

FY March 2016 Financial Results

Main Q&A

1. Please summarize the results for FY March 2016.

Global sales volume was 1,534,000 units, up 10% year-on-year, the highest on record.

This is due to strong sales of updated Mazda6/Atenza and CX-5, in addition to the progress in launching new models such as CX-3 and the new MX-5/Roadster globally. Sales in all major markets increased year-on-year.

Operating profit was ¥226.8 billion, up ¥23.9 billion year-on-year, mainly due to increase in wholesales and continuous cost improvements by Monotsukuri Innovation. Net income was ¥134.4 billion, down ¥24.4 billion from the prior year. This is owing to booking of extraordinary loss of ¥40.7 billion for quality-related expenditures concerning specific airbags that were used for some of products we produce and sell, as well as recognition of long-term deferred tax assets as a result of reviewing the possibility to recover deferred tax assets in the future as the loss carried forward was eliminated.

In product area, the new MX-5/Roadster was named World Car of the Year and World Car Design of the Year Japan. As such, products with SKYACTIV technology and KODO design are highly acclaimed in Japan and overseas.

The Structural Reform Plan (FY March 2013 to FY March 2016) was formulated to enable us to respond to challenging external environment and to ensure growth in the future, and we have strongly promoted structural reforms that leverage SKYACTIV Technology. In FY March 2016, the last year of the Structural Reform Plan, significant changes have been made to our business structure through the steady implementation of the key initiatives in areas of product, sales, manufacturing and alliance. However, as there is room for further improvement, we will focus on the further enhancement of those key initiatives in Structural Reform Stage 2.

2. Why do you project profit decline in FY March 2017?

As improvements from launches of new products such as new CX-9 and updated models, cost improvements of new products by Monotsukuri Innovation and cost development at overseas plants were offset by negative impact of yen's appreciation impact of ¥81 billion, we project profit decline from the prior fiscal year.

Although we expect negative impact from exchange rates, we will manage geographical allocation focusing on profitability and take pricing actions. In addition, we will hold-down controllable costs except for investments for future growth. We will make every effort to deal with this in the areas of R&D, manufacturing, sales and finance.

3. Why is year-on-year sales growth smaller at 16,000 units in FY March 2017, compared with significant increase of 137,000 units in FY March 2016.

We aim for continuous volume growth with the introduction of new models such as the CX-9 and updated models like Mazda6/Atenza and CX-5, which have proved very popular.

Sales volume growth is smaller than the prior fiscal year, mainly because expansion of crossover production capacity cannot keep up with pace of increasing demand. In addition, utilization rates will not increase due to preparations for new model launches scheduled in this fiscal year.

To meet increasing demand of crossover vehicles, we will enhance production flexibility between passenger vehicles and crossover vehicles, and expand production and sales by around 100,000 units to achieve 1.65 million units sales target in FY March 2019, the last year of Structural Reform Stage 2.

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