November 7, 2025

(Reference)

Mazda Motor Corporation

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

Main Q&A

Q: Amid a challenging environment, operating income for the second quarter was close to break-even. Were there any one-time positive or negative factors?

A: Our aim was for operating income in the second quarter to break even. However, the timing of the reduction in automobile tariffs between Japan and the U.S. was later than initially expected and increased the impact of the tariffs by approximately 10.3 billion yen. As a result, we fell short of our target. Other one-time factors include reversal of the provision for penalties for non-compliant models of previous years, due to the easing of U.S. corporate average fuel economy (CAFE) standards. Furthermore, we booked an extraordinary loss of approximately 7.5 billion yen for the impairment of purchased credits equivalent to the provision. While not a one-time factor, we are making every effort to reduce variable and fixed costs, and will continue our efforts in this regard in the second half of this fiscal year.

Q: What progress have you made in reducing fixed and variable costs? How confident are you in achieving your 100 billion yen target for each?

A: This fiscal year's cost reduction targets are 15 billion yen for variable costs and 40 billion yen for fixed costs. Regarding the 15 billion yen target for variable costs, we have a concrete plan in place, and we are highly confident about achieving these targets. As for fixed costs, we have slightly revised our outlook for this fiscal year from 40 billion yen to 35 billion yen. This adjustment reflects our plan to increase advertising costs to support our efforts to increase sales volume in the U.S. Through these efforts, we aim to achieve an operating income of 50 billion yen for the full year.

We have identified per unit cost reductions for achieving a total reduction of approximately 50 to 60 billion yen in the next fiscal year. As for fixed costs, while inflation is increasing globally, we will continue our cost-cutting initiatives, bearing in mind our target of 100 billion yen during Phase 2.

Q: Could you summarize the trends in the U.S. market for the first half of the fiscal year? Also, your October sales appear to have been weak. Could you explain the factors behind this?

A: In April and May, there was a surge in demand ahead of the increase in tariff rates. Anticipating a significant drop in demand due to expected price hikes by automakers in response to tariffs, we took a conservative approach and reduced production and shipments for Mexico-produced models and Large products manufactured in Japan. However, the expected price increases did not eventuate as anticipated, and demand did not decline sharply. Subsequently, automakers implemented price increases as they switched to their new model-year models. We also raised prices of our products by $400 to $700, which was an increase within a range that allowed us to remain competitive.

Overall, the U.S. market remained robust, and demand for automobiles remained solid. Despite tariffs and some geopolitical issues, the overall environment was positive, with rising stock prices, etc. Going forward, however, we need to closely monitor the potential impact of the recent government shutdown and other factors.

Mazda's sales in the U.S. in October were down more than 30% year over year, but in terms of historical October sales volumes, this is not a particularly weak level. There are three main reasons for the year-on-year decrease. The first is that fleet sales in October last year were higher than usual. The second is that we reduced the volume of Mexico-produced CX-30 models in consideration of the impact of tariffs. And the third is the low level of inventory of Large PHEV models due to last-minute demand ahead of discontinuation of IRA (Inflation Reduction Act) subsidies. We believe that the rush in demand caused by the end of subsidies also affected the overall year-on-year decline in demand.

Q: You announced a full-year dividend forecast of 55 yen per share. Please explain the basis for your decision on this dividend amount, including the profit outlook for the next fiscal year.

A: In the past, our dividend policy focused on dividend payout ratio, stable dividends, and dividend growth. However, achieving all three of these simultaneously is extremely challenging. Through dialogue with our investors, we have come to understand that stability is the most important factor. You might assume we would earn 200 billion yen next fiscal year as we plan on an operating income of 100 billion yen in the second half of this fiscal year. But the calculation is not that simple. We must carefully monitor intensifying competition and economic trends. We plan to focus more than ever on cost reductions, and we expect to benefit from reduced tariff rates between Japan and the U.S. throughout the year. Additionally, we anticipate positive effects from the launch of the new CX-5. While environmental regulations are subject to change, they are becoming stricter every year. Inflation is also increasing across our supply chains in various countries, and we foresee increased investment in future products. These various factors will have an impact.

Bearing in mind our projections for the Company's return to profitability in the second half and the establishment of a foundation for the next fiscal year, we have announced a year-end dividend based on our policy of stable dividends.