April 28, 2017
Mazda Motor Corporation

FY March 2017 Financial Results
Main Q&A

1. Please summarize results for FY March 2017.

In FY March 2017, global sales volume was 1,559,000 units, up 25,000 units from the prior year and the highest on record. The main drivers of the volume growth were crossover models, including the new CX-4, the CX-3, which made its first full-year global contribution, and the new CX-9. By region, although sales volume declined in Japan and North America, global sales volume grew 2% year-on-year thanks to sales increase in Europe, China and the ASEAN region.

Revenue was ¥3 trillion 214.4 billion, down ¥199.2 billion year-on-year. Operating profit was ¥125.7 billion, down ¥101.1 billion, and net income was ¥93.8 billion, down ¥40.6 billion.

The key factors behind the operating profit decline from the prior year includes lower wholesale volume in Japan and North America, negative impact from exchange rates (deterioration of ¥102.7 billion), and increase in quality-related costs. While continuing investment for future growth, we tried to minimize the negative impact with strengthened cost improvement initiatives for new products and overseas plants, etc.

2. What are main factors behind profit increase forecast in FY March 2018?

Working toward our 1.65 million-unit sales target for FY March 2019, the final year of Structural Reform Stage 2, we aim to achieve 1.6 million units with stable volume growth in FY March 2018. As we roll out the new CX-5 globally, we will increase crossover production capacity to satisfy growing global demand. We also plan to expand the SKYACTIV lineup to meet the needs of specific regions. We will aim to achieve growth in all markets except for China, where tax reductions for compact cars have been cut by half.

Revenue is forecast at ¥3 trillion 350 billion (up ¥135.6 billion from the prior year) and operating profit at ¥150 billion (up ¥24.3 billion). Main factors behind the operating profit increase includes, sales volume increase, cost improvements of new products and cost development at overseas plants through Monotsukuri Innovation despite partial offset by material prices hikes, and improvements in quality-related costs. We continue to invest for the future growth such as developments for next generation technologies and products.

3. Why did you change your operating profit margin target in Structural Reform Stage 2 from "7% or more" to "5% or more"?

While key initiatives of Structural Reform Stage 2 are making steady progress, we revised our exchange rate assumptions to ¥108 to the USD and ¥118 to the euro reflecting stronger yen movements. We tried to minimize the negative impact of exchange rate fluctuations through strengthened cost improvement efforts, but reflecting material price increases and increased incentive spending in the US, we decided to make the revision to operating profit margin target from "7% or more" to "5% or more".

4. Is your effort to enhance production flexibility to meet increasing demand of crossover vehicles?

In FY March 2017, we started production of the CX-3 at Hofu Plant, and we plan to start production of the new CX-5 there. We will also further increase the production capacity of crossover vehicles at Hiroshima Plant. Over the mid- to long-term, we aim to establish a global swing production system by improving production flexibility at overseas plants, as we have at Japanese plants.

5. Do you plan to increase the dividend as you forecast profit increase in FY March 2018?

We forecast profit increase, but we plan to pay a dividend of ¥35 per share, the same amount with the prior year, in order for stable and sustainable growth and to secure funds for future growth so as to maximize shareholder's value.

We continue to work to realize stable dividend payment and to achieve its steady improvement.

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