August 9, 2022

(For your information)

**Mazda Motor Corporation**
**FY March 2023 First Quarter Financial Results Briefing (for analysts)**
**Main Q&A**

**Q1: An operating loss close to ¥20.0 billion was posted in the first quarter. How do you evaluate the results in comparison with your original plan? Is this what you expected including the effects of a weaker yen and reduction in production?**

A1: The reduction in production was almost the same as our expectations. Production recovered in June, but the increase in vehicles did not result in consolidated wholesales. In fixed costs and other, we booked approximately ¥7.0 billion as a provision related to environmental regulations in the US. For these reasons, operating profit was lower than our original plan. Foreign exchange had a favorable effect on profit and the impact of surging material prices was almost the same as our expectations. The most significant contributing factor in profit reduction was the decline in wholesales due to the Shanghai lockdown.

**Q2: Are you confident about production and wholesale recovery from the second quarter onward despite their decline in the first quarter? Do you foresee to some extent another increase in wholesale volume in the second half of the year in terms of achieving the full-year wholesale forecast of 1.18 million units?**

A2: Our production has been at the level of 100,000 units per month, but it decreased significantly in April and May due to the impact of the Shanghai lockdown. Recovery began in June, but those vehicles produced in June that were shipped to distant markets including the US, did not make it into the final wholesale to local dealers. We are confident of a recovery from July onwards, including in-transit inventories and recovery of production.
To achieve the full-year forecast, we are still having problems with semiconductor procurement, but we are working closely with various semiconductor manufacturers and our suppliers to eliminate bottlenecks step by step. In addition, we intend to introduce new products and model changes in the second half of the year. We want to ensure the wholesale of these products as well.

**Q3: Although the yen has been weakening, you are keeping the full-year plan unchanged for other uncertain factors. Assuming a wholesale volume at the 300,000 unit-level and an operating profit of ¥70.0 billion in the second quarter, am I correct in understanding that you are planning to maintain the same pace in the second half of the fiscal year? Do you foresee any opportunities or risks in your full-year plan?**

A3: We are aiming for a wholesale volume above the 300,000 unit level during the second quarter, including 40,000 units which did not result in wholesale in the first quarter. This represents an increase of about 150,000 units from 166,000 units in the first quarter and sets the path for profit recovery. Our fixed costs are already very lean but from the second quarter onwards, there will be further increases in fixed costs including the Alabama Plant. Even with these increases, we aim to deliver 40% of the full-year operating profit target in the first half.
If the current exchange rate levels continue throughout the year, we foresee exchange rate opportunities. In our plan, we assume that the yen will move in a slightly stronger direction toward the end of the year. On the other hand, the global situation and future procurement environment for parts and materials may change significantly. We have left the full-year plan unchanged, keeping the “opportunity” of a weaker yen as a buffer against future risks.

**Q4: What is your policy on vehicle price revisions? When the industry demand is strong, to what extent do you raise prices in the US or other markets? Is there also a risk that the sales volume will decrease as a result?**

A4: We raise prices in the US and other markets by taking into account factors such as the market characteristics, competitive environment and product competitiveness. In the current situation, price increases do not lower the sales volume. We will continue to take actions such as price revisions, reductions in incentives, and mix improvements to optimize profitability in each market.

**Q5: How will the pace of production at the Alabama Plant increase going forward? Please explain your outlook for the price range of the CX-50 and average prices compared to the CX-5 when the plant reaches full operation.**

A5: Currently, production operations are still in the early stages. Therefore, we are confirming quality as we produce. We prioritize quality assurance since we are building brand new products in a new place at a new factory. Presently, the labor market is tight as the unemployment rate is particularly low in Alabama compared to the rest of the US. We are hoping to increase the production volume in the future as we keep an eye on the situation of the labor market and quality assurance. We believe that achieving stable operations, retaining workers, and helping suppliers to develop will be a shortcut for this plant to become an outstanding plant in the medium to long term.

The CX-50 is popular among outdoor-oriented customers while the CX-5 is mainly for city use. In other words, the customer orientation is different between the two models. Due to the popularity of the turbo model and an expected high demand for accessories, we anticipate the prices of the CX-50 will be higher, and forecast the average selling price to be higher.

###