

FY March 2018 Nine Month Financial Results Main Q&A

1. Please summarize results for the first nine months of FY March 2018.

In the first nine months of this fiscal year, global sales were up 25,000 units to 1,186,000 units, a new record. New CX-5, which has been launched globally, and other crossover models contributed to the volume growth. By region, sales in North America declined 3% mainly due to the restriction of fleet sales and sales decline of sedan models in the U.S., but sales in China and Japan increased, resulting in global sales volume growth of 2% year on year.

Consolidated revenue was ¥2 trillion 547.9 billion (up 8%), operating profit was ¥107.1 billion (up 5%), and net income (net income attributable to owners of the parent) was ¥84.9 billion (up 6%).

Operating profit increased mainly due to the impact of weaker yen, partially offset by decreased wholesale volume and an increase in marketing expenses driven by intensifying competition in the U.S., in addition to R&D cost increase for development of next-generation technologies and products and higher prices for raw materials.

We reflected the current sales performance of each market into the full-year global sales volume forecast. Sales targets are revised downward in North America and Japan in light of the tough sales environment in both markets, but upward in China where sales are strong. Our full-year global sales volume forecast is unchanged at 1.6 million units from our November forecast.

While the change in our exchange rate assumptions was reflected in the exchange gain in non-operating profit, our full-year operating profit forecast of ¥150 billion and net income forecast of ¥100 billion remain unchanged.

2. You have revised down sales forecast in the U.S. as you did in the first half. Please explain how you are going to achieve volume growth globally, based on the current sales situation in the U.S.

To achieve full year global sales forecast, new CX-5 sales increase in global markets and new CX-8, which was launched in December last year, will contribute to volume growth. To quickly respond to increase in crossover demand and to support sales growth to the maximum extent, we are expanding production flexibility as planned including the start of production of new CX-5 at Hofu plant in October last year.

Sales in the U.S. declined due to restriction of fleet sales and tough sales environment for sedan models. But we promote sales network reforms, enhance marketing initiatives for sedan models and take actions concentrating resources on focused markets. The updated Mazda6 builds on the model's strengths with a more mature design, a cylinder deactivation system and the turbocharged 2.5-liter gasoline engine. The model is expected to contribute to a turnaround in US sales in the next fiscal year.

3. Please explain the progress of alliance with Toyota such as new joint-venture plant in the U.S. and a new company EV C.A. Spirit.

Alliance with Toyota is progressing steadily, as we selected Huntsville, Alabama as the site of our joint-venture manufacturing plant in the U.S. After obtaining approvals and authorization by antitrust agencies, the new joint venture will be established, and site preparations will begin with the start of production in 2021.

Our preparations for the shift to electrified powertrains are progressing as planned, including the joint development of basic structural technologies for electric vehicles through the new company. Responding to introductions of environmental regulations in each country, we work to build base technologies for electric vehicles for sustainable growth.

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