

(Reference)

Mazda Motor Corporation
FY March 2025 First Quarter Financial Results Briefing (for Analysts)
Main Q&A

Q1: Were there any one-time factors or changes from your initial plan regarding the first quarter result?

A1: The first quarter progressed largely as planned, apart from the higher-than-expected increase in sales incentives in the U.S. amid changes in sales environment, and the depreciation of the yen. Despite slight fluctuations in sales volume across different markets, sales remained mostly on track, and we achieved record-high net sales.

Q2: Your sales in the U.S. appear to be strong, but the rise in sales incentives is a worrying factor. Please explain how your sales power in the U.S. is improving.

A2: This fiscal year is positioned as a year to grow top line. Sales in the U.S. increased by 20% year on year in June, and 30% in July, achieving a record market share. In addition, sales of the CX-90 nearly doubled year on year, achieving a 3% share in its segment. This is a very high level compared to what has been achieved by the CX-9 in the past. The 80% of Mazda's sales are leases and installments using sales financing supported by the automaker. The penetration of leases is particularly increasing. Since vehicle prices are higher than those in the prior fiscal year partly due to grade mix, and interest rates remain high, the amount of sales incentives, which is mainly an interest rate subvention, is also on the rise. In addition, in the whole auto industry, sales incentives are increasing to enhance sales backed by the stronger dollar. As Mazda's vehicles have been highly evaluated by the media and the market, and the repurchase rate by existing customers is at a record high level, we believe that our sales power is steadily improving while the level of sales incentives has increased.

Q3: What is the dealers' reaction to your sales promotion measures?

A3: The dealers' reaction is positive. The dealers are appreciative of Mazda's actions to increase advertisement and programs required for customer traffic. Dealer commitment levels and expectations for Mazda business remain high, as evidenced by the survey results in the U.S. ranking the Top 3 for franchise value, which indicates the expected level of future business and revenue growth by Mazda dealers.

Q4: You expect sales incentives to peak in the second quarter and decline from the third quarter. Please explain the background.

A4: Mazda plans to reduce sales incentives as it continues to enhance its product lineup through the second half of the year by introducing 2025 model year products and new products such as CX-70 and CX-50 HEV. In addition, given the current exchange rate situation, the company has been building up inventories to prepare for sales in the first quarter in order to continue strong sales in the U.S., where profitability is high, but will gradually reduce inventory levels. With the appreciation of the dollar, manufacturers exporting from Asia and Mexico to the U.S. have been enhancing sales in the U.S., resulting in a fiercer competition. We expect that the strengthening of the dollar will ease slightly in the second half of the year, and interest rates will decline as well. As a result, sales incentives are expected to peak in the second quarter.

Q5: While the full-year plan remains unchanged, are there any risks or opportunities that could influence its achievement?

A5: Firstly, significant fluctuations in interest rates and exchange rates need to be closely monitored. Our exchange rate for the first quarter was 156 yen per dollar. If the rate for the remaining half of the second quarter is around 145 yen, the average exchange rate for the first half will be between 153 and 154 yen. The assumption for the second half is 145 yen and for the full year is 150 yen. This assumption changes depending on factors such as interest rates in line with economic fluctuations. Therefore, close monitoring is necessary. In addition to implementing a two-shift operation at our Alabama plant and introducing the CX-50 HEV, we aim to boost the sales volume of Large products by 100,000 units compared to the previous fiscal year, which will help sustain strong dealer momentum. To support this goal, we will take flexible actions, including the utilization of sales incentives, in response to changes in sales environment. In June and July, we focused on model-year changeover. Reports from the local dealers indicate that demand remains strong, and once we transition to the new model-year products with enhanced product appeal, we plan to reduce sales incentives. Throughout this period of top line growth, it is also crucial to monitor inventory levels closely. We will avoid having excess inventory. We will ensure strict control over inventory levels.

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