May 9, 2019

(For your information)

Mazda Motor Corporation
FY MARCH 2019 FINANCIAL RESULTS
MAIN Q&A

1. Please summarize FY March 2019 results.

Global sales were down 4% from the prior year to 1,561,000 units. The dip in global sales was due to declines in China, the US and Australia which outweighed volume growth in Japan and ASEAN. Crossover SUVs maintained strong sales momentum with launches of updated CX-5 and CX-8.

Consolidated revenue was up 3% from the prior year to ¥3,564.7 billion. Operating profit was down 43% to ¥83 billion, reflecting increased marketing expenses due to intensified competition, exchange rate impact, investment for US sales network reforms and increased quality-related costs, despite increased wholesales volume and cost improvement efforts. Net income was down 43% from the prior year to ¥63.5 billion.

2. Please explain FY March 2020 forecast.

Global sales volume is projected to be 1,618,000 units, up 4% year on year. All-new Mazda3 and CX-30 are expected to drive sales. We will continue to focus on communicating product values, leveraging new-generation products to achieve global volume growth.

Revenue is forecast at ¥3,700 billion, up 4% year on year, operating profit at ¥110 billion, up 33% and net income at ¥80 billion, up 26%. We will continue to strengthen investment for future growth and aim to return operating ROS to around 3%.

3. Behind the year-on-year improvement of operating profit in FY March 2020, volume and mix is projected to improve ¥47.7 billion. Please explain how it will improve. In addition, please take us through the details of the increase in other fixed costs of ¥19.5 billion.

We aim to improve profitability by increasing wholesales volume, improving per-unit profit and reducing marketing expenses through launches of new-generation products and updated models. Sales will drop in Other Markets including Australia where industry demand is projected to reduce, but sales in major markets including North America, China, Europe and Japan are forecast to increase.

Other fixed cost is projected to increase due to investment for future growth including investment in sales network reform in the US, depreciation cost and costs related to the new plant in the US.

4. **Will the on-going sales network reform in the US contribute to growth, while the sales environment in the US market remains challenging?**

   Incentive competition by other auto makers continued and intensified due to shrinkage of sedan segment. In addition, sales of Mazda3 dropped due to transition to the new model. Despite reducing industry demand and intensifying competition in C-SUV segment since January 2019, “sales quality” improved with increased sales of CX-5 high-grade SKYACTIV-G 2.5T model while we are curving incentives. As for sales network reform, 265 dealers have signed up to invest in becoming next-generation brand dealers as of the end of March 2019. We are on track to the target of 300 dealers. Annual sales volumes at the dealers that have completed the changeover are rising steadily. We are also accelerating to improve quality of operations including strengthening of marketing, services and training. Together with the new joint-venture manufacturing plant in the US, we aim to solidify the foundation for growth both from manufacturing and sales perspectives.

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