

February 5, 2020

(For your information)

**Mazda Motor Corporation**  
**FISCAL YEAR MARCH 2020 THIRD QUARTER FINANCIAL RESULTS**  
(Speech Outline)

**Tetsuya Fujimoto**  
**Managing Executive Officer in charge of Finance**

Thank you for joining our financial results announcement today.

**1. HIGHLIGHTS**

In the first nine months of FY March 2020, global sales were 1,106,000 units, down 5% year on year.

In terms of introduction of new-generation products, we launched CX-30, our second new-generation product in Europe and Japan.

Revenue was ¥2,556.3 billion, operating profit was ¥32.3 billion, and net income was ¥32.4 billion. Sales quality improvement progressed as planned through reduced marketing expenses and improved per-unit profit.

Full-year forecast of global sales volume has been revised to 1.5 million units, reflecting current market environment and sales performance. Exchange rate assumptions have also been revised to reflect the current market rates.

Although the revision of exchange rate assumptions has a favorable profit impact versus November's forecast, the forecast for operating profit and net income remains unchanged due to negative impact mainly from decline in sales volume.

**2. FISCAL YEAR MARCH 2020 NINE MONTH RESULTS**

Global sales in the first nine months were 1,106,000 units, down 5% year on year due to competitive sales environment comprising of challenges such as decline in demand within major markets.

On the other hand, for the three months in the third quarter, sales in Europe, North America, and China achieved year-on-year growth, and global sales were 376,000 units, on par with the prior year.

As we continue to work towards further improvement of sales quality, we are proceeding with initiatives for volume growth.

Next, I will talk about sales in each market.

In Japan, sales were 139,000 units, down 7% year on year. Registered vehicle market share was

4.9%, down 0.2 points year on year.

Mainly due to industry slowdown after the consumption tax hike in October, sales of current models were down year on year.

On the other hand, order intake and sales of the new-generation Mazda3 and CX-30 remained strong and models equipped with Skyactiv-X were well received.

We continue to promote sales initiatives such as test-drive campaigns so that our customers can experience our products' value. We also encourage customers purchase new models through trade-in schemes, utilizing high residual value of their Mazda cars to secure sales volume.

In North America, sales were 305,000 units, down 5% year on year.

In the US, sales were 208,000 units, down 4% year on year. We continue to improve sales quality by lowering fleet sales and improving transaction price.

For the three months in the third quarter, sales increased year on year, mainly driven by updated CX-5 and CX-9.

Starting from the fourth quarter, full-scale sales of CX-30 will start, and we aim to achieve further increase in sales volume.

Sales in Canada were 53,000 units, down 9% year on year, and sales in Mexico were 44,000 units, down 2% year on year.

In Europe, sales were 219,000 units, up 11% year on year.

Sales excluding Russia were 195,000 units, up 14% year on year. Sales in Germany were 54,000 units, up 10% year on year. Sales in UK were 27,000 units, up 7% year on year.

Strong sales of CX-30 have contributed to the volume growth since its launch in September.

High-grade models equipped with Skyactiv-X enjoyed high popularity, with order mix of 39% for Mazda3 and 44% for CX-30.

Sales in Russia were 24,000 units, down 7% year on year.

In China, sales were 175,000 units, down 10% year on year.

Sales for the three months in the third quarter were 66,000 units, up 7% year on year.

Sales of the Mazda3 for the third quarter were up year on year, driven by the new model.

Sales trends of Mazda6 and CX-4 improved after the launches of the updated models.

We are strengthening value communication activities including test-drive events to support the launches of new models.

In other markets, sales were 269,000 units, down 13% year on year.

In Australia, sales were 69,000 units, down 15% year on year, as the contraction in demand mainly for sedan models continued. CX-30 will be launched in the fourth quarter.

In ASEAN, sales were 82,000 units, down 21% year on year. Sales in Thailand were 42,000 units, down 23% year on year, and sales in Vietnam were 21,000 units, down 10% year on year.

Next, I will explain the financial results for the first nine months.

Revenue decreased 2% year on year to ¥2,556.3 billion. Operating profit was down 43% year on year to ¥32.3 billion, ordinary profit was ¥50.1 billion, and net income was down 8% year on year to ¥32.4 billion.

Exchange rates were ¥109 to the US dollar, ¥2 stronger than a year ago, and ¥121 to Euro, ¥8 stronger than a year ago.

Also, consolidated wholesales volume, which influences consolidated financial results, was 915,000 units, down 48,000 units year on year.

I will explain the factors behind the year-on-year changes.

Operating profit deteriorated ¥24.8 billion year on year from ¥57.1 billion to ¥32.3 billion.

Volume and mix improved ¥28.2 billion through continuous improvement of sales quality, despite lower wholesales volume.

A high-level breakdown includes a deterioration of ¥25 billion due to wholesales volume decreasing by 48,000 units, which was offset by a ¥35 billion improvement from reduced marketing expenses and improved per-unit profit, in addition to a ¥15 billion improvement owing to a better sales mix.

Foreign exchange rates deteriorated ¥54.7 billion in total, due mainly to deteriorations from the Euro and Australian dollar.

Variable costs improved ¥15.7 billion, as a result of cost improvement efforts offsetting deterioration of approximately ¥5 billion from increased raw material prices.

R&D costs increased ¥2.5 billion.

Other fixed costs increased ¥11.5 billion, due to increase in investments for growth, such as investment for the new US plant and depreciation costs.

### **3. FISCAL YEAR MARCH 2020 FULL YEAR FORECAST**

Global sales volume has been revised from 1.55 million units announced in November to 1.5 million units, as demand in each market is declining more than expected and competition in the automotive industry is intensifying.

Although sales volume has been revised down, we continue to strengthen qualitative improvement of sales and make great efforts to minimize the impact on profits.

Next, I will explain financial metrics.

Operating profit remains unchanged from November forecast at ¥60 billion despite changes in the breakdown.

Ordinary profit and net income also remain unchanged at ¥70 billion and ¥43 billion respectively.

Exchange rate assumptions have been revised to the market rates because the yen is weakening against key currencies in comparison to the November forecast.

US dollar has been revised to ¥109, ¥2 weaker, and Euro to ¥121, ¥2 weaker than the assumptions announced in November.

Consolidated wholesale volume has been revised by 11,000 units compared to the November forecast, down to 1,268,000 units, down 43,000 units year on year.

While operating profit remains unchanged at ¥60 billion from the November forecast, the breakdown has been revised based on changes in sales volume and exchange rate assumptions. First, I would like to go through the factors behind the year-on-year changes.

Volume & mix will improve ¥34.8 billion. Although the wholesales volume is down by 43,000 units, effects of reduced marketing expenses and improved per-unit profit including price increase will significantly exceed the negative impact of the volume decline.

Foreign exchange rates are forecast to deteriorate ¥66.9 billion due to stronger yen against all key currencies.

Variable costs will improve ¥25.0 billion thanks to cost improvement efforts, despite deterioration caused by raw material price hikes.

R&D cost is expected to increase ¥4.3 billion.

Other fixed costs will increase ¥10.9 billion, as we continue to improve fixed costs, despite an increase of investment for future growth including investment related to the business in the US.

Now, I will explain changes compared to the November forecast.

Volume and mix will deteriorate ¥12.9 billion due to lower wholesales volume and revision of sales mix to reflect current market environment.

Foreign exchange rates improve ¥13 billion, reflecting depreciation of the yen against key currencies from the November forecast.

Variable costs improve ¥3.9 billion mainly due to cost improvement efforts; and there are no changes to R&D costs.

Other costs increase ¥4 billion mainly due to revision of fixed cost.

#### **4. PROGRESS OF KEY INITIATIVES / PLANNED SALES INITIATIVES**

I will begin with new-generation product launches.

Following Mazda3, CX-30 started global launches in this fiscal year.

Along with Mazda3 and CX-5, CX-30 is a new and important mainstay model to underpin our brand and business. Moreover, it has received many awards, both at home and abroad, following the example of Mazda3.

In addition, we launched the new-generation gasoline engine, Skyactiv-X, in Europe and Japan. Receiving high evaluation, it accounts for approximately 40% of the vehicles ordered in Europe.

At the Tokyo Motor Show last year, we unveiled an all-new EV, MX-30, which is scheduled to go into production in the first half of FY March 2021.

Next, I will explain sales initiatives by market.

In Japan, we will build sales volume by strengthening Trade Cycle Management and encouraging trade-ins with high residual value of Mazda cars. We launched updated CX-8 in November and

updated CX-5 in January. We aim to expand sales through the enhancement of product's appeal on these models, in addition to new-generation models.

In the US, we will strengthen product value communication and advertisement for CX-30 to ensure a successful launch and build sales momentum. We are proceeding with the sales network reform as planned and will promote brand value enhancement and sales growth centered around next-generation brand dealers.

In China, we will strengthen communications for the new Mazda3 as well as updated Mazda6 and CX-4 launched in this fiscal year. Leveraging Mazda's China COTY award, we will drive awareness, increase customer traffic and offer opportunities to experience the product to maintain the improving sales trend.

We will continue to promote sales quality improvement and solidify our foundations for growth.

###