August 5, 2025

(Reference)

Mazda Motor Corporation

FY March 2026 First Quarter Financial Results Briefing (for Analysts)

Main Q&A

Q: Could you please provide the breakdown and assumptions of the 88.1 billion yen "reduction to tariff" for the full-year?

A: The 88.1 billion yen represents the change in the amount of tariffs paid on imports to the United States through our tariff response. It does not include pricing actions or incentives. The tariff impact of 233.3 billion yen is based on the previous fiscal year's volume and mix. We plan to mitigate this tariff impact by changing the model mix and market mix. The tariff impact of 233.3 billion yen minus the 88.1 billion yen is the expected tariff payment for this fiscal year. Additionally, this impact is calculated based on the following assumptions: the additional tariff rate on imports from Japan is 25% from April to July and 12.5% from August onwards, and the rate on imports from Mexico is 25% for the entire fiscal year. If there is any change in the tariff rates in the future, this impact amount will change.

Q: Out of the 200 billion yen medium-term cost reduction target, are you planning to reduce 15 billion yen in variable costs and 40 billion yen in fixed costs in this fiscal year?

A: We consider variable costs in two major categories. The first is the traditional cost improvement through efficiency improvement in collaboration with our suppliers. The second is structural cost reduction, where we thoroughly review the cost structure by component and work with our suppliers to reduce costs through new approaches by leveraging each other's knowledge and experiences, and we expect to achieve a reduction of 15 billion yen this fiscal year. Additionally, we aim to achieve 40 billion yen fixed cost reduction compared with the previous year.

Q: You stated that you aim to maintain dividends at the same level as last year, but could you tell us reasons why the year-end dividend is yet to be determined?

A: While we aim to achieve an operating income of 50 billion yen and generate cash this fiscal year, we also need to consider next fiscal year's outlook. Given drastic changes in today's business environment, particularly in the United States, we intend to propose the year-end dividend at an appropriate time.

Q: Could you provide your view on the US demand and the factors behind the strong sales performance in July?

A: Total demand declined in June but rebounded in July. The July increase was driven by a surge in last-minute purchases, as many consumers anticipated new tariff announcements on August 1. In addition, increased sales incentives by auto makers following the demand decline in June appeared to have contributed to the sales increase in July. Amid intensified competition, Mazda adjusted our incentive programs. Looking ahead, we will consider pricing actions with the introduction of 2026 models and continue to monitor market developments to respond with agility and speed.

Q: The United States has been a key market for Mazda so far. If the current environment continues, which markets outside the United States do you plan to expand your sales to increase profits in the next fiscal year and beyond?

A: Mazda's strength in the US market has been built over a long period, and we intend to continue expanding our US business and maintain the United States as our key market. In Europe, we are currently facing some challenges due to a limited lineup of electric vehicles suited to the market. Europe has historically been an important market for Mazda in terms of profitability, and we aim to restore it to that position. We are also facing some challenges in Japan, but we are advancing business structural reforms. Similarly, we are working on structural reforms in the ASEAN region and China. Through these efforts in each region, we aim to offset the impact of US tariffs, and strive to maximize our profits globally.

Q: Has there been any impact of changes in US environmental regulations on business performance?

A: There are moves toward easing environmental regulations, particularly in the United States, such as California ZEV regulation and federal fuel economy standards, and we are closely monitoring these developments. While there may be significant impacts in the short to medium term, we are not commenting on details at this time.
Our proprietary battery EV is scheduled for launch in 2027, and we will respond flexibly to market changes.

Q: Considering the operating income forecast of 50 billion yen for this fiscal year, is a 5% ROS within sight for the next fiscal year and the year next?

A: The amount of cost reduction for this fiscal year is expected to be 15 billion yen, but we expect more significant reductions next fiscal year as the scale of effects from our efforts increases. We are also promoting the reduction of fixed costs. Given the uncertainty in the business environment, including tariffs between the United States and Mexico, it is premature to indicate the achievement of a 5% ROS for the next fiscal year at this point. First, we will do our utmost to achieve the 50 billion yen target for this fiscal year.

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