February 9, 2024

(Reference information)

Mazda Motor Corporation

FY March 2024 Third Quarter Financial Results Briefing (for analysts)

Main Q&A

Q1：How were the third quarter results, compared to the forecast made three months ago? Are there any one-time factors?

A1：The third quarter results were almost in line with our plan. Among the factors behind operating income changes, volume and mix improved by 13.3 billion yen, as volume and mix improved, and there was also the effect of price increases, which were partially offset by an increase in incentives. Fixed costs deteriorated by 17.6 billion yen from the previous year. This was mainly due to an increase in quality costs for our prompt quality actions and strengthened marketing investment.

Q2: It was mentioned that the earthquake impact was being closely monitored in the fourth quarter, but has there been any significant impact?

A2: We have approximately 200 suppliers in the Noto Peninsula area. The first priority is the recovery of the affected people and the region. The Japan Automobile Manufacturers Association (JAMA) is currently collecting information and we are cooperating as a member of JAMA.
We are examining the impact on production and shipments at Mazda by confirming damages and inventory situations at suppliers. Production in February will be almost as planned and we are currently scrutinizing March production. To mitigate any impact, we will consider the use of pipeline inventory and alternative parts as well as procurement from other production sites.

Q3：How do you see the direction for the next fiscal year?

A3：As for the direction of each market, while total demand in the U.S. is expected to rise slightly, the level of incentives is expected to increase. In other major markets, growth in total demand will be quite limited. In this environment, Mazda will aim for growth through profitable products such as our Large models.
Opportunities for volume and profit growth are significant in North America, including Canada and Mexico. In other markets, Mazda intends to increase its share regardless of total demand.
In terms of foreign exchange rates, our assumption is that interest rates in the U.S. will fall, but interest rates in Japan will rise and the yen will appreciate slightly.

Q4：While U.S. sales are at record highs, incentives are increasing. How do you evaluate the sales situation?

A4：According to Autodata, the industry average for U.S. incentives in the third quarter was $2,500, up about 10% from the second quarter. Mazda's incentive was about $1,600, up about $140 from the second quarter. We believe that incentives have been rising in tandem with the recovery in supply across the industry. We experienced supply constraints from last summer through last autumn, resulting in an unbalanced inventory. To correct this, we temporarily strengthened our sales initiatives. There is no change in Mazda's sales and brand strategy.

Q5：What is your view of the U.S. market in CY2024, and how do you see Mazda's sales? Please also tell us your expectations for new products.

A5：Interest rates in the U.S. remain high, but the economy is very strong, with low unemployment and rising wages. Taking into account increased incentives and easing supply, we expect total demand to be around 16 million units in 2024.

Mazda's strategy for the U.S. has not changed. We will achieve growth with the CX-90 and CX-70. The two-row mid-SUV segment, to which the new CX-70 belongs, accounts for 40% of the entire mid-SUV segment, and we can expect an incremental volume increase from the model. The CX-70 combines a sporty design and functionality to suit the tastes of outgoing and active customers, and all grades feature electrification technology. As a product, it has a different customer base from that of the CX-90.

We expect the CX-50 to contribute to an increase in unit sales for the full year due to increased production capacity. There are also additional sales opportunities for the CX-30.

Last week, our U.S. sales subsidiary gave dealers a retail target of 450,000 units for the 2024 calendar year. That is the overall direction at present.

Q6：In the Australian market, the outlook is that total demand will peak out and deteriorate. For Mazda, it is a strong and important market. What is your projection for that market?

A6：Total demand for the first nine months of the current fiscal year was 950,000 units, up 16% year-on-year. We have a situation there where the backlog of orders that accumulated due to the impact of Covid and the semiconductor shortage is now being eliminated. Port congestion has also peaked, and Mazda's market share of 7% is in line with the plan, but there are still the effects of rising interest rates and price hikes. Next year, total demand is expected to fall. Australia is a key market for Mazda, and we will continue to work hard to achieve good results.

Q7: At the Alabama plant, two-shift operation has started. Since the beginning of the year, we have heard that the CX-50 production is close to full production, so what is the situation?

A7：The two-shift operation started at the end of July 2023, and production has been increasing since then. Given that safety and quality are our top priorities and considering Alabama's high employee turnover rate and supply chain issues, we expect annual production to be at the 120,000-unit level in the short term. The growth of the CX-50 is important for us, and we will strive to produce more of this model. In addition, plans to introduce the CX-50 hybrid model in the second half of 2024 are on track.

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