

November 5, 2015

(For your information)

Mazda Motor Corporation
FISCAL YEAR MARCH 2016 FIRST HALF FINANCIAL RESULTS
(Speech Outline)

Representative Director
Executive Vice President
Akira Marumoto

1. HIGHLIGHTS

For the first half of the Fiscal Year March 2016, global sales were up 14% over the prior year to 764,000 units, which is a record high first-half sales total for Mazda. This is thanks to introduction of new Mazda2, which is now on sales in most major markets, the sales volume contribution of new CX-3 and new MX-5/Roadster, and the updated Mazda6 and CX-5, sales of which remain strong. Revenue was ¥1 trillion 700.5 billion. Operating profit was ¥125.9 billion. Net income was ¥88.3 billion. The interim dividend is ¥15 as planned.

For the full-year forecast, we upwardly revise the global sales volume forecast to 1,515,000 units, which exceeds the initial forecast by 25,000 units based on the successful sales in the first half. We also revise the full-year operating profit forecast to ¥230 billion and net income to ¥155 billion. We will improve the utilization ratio at major facilities in Japan and overseas to support global sales growth. As a recent example, we started to produce new CX-3 in AutoAlliance Thailand to respond to the increasing demand for crossover models.

While we add new models, we will also strengthen our strategy of always delivering the latest technology and design to customers, steadily evolving SKYACTIV technology and design. Development of SKYACTIV GEN2 technologies to be equipped in our next-generation of products is proceeding as planned and development efforts get into full swing from this fiscal year.

Managing Executive Officer
Takashi Furutama

2. FISCAL YEAR MARCH 2016 FIRST HALF RESULTS

Consolidated revenue was ¥1 trillion 700.5 billion, up 17% year-on-year. Operating profit was ¥125.9 billion, up ¥21.9 billion from the prior year. Ordinary profit was ¥121.1 billion, profit before tax was ¥116.3 billion, and net income was ¥88.3 billion. The average exchange rate was ¥122 to the US dollar and ¥135 to the Euro, ¥19 weaker and ¥4 stronger respectively compared to the prior year.

Global sales volume rose 14% year-on-year to 764,000 units. This substantial volume increase is thanks to the global launches of new CX-3 and new MX-5/Roadster, in addition to the volume contribution of new Mazda2/Demio, which is now on sale in most major markets around the globe. Also, Mazda3/Axela was made fully available globally to all markets including other markets and expanded sales volume over the prior year. Sales in almost all regions except for Russia increased year-on-year.

I would like to explain the sales results by market.

In Japan, sales were up 33% year-on-year to 120,000 units. While the total industry declined from the prior year, our sales grew steadily and market share of registered vehicle was up 2.4 points to 6.8%. In addition to new Demio and new CX-3, sales of new Roadster were strong.

In North America, sales were 233,000 units, up 3% year-on-year.

Out of 233,000 units, sales in the United States were 164,000 units, almost unchanged year-on-year. Sales of updated CX-5 and Mazda6 remained strong. As the mix of higher trim levels increased, net revenue improved. New MX-5 and new CX-3 were launched and have made a good start. We will maintain our “right-price” sales policy.

Sales in Mexico increased 37% year-on-year to 27,000 units. In Mexico, sales of Mazda3 and CX-5 were strong and we achieved record-high sales volume and market share.

In Europe, sales were 124,000 units, up 8% year-on-year. Driven by new Mazda2 and new CX-3, sales in Europe excluding Russia were 110,000 units, up a substantial 21% year-on-year.

Sales in Germany and the UK showed solid growth, up 11% year-on-year to 30,000 units and 23% to 23,000 units respectively.

In China, sales increased to 109,000 units, up 16% year-on-year. While demand remained weak due to the economic slowdown, Mazda’s monthly sales have risen year-on-year for 8 consecutive months. Sales of Mazda3 stayed strong, and Mazda6 and updated CX-5 contributed to sales performance.

Sales in other markets were 178,000 units, up 24% year-on-year.

Sales in Australia were 58,000 units up 17% year-on-year and market share was 9.9%.

CX-5 remained the top seller in the SUV segment. Sales of new CX-3 were also strong.

In ASEAN, demand in Thailand and Indonesia declined but Mazda's sales exceeded the prior year levels. Mazda achieved record-high sales in Vietnam and Malaysia.

In other markets, sales of Mazda3 and CX-5 were strong. Record-high sales volumes were achieved in Saudi Arabia and Colombia.

I would like to explain the key factors behind ¥21.9 billion improvement in consolidated operating profit over the prior year.

Volume and mix improvement was ¥26.6 billion thanks to increased sales globally.

Exchange rates deteriorated ¥11.5 billion in total, including improvements of ¥11 billion from the US dollar, and deteriorations of ¥4.7 billion from the Euro and ¥17.8 billion from other currencies.

Variable costs improved ¥15.6 billion, driven by a reduction in raw material prices and progress in cost improvement efforts.

Marketing expenses increased ¥5.6 billion due to higher advertising costs for new Mazda2 and new CX-3 launch.

Other fixed cost increased by ¥3.2 billion mainly due to increase of depreciation costs for new plants in Mexico and Thailand.

I will talk about key factors behind the operating profit improvement of ¥30.9 billion from our initial forecast.

Volume and mix improved ¥6.6 billion, thanks to increased sales globally.

Yen exchange rate turned out to be weaker in the first half than our assumption. Exchange rate improved ¥6.5 billion in total, including improvements of ¥900 million from US dollars, ¥3.2 billion from Euro, and ¥2.4 billion from other currencies.

Variable costs improved ¥7.4 billion, thanks to reduction of raw material prices and progress of cost improvement efforts. Marketing expense improved ¥2.4 billion.

Other fixed cost improved ¥8.0 billion mainly because the timings of R&D activities planned for the first half were revised.

3. FISCAL YEAR MARCH 2016 FULL YEAR FORECAST

Full-year global sales forecast is revised upwards by 25,000 units from our initial forecast to 1,515,000 units. We are assuming an economic slowdown in China and business downturn in emerging countries, but we expect to maintain the sales momentum of the first half with the new car effects of Mazda2, CX-3 and MX-5/Roadster; strong sales of updated CX-5 and Mazda6; and volume increase of Mazda3. We aim for sales increase of 8% over the prior year, up 118,000 units, while maintaining disciplined sales pricing through our “right-price” sales policy.

Full-year financial forecast is also revised. We project full-year revenue of ¥3.37 trillion; and operating profit of ¥230 billion, which is up ¥20 billion from ¥210 billion projected at the beginning of the fiscal year. Ordinary profit is projected at ¥230 billion, and net profit at ¥155 billion. Exchange rate assumption for the second half of the fiscal year is ¥120 for US dollar and ¥135 for Euro.

I will explain the key factors behind the ¥27.1 billion year-on-year improvement in operating profit. Volume and mix is projected to improve ¥57 billion, thanks mainly to the full-year contribution of new Mazda2 and new CX-3.

Exchange rate is expected to deteriorate ¥35.6 billion in total, including ¥13.3 billion improvement from the US dollar and deteriorations from the Euro by ¥7.7 billion and other currencies by ¥41.2 billion.

In the area of variable costs, we expect to achieve ¥31.4 billion improvement from lower raw material prices and cost improvement due to higher production volume.

Marketing expenses remain unchanged from our initial forecast.

Other fixed costs are projected to increase ¥25.7 billion with reinforced R&D investments for the future and higher depreciation costs for new plants including Mexico.

I would like to explain the key factors behind the ¥20 billion improvement in operating profit from our initial forecast.

Volume and mix improves ¥17 billion with higher global sales.

Exchange rate is projected to deteriorate ¥1.6 billion in total for the full year, with ups and downs during the first and second half of the year.

Variable costs are expected to improve ¥15.9 billion due to lower raw material prices and progress in cost improvements.

Other fixed costs are projected to increase ¥11.3 billion due to customer services costs.

Representative Director
Executive Vice President
Akira Marumoto

4. PROGRESS OF KEY INITIATIVES

We are steadily promoting business innovation by SKYACTIV. In the area of product, we are further increasing SKYACTIV models, while continually evolving the existing models. New CX-3 and the new MX-5/Roadster are launched globally, successfully winning high acclaim from customers, and improving sales volume and profitability. New CX-9 will be unveiled at LA Auto Show this month. Updated Mazda6/Atenza and CX-5 were very well received, and sales mix of high grade models is increasing. This strategy will be strengthened continually for all SKYACTIV models. We are evolving and widely deploying advanced technology and safety technology. As a result, net revenue and product profitability are improving. We are also accelerating our efforts to reinforce our global sales and distribution network. While increasing sales, we will maintain “right-price” sales of updated models, by successfully lowering incentives and improving net revenue. Residual values of used cars are among the top level in each segment. We are globally promoting initiatives for enhanced brand communication and customer care.

To support the global sales growth, we started producing the new CX-3 in AAT and engines in the new powertrain plant in Thailand. We are strengthening our manufacturing footprints.

In the Mexican Plant, we started building the compact car for Toyota. In Hiroshima Plant, we are preparing to start producing vehicles for Fiat Chrysler. Global alliances are in good shape. While maintaining investment for sustainable growth, we are increasing equity and our ability to generate cash flow. We are on track to strengthen our financial structure.

5. SUMMARY

Global sales for the first half were 764,000 units, up 14% year-on-year. Operating profit was ¥125.9 billion and net income was ¥88.3 billion, both of which exceeded our initial forecast. Full-year global sales forecast is revised to 1,515,000 units, up by 25,000 units from the forecast. Operating profit forecast is also revised to ¥230 billion and net income to ¥155 billion.

For sustainable growth, we advance the technology and design of existing products, develop next-generation technologies, strengthen our manufacturing facilities in Japan and overseas, and promote global alliances. We continue to make steady progress in key initiatives of the Structural Reform.

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 through the collective efforts of the Mazda Group.

###