

April 28, 2017

(For your information)

**Mazda Motor Corporation**  
**FISCAL YEAR MARCH 2017 FULL YEAR FINANCIAL RESULTS**  
(Speech Outline)

**Tetsuya Fujimoto**  
**Managing Executive Officer in charge of Finance**

Thank you for joining our earnings announcement today.

**1. HIGHLIGHTS**

In FY March 2017, global sales volume was 1,559,000 units, up 2% from the prior year and the highest on record.

Revenue was ¥3,214.4 billion. Operating profit was ¥125.7 billion. Net income was ¥93.8 billion. As we achieved 41% equity ratio and a net cash position of ¥35.4 billion, our financial base is steadily improving.

In FY March 2018, we forecast global sales of 1.6 million units, operating profit of ¥150 billion, and net income of ¥100 billion.

We will enhance competitiveness and achieve volume and profit growth by adding a new three-row crossover SUV, Mazda CX-8, to the SKYACTIV lineup while the global roll-out of the new CX-5 contributes to sales growth.

In terms of production, we plan to start producing the CX-5 at Hofu Plant and to further increase flexibility of crossover production at Hiroshima Plant.

We will make investments for the development and production of next-generation technologies & products as planned to support sustainable growth.

**2. FISCAL YEAR MARCH 2017 RESULTS**

Global sales volume set a new record at 1,559,000 units.

By carline, 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 strong sales in China and steady performance in Europe and the ASEAN region.

I will talk about sales in each market.

In Japan, sales were 203,000 units, down 13% year on year.

Registered vehicle market share was 4.9%, down 1.2 points year on year.

Sales momentum improved significantly with the introduction of the new MX-5 RF in December and new CX-5 in February.

Mazda3, equipped with Mazda's advanced safety technology "i-ACTIVSENSE", ranked first among recipients of JNCAP's highest ASV ++ proactive safety rating, a testament to the performance of our accident prevention safety features, including auto-braking that can detect pedestrians.

Sales in North America were 429,000 units, down 2% year on year.

Sales in the US were 302,000 units, down 1% year on year.

In the US, the sales environment remains tough. Demand contracted and competition intensified in the passenger car segment while crossover sales maintained momentum.

High-grade models of the new CX-9 sold well and net revenue improved. We will enhance marketing initiatives to increase sales of entry-grade models.

We continue promoting initiatives for brand and sales reforms, including reorganization of the sales network.

Sales in Mexico were 53,000 units, down 9% year on year, with price increases made in response to the weak MXN.

Sales in Europe were 262,000 units, up 2% year on year.

Sales of CX-3 and MX-5 contributed to volume growth.

Sales in Europe excluding Russia were 240,000 units, up 3% year on year.

Sales in Germany were 63,000 units, up 5% year on year, and sales in the UK were 45,000 units, down 7% year on year.

KODO design continues to win acclaim, and in Germany the MX-5 RF received the prestigious "Red Dot: Best of the Best" design award for 2017.

Sales in China reached a record high at 292,000 units, up 24% year on year.

Mazda3 drove sales to a large extent, thanks in part to the compact car tax reduction scheme.

Moreover, the updated Mazda6 and CX-5 also contributed to sales growth.

New CX-4 won "2017 China Car Design of the Year", and its sales are exceeding expectations.

Sales in other markets were 373,000 units, up 1% year on year.

Sales in Australia set a new record at 118,000 units, up 2% year on year.

Mazda was the second highest-selling brand, and CX-3 and CX-5 were the best sellers in their segments.

In ASEAN, sales in Thailand increased 2% year on year and sales in Vietnam were up 45%.

Total sales in the ASEAN region rose 4% year on year.

In other markets, Columbia, Peru, Chile and New Zealand set new sales records.

Next, I would like to explain full-year financial results for FY March 2017.

Revenue was ¥3 trillion 214.4 billion, down 6% year-on-year.

Operating profit was ¥125.7 billion; ordinary profit was ¥139.5 billion; profit before tax was ¥128.4 billion; and net income was ¥93.8 billion.

The exchange rates on average were ¥108 to the US dollar and ¥119 to euro, ¥12 and ¥14 stronger respectively, compared to the prior year.

Operating profit for FY March 2017 was ¥125.7 billion, down ¥101.1 billion from the prior year.

I will explain the key factors behind the decline.

Volume & mix declined ¥8.6 billion with lower wholesale volume in Japan and North America.

Exchange rates deteriorated ¥102.7 billion in total, including deteriorations of ¥18.5 billion from the US dollar, ¥26.1 billion from the euro, and ¥58.1 billion from other currencies.

Variable costs improved ¥47.9 billion, with strengthened cost improvement initiatives for new products and overseas plants.

Marketing expenses increased ¥800 million, and other fixed costs increased ¥36.9 billion, due to higher quality-related costs and reinforced investment for growth, in areas such as R&D.

I would like to explain the factors behind the ¥4.3 billion deterioration from our February forecast.

Volume & mix deteriorated ¥9.6 billion.

This is mainly due to underachievement of volume as demand in US passenger car market contracted and competition intensified.

Exchange rates improved ¥2.3 billion, as the yen slightly weakened against our assumptions.

As we reduced advertising costs, etc., our marketing expenses improved ¥2.2 billion, but it was not enough to fully offset the impact of deteriorations from volume & mix.

### **3. FISCAL YEAR MARCH 2018 FULL YEAR FORECAST**

Global sales volume is projected to be 1.6 million units, up 3% year on year.

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 growth this fiscal year.

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. I will elaborate on this later.

We will aim to achieve growth in all markets except for China, where tax reductions for compact cars have been cut by half.

I will take you through the financial metrics of FY March 2018.

Revenue is forecast at ¥3 trillion 350 billion, operating profit at ¥150 billion and net income at ¥100 billion.

Our exchange assumptions are ¥108 to the US dollar and ¥118 to the euro, similar to the prior fiscal year.

I would like to explain the factors behind the change in operating profit.

We forecast operating profit of ¥150 billion in FY March 2018, an improvement of ¥24.3 billion from the prior year.

The volume & mix is projected to improve ¥15 billion, mainly due to increased sales of crossover vehicles such as new CX-5, partially offset by an increase in incentive spending in response to a worsening sales environment and interest rate hikes, particularly in the US.

In variable costs, only ¥10 billion of improvement is expected because strengthened Monotsukuri Innovation cost improvement activities for new products and overseas plant will be partially offset by a sharp rise in material costs.

We will continue to invest for the future growth, with R&D costs increasing ¥13.1 billion to strengthen our R&D efforts for future technologies and products.

Other fixed costs are projected to improve ¥12.4 billion, reflecting improvements in quality-related cost which increased in the prior year.

**Akira Marumoto**

**Representative Director, Executive Vice President**

#### **4. STRUCTURAL REFORM STAGE 2 PROGRESS OF KEY INITIATIVES**

I will take you through the progress made in key initiatives of Structural Reform Stage 2.

First in product and R&D area, we will further expand the SKYACTIV lineup by introducing appealing new products and new features one after another.

The new CX-5, which has displayed consistent strong sales in Japan since its launch in February, will be rolled out to global markets.

In Japan, we will add a gasoline engine model to the CX-3 lineup to respond to a broad range of needs and will standardize and further improve Mazda's advanced safety technology, "i-ACTIVSENSE," to deliver safer cars to more customers.

We will make the 2.5-liter turbo engine, SKACTIV-G 2.5T, available in a wider range of models as it attracts high acclaim with CX-9.

Today, we announced we would introduce a new crossover SUV, Mazda CX-8, by the end of 2017. It is the first new-generation model available in Japan to feature three rows of seats.

With the introduction of the CX-8, Mazda aims to create a new market alternative to mini-vans.

In the area of sales, we aim for sustainable volume growth of around 50,000 units a year towards our goal of 1.65 million units in FY March 2019 by launching new and updated models, some of which I just talked about.

Our efforts in "right-price" sales and trade cycle management are starting to bear fruit.

In Japan, 50% of new CX-5 buyers are repeat customers replacing a Mazda vehicle.

In the US, the repurchase ratio among SKYACTIV users is increasing.

We will stay focused on sales network reforms to further enhance Mazda's brand value.

For example, our US operation is focusing on sales network and operational reforms.

We will build on the momentum achieved in resolving mid- and long-term challenges and creating a sound business structure in the US by changing dealer incentive schemes to focus on customer experience, and by optimizing dealership allocation while deploying more new-generation dealerships.

In the area of production, we have already started production of the CX-3 at Hofu Plant, and we plan to start production of the new CX-5 there in November. These moves will allow us to meet demand for crossover vehicles, which is increasing globally.

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.

Also, we will start investing in production equipment for models with next-generation technologies in FY March 2018.

We are also promoting cost improvements in our development of next-generation technologies. One example is the development of parts that serve multiple functions to significantly reduce the total number of parts. We will continue to further reinforce cost improvement.

In terms of strengthening the financial base, we will improve our ability to generate profit and cash flow through steady volume growth and brand value improvement during Structural Reform Stage 2.

While we continue to improve our balance sheet, especially equity ratio and net debt to strengthen our financial base, we will accelerate investment for future growth, such as R&D and capital expenditure.

To realize sustainable growth, we will continue to pay stable dividends and steadily improve shareholder returns.

We have revised the operating ROS target for FY March 2019 from 7% to 5%.

While key initiatives of Structural Reform Stage 2 are making steady progress, we decided to make the revision in light of changes to our exchange rate assumptions from ¥120 to the USD and ¥130 to the Euro to ¥108 and ¥118 respectively. It also reflects changes in the business environment, such as material price increases and increased incentive spending due to demand decline in the US passenger car market.

I would like to take you through the communication of next-generation technologies.

In addition to advancing internal combustion engine technology, we are developing electrification and safety technologies to meet environmental regulations globally and help reduce automobile accidents.

We are making good progress with the development of a model featuring next-generation technologies scheduled for introduction in FY March 2019.

I drove the prototype the other day, and it far exceeded my expectations.

We plan to reveal next-generation SKYACTIV gasoline engine technology with dramatically improved efficiency and a vision model, which indicates the direction of KODO design in next-generation models, in the autumn of 2017.

Please watch for Mazda's continued innovation and new endeavors.

###