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(For your information)

Mazda Motor Corporation
FISCAL YEAR MARCH 2019 THIRD QUARTER FINANCIAL RESULTS
(Speech Outline)

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Thank you for joining our earnings announcement today.

1. HIGHLIGHTS

In the first nine months of FY March 2019, global sales were down 1% year on year to 1.17 million units.

Sales were down from the prior year due to substantial volume decline in China despite continued volume growth in Japan and ASEAN region.

By carline, crossover models maintained strong sales momentum with launches of updated CX-5 and CX-8 in Japan.

We revealed the all-new Mazda3 at the Los Angeles Auto Show in November last year.

Revenue was ¥2,622.6 billion, operating profit was ¥59.6 billion, and net income was ¥37.0 billion.

The full year forecast for FY March 2019 is revised to reflect the current status of sales and exchange rate assumptions.

Global sales volume forecast is revised down from the October forecast to 1,569,000 units, but operating profit is revised up ¥10 billion to ¥80 billion, and net income to ¥55 billion.

2. FISCAL YEAR MARCH 2019 NINE MONTH RESULTS

Global sales volume was 1.17 million units, down 1% year on year.

Global sales volume declined due to lower sales in China, despite increased sales in Japan and ASEAN markets, including Thailand and Vietnam.

Sales of crossovers maintained strong momentum thanks to launches of updated CX-5, CX-8 and other models.

I will talk about sales in each market.

In Japan, sales were 150,000 units, up 7% year on year. Registered vehicle market share was 5.1%, up 0.4 points year on year.

Updated CX-5 and CX-8 were launched in November.

Updated CX-5 became the first model in Japan available with the Skyactiv-G 2.5T turbo gasoline engine. Skyactiv-G 2.5 and 2.5T gasoline engines were added to the CX-8 powertrain lineup.

CX-5 and CX-8 drove the sales increase in Japan.

CX-8 won Japan Automobile Hall of Fame's 2018-2019 Car of the Year Award.

Sales in North America were 320,000 units, on par with the previous year.

Sales in the United States were 216,000 units, down 2% year on year.

In the United States, a difficult sales environment continues due to declining demand for sedan models, but sales of crossover models were strong, with updated CX-5 and CX-9 both achieving year-on-year growth.

Sales in Canada were 58,000 units, down 1% year on year. Sales in Mexico were 45,000 units, up 8% year on year, driven by Mazda2 volume growth.

Sales in Europe were 196,000 units, up 2% year on year.

Sales of Mazda2 and CX-5 were strong, up 8% year on year to 24,000 units and 15% year on year to 70,000 units respectively.

Sales in Europe excluding Russia were 171,000 units, down 1% year on year.

Sales in Germany were 49,000 units, down 2% year on year. Sales in the UK were 25,000 units, up 6% year on year. Sales in Spain were 16,000 units, up 10% year on year.

Sales in Russia were strong at 26,000 units, up 24% year on year, outperforming the increase in industry demand.

Sales in China were 195,000 units, down 20% year on year.

The sales environment continued to deteriorate due to the economic slowdown. Sales of key models, including Mazda3, declined.

We are continuing initiatives to improve the quality of sales, such as sales focused on communicating product values and maintaining dealer inventory at appropriate levels.

Sales in other markets were 309,000 units, up 7% year on year.

Sales in Australia were 82,000 units, down 5% year on year.

We maintained market share on par with the previous year despite declining demand.

While competition intensified, net revenue of crossover models improved owing to updated CX-5 and CX-9.

Sales in the ASEAN region were 104,000 units, up 26% year on year.

Sales in Thailand were 54,000 units, up 35% year on year, and sales in Vietnam were 24,000 units, up 24% year on year, driving volume growth in ASEAN.

I would like to explain the financial results for the first nine months of FY March 2019. Revenue was ¥2,622.6 billion, up 3% year on year.

Operating profit was ¥59.6 billion, down 44% year on year; ordinary profit was ¥85.4 billion; and net income was ¥37.0 billion, down 56% year on year. The yen averaged ¥111 to the US dollar, ¥1 stronger than the prior year, and ¥129 to euro, ¥1 weaker than the prior year.

I would like to explain the key factors behind the ¥47.5 billion operating profit decrease. Despite increased wholesale volume, volume and mix deteriorated ¥22.0 billion because of increased marketing expenses due to higher interest rates in the United States and fiercer competition, reduced OEM supply and decreased knock-down parts shipment for China. Foreign exchange deteriorated ¥21.2 billion due to deteriorations in the Australian dollar and emerging country currencies such as the Russian ruble and Thai baht. These were partially offset by the impact of a weaker yen against the euro.

Variable costs improved ¥18.3 billion, as hikes in raw material prices were offset by cost improvement efforts.

R&D costs increased ¥1.5 billion.

Other fixed costs deteriorated ¥21.1 billion mainly due to investments for US sales network reforms, costs for compliance with environmental regulations in Europe and quality-related costs.

3. FISCAL YEAR MARCH 2019 FULL YEAR FORECAST

Global sales volume is projected to be 1,569,000 units, down 47,000 units from the October forecast.

The sales plan for China was revised to reflect the current sales performance and the deterioration of sales environment based on the economic slowdown.

We aim at sales focused on communicating product values and maintaining dealer inventory at appropriate levels.

I will explain the financial forecast.

Forecast revenue is revised up ¥20 billion to ¥3,550 billion, as we intend to make full use of our production capacity in the 4th quarter and increase wholesale volume.

Operating profit, ordinary profit and profit before tax are revised up ¥10 billion each to ¥80 billion, ¥110 billion and ¥97 billion, respectively.

Forecast net income is ¥55 billion.

Exchange rate assumptions for the 4th quarter are updated to reflect current market rates.

I will now explain the key factors behind the ¥10 billion operating profit increase from October forecast.

Volume and mix improvement is limited to ¥6 billion, as the impact of increased wholesales will be partially offset by a reduction in knockdown parts for China.

Foreign exchange is projected to deteriorate ¥4.1 billion reflecting the impact of a stronger yen against euro and other currencies.

Variable costs will deteriorate ¥0.8 billion, reflecting the impact of hikes in raw material prices.

Other fixed cost is projected to improve ¥8.9 billion through reduced advertising expenses, etc.

I would like to explain the key factors behind the operating profit decrease of ¥66.4 billion from the prior year reflecting the changes from the October forecast.

Volume and mix is projected to deteriorate ¥14.6 billion, because of increased marketing expense, reduced OEM supply and decreased shipments of knock-down parts for China, although wholesale volume is expected to increase.

Foreign exchange is projected to deteriorate ¥37.4 billion due to appreciation of the yen against the Australian dollar and emerging market currencies, such as the Russian ruble.

Variable costs will improve by ¥18.2 billion thanks to cost improvement efforts, despite hikes in raw material prices. R&D cost will increase by ¥2 billion.

Other fixed costs will deteriorate by ¥30.6 billion due to investments in US sales network reforms, costs for compliance with environmental regulations in Europe, and quality-related costs.

4. PROGRESS OF KEY INITIATIVES

I will speak about the progress of our key initiatives.

We revealed the all-new Mazda3 at the Los Angeles Auto Show.

The sedan and hatchback models have distinct personalities, and both models were very well received by the media and visitors to the show.

The new Mazda3 offers driving pleasure with greatly enhanced quality in all the areas that matter to drivers.

A wide variety of engines, including Skyactiv-X, are available to meet market needs.

Sales launches start in 2019, starting from North America.

We are making a good progress in the sales network reforms in the United States.

By 2021, we plan to increase the number of next-generation brand dealers to 300, more than half the total network. So far, about 250 dealers have signed up for the investment, putting progress ahead of schedule.

Mainly among next-generation brand dealers, we are seeing steady improvement in operational quality such as retention, certified-pre-owned business, and service visits. We will make sure to achieve growth in the United States.

In addition to the new-generation product launch and network transformation, we have started construction of the new JV plant in the United States. We are making a good progress in the key initiatives.

2019 is the first year of a new generation. Following on from the launch of the all-new Mazda3, a new crossover will be revealed at the Geneva Auto Show as the second model in the new-generation lineup.

As we further raise our brand value through new-generation products which enhance the value of car-ownership, we will ensure a solid foundation for future growth and aim to become a brand connected to customers with the strongest of bonds.

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