February 7, 2025

(Reference)

Mazda Motor Corporation

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

Main Q&A

Q: What is your assessment of the first nine-month results? Was there any impact of one-time factors?

A: The results for the third quarter had both positives and negatives. At the beginning of the fiscal year, we said that this fiscal year will be a year in which we will aim for top-line growth. In fact, net sales for the first nine months reached a record high, and the volume increased year on year. Mazda has become one of the fastest-growing mainstream brands in the U.S. over the past five years. On the other hand, both the third quarter and the first nine-months saw a year-on-year decline in profit. In terms of sales incentives, we continue to strive to be better than the industry, but the increase in incentives offset the benefits of volume and foreign exchange. In addition, we needed to delay the introduction of the CX-80 to ensure its quality. As a one-time factor, there were some sunk costs related to procured parts.

Q: While there is no change in the full-year wholesales forecast, what are the reasons for the negative volume and mix?

A: This is mainly due to the downward shift in the grade mix in the U.S. According to dealers, there is a high demand for lower priced and lower grade cars within the model line. Low-priced products have lower profit margins even for the same model, which has affected profit margins year on year. During Covid, models in the high price range and grade sold well, but the market situation has changed dramatically. The same thing is happening in Australia and Europe, where economies are weak.

Q: The sales target for the fourth quarter seems high. Do you think the forecast operating profit of 200 billion yen is attainable?

A: While we have set a high sales target for the fourth quarter, we have launched new products such as the CX-50 Hybrid model and the CX-80, as well as limited editions and new models including the MX-5 35th Anniversary Edition in the Japanese market. At the same time, there are challenges such as policy developments and continued high interest rates in the U.S., and logistics risks in Australia and the Middle East. There are various risks as well as opportunities, and we will do everything possible to achieve our 200 billion yen target.

Q: What is your outlook on profitability for the next fiscal year?

A: We will explain the outlook for the next fiscal year at an appropriate time, but as for the market environment in major countries, the U.S. economy is expected to be relatively good. In Japan, consumer sentiment is slightly weak, but wage increases are expected. In Europe and Australia, significant economic growth is not anticipated. Overall, the focus for the next fiscal year will be on improving the quality of business rather than growing quantity or volume. However, in the U.S., there is room for volume growth with the CX-50 Hybrid model and our Large products. Regarding cost reduction efforts, particularly the review of variable costs, it will take some time for the effects to manifest, but we aim to accelerate our efforts as much as possible. On the other hand, costs related to environmental regulation compliance are expected to increase from this fiscal year. We aim for an operating profit margin of around 4%, similar to this fiscal year.

Q: The stock price is sluggish, and with a certain level of cash reserves, is an annual dividend of 55 yen appropriate?

A: Regarding dividends, there are three main important priorities among various priority issues: stable dividends, steady improvement, and payout ratio. It is also important to balance these with growth investments, such as investment for electrification. We have forecasted a dividend of 55 yen for this fiscal year. We will continue to aim for stable dividends in the future.

###