November 7, 2024

(Reference)

Mazda Motor Corporation

FY March 2025 Second Quarter Financial Results Briefing (for Analysts)

Main Q&A

Q: Were there any one-time factors that had an impact in the second quarter?

A: There were no major one-time factors that had an impact on operating profit in the second quarter. However, a valuation loss on foreign currency-denominated assets due to appreciation of the yen had an impact on net income attributable to owners of the parent.

Q: You revised your full-year operating profit forecast down to 200 billion yen, but what risks and opportunities do you anticipate in achieving the revised plan?

A: We anticipate a highly competitive environment to continue in the U.S. and many other markets. In the U.S., while the industry average sales incentive in October increased, Mazda's incentive was down. The annualized industry demand has been steady at around 15.5 million to 16 million units. The U.S. economy outlook is uncertain, which can be a risk, but at the same time, it can also be an opportunity.

Q: You mentioned balancing volume and revenue with sales incentives, yet this fiscal year's operations appear to prioritize volume. How do you plan to maintain the balance?

A: Regarding sales incentives in the U.S., we are aligning them with industry trends. Recently, our focus has been on clearing out older model year vehicles. For new model year vehicles, we have enhanced product competitiveness by adding many features such as voice assistant, wireless connectivity, and large central displays. Additionally, we plan to introduce the CX-50 hybrid model. As we continue to sell out the older model year vehicles, we aim to manage inventory at an appropriate level of around 50 days of stock. Sales incentives will follow this trend, peaking in the second quarter and decreasing in the second half of the year. We are confidently working towards achieving our full-year volume target of 605,000 units in North America, while carefully balancing volume, revenue, and sales incentives.

Q: You mentioned that you are confident in achieving the second half volume plan for North American markets but how confident are you in achieving the global sales volume?

A: Although volume in the second half is down compared to volume in the previous plan, we are planning year-on-year increases in most markets. Looking at some details by market, we expect to see strong sales continue in North America. In Europe and Japan, we will introduce the CX-80, which will meet the expectations and needs of customers with improved quality and ride comfort. In China, although our sales volume fell short of the plan in the first half, we will launch the Mazda EZ-6, an all-new electrified vehicle, in the second half. Now for a look at other markets, Large products will drive growth in sales in Australia. Saudi Arabia is expected to significantly contribute to growth in the second half with improved logistics, which was an issue in the first half. We will continue to work on raising the sales volume in the second half.

Q: In your electrification strategy, we see the strengthening of environmental regulations in Europe and the U.S. as an urgent issue. How much impact will this have on your performance?

A: In the first half, we recorded approximately 44 billion yen as provisions for environmental regulations, an increase of about 15 billion yen compared to the previous fiscal year. This is mainly to comply with environmental regulations in the U.S. In the second half, we plan to introduce the CX-50 hybrid model and expand sales of the CX-90 and CX-70 PHEV models. Furthermore, by 2027, we plan to introduce Mazda's unique BEV and HEV models and will continue to collaborate with partners to address these regulations.

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