue, reduce incentives and improve residual values, by ensuring good penetration of the “right-price” sales policy. We plan to globally deploy initiatives to improve retention ratio by trade cycle management. We will also strengthen our efforts to reform sales network in the United States.

On global production and cost improvement, we will deploy Monotsukuri Innovation globally to strengthen cost improvements. We are making good progress in our efforts to increase production flexibility for crossover vehicles, including starting production of CX3 at Hofu Plant. We will leverage Bundled Planning and establish a global swing production system that provides flexibility between production sites and between passenger cars and crossovers. We will further advance Monotsukuri by standardizing structural and functional attributes, enabling the latest technology, design and equipment updates to be applied quickly across the entire product line-up.

We will continue to advance our model-based development also in production technology area to significantly improve performance, quality and R&D efficiency.
Lastly, on strengthening of financial base and shareholder returns, we aim to generate stable profit and cash flow by steadily increasing sales volume and improving brand value. At the same time, we will improve our balance sheet, including equity ratio and net debt. We will further strengthen our financial base while advancing R&D and other investments for future growth. We also aim to improve returns to our shareholders and ensure stable and steady dividend payments while reinforcing our financial base. Our targets for FY March 2019, including global sales of 1.65 million units, remain unchanged. But we will closely monitor the mid-term impact of exchange rates and other external factors, update the plan reflecting our actions against the exchange rate impact and come back to you again in spring. Mazda will continue to aim for sustainable growth by accelerating efforts to enhance brand value through steady volume growth and qualitative business growth.

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