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(For your information)

Mazda Motor Corporation
FISCAL YEAR MARCH 2017 THIRD QUARTER 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 nine months of FY March 2017, global sales volume was up 17,000 units over the prior year to 1,162,000 units, achieving a new record for the first three quarters.

Revenue was ¥2,348.6 billion, operating profit was ¥102 billion and net income was ¥79.9 billion.

We started production of the CX-3 at Hofu Plant in December last year. Our efforts to enhance production flexibility for crossover vehicles are making good progress.

Global sales volume forecast for the full year is unchanged at 1,550,000 units.

In light of the sales situation in Japan and North America, we have revised forecast operating profit to ¥130 billion and net income to ¥90 billion.

The CX-5 has been fully redesigned for the first time since it was launched 5 years ago.

Sales start in Japan today, and it will be rolled out to global markets moving forward.

There is no change to our plan to pay an annual dividend of ¥35 per share.

2. FISCAL YEAR MARCH 2017 NINE MONTH RESULTS

Global sales volume was a record 1,162,000 units.

Crossover models such as the CX-3, the new CX-9 and the new CX-4 in China played a key role in the volume growth.

Global sales volume was up 1% year on year with growth in Europe, China and other markets offsetting declines in Japan and North America.

I would like to explain the sales performance in each market.

In Japan, sales were down 19% year on year to 132,000 units.

Market share of registered vehicles was 4.6%, down 1.6 points year on year.

The updated Mazda2 and CX-3 were introduced in November, following the launches of the updated Mazda3 and Mazda6 in the first half. Sales of the MX-5 RF also started in December.

Sales of the new CX-5 start today. The model has been highly acclaimed since its launch in

mid-December, and in one and a half months we have received pre-orders for more than 9,000 units. After Japan, the new CX-5 will be rolled out to global markets.

In North America, sales were 331,000 units, down 4% year on year.

Sales in the United States were 233,000 units, down 3% year on year.

In the United States, while sales of crossover vehicles are maintaining momentum, the passenger car market continues to be tough, with declining demand and intense competition.

As for the new CX-9, which was introduced last spring, high-grade models are selling well thanks to significantly enhanced product appeal, and it is contributing to improved net revenue.

We continue to promote initiatives to reorganize and enhance the sales network.

In Mexico, sales were down 9% year on year to 41,000 units. The sales environment has deteriorated due to actions against weak Mexican Peso.

In Europe, sales were 191,000 units, up 4% year on year.

Strong sales of the CX-3 and MX-5 contributed to volume growth.

Sales in Europe excluding Russia grew 7% year on year to 174,000 units.

Sales in Germany were 47,000 units, up 7% year on year, and sales in the UK were 29,000 units, down 4% year on year.

There have been no obvious signs of Brexit having an impact on European automobile markets.

We will keep a close watch on various indicators such as demand and competitors' movements.

In China, sales were 227,000 units, up 29% year on year.

Sales of the new CX-4, which started in June last year, have been strong, exceeding the initial plan. The model has been highly acclaimed and won 2017 China Car Design of the Year.

The Mazda3 continues to lead sales, thanks in part to the compact car tax reduction scheme.

The updated Mazda6 and CX-5 also contributed to the sales growth.

In other markets, sales were 281,000 units, up 1% year on year.

Sales in Australia were 88,000 units, up 2% year on year, and market share was 9.8%.

Mazda was the second highest-selling brand, and the CX-5 was the best seller in its segment.

In Thailand, sales were up 0.5% year on year, and in Vietnam, sales were up 58% year on year.

Sales in the ASEAN region grew 5% over the prior year.

We achieved record sales in Colombia and New Zealand.

Revenue for the first nine months was ¥2,348.6 billion, down 8% year on year.

Operating profit was ¥102.0 billion, ordinary profit was ¥117.9 billion, profit before tax was ¥110.7 billion and net income was ¥79.9 billion.

The average exchange rates were ¥107 to the US dollar and ¥118 to the euro, ¥15 and ¥16 stronger respectively compared to the prior year.

I would like to explain the key factors behind the ¥71.4 billion operating profit decline from the prior year.

Volume and model mix improved ¥500 million.

Exchange rates deteriorated ¥101.8 billion in total, including deteriorations of ¥17.4 billion from the US dollar, ¥22.8 billion from the euro, and ¥61.6 billion from other currencies.

In the area of variable costs, enhanced cost improvement activities resulted in a ¥40.8 billion improvement.

Marketing expenses improved ¥2.1 billion while other fixed costs deteriorated ¥13.0 billion.

3. FISCAL YEAR MARCH 2017 FULL YEAR FORECAST

The forecast global sales total is unchanged from the November forecast at 1.55 million units.

By region, reflecting immediate sales trends and projections for each market, we revised sales volume downwards for Japan and North America, and upwards for China, where the new CX-4 and Mazda3 are performing well.

We have revised the full-year financial forecast.

Revenue is projected at ¥3.2 trillion, operating profit at ¥130 billion, and net income at ¥90 billion.

The fourth quarter exchange rate assumptions are updated to ¥110 to the US dollar and ¥120 to the euro. Full-year exchange rate assumptions are now ¥107 to the US dollar and ¥119 to the euro.

I will explain the main factors behind the ¥96.8 billion operating profit decline from the prior year.

Volume and model mix is projected to improve ¥1 billion.

Exchange rates are forecast to deteriorate ¥105 billion in total, including deteriorations of ¥18.2 billion from the US dollar, ¥26.2 billion from the euro, and ¥60.6 billion from other currencies.

Variable costs are expected to improve ¥48 billion as we enhance cost improvement efforts for new products and overseas plants through Monotsukuri Innovation.

Marketing expenses are projected to increase ¥3 billion and other fixed costs will increase ¥37.8 billion.

The increase in other fixed costs is mainly due to additional R&D for future growth and quality-related costs.

I would like to talk about the main factors behind the ¥20 billion operating profit decline from November forecast.

Due to reduced wholesale volume in Japan and North America, volume and model mix deteriorates ¥18 billion.

Exchange rates are forecast to improve ¥18 billion, as we expect a weaker yen against key currencies.

Other fixed costs are projected to increase ¥20 billion, mainly due to one-off quality related costs.

Akira Marumoto

Representative Director, Executive Vice President

4. STRUCTURAL REFORM STAGE 2 PROGRESS OF KEY INITIATIVES

I will first explain the points in Structural Reform Stage 2 that we need to particularly focus on, in consideration of the situation this fiscal year.

We are forecasting a significant profit decline this fiscal year because the yen has appreciated from the exchange assumptions we set for Structural Reform Stage 2 of ¥120 to the US dollar and ¥130 to the euro, competition has further intensified in key markets and we will see an increase in quality-related costs. To counter this situation and achieve our targets, we will reinforce our efforts to improve profit.

The first point is to respond to the greater-than-expected increase in demand for crossover vehicles. To realize stable volume growth of around 50,000 units per year and improved profit, we will accelerate efforts to expand production capacity of crossover vehicles.

Our passenger vehicle sales have been declining due to reduced demand and increased incentive spending by our competitors. In response we will further enhance our products and reinforce appropriate marketing initiatives to maintain or improve market share.

Although material prices are increasing, we will accelerate cost improvement efforts in all areas, including at overseas plants. We will also promote cost improvements through new approaches, such as the development of technologies for functional integration and multi-materials.

We plan to bring quality-related costs down to normal levels during and after the next fiscal year. We have begun actions to thoroughly improve quality, so as to further reduce such costs in the mid- and long-term.

Despite this tough situation, we will continue to invest in the areas of technology, product and our sales network, which are essential for future growth.

By enhancing initiatives in all these areas, we aim to achieve a turnaround toward the goals of Structural Reform Stage 2.

I will take you through the progress of each key initiative.

Expansion of the SKYACTIV lineup is progressing as planned. Following the introduction of the new MX-5 RF in December, sales of the new CX-5 start today. In the second half of 2017, we plan to introduce a clean diesel model in North America. We are also moving forward with development of an additional crossover model, due in the second half of 2017.

We will enhance existing products with additional features for safety and convenience.

In addition, we will make the 2.5-liter turbocharged engine that has been so highly praised in the CX-9 available in other models.

In addition to advancing internal combustion engine technology, we are working toward market introduction of an EV in 2019, as announced in November last year. Development is progressing as planned, making effective use of model-based development, which is one of Mazda's strengths. To ensure sustained volume growth of around 50,000 units per year, we will enhance production

capacity and sales of crossover vehicles, for which demand currently exceeds supply in various markets.

To counter the decline in our passenger vehicles sales, which is due to decreasing demand and competitors' heavy incentive spending, we will enhance the performance of our cars and add safety features, etc. Additionally, we will invest in marketing that creates demand and revise our incentive spending, which is beginning to diverge too far from that of our competitors.

Through these actions, we aim to maintain or improve market share.

We are strongly committed to continue and enhance investments aimed at improving the customers experience and the global roll-out of new-generation dealerships.

In the area of global production and cost improvement, we will further accelerate efforts to increase production capacity of crossover vehicles.

We began production of the CX-3 at Hofu Plant last December, but we are still unable to produce enough CX-5s to meet global demand. In the summer of next fiscal year, we will increase capacity at the Hiroshima plant by about 70,000 units per year, mainly for the CX-5.

Also, we will work to increase production flexibility in the mid- to long-term by expanding capacity for crossover vehicles at overseas production sites.

We will ensure sustainable business growth by steadily implementing the above-mentioned short- and mid-term initiatives in product, manufacturing and sales. We aim to realize a turnaround from our forecast profit decline this fiscal year and will continue to strengthen our financial base while improving our ability to generate profit and cash flow.

While we have downwardly revised our profit forecasts, there is no change to our plan to pay an annual dividend this fiscal year of ¥35 per share. We will improve shareholder returns while reinforcing our financial base.

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