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(For your information)

**Mazda Motor Corporation**  
**FISCAL YEAR MARCH 2019 FINANCIAL RESULTS**  
(Speech Outline)

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Thank you for joining our earnings announcement today.

**1. FINANCIAL RESULTS AND FORECAST SUMMARY**

In FY March 2019, global sales were 1,561,000 units, down 4% year on year.

Revenue was ¥3,564.7 billion, operating profit was ¥83.0 billion, and net income was ¥63.5 billion.

In FY March 2020, global sales are forecast to increase 4% from the prior year to 1,618,000 units. Revenue is projected to be ¥3,700 billion, operating profit is ¥110 billion, and net income is ¥80 billion.

In this fiscal year, we start full-scale launches of all-new Mazda3 and CX-30, the first cars in a new generation of products.

While responding to changes in the business environment, such as intensifying competition and stricter regulations, we will proceed with key initiatives for the future.

As for the dividend, we plan to pay ¥35 per share, the same amount as FY March 2019.

**2. FISCAL YEAR MARCH 2019 RESULTS**

Global sales were down 4% from the prior year to 1,561,000 units.

The dip in global sales was due to declines in China, the US and Australia which outweighed volume growth in Japan and ASEAN.

By carline, crossover SUVs maintained strong sales momentum with launches of updated CX-5 and CX-8.

Revenue was up 3% from the prior year to ¥3,564.7 billion.

Operating profit was down 43% to ¥83 billion, ordinary profit was ¥116.8 billion, and net income was down 43% to ¥63.5 billion.

Exchange rates were ¥111 to the US dollar, same as the previous year, and ¥128 to the euro, ¥1 stronger than a year ago.

I will explain the key factors behind the operating profit decline of ¥63.4 billion from the prior year. Despite increased wholesale volume, volume and mix deteriorated ¥14.7 billion, reflecting higher marketing expenses due to intensified competition, reduced OEM supply and a decline in KD parts for China.

Foreign exchange rates deteriorated ¥38.1 billion, due to deteriorations in the Australian dollar and Russian ruble.

Variable costs improved ¥19.8 billion, as hikes in raw material prices were offset by cost improvement efforts.

R&D costs were reduced ¥1.3 billion.

Other fixed costs deteriorated ¥31.7 billion mainly due to investment in the US sales network reforms and increased quality-related costs.

From the February forecast, operating profit increased ¥3 billion.

Operating profit was mostly in line with the forecast as the ¥1.1 billion-deterioration in other fixed costs was offset by an improvement in variable costs of ¥1.6 billion and an improvement in R&D costs of ¥3.3 billion.

### **3. FISCAL YEAR MARCH 2020 FORECAST**

Global sales volume is projected to be 1,618,000 units, up 4% year on year.

All-new Mazda3 and CX-30 are expected to drive sales. We will continue to focus on communicating product values, leveraging new-generation products to achieve global volume growth.

Revenue is forecast at ¥3,700 billion, operating profit at ¥110 billion, ordinary profit at ¥125 billion and net income at ¥80 billion.

We will continue to strengthen investment for future growth and aim to return operating ROS to around 3%.

As for exchange rate assumptions for key currencies, We assume ¥110 to the US dollar, ¥126 to the euro, ¥84 to the Canadian dollar, ¥79 to the Australian dollar and ¥147 to the British pound.

I will explain the key factors behind the increase in operating profit of ¥27 billion from the prior year.

Volume and mix is projected to improve ¥47.7 billion. In addition to increasing wholesale volume, we will improve profitability by launching new models and curbing marketing costs.

Foreign exchange rates will deteriorate by ¥16.7 billion due to the impact of the euro and Australian dollar.

In the area of variable costs, despite deteriorations in raw material costs, we project an improvement of ¥19.8 billion, reflecting cost improvement efforts.

R&D costs are expected to increase ¥4.3 billion.

Other fixed costs are forecast to increase ¥19.5 billion due to investments for growth, such as US network reforms, depreciation costs, and preparations for the new JV plant in the United States.

#### **4. PROGRESS OF KEY INITIATIVES**

Concerning new-generation products, we are launching all-new Mazda3 in global markets. Sales started in North America in January, in Europe in March and in Australia in April, and sales will start in Japan and other markets soon.

In late 2019, we plan to introduce a model powered by Skyactiv-X.

At the Geneva Motor Show in March, we unveiled the CX-30, which is the second model in Mazda's new-generation lineup. Launches of the new model start from Europe this summer. We continue to make updates to our current model lineup.

As for the sales network reforms in the United States, we are on track to reach our target of 300 next-generation brand dealerships. 265 dealers have signed up to invest in the program.

We are also accelerating efforts to improve the quality of operations, including strengthening of marketing, services and training.

We are making good progress with the new joint-venture plant in the United States to prepare for the start of operations in 2021.

We intend to keep strengthening our financial foundation and paying a stable dividend while making investments for future growth.

**Akira Marumoto**

**Representative Director, President and CEO**

#### **5. MEDIUM-TERM MANAGEMENT POLICY**

Mazda is reaching its centennial anniversary in 2020, a grand milestone since our founding. Many things have occurred throughout our history, and we feel sincere appreciation for the longstanding support of the countless people who have helped keep the company going for the last 100 years.

Today the auto industry is facing the once-in-a-century transformation.

Having been handed the management baton at this important milestone, I see it as my responsibility to sustain and further develop Mazda for the next 100 years.

Some say that managing a company is like running an "ekiden" relay race that never ends.

To ensure Mazda's survival for the next 100 years, despite our small size, we must cherish our uniqueness.

We should never forget the sweat and tears our predecessors have shed over the past 100 years. We must never become self-satisfied; we must think of others first and work closely with everyone involved with Mazda.

I think Mazda's uniqueness is a product of "co-creating with others."

Also, I want this practice itself to become Mazda's uniqueness.

The message on our "ekiden" sash should be: "Co-creating with others – Mazda's uniqueness."

As a milestone marking the beginning of our next 100 years, we have set out our ideal for the Mazda brand in 2030-40, and we have a strong will to realize it.

Together with friends who share the same dreams, we will work hard to make it happen.

And customers, dealers, suppliers, and all stakeholders, including our employees, will feel alive.

As they make efforts to realize these shared dreams together with us, they will feel proud of their connection with Mazda, and emotionally attached to the brand.

That will make Mazda into the brand we want to be, connected to friends and customers by the strongest of bonds.

The medium-term business plans we have developed in the past each covered three years.

This time, to keep our business going amid the strong turbulence in the auto industry, we thought it was imperative to take a longer-term perspective than that.

Aiming to attain the ideal for 2030-40, we decided to cover the next six years in the new medium-term management plan, during which we will fully introduce the new-generation lineup.

To develop the plan, we reviewed the last 7 years of our business, looked back on the Structural Reform Plan and Structural Reform Stage 2. We also took a fresh look at Mazda's strengths and weaknesses.

Then we overlaid the changes in the external environment and drew up the Medium-Term Management Policy along with the direction of initiatives.

First, let's look back on the 7 years from FY2012 to FY2018 under the Structural Reform Plan and the Stage2. That was the period in which we introduced the current-generation lineup, starting from the CX-5.

To clearly understand the issues, it summarizes for what purposes we spent the money we earned over the last 7 years based on our financials from a slightly different perspective.

The first perspective is 'earnings.' Earnings come as pay-off for the brand value. They include the per-unit revenue and residual value. In the 7-year period under the Structural Reform Plan, per-unit revenue has improved, including some impact from foreign exchange rates.

Residual values have also gone up, although the degree of progress varies by market.

The next perspective is 'spending.' The first one is, investment for brand value improvement.

Specifically, it includes investments in products and technologies, customer experience and network enhancement. Over the last 7 years, we have introduced products with Skyactiv technology and Kodo design, and updated them every year to continuously improve the product marketability. Also we have enhanced the sales network in key markets, and we are confident that contributed to improving per-unit revenue and residual values.

The 2<sup>nd</sup> perspective of 'spending' are the expenses that relatively depreciated the brand value.

Incentive spending increased, partly due to a lack of robust sales financing. We also failed to cut

the cost of quality measures to the degree we were aiming for.

The 3<sup>rd</sup> perspective of 'spending'. Investment and returns were limited in some areas.

These include investments in infrastructure, partnerships, employees and working environment, pay back to investors, SDGs/CSR related matters, and the improvement of our financial base.

Although we had some good results, we are still only half way through elevating our brand value and enhancing our presence as a company.

It is a reminder that we failed to sufficiently suppress the spending that depreciates brand value.

And also that caused us to invest less and give less returns in areas that deserved more.

As we reviewed the last 7 years, we thought it was necessary to assess Mazda's strengths and weaknesses once again.

The exercise reconfirmed that Mazda will have little chance of success if using the same tactics as larger players in areas where size matters.

Especially, I am talking about areas such as advanced technologies that require scale merit, and those that need infrastructure development (cost of advanced sensors, and investment in collaborating with infrastructures).

We also acknowledge our weakness in certain areas of sales and marketing where lots of cash is needed. On the other hand, we can turn our small size into advantage to enhance and expand alliances with partners we trust by sharing Mazda unique products and technologies. That will further reinforce our strengths while alleviating our weaknesses.

We believe it's critical for us to take into account the external environment surrounding the auto industry as we plan future policies.

Especially, we understand that the diversification of spec requirements by market and diversification of customer requests are escalating.

We certainly feel a need to more efficiently develop and produce products that satisfy an even wider variety of requirements.

Now I will explain our Medium-Term Management Policy.

After we looked back at our progress so far and assessed Mazda's strengths and weaknesses, we defined management policy for the next 6-year medium-term plan period. We have set three areas for focused allocations of our business resources.

Firstly, in all areas, Mazda's unique presence must stand out. For that, we will invest in unique products and customer experience, and increase the number of customers who understand the value we offer, thereby achieving revenue growth.

Next, we will curb expenses that may depreciate our brand value.

And also we will invest in infrastructure, strengthening alliances, employees and work environments, and keep investing to co-exist with society. We recognize we need to catch up in these areas.

To help your understanding, I will go through the direction of key actions based on the Medium-Term Management Policy.

Firstly, investment for brand value improvement. Although we improved the per-unit revenue and residual values over the past 7 years, the extent varied from region to region. Regions that could not meet diversified customer requirements for things like high-end powertrains, or could not keep up with changes in the market, performed poorly. We will continue our investment in products, technologies, infrastructure, sales and customer experience, including the introduction of electrification and other advanced technologies, to meet the diversified needs. That will enable us to give more choice to customers. We will keep the current entry price, while broadening the price coverage.

I will explain the investment in product.

We are beginning the roll-out of our new-generation lineup. As you may find in the new Mazda3 and CX-30, one of our strengths is Kodo Design, which we will further refine from now on. For optimum deployment of our human-centric Skyactiv-Vehicle Architecture to all products, we are developing two architectures. This will allow us to develop technologies that ensure users can fully experience the attractiveness and character of our cars.

The Small Architecture will have Skyactiv-X and mild-hybrid. We also invest in our unique battery EV and will continue to develop electrified vehicles.

For the Large Architecture, we are preparing a straight-six SKYACTIV-D diesel engine and straight-six SKYACTIV-X, in addition to a straight-four cylinder engine, in the longitudinal layout. This architecture will allow us to increase powertrain variations such as mild hybrid and electrified drives including plug-in hybrid.

Taking advantage of Mazda's Monotsukuri Innovation, we are making efficient investments in this architecture.

The next is investment in new technologies and infrastructure.

In this area, while reinforcing our strengths such as control technologies MBD and MBR (model-based development and model-based research), we would like to make good use of the alliances, including existing partnership.

Especially, as the connected, autonomous and shared areas need interface with infrastructure, we will continue to invest making use of alliances.

Although we will use alliances, we still take Mazda's unique human-centric approach to reinvigorate car culture and offer a new experience of car ownership so that users of Mazda vehicles feel the richness of life.

The next area of focus is sales and customer experience.

In the last 7 years of structural reform efforts, we have made investment to strengthen our sales network, which we will continue for the period of the next medium-term plan.

When I say network enhancement, it means operational quality improvement that should be

achieved by working together with front-line people through enhanced sales, marketing, services, and training.

As we reform our dealerships, we will strengthen our business foundation at the same time.

For improving customer experience, we will use connectivity and other new technologies to customize communications so that we can access customers at the right time and in the right way.

Also by improving supply chain, we want to be able to deliver the product quickly at the time the customer wants.

As a result, we can reduce excess inventory, which will then drive business improvement such as better cash flow and lower incentives.

Next, we will curb expenses that could depreciate brand value.

The first focus is to enhance sales by communicating product values, which has been successful in some countries like Japan.

Taking advantage of the value of our new-generation products, we will achieve the same in all markets.

Also by curbing incentives, we will improve residual values.

By using high residual value and finance products, we will reinforce the trade cycle management to be able to capture the customers' needs for car replacement.

The second point is quality, where we have caused troubles to some customers. We will use our strengths, MBD/MBR, in quality verification during development and production processes so that we can validate product quality before sales start and improve customer satisfaction.

Even after the sales launch, we will use Mazda Connect 2 to analyze data which can be sent from the on-board communication device and utilize these analyses for product improvement. Also we can address quality issues quickly to prevent an increase of the problem, which will reduce expenses as a result.

From here onwards, I would like to talk about the areas in which we need to catch up.

While strictly curbing the expenses that may depreciate brand value, we will focus on this area in parallel.

The first point is investment in infrastructure.

By starting production at the US JV plant, we will promote local production and advance a globally-optimized production framework that supports local production for local consumption.

Also as mentioned earlier in the part about investment in brand value enhancement (new technology, infrastructure), we will pursue alliances with other OEMs and with other industries for investments in infrastructure for connectivity, sharing services and so on.

Next is about investment in partnerships.

We enhanced alliances and started new businesses and new partnership during the last 7 years of structural reforms, but considering CASE trends, we will need to expand our scope.

Based on mutual trust with partners like Toyota and others, we will further pursue alliances with

parties who want to work with us.

The next one is investment in employees and work environments.

This is the area in which we have not made sufficient investment in the past or in the last 7 years. Mazda cannot co-create value without the support of our employees. To ensure our employees are highly motivated, we will focus on investing in work environment improvements such as work style and compensation reforms.

Lastly, I would like to talk about SDGs and CSR-related investment.

By using technologies that can contribute to society, we would like to directly enrich people's lives. Also we will increase investments in environmental and safety technologies.

I have explained some areas where we have been a bit slow in making investments so far.

We will keep making investments that allow us to "co-create with others" with even more partners in the future.

Here we have summarized the direction of initiatives for the next 6-year medium-term plan.

As an effect of investment in brand value improvement, we will earn money by increasing revenue and reducing expenses like incentives. We will then use that money to invest in further improvement of brand value, infrastructure, partnership, employees/workplace environment, and society. During the 7 years of structural reforms, we were able to resume dividend payments. We will make efforts to continue stable shareholder returns.

As a result of implementing the initiatives introduced so far, we aim to achieve business metrics by fiscal year ending March 2025 with everybody in the Mazda Group.

Here is the summary of my part of the presentation.

To ensure Mazda's continued survival, we must cherish our uniqueness.

I believe that means not being self-satisfied, working hard together, thinking of others first, and "co-creating with others." As the next 6-year medium-term management policy, we set three areas for focused allocation of our business resources.

In all areas, Mazda's unique presence must stand out. For that, we will invest in unique products and customer experience, and increase the number of customers who understand the value we offer, thereby achieving revenue growth. Then we will curb expenses that may depreciate our brand value. And also we will invest in infrastructure, alliances, employees/ work environments and continue investing to co-exist with society as we recognize we need to catch up in these areas. We will leverage these investments to enhance Mazda's uniqueness and we will continue to take on difficult challenges and make untiring efforts toward being a sustainable company.

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