

FY March 2018 First Half Financial Results Main Q&A

1. Please summarize results for FY March 2018 First Half.

Global sales volume for the first half was up 1% from the prior year to 783 thousand units, a new record for the first half, owing to the increased sales of crossover models such as the all-new CX-5 whose sales were strong in global markets.

Consolidated revenue was ¥1,656.6 billion (up 7% year on year), reflecting the impact of yen's depreciation and others. Operating income was ¥76.5 billion (down 13%), and net income (net income attributable to owners of the parent) was ¥63.3 billion (up 13%). Operating profit declined due to lower wholesales and higher marketing cost mainly reflecting intense competition in sedan segments in the U.S., as well as an increase in R&D costs for future growth and a hike in raw material prices.

Full year operating profit forecast remains unchanged from ¥150 billion. However, we revised the exchange rate assumptions to match market rates and reflected such factors as the impact on sales volume as a result of worsening sales environment and the expected increase in marketing expense mainly in the U.S.

2. While sales in the U.S. in the first half were down year on year, do you think you can achieve full year sales target of 1.6 million units? Please also explain initiatives you are planning to take in the U.S.

Our full year global sales volume forecast announced in April is unchanged at 1.6 million units. In light of the intense competition in the U.S., sales targets are revised downward in North America but upward in China, where we continue to perform strongly.

In terms of products, sales of new CX-5 are shifting into high gear with global roll out. In addition, we started accepting pre-orders for the new CX-8 in Japan from September, and orders are very strong. We are enhancing production flexibility of crossover models to quickly meet global demand increase. We increased production capacity of crossover models at Hiroshima Plant in August, and started production of the new CX-5 at Hofu Plant in October.

In the U.S., sales competition of sedan segment has been intensified but sales of crossover models were on track. We continue to promote sales network innovation, and enhance marketing programs for sedans and concentrated resources in focus markets, in order to improve sales trend.

3. Please explain what Mazda can provide and merits Mazda can enjoy, in accordance with the establishment of a new company as a joint development center of basic technologies for electric vehicles for Mazda, Denso and Toyota.

As countries and regions around the world adopt increasingly stringent policies and new regulations that mandate a certain proportion of electric vehicle sales are beginning to emerge, it requires significant manpower, cost and time for one company to cover all markets and segments by itself. Mazda, Denso and Toyota agreed to jointly develop basic structure for electric vehicles capable of covering a wide variety of vehicle segments and types to ensure flexible and rapid response to market trends. We consider that Mazda can support developments of a diverse range of models, from mini vehicles to passenger vehicles, SUVs and light trucks through its bundled planning, common architecture and computer modeling-based development. Toyota and Denso will provide their own strengths such as Toyota's TNGA (Toyota New Global Architecture), its deep knowledge on plug-in hybrid vehicles and fuel-cell vehicles, and various experiences regarding customers, and Denso's electronics technologies.

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