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(For your information)

Mazda Motor Corporation
FISCAL YEAR MARCH 2018 FIRST HALF FINANCIAL RESULTS
(Speech Outline)

Tetsuya Fujimoto
Managing Executive Officer in charge of Finance

Thank you for joining our earnings announcement today.

1. HIGHLIGHTS

In the first half of FY March 2018, global sales were up 1% from the prior year to 783,000 units, a new record for the first half.

Sales of the CX-5 shifted into high gear with the global roll out of the new model.

Revenue was ¥1 trillion 656.6 billion. Operating profit was ¥76.5 billion. Net profit was ¥63.3 billion.

Our forecast global sales volume and financial metrics for the full year remain unchanged, but exchange assumptions have been updated to match market rates. Volume impact and increased marketing expenses, mainly due to a tougher sales environment in USA, are included in the forecast.

Having announced our next-generation SKYACTIV-X gasoline engine and next-generation design models at the Tokyo Motor Show, we will accelerate technology and product development for sustainable growth.

2. FISCAL YEAR MARCH 2018 FIRST HALF RESULTS

Global sales volume set a new record of 783,000 units.

By region, lower year-on-year sales in North America and other markets were more than offset by continued strong sales in China and sales growth in Japan.

By carline, the new CX-5 sales shifted into high gear globally. Crossover vehicles, including the CX-4 in China, were the driving force of sales.

Now I will talk about sales in each market.

In Japan, sales were 96,000 units, up 4% year on year. Registered vehicle market share was 4.8%, unchanged from the previous year.

Sales of the new CX-5 were up significantly over the prior year. High grade model sales were particularly strong.

In addition, we have made i-ACTIVSENSE advanced safety technologies standard on most domestic models, enhancing competitiveness.

We started accepting pre-orders for the new CX-8 from September, and orders are very strong.

Sales in North America were 219,000 units, down 2% year on year.

Sales in the US were 151,000 units, down 5% year on year, partly due to lower fleet sales.

Sales of the new CX-5 were strong and high-grade models were exceeding targets.

Having enhanced marketing programs for sedans, which face intensifying competition, and concentrated resources in focus markets, we are starting to see signs of an improving sales trend.

Sales in Mexico were 25,000 units, up 3% year on year.

Sales in Europe were 132,000 units, down 2% year on year.

Sales of new CX-5 shifted into high gear with launches in various European markets starting from May.

Sales in Germany were 35,000 units, up 5% year on year, and sales in the UK were 19,000 units, down 17% year on year.

Sales in Russia were 13,000 units, up 15% year on year.

In China, we achieved record sales for the first half at 149,000 units, up 12% year on year.

The new CX-5 was launched in September and sales got off to a good start.

In addition to continued strong sales of the Mazda3 and CX-4, sales of the Mazda6 exceeded the prior year and contributed to sales volume growth.

Sales in other markets were 187,000 units, down 2% year on year.

In Australia, sales were 59,000 units, down 1% year on year. Mazda remained the country's second highest-selling brand.

Sales in Thailand were up 20% year on year. However, total sales in ASEAN were down 4% to 51,000 units, partly due to deferred purchases in anticipation of the elimination of import tariffs in Vietnam. New Zealand, Chile, and Peru set new sales records.

Next, I would like to explain the first half financial results for FY March 2018.

Revenue was ¥ 1 trillion 656.6 billion, up 7% year-on-year.

Operating profit was ¥76.5 billion, down ¥11.8 billion from the prior year. Net income increased ¥7.2 billion year-on-year to ¥63.3 billion, mainly because of non-operating profit improvement from exchange valuation gains.

The exchange rates were ¥111 to the US dollar and ¥126 to the euro, ¥6 and ¥8 weaker respectively.

I will explain the key factors behind the operating profit decline of ¥11.8 billion over the prior year to ¥76.5 billion.

Volume and mix declined ¥20.0 billion, mainly due to lower wholesale volume and higher marketing costs driven by intensified competition in the U.S.

Exchange rates contributed to an improvement of ¥15.9 billion in total, mainly thanks to ¥2.8 billion from the Euro and ¥6.4 billion from the Australian dollar.

The effect of enhanced cost-improvement efforts for new products and at overseas plants was partially offset by raw material price hikes, and variable costs improved by only ¥0.6 billion as a result.

R&D costs increased ¥6.9 billion due to intensifying development of next-generation technologies and products. Other fixed costs increased ¥1.4 billion.

3. FISCAL YEAR MARCH 2018 FULL YEAR FORECAST

Our full-year global sales volume forecast announced in April is unchanged at 1.6 million units. In light of the intense competition in the U.S. market, sales targets are revised downward in North America but upward in China, where we continue to perform strongly.

Forecast revenue and profit in all categories remains unchanged from our April forecast.

Exchange assumptions for the full year are ¥110 to the US dollar and ¥127 to the Euro, ¥2 and ¥9 weaker respectively than those forecast in April.

The forecast for operating profit is unchanged overall at ¥150 billion, but some updates have been made to the breakdown, mainly to our volume & mix and exchange assumptions.

I would like to talk about the changes from our April forecast.

Volume and mix declines ¥35.0 billion with lower wholesale volume and higher marketing costs, mainly in the U.S.

Exchange rates contribute an improvement of ¥35.8 billion, mainly due to the Euro.

Akira Marumoto
Representative Director, Executive Vice President

4. PROGRESS OF KEY INITIATIVES / BUSINESS AND CAPITAL ALLIANCE WITH TOYOTA MOTOR CORPORATION

In August, we announced our “Sustainable Zoom-Zoom 2030” long-term vision for technology development.

In light of the rapid changes taking place in the automotive industry, we will attempt to help resolve issues facing the earth, society and people.

Through conservation efforts, we want to create a sustainable future in which people and cars coexist with a bountiful and beautiful earth. To achieve this, we will work to reduce CO2 emissions from a “well-to-wheel” perspective.

Our aim is to reduce corporate average CO2 emissions to 50% of 2010 levels by 2030.

To achieve this long-term vision, we developed SKYACTIV-X, the world’s first commercial gasoline engine to use compression ignition.

This new engine will be rolled out from 2019 along with our next-generation SKYACTIV-Vehicle Architecture.

At the Tokyo Motor Show, we exhibited two new concept models.

The first is a next-generation product concept called Mazda KAI CONCEPT. It’s a compact hatchback that combines our next-generation technology and design.

The second is a next-generation design vision model called Mazda VISION COUPE. This model embodies the concepts that will define the next generation of Mazda design, resulting in a more profound expression of the globally-acclaimed KODO design language that debuted on the Mazda CX-5 in 2012.

We also displayed our new 3-row crossover SUV, Mazda CX-8, at the show. The model goes on sale in Japan in December.

We will continue to steadily advance our product and technology development, and further strengthen our products.

In the area of sales, we will continue to promote sales network enhancement to improve brand value. Through customer care, we will provide a high-quality customer experience together with top-tier products, technologies and design to encourage customers to stay loyal to the brand.

In the area of production, we will enhance flexibility of crossover production to support volume growth.

In August, we added production capacity for crossover models at our Hiroshima Plant. In October we began producing the new CX-5 at the Hofu Plant in addition to Hiroshima.

In Malaysia, we opened a new paint facility and commenced local production of the new CX-5 in August. We continue to strengthen our production system overseas and at home.

Lastly, let me explain our business and capital alliance with Toyota.

The auto industry is at a turning point as we see tightening regulations, new entrants, and diversifying mobility businesses. To ensure sustainable growth in such circumstances, we agreed to deepen our collaborative relationship with Toyota.

Regarding vehicle production in the US, we are studying and have started preparing to establish a joint venture company, aiming to start production in 2021.

For joint development of technology for electric vehicles, we have established a new company, EV C.A. Spirit, with Denso and Toyota as a joint development center.

We are also collaborating in the area of next-generation technologies, including connected car and advanced safety, as well as looking for opportunities to further supplement each other's lineups.

The transaction for the capital alliance was completed on October 2.

While combining our strengths, this capital alliance will allow the two companies to strengthen a collaborative relationship based on cooperation and competition. In doing so, Mazda aims to achieve long-term sustainable growth.

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