February 10, 2022

(For your information)

Mazda Motor Corporation

FISCAL YEAR MARCH 2022 THIRD QUARTER FINANCIAL RESULTS

(Speech Outline)

Tetsuya Fujimoto
Managing Executive Officer
In charge of Financial Services and Corporate Planning & Development

Before starting my presentation, I would like to convey my heartfelt gratitude to medical workers, essential workers, and others who have been working hard to combat the spread of Covid-19. Also, I would like to apologize to customers who have had to wait for extended periods of time to receive their vehicles due to production cuts caused by shortages of semiconductors and other parts. All of us in the Mazda group, including members in sales, production, and purchasing teams are making every effort to have products delivered to customers as soon as possible.

1. Fiscal Year March 2022 Nine Month Results

Today's presentation includes the year-on-year change as well as the comparison with FY March 2020 before the outbreak of Covid-19 and semiconductor supply issue.

Global sales volume in the first nine months was 930,000 units.
The sales in the first half were better than the prior year, but due to shortages in the supply of parts caused by the increasing spread of Covid-19 in South East Asia and the continued shortages in supply of semiconductors, sales volume in the third quarter was lower than the prior year. Due to greater than expected production cuts in the third quarter, the inventories are very lean and significantly below the lower end of normal stock in all markets at the moment.

Next, I would like to present the financial metrics.
Net sales were 2 trillion 162.4 billion yen, operating profit was ¥63.7 billion, and net income attributable to owners of the parent was ¥29.4 billion. Consolidated wholesale volume was up 3% year on year to 688,000 units, but as a result of our efforts for profit structure improvement from the second half of last year, each profit metric saw an improvement of about ¥100 billion. In the third quarter, due to the tight supply of semiconductors and shortages in the supply of parts caused by the resurgence of Covid-19, consolidated wholesale volume in the third quarter was down 30% year on year. However, operating profit was ¥24 billion following the transfer of an ¥8.9 billion loss to the extraordinary loss account. Net income attributable to owners of the parent was ¥5.5 billion. ¥8.9 billion was recognized as an extraordinary loss following the impact from

production cuts due to increasing Covid-19 cases in South East Asia from August to October.

I would like to explain the factors behind the ¥3.1 billion year-on-year improvement in operating profit for the three-month period of the third quarter.
While the significant decline in wholesale volume and an increase in raw material prices negatively impacted profits, operating profit, including net income attributable to owners of the parent, remained positive as a result of further improvements in fixed cost efficiency and variable profit through unit price improvements and a reduction in marketing expenses. Operating return on sales remained at a similar level to the prior year at 2.3%, even before the transfer to the extraordinary loss account.

Operating profit for the 9 month period improved by ¥95.7 billion. Operating profit improved by ¥107.3 billion when excluding transfers to the extraordinary loss account. Volume & Mix improved by ¥82.2 billion thanks to a sales quality improvement of approximately ¥70 billion, including improved per-unit profit and curbed marketing expenses, in addition to an increase in wholesale volume. Foreign exchange improved by ¥35.7 billion. Variable costs deteriorated by ¥39.4 billion as we strove for cost improvements despite a negative impact of approx. ¥60 billion from an increase in raw material prices and costs of semiconductors. Fixed costs improved by ¥28.8 billion through continued efforts to curb spending and improve fixed cost efficiency. As a result of these factors, operating profit improved year on year.

2. Fiscal Year March 2022 Full Year Forecast

Global sales volume is forecast to be 1.24 million units, down 4% year on year. That is 71,000 units down from November's forecast, reflecting the impact from production cuts, in addition to the decline in sales in China.

I will take you through the financial metrics for the full year.
Consolidated wholesale volume has been revised to 980,000 units as certain aspects of procurement remain uncertain. That is 50,000 units down from November's forecast, but the financial forecast already included ¥20 billion business risk equivalent to about 40,000 units. So, this revision reflects an additional decline of 10,000 units. The forecast for operating profit has been revised upward to ¥82 billion, reflecting profit improvements achieved in the first nine months and the ¥8.9 billion extraordinary loss. Operating return on sales will improve to 2.6% for the full year. Net sales are projected at ¥3.1 trillion, operating profit at ¥82 billion, and net income attributable to owners of the parent at ¥55 billion.

I will talk about the factors behind changes in operating profit by ¥73.2 billion compared to the prior year.
Volume & mix is projected to improve by ¥91 billion through the improvement of per-unit profit and by curbing marketing expenses. Together, these more than offset the impact of the 10,000 units

decline in wholesales. Foreign exchange is expected to improve by ¥40 billion thanks to a weaker yen against key currencies. Variable costs are projected to deteriorate by ¥63.3 billion as an approx. ¥95 billion impact from hikes in raw material prices and semiconductor costs outweighs cost improvement efforts. Fixed costs are projected to improve by ¥17.1 billion thanks to accelerated efforts to improve fixed cost efficiency, despite an increase in growth investment.

Now, I will explain the factors behind the ¥17 billion improvement in operating profit compared to the November forecast.
The impact from production cuts and a hike in raw material prices exceeds estimates from November's forecast and therefore, deteriorated by ¥6.6 billion. However, improvements in per-unit profit through sales quality improvements and continued fixed cost efficiency improvements are projected to improve profit by ¥14.6 billion. Including the transfer to the extraordinary loss account, operating profit is projected to improve by ¥17 billion compared to November's forecast. As steady progress is made in lowering the break-even volume, operating return on sales is projected at over 2.6% both in the first and the second half of the fiscal year despite the challenging conditions of this fiscal year with less than 1 million units wholesales volume.

I will cover the factors behind the ¥38.4 billion improvement in operating profit from FY March 2020.
We are making substantial progress in improving profit structure by continuously enhancing structural reform efforts. Despite the hurdles from the external environment, such as the impact from production cuts and hikes in raw material prices and semiconductor costs, we were able to make improvements in all areas. This includes sales quality with better unit prices and curbed marketing expenses, cost improvements, and fixed cost efficiency improvements.
We made progress in lowering the break-even volume to ensure profitability even in the most trying of business environments. We will continue these efforts at full speed, and above all, in 2022, we will achieve the full-scale growth set forth in the Medium-term Management Plan through the introduction of new products and volume growth.

Yasuhiro Aoyama
Director, Senior Managing Executive Officer
Oversight of Global Marketing, Sales and Customer Service

3. <u>Financial Results Summary</u>

In this earnings announcement, full year operating profit forecast has been revised upward to ¥82 billion and operating return on sales to 2.6%. We have strengthened our earnings structure and maintained a sound financial base. In sales, we continue to improve efficiency of sales promotion costs through incentive reduction and residual value improvement. We are also working to reduce inventory and improve per-unit profit. In costs and fixed costs, considerable efforts have been made in seeking cost-reduction opportunities. This has enabled us to consistently lower the break-even volume. As global supply chain disruptions continue, our production, sales, inventory, and logistics teams are monitoring the situation weekly and working together to make the most of the stock at hand to deliver as many vehicles to as many customers as possible.

For qualitative improvement in sales, we are consistently monitoring variable and fixed marketing expenses, per-unit revenue, and inventory efficiency. Today I will focus on the variable marketing expenses and per-unit revenue. For variable marketing cost-reduction, we continue to improve the residual value, rebuild the network, provide thorough training for dealers, as well as keep inventories lean. This has led to continuous, long-term improvements in reducing incentives and incentives are lower than the first half of this year in many markets.

Per-unit revenue is also improving continuously in many markets as we up-shifted the mix and price using product upgrades or model year changes. Per-unit revenue improvement in Europe and Australia is accelerating.

In the Medium-Term Management Plan, previous years were part of the solidifying business quality foundation stage, and all of us have worked tirelessly to that end. This year, we will introduce new products to build on the strength we established over the past years. The first of the new products is the CX-50, a crossover SUV for the North American market. The mass production of the model started at our new US plant in Huntsville, Alabama.
Production of the CX-60, the first model of the Large Product lineup, will also start this fiscal year at Hofu Plant.
In addition to making continuous improvements to sales quality, we will move forth into the strong growth stage of the Medium-Tem Management Plan and accelerate efforts to realize the Medium-Term Management Plan, by expanding the crossover SUV product lineup with new model launches.

###