

FY March 2016 First Half Financial Results Main Q&A

1. Please explain the first half results and full-year forecast upward revision.

First-half global sales results exceeded our forecast, due to sales volume contribution from sales of new Mazda2, which is now on sales in most major markets, introduction of new models such as CX-3 and MX-5, and updated CX-5 and Mazda6. In addition, raw material price reduced and cost improvement progressed due to volume increase. Revision of timing of R&D which was initially planned in the first half is also one of the factors.

On strong sales in the first half, we revised full year global sales volume to 1,515,000 units and operating profit to ¥230 billion. Despite the headwinds of economic circumstances, demand trends and other external factors, we maintain sales momentum taking advantage of a good model cycle, in order to achieve full-year forecast and enhance brand value.

2. Why do you project lower operating profit in the second half, compared with first half?

Although increase of wholesales contributes to operating profit, we assume incentive increase due to fiercer competition in the US. Cost improvement will make progress thanks to volume increase, but negative impact of exchange rate by reassessing CAD, AUD and RUB assumptions as well as the impact of the deferral of R&D timing from the first half to second half will also affect. Thus, we expect lower operating profit in the second half, compared with the first half. We consider the lower demand in China and emerging markets and the impact of US interest rate increase on emerging market potential risks, and we carefully monitor situations.

3. Please explain sales trend of diesel models, and your introduction plan to US market.

We do not see any significant change in sales of diesel models in our main markets, Europe and Japan. We continue to carefully monitor customer comments and trends. There is no change in our strategy to introduce diesel models in the US. There is a possibility of tightening of regulations, but we will work in conjunction with the authorities. We will announce launch timing, etc. at an appropriate timing.

4. Why did you revise down full year sales volume in North America?

The first-half sales of Mazda2 and Mazda5 significantly declined. It was partially offset by sales increase of updated CX-5 and Mazda6, but first-half sales were 3,000 units below initial forecast. However, we forecast steady sales in the second half with effects of new CX-3 which was launched in September. We project increasingly fiercer sales environment, but we continue “right-price” sales policy by reducing incentives to achieve second-half sales target.

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