

Consolidated Financial Results

For the Second Quarter of the Fiscal Year Ending March 31, 2022

(For the First Six Months Ended September 30, 2021)



Prepared in Conformity with Generally Accepted Accounting Principles in Japan
English Translation from the Original Japanese-Language Document

November 10, 2021

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Filing of *Shihanki Hokokusho*,
quarterly securities report : Scheduled for November 12, 2021
Payment of Dividends : -
Supplementary Material : Yes
Briefing Session : Yes (Intended for securities analysts, institutional investors and media)

(in Japanese yen rounded to millions, except amounts per share)

1. Consolidated Financial Highlights (April 1, 2021 through September 30, 2021)

(1) Consolidated Financial Results

(Percentage indicates change from same period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
FY2022 2nd quarter	1,495,855	34.1	39,741	-	33,893	-	23,854	-
FY2021 2nd quarter	1,115,759	(34.6)	(52,863)	-	(53,327)	-	(93,028)	-

Note: Comprehensive income
FY2022 2nd quarter **31,543 millions of yen** (- %)
FY2021 2nd quarter (98,473) millions of yen (- %)

	Net Income Per Share	Net Income Per Share (Diluted)
	yen	yen
FY2022 2nd quarter	37.87	37.84
FY2021 2nd quarter	(147.71)	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	millions of yen	millions of yen	%
As of September 30, 2021	2,876,342	1,218,431	41.9
March 31, 2021	2,917,414	1,195,830	40.5

Reference: Net Assets excluding non-controlling interests

As of September 30, 2021 **1,204,048 millions of yen**
As of March 31, 2021 1,181,730 millions of yen

2. Dividends

	Dividends Per Share				
	1st Qtr.	2nd Qtr.	3rd Qtr.	Year End	Full-Year
	yen	yen	yen	yen	yen
FY2021	-	0.00	-	0.00	0.00
FY2022	-	0.00	-	-	-
FY2022 (Forecast)	-	-	-	15.00	15.00

Note: Revision of the dividend forecast most recently announced: None

3. Consolidated Financial Forecast (April 1, 2021 through March 31, 2022)

(Percentage indicates change from the previous fiscal year)

	Net sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent		Net Income Per Share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
FY2022 Full Year	3,200,000	11.0	65,000	637.0	61,000	115.9	41,000	-	65.09

Note: Revision of the consolidated financial forecast most recently announced: Yes

Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly added subsidiaries: None

Excluded subsidiaries: None

(2) Application of accounting treatment specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies / Changes in accounting estimates / Restatement:

- | | |
|--|------|
| 1) Changes in accounting policies with accompanying revision of accounting standards | Yes |
| 2) Voluntary changes in accounting policies except 1) | None |
| 3) Changes in accounting estimates | None |
| 4) Restatement | None |

Note: Please refer to "2. Quarterly Consolidated Financial Statements and Major Footnotes (4) Footnotes to the Quarterly Consolidated Financial Statements" on page 13 of the attachment.

(4) Number of outstanding shares (Common stock)

- | | | |
|--|--|---------------------------|
| 1) Number of outstanding shares (including treasury stock) | | |
| | As of September 30, 2021 | 631,803,979 shares |
| | As of March 31, 2021 | 631,803,979 shares |
| 2) Number of treasury stock | | |
| | As of September 30, 2021 | 1,938,472 shares |
| | As of March 31, 2021 | 2,018,122 shares |
| 3) Average number of outstanding shares | | |
| | For 6 months ended September 30, 2021 | 629,841,936 shares |
| | For 6 months ended September 30, 2020 | 629,786,480 shares |

This document is out of the scope of the quarterly review by certified public accountants or accounting auditor.

Cautionary Statements with Respect to Forward-Looking Statements

The financial forecast and other descriptions of the future presented in this document are an outlook based on our judgments and projections. The judgments and projections are based on information presently available. As such, the financial forecast and future descriptions are subject to uncertainties and risks, and are not contemplated to ensure the fulfillment thereof. Accordingly, the actual financial performance may vary significantly due to various factors.

For detail such as precondition of the financial forecast, please refer to "1. Qualitative Information on Consolidated Results for the Quarterly Period - (3) Future Estimates such as Consolidated Financial Forecast" on page 3 of the attachment.

ATTACHMENT

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(Reference)

Financial Summary (Consolidated)

For the Second Quarter of the Fiscal Year Ending March 31, 2022

1. Qualitative Information on Consolidated Results for the Quarterly period

(1) Consolidated Financial Results

(Global Sales)

Global sales volume for the first six months of the fiscal year ending March 31, 2022 was 660 thousand units, up 14.1 % year on year.

(In thousands of units)

	FY 2020 First 6 Months (Apr.'19-Sep.'19)	FY 2021 First 6 Months (Apr.'20-Sep.'20)	FY 2022 First 6 Months (Apr.'21-Sep.'21)	vs. Prior Year		vs. FY2020	
				Volume	Rate (%)	Volume	Rate (%)
Japan	98	74	60	(14)	(19.2)%	(39)	(39.4)%
North America	202	185	249	64	34.7 %	46	22.8 %
Europe	136	82	106	25	29.9 %	(30)	(21.9)%
China	109	117	89	(28)	(23.6)%	(20)	(18.2)%
Other	184	121	156	35	29.0 %	(28)	(15.3)%
Total	731	578	660	82	14.1 %	(70)	(9.6)%

<Breakdown>

USA	137	136	190	54	40.1 %	53	38.3 %
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(Consolidated Financial Results)

Financial performance on a consolidated basis for the first six months of the fiscal year ending March 31, 2022 was as follows. Net sales amounted to ¥1,495.9 billion, an increase of ¥380.1 billion or 34.1 % compared to the corresponding period in the previous fiscal year. Operating income amounted to ¥39.7 billion. (For the first six months of the previous fiscal year, operating loss was ¥52.9 billion.) Ordinary income amounted to ¥33.9 billion. (For the first six months of the previous fiscal year, ordinary loss was ¥53.3 billion.) Net income attributable to owners of the parent amounted to ¥23.9 billion, with the posting of ¥11.7 billion income taxes. (For the first six months of the previous fiscal year, net loss attributable to owners of the parent was ¥93.0 billion.)

And, operating income changes (an increase of ¥92.6 billion compared to the corresponding period in the previous fiscal year) were as follows.

Volume & mix	107.8	billion yen
Exchange rate	24.7	billion yen
Cost improvement	(23.9)	billion yen
Fixed costs and others	4.5	billion yen
Transfer to extraordinary loss in FY March 2021	(20.5)	billion yen
Total	92.6	billion yen

The company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the first quarter of the fiscal year ending March 31, 2022 as changes in accounting policies. For further details, please refer to “(4) Footnotes to the Quarterly Consolidated Financial Statements – (Changes in Accounting Policies)”.

(2) Consolidated Financial Position and Cash Flows

(Assets, Liabilities and Net Assets)

As of September 30, 2021, total assets decreased ¥41.1 billion from the end of the previous fiscal year, to ¥2,876.3 billion. Total liabilities decreased ¥63.7 billion from the end of the previous fiscal year to ¥1,657.9 billion. Interest-bearing debt as of September 30, 2021 increased ¥103.9 billion from the end of previous fiscal year to ¥859.8 billion mainly due to the increase in short-term loans.

Net Assets as of September 30, 2021 increased ¥22.6 billion from the end of the previous fiscal year to ¥1,218.4 billion, reflecting net income attributable to owners of the parent of ¥23.9 billion. Equity ratio increased 1.4 percentage points from the end of the previous fiscal year to 41.9 % (Percentage after consideration of the equity credit attributes of the subordinated loan was 43.1 %).

(Cash Flows)

Cash and cash equivalent as of September 30, 2021 increased ¥75.1 billion from the end of the previous fiscal year to ¥813.9 billion. Interest-bearing debt as of September 30, 2021 increased ¥103.9 billion from the end of previous fiscal year to ¥859.8 billion. As a result, after subtracting cash and cash equivalents from the interest-bearing debt, net interest bearing debt amounted to ¥45.9 billion.

Cash flows for the first six months of the fiscal year ending March 31, 2022 by activities were as follows.

Cash flows from operating activities

Net cash provided by operating activities was ¥37.0 billion, reflecting income before income taxes of ¥35.9 billion, etc. (For the first six months of the previous fiscal year, net cash used in operating activities was ¥13.8 billion.)

Cash flows from investing activities

Net cash used in investing activities was ¥62.0 billion, mainly reflecting capital expenditure for the purchase of property, plant and equipment of ¥56.3 billion. (For the first six months of the previous fiscal year, net cash used in investing activities was ¥42.2 billion.)

As a result, consolidated free cash flow (net of operating and investing activities) was negative ¥25.0 billion. (For the previous fiscal year, consolidated free cash flow was negative ¥56.0 billion.)

Cash flows from financing activities

Net cash provided by financing activities was ¥100.9 billion, mainly due to the increase in short-term loans. (For the first six months of the previous fiscal year, net cash provided by financing activities was ¥323.6 billion.)

(3) Future Estimates such as Consolidated Financial Forecast

We have revised the full-year consolidated financial forecast for the fiscal year ending March 2022 as shown below. The prior forecast was announced on May 14, 2021.

Net sales are expected to be declined, taking into consideration decrease in wholesale volume due to the production constraints caused by the semiconductor shortage.

Regarding operating income, the prior forecast has been left unchanged, reflecting our efforts on curbing marketing expenses and optimizing fixed costs in response to deterioration such as raw material price hikes.

Consolidated Financial Forecast (April 1, 2021 through March 31, 2022)

(In billions of yen)

		Full Year	vs. Prior Year	vs. Prior Forecast	
				Amount	Rate (%)
Net Sales		3,200	11.0%	(200)	(5.9)%
Operating Income		65	637.0%	0	0.0%
Ordinary Income		61	115.9%	6	10.9 %
Net Income Attributable to Owners of the parent		41	—	6	17.1 %
Exchange rate (Yen)	USD	111	5	2	
	EUR	131	7	2	

Global Retail Volume Forecast (April 1, 2021 through March 31, 2022)

(In thousands of units)

		Full Year	vs. Prior Year	vs. Prior Forecast	
				Volume	Rate (%)
Japan		168	(4.5)%	(26)	(13.5)%
North America		438	8.6 %	24	5.7 %
Europe		193	8.2 %	(31)	(14.0)%
China		220	(3.6)%	(40)	(15.4)%
Other		292	(3.1)%	(24)	(7.6)%
Total		1,311	1.9 %	(98)	(7.0)%

Note: The forecast stated above is based on management's judgment and views in light of information presently available. By nature, such forecasts are subject to risks and uncertainties, and are not contemplated to ensure the fulfillment thereof. Therefore, we advise against making an investment decision by solely relying on this forecast. Variables that could affect the actual financial results include, but are not limited to, the economic environments surrounding our business areas and fluctuations in exchange rates.

2. Quarterly Consolidated Financial Statements and Major Footnotes

(1) Quarterly Consolidated Balance Sheets

		(Millions of Yen)	
		FY2021	FY2022
As of		March 31, 2021	September 30, 2021
ASSETS			
Current Assets:			
Cash and deposits		591,101	694,167
Trade notes and accounts receivable		167,533	117,529
Securities		147,900	119,900
Inventories		433,049	366,910
Other		151,815	132,167
Allowance for doubtful receivables		(1,803)	(1,736)
Total current assets		1,489,595	1,428,937
Non-current Assets:			
Property, plant and equipment:			
Buildings and structures (net)		189,949	188,794
Machinery, equipment and vehicles (net)		277,160	269,572
Land		417,027	416,681
Leased assets (net)		20,617	20,097
Other (net)		170,415	192,021
Total property, plant and equipment		1,075,168	1,087,165
Intangible assets:		42,914	44,221
Investments and other assets:			
Investment securities		203,432	215,847
Asset for retirement benefits		6,660	6,673
Other		99,990	93,778
Allowance for doubtful receivables		(345)	(279)
Total investments and other assets		309,737	316,019
Total non-current assets		1,427,819	1,447,405
Total Assets		2,917,414	2,876,342

(Millions of Yen)

	FY2021	FY2022
As of	March 31, 2021	September 30, 2021
LIABILITIES		
Current Liabilities:		
Trade notes and accounts payable	363,679	228,413
Short-term loans payable	1,608	111,354
Long-term loans payable due within one year	11,323	37,915
Lease obligations	4,482	4,216
Income taxes payable	5,336	4,443
Accrued expenses	238,099	206,975
Reserve for warranty expenses	80,504	79,859
Other	102,619	99,598
Total current liabilities	807,650	772,773
Non-current Liabilities:		
Bonds	50,000	50,000
Long-term loans payable	670,920	638,612
Lease obligations	17,595	17,704
Deferred tax liability related to land revaluation	64,537	64,537
Liability for retirement benefits	50,039	49,311
Other	60,843	64,974
Total non-current liabilities	913,934	885,138
Total Liabilities	1,721,584	1,657,911
NET ASSETS		
Capital and Retained Earnings:		
Common stock	283,957	283,957
Capital surplus	263,028	263,003
Retained earnings	508,784	523,755
Treasury stock	(2,187)	(2,100)
Total capital and retained earnings	1,053,582	1,068,615
Accumulated Other Comprehensive Income/(Loss):		
Net unrealized gain/(loss) on available-for-sale securities	16,002	23,569
Deferred gains/(losses) on hedges	(312)	(93)
Land revaluation	145,536	145,536
Foreign currency translation adjustment	(30,897)	(31,021)
Accumulated adjustments for retirement benefits	(2,181)	(2,558)
Total accumulated other comprehensive income/(loss)	128,148	135,433
Stock Acquisition Rights	382	440
Non-controlling Interests	13,718	13,943
Total Net Assets	1,195,830	1,218,431
Total Liabilities and Net Assets	2,917,414	2,876,342

(2) Quarterly Consolidated Statements of Operations and Comprehensive Income
(For the first six months ended September 30, 2021 and 2020)

Quarterly Consolidated Statements of Operations

(Millions of Yen)

	FY2021	FY2022
For the first six months ended	September 30, 2020	September 30, 2021
Net sales	1,115,759	1,495,855
Cost of sales	889,529	1,173,961
Gross profit	226,230	321,894
Selling, general and administrative expenses	279,093	282,153
Operating income/(loss)	(52,863)	39,741
Non-operating income		
Interest income	1,577	1,515
Equity in net income of affiliated companies	326	-
Foreign exchange gain	-	2,061
Other	3,305	3,313
Total	5,208	6,889
Non-operating expenses		
Interest expense	4,195	3,717
Equity in net loss of affiliated companies	-	5,341
Foreign exchange loss	91	-
Other	1,386	3,679
Total	5,672	12,737
Ordinary income/(loss)	(53,327)	33,893
Extraordinary income		
Gain on sales of property, plant and equipment	75	34
Gain on sale of investment securities	220	-
Gain on change in equity	-	4,047
Other	46	23
Total	341	4,104
Extraordinary losses		
Loss on sales and retirement of property, plant and equipment	1,326	1,906
Impairment loss	391	185
Loss on production suspension due to the novel coronavirus	20,460	-
Other	2	2
Total	22,179	2,093
Income/(loss) before income taxes	(75,165)	35,904
Income taxes		
Current	4,974	5,680
Deferred	13,816	5,971
Total	18,790	11,651
Net income/(loss)	(93,955)	24,253
Net income/(loss) attributable to Non-controlling interests	(927)	399
Net income/(loss) attributable to owners of the parent	(93,028)	23,854

Quarterly Consolidated Statements of Comprehensive Income

(Millions of Yen)

	FY2021	FY2022
For the first six months ended	September 30, 2020	September 30, 2021
Net income/(loss)	(93,955)	24,253
Other comprehensive income/(loss)		
Net unrealized gain/(loss) on available-for-sale securities	2,858	7,571
Deferred gains/(losses) on hedges	(89)	173
Foreign currency translation adjustment	2,310	(3,113)
Adjustments for retirement benefits	(4,816)	(648)
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	(4,781)	3,307
Total	(4,518)	7,290
Comprehensive income	(98,473)	31,543
Comprehensive income/(loss) attributable to:		
Owners of the parent	(96,949)	31,139
Non-controlling interests	(1,524)	404

(For the three months ended September 30, 2021 and 2020)

Quarterly Consolidated Statements of Operations

(Millions of Yen)

	FY2021	FY2022
For the three months ended	September 30, 2020	September 30, 2021
Net sales	739,083	692,456
Cost of sales	586,487	551,598
Gross profit	152,596	140,858
Selling, general and administrative expenses	160,187	127,223
Operating income/(loss)	(7,591)	13,635
Non-operating income		
Interest income	587	818
Dividend income	910	1,041
Equity in net income of affiliated companies	566	-
Other	1,308	889
Total	3,371	2,748
Non-operating expenses		
Interest expense	2,031	2,025
Equity in net loss of affiliated companies	-	4,066
Foreign exchange loss	4,435	324
Other	890	2,593
Total	7,356	9,008
Ordinary income/(loss)	(11,576)	7,375
Extraordinary income		
Gain on sales of property, plant and equipment	66	17
Gain on sale of investment securities	220	-
Gain on change in equity	-	4,047
Other	-	23
Total	286	4,087
Extraordinary losses		
Loss on sales and retirement of property, plant and equipment	925	796
Impairment loss	130	180
Other	48	6
Total	1,103	982
Income/(loss) before income taxes	(12,393)	10,480
Income taxes		
Current	4,346	(1,124)
Deferred	9,366	(932)
Total	13,712	(2,056)
Net income/(loss)	(26,105)	12,536
Net income attributable to Non-controlling interests	232	59
Net income/(loss) attributable to owners of the parent	(26,337)	12,477

Quarterly Consolidated Statements of Comprehensive Income

(Millions of Yen)

	FY2021	FY2022
For the three months ended	September 30, 2020	September 30, 2021
Net income/(loss)	(26,105)	12,536
Other comprehensive income/(loss)		
Net unrealized gain/(loss) on available-for-sale securities	1,126	1,842
Deferred gains/(losses) on hedges	77	(20)
Foreign currency translation adjustment	(4,450)	(3,352)
Adjustments for retirement benefits	(5,728)	5
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	1,615	(537)
Total	(7,360)	(2,062)
Comprehensive income	(33,465)	10,474
Comprehensive income/(loss) attributable to:		
Owners of the parent	(33,495)	10,559
Non-controlling interests	30	(85)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2021	FY2022
For the first six months ended	September 30, 2020	September 30, 2021
Cash flows from operating activities:		
Income/(loss) before income taxes	(75,165)	35,904
Adjustments to reconcile income/(loss) before income taxes to net cash provided by/(used in) operating activities:		
Depreciation and amortization	45,122	43,988
Impairment loss	391	185
Increase/(decrease) in allowance for doubtful receivables	757	(98)
Increase/(decrease) in reserve for warranty expenses	(6,627)	(645)
Increase/(decrease) in liability for retirement benefits	1,301	(1,405)
Interest and dividend income	(2,550)	(2,725)
Interest expense	4,195	3,717
Equity in net loss/(income) of affiliated companies	(326)	5,341
Loss/(gain) on change in equity	-	(4,047)
Loss/(gain) on sales and retirement of property, plant and equipment	1,251	1,872
Loss/(gain) on sales of investment securities	(220)	-
Decrease/(increase) in trade notes and accounts receivable	21,130	5,377
Decrease/(increase) in inventories	(1,478)	91,659
Decrease/(increase) in other current assets	(3,813)	13,615
Increase/(decrease) in trade notes and accounts payable	(2,181)	(133,387)
Increase/(decrease) in other current liabilities	2,016	(19,572)
Other	2,568	(12,624)
Subtotal	(13,629)	27,155
Interest and dividends received	20,161	21,890
Interest paid	(3,876)	(3,750)
Income taxes refunded/(paid)	(16,436)	(10,777)
Refund of income taxes for prior periods	-	2,455
Net cash provided by/(used in) operating activities	(13,780)	36,973
Cash flows from investing activities:		
Purchase of investment securities	(79)	(269)
Purchase of property, plant and equipment	(36,444)	(56,297)
Proceeds from sales of property, plant and equipment	316	674
Purchase of intangible assets	(7,806)	(7,272)
Payments of long-term loans receivable	(562)	(101)
Collections of long-term loans receivable	522	944
Other	1,816	328
Net cash provided by/(used in) investing activities	(42,237)	(61,993)

(Millions of Yen)

	FY2021	FY2022
For the first six months ended	September 30, 2020	September 30, 2021
Cash flows from financing activities:		
Net increase/(decrease) in short-term loans payable	64,475	109,124
Proceeds from long-term loans payable	291,054	70,014
Repayments of long-term loans payable	(16,892)	(75,907)
Proceeds from sale and leaseback transactions	104	6
Repayments of lease obligations	(2,439)	(2,339)
Cash dividends paid	(12,596)	-
Cash dividends paid to non-controlling interests	(137)	(31)
Net decrease/(increase) in treasury stock	-	62
Net cash provided by/(used in) financing activities	323,569	100,929
Effect of exchange rate fluctuations on cash and cash equivalents	4,168	(795)
Net increase/(decrease) in cash and cash equivalents	271,720	75,114
Cash and cash equivalents at beginning of the period	567,994	738,793
Cash and cash equivalents at end of the period	839,714	813,907

(4) Footnotes to the Quarterly Consolidated Financial Statements

(Note on the Assumptions as Going Concern)

Not applicable

(Significant Changes in the Amount of Equity)

Not applicable

(Changes in Accounting Policies)

- Application of Accounting Standard for Revenue Recognition

We have applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the first quarter of the fiscal year ending March 31, 2022 and it recognizes revenue when (or as) it satisfies a performance obligation by transferring promised goods or services (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. It recognizes as revenue the amount expected to be received upon exchange of goods or services.

In accordance with this, although revenue was recognized for domestic dealers’ sales of new cars at the time of the registration of vehicles under the previous accounting method, the accounting method has been changed to one that recognizes revenue at the time of the delivery to customers. In addition, while the Company's Connected Service was not recognized as revenue because no consideration was received for it under the previous accounting method, the treatment has been changed to one that the service is treated as individual performance obligation and recognizes revenue over a certain period by allocating revenue between performance obligations. Besides that, a part of sales promotion expenses paid by the Company and U.S. subsidiary to the dealer were treated as selling, general and administrative expenses, but the accounting method has been changed to one that deducts them from revenue.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. Assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the fiscal year ending March 31, 2022, the cumulative effect of the retrospective application was added to or subtracted from the beginning balance of retained earnings of the first quarter of the fiscal year ending March 31, 2022, and thus the new accounting policy has been applied from the beginning balance.

As a result, for the first six months of the fiscal year ending March 31, 2022, net sales decreased by ¥1,938 million, cost of sales increased by ¥19,899 million, selling, general and administrative expenses decreased by ¥28,537 million, operating income, ordinary income and income before income taxes increased by ¥6,700 million. And, on the consolidated balance sheet for the fiscal year ending March 31, 2022, the beginning balance of retained earnings decreased by ¥8,883 million.

- Application of Accounting Standard for Fair Value Measurement

We have applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as “Fair Value Accounting Standards”), etc., from the beginning of the first quarter of the fiscal year ending March 31, 2022. We have applied a new accounting policy established by Fair Value Accounting Standards, etc., in accordance with the transitional treatment specified in Paragraph 19 of Fair Value Accounting Standards and Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This has no effect on the quarterly consolidated financial statements.

(Additional Information)

- Accounting Estimates Regarding the Impact of Novel Coronavirus

Regarding the impact of the spread of novel coronavirus in Southeast Asia, although the shortage of parts supply due to the spread of novel coronavirus tends to be gradually resolved, the Company has assessed the recoverability of deferred tax assets on the assumption that it will affect the production volume and consolidated wholesales volume to some extent in and after the third quarter of the fiscal year ending March 31, 2022, in consideration of the impact caused by the shortage in supply of semiconductors as well.

It should be noted that the changes in the assumptions including the global spread of the novel coronavirus in the future may affect the Company's consolidated financial results.

(Segment Information)

I. FY2021 First Six Months (April 1, 2020 through September 30, 2020)

1) Net sales and Income or Loss by Reportable Segments

(Millions of Yen)

FY2021 First Six Months Ended September 30, 2020	Reportable Segments					Adjustment (Note 1)	Consolidated (Note 2)
	Japan	North America	Europe	Other areas	Total		
Net sales:							
Outside customers	351,926	392,453	193,071	178,309	1,115,759	-	1,115,759
Inter-segment	542,265	92,778	7,735	27,251	670,029	(670,029)	-
Total	894,191	485,231	200,806	205,560	1,785,788	(670,029)	1,115,759
Segment income/(loss)	(74,866)	(1,107)	4,845	5,517	(65,611)	12,748	(52,863)

Notes: 1. The adjustment on segment income/(loss) is eliminations of inter-segment transactions.

2. The Segment income/(loss) is reconciled with the operating loss in the consolidated statement of operations for FY2021 first six months ended September 30, 2020.

2) Impairment Loss on Property, Plant and Equipment and Goodwill by Reportable Segment

Impairment losses on property, plant and equipment, gains from negative goodwill and changes in the amount of goodwill, that were material, were not recognized.

II. FY2022 First Six Months (April 1, 2021 through September 30, 2021)

1) Net sales and Income or Loss by Reportable Segments

(Millions of Yen)

FY2022 First Six Months Ended September 30, 2021	Reportable Segments					Adjustment (Note 1)	Consolidated (Note 2)
	Japan	North America	Europe	Other areas	Total		
Net sales:							
Outside customers	369,045	580,660	280,442	265,708	1,495,855	-	1,495,855
Inter-segment	830,172	121,553	10,932	24,512	987,169	(987,169)	-
Total	1,199,217	702,213	291,374	290,220	2,483,024	(987,169)	1,495,855
Segment income/(loss)	25,115	(1,079)	4,571	7,931	36,538	3,203	39,741

Notes: 1. The adjustment on segment income/(loss) is eliminations of inter-segment transactions.

2. The Segment income/(loss) is reconciled with the operating income in the consolidated statement of operations for FY2022 first six months ended September 30, 2021.

2) Impairment Loss on Property, Plant and Equipment and Goodwill by Reportable Segment

Impairment losses on property, plant and equipment, gains from negative goodwill and changes in the amount of goodwill, that were material, were not recognized.

3) Matters about Changes in Reportable Segments, etc.

As noted in “Changes in Accounting Policies”, we have applied “Accounting Standard for Revenue Recognition”, etc. effective from the beginning of the first quarter of the fiscal year ending March 31, 2022. Therefore, we have similarly changed the measuring method of segment income or loss. As a result, for the first six months of the fiscal year ending March 31, 2022, net sales of Japan segment increased by ¥26,145 million and North America segment decreased by ¥28,083 million, respectively, and segment income of Japan segment increased by ¥6,700 million, compared with the previous method.

(Significant Subsequent Events)

Not applicable

Financial Summary (Consolidated)

For the Second Quarter of the Fiscal Year Ending March 31, 2022

(For the Six Months Ended September 30, 2021)

November 10, 2021

Mazda Motor Corporation

(In 100 millions of yen)
(In thousands of units)
(Upper left: return on sales)

(In 100 millions of yen) (In thousands of units) (Upper left: return on sales)			FY 2021 First 6 months (Apr.'20-Sep.'20)		FY 2022				FY 2021 Full Year Ended March 31, 2021		FY 2022 Full Year Forecast Ending March 31, 2022	
					1st Qtr.	2nd Qtr.	First 6 months (Apr.'21-Sep.'21)					
	Domestic	1	2,608	(15.3)	1,431	1,207	2,638	1.2	5,945	(5.6)	6,000	0.9
	Overseas	2	8,550	(38.9)	6,603	5,718	12,321	44.1	22,876	(18.3)	26,000	13.7
Net sales		3	11,158	(34.6)	8,034	6,925	14,959	34.1	28,821	(16.0)	32,000	11.0
Operating income		4	(4.7%) (529)	—	3.2% 261	2.0% 136	2.7% 397	—	0.3% 88	(79.8)	2.0% 650	637.0
Ordinary income		5	(4.8%) (533)	—	3.3% 265	1.1% 74	2.3% 339	—	1.0% 283	(46.8)	1.9% 610	115.9
Income before income taxes		6	(6.7%) (752)	—	3.2% 254	1.5% 105	2.4% 359	—	0.1% 22	(95.5)	1.8% 590	—
Net income attributable to owners of the parent		7	(8.3%) (930)	—	1.4% 114	1.8% 125	1.6% 239	—	(1.1%) (317)	—	1.3% 410	—
Operating income by segment (geographic area)												
Japan		8	(749)		171	80	251		(647)			
North America		9	(11)		30	(41)	(11)		405			
Europe		10	48		29	17	46		100			
Other areas		11	55		54	25	79		178			
Operating profit changes												
Volume & mix		12			952	126	1,078				1,125	
Exchange rate		13			139	108	247				399	
Cost improvement		14			(75)	(164)	(239)				(606)	
Fixed costs and others		15			(97)	142	45				49	
Business risks		16			-	-	-				(200)	
Transfer to extraordinary loss in FY March 2021		17			(205)	-	(205)				(205)	
Total		18			714	212	926				562	
Average rate for the period (Yen)	USD	19	107		110	110	110		106		111	
	EUR	20	121		132	130	131		124		131	
Capital expenditures		21	361		263	308	571		930		1,500	
Depreciation and amortization		22	451		223	217	440		898		930	
R & D costs		23	627		336	348	684		1,274		1,360	
Total assets		24	29,920		29,977		28,763		29,174			
Net assets		25	10,654		11,935		12,040		11,817			
Financial debt		26	9,588		8,677		8,598		7,559			
Net financial debt		27	1,191		299		459		171			
Free cash flow (Operating & Investing)		28	(560)		(112)	(138)	(250)		412			
	Japan	29	74	(25.0)	28	32	60	(19.2)	176	(12.9)	168	(4.5)
	North America	30	185	(8.8)	138	111	249	34.7	403	1.6	438	8.6
	Europe	31	82	(39.9)	55	51	106	29.9	178	(32.3)	193	8.2
	China	32	117	7.0	47	42	89	(23.6)	228	7.8	220	(3.6)
	Other	33	121	(34.3)	86	71	156	29.0	301	(12.7)	292	(3.1)
Global retail volume		34	578	(20.8)	353	307	660	14.1	1,287	(9.3)	1,311	1.9
	Japan	35	73	(22.0)	38	31	69	(5.7)	166	(11.3)	162	(2.4)
	North America	36	141	(30.1)	101	88	190	34.2	374	(11.2)	399	6.8
	Europe	37	66	(53.7)	50	41	90	36.2	172	(35.6)	173	0.8
	Other	38	87	(52.2)	72	60	132	50.6	278	(22.2)	296	6.5
Consolidated wholesales volume		39	368	(40.8)	261	220	481	30.5	990	(19.7)	1,030	4.1
	Domestic	40	273	(45.8)	186	126	312	14.3	748	(23.1)		
	Overseas	41	205	(7.9)	83	71	154	(24.7)	424	(8.3)		
Global production volume		42	477	(34.2)	268	197	466	(2.4)	1,171	(18.3)		

Note: Global retail volume refers to the total retail units of Mazda-brand vehicles sold on a global basis.

Consolidated wholesales volume does not include vehicles which are sold by other brands.

In accordance with the application of the “Accounting Standard for Revenue Recognition”, etc. effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, domestic dealers’ sales recognition of new car has been changed to one that recognizes revenue at the time of the delivery to customers.

Global production volume refers to the total volume of the units produced in the domestic plant and Mexico plant (including other brands) plus the units of Mazda-brand vehicles produced in other overseas plants (mainly in China and Thailand).