May 10, 2024

(Reference)

**Mazda Motor Corporation**

**FY March 2024 Full Year Financial Results Briefing (for Analysts)**

**Main Q&A**

**Q1: Please tell us about progress in your U.S. sales network reforms. Are you confident in the growth of U.S. sales?**

A1: We launched our sales network reforms in 2016, and as of the end of March 2024, more than 300 stores had been upgraded to new-generation stores, which is more than our initial target. In the current fiscal year, about 75 more dealers will undergo upgrades. In the second half of the previous year, the number of units sold annually per new-generation store was close to 1,000 units. We feel that we have gained strong sales power through these stores. In addition, Mazda Financial Services, which has a partnership with Toyota Financial Services, has been supporting sales financial services of a high quality, and customers continue to choose the Mazda brand. The U.S. market has now recovered from two years of supply constraints, and overall demand this fiscal year is expected to be around 16 million units. We are also planning to introduce new products this fiscal year, and will continue our efforts to increase unit sales.

**Q2: In the U.S., Mazda plans to increase sales significantly year-on-year, but sales appear to be weak at the moment including sales of the CX-90. Please explain the circumstances.**

A2: Sales in April were in line with our expectations. In the fourth quarter of the prior fiscal year, however, sales were affected by low inventories due to a suspension in the production of Large products, including the CX-90, to address quality issues. Quality measures have now been completed and production has been restored. We also revisited the pricing and equipment of the CX-90 to enhance its competitiveness, and the product is being well received by our dealer partners and residual value rating organizations. We hope to see the effects of these measures from spring to summer this year.

**Q3: You are planning to significantly increase the unit sales of Large products this fiscal year. What is your plan by region?**

A3: This fiscal year, we plan to introduce the CX-70 in North America, and the CX-80 mainly in Japan and Europe, and we expect combined sales of the four Large products to reach approximately 200,000 units, doubling from the prior year. We believe the increase in sales in the U.S. will be significant, accounting for about half of all growth. We also expect to see growth in Japan, Europe and Australia.

**Q4: What is your view on the current progress of electrification in the U.S.?**

A4 In the early days of electrification, there will be many variables. While it is difficult to predict demand in the future, we believe that our multi-solution strategy will work effectively. The current market situation is close to assumptions underpinning Mazda's "intentional follower" strategy, and we are moving ahead with preparations to introduce BEVs using a dedicated EV platform in 2027. At the same time, we must also work on the assumption that the sales mix of BEVs, HEVs, and PHEVs will change. As this will have an impact on our development and battery partners, we would like to carefully assess trends.

**Q5: In the prior fiscal year, there were quality costs related to Large products. What was the extent of these costs, and do you expect to incur these quality costs again this fiscal year?**

A5: We apologize for the great inconvenience caused to our customers and business partners due to quality issues in the prior fiscal year. We worked on thoroughly resolving these issues and fostering quality. As a result, quality costs were slightly higher. This fiscal year, we intend to improve our performance, but if problems arise, we need to respond quickly, and our plan is based on that assumption.

With regard to our Large product lineup, we are confident in the measures we have taken thus far, and we believe that our customers will be satisfied.

**Q6: Non-operating income for the current fiscal year is expected to be negative by 50 billion yen. What are the main reasons for this?**

A6: In the prior fiscal year, depreciation of the yen during the fiscal year resulted in valuation gains on foreign currency-denominated assets of about 50 billion yen. This fiscal year, assuming that the yen will appreciate toward the end of the fiscal year, we believe that the yen's appreciation will cause valuation losses on foreign currency-denominated assets.

**Q7: Could you tell us why you have not announced a year-end dividend plan? Is the deterioration in non-operating income having an impact?**

A7: There is no change in our medium-term dividend policy, which aims to achieve a dividend payout ratio of 30%, the target of our mid-term management plan, and to increase dividends in a stable manner.

On the other hand, there are speculative movements and the exchange rate is extremely unstable. There are also political developments this year, such as the U.S. presidential election. We conservatively assume that the interest rate difference between Japan and the United States will gradually narrow and the yen will appreciate. At this point, as it is difficult to predict, we would like to decide on a year-end dividend based on the market situation and the progress of our performance.

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