

FY March 2018 Full-year Financial Results

Main Q&A

- 1. FY March 2018 operating profit increased year on year, partially thanks to foreign exchange impact, and sales volume grew. How do you assess FY March 2018 results?**

Sales volume grew as planned due to high product competitiveness of SKYACTIV models and updated models. On the other hand, we could not fully respond to increasing competition and a significant shift of demand from sedans to SUVs in the US. We will strengthen our brand value and improve supply of crossovers through increase in production capacity of crossovers. In this fiscal year, we aim to continue to achieve volume growth with more-competitive 2nd generation SKYACTIV models.

- 2. In the US market, the situation of sales and incentive was challenging until the 3rd quarter, but it has been turning around since January 2018. What is the reason for the turnaround?**

Non-fleet sales in the US were at the same level as prior year until the 3rd quarter, but achieved a growth of more than 7% year on year in the 4th quarter (January to March 2018). This is due to improved supply of crossovers with the start of CX-5 production at Hofu plant, realizing sufficient supply to the US market. Sales environment of sedans remain tough, but our marketing strategy focusing on advertisement started in mid-4th quarter is showing results.

- 3. What is the reason for changing to two-shift operation at Hofu Plant No. 2, while lower working population and stronger yen are affecting?**

From August 2018, we will start two-shift operation at Hofu Plant No.2, and reduce production tact speed by half at the same time. This change to two-shift operation is not to increase production volume at Hofu plant in this fiscal year, but it is to realize more efficient and flexible production system to meet a possible further rise in demand of crossovers, etc. by matching production system between Hiroshima and Hofu plants. We do not increase the number of employees for this change to two-shift operation.

When we produce next-generation products, we will have a flexible production system globally so that both sedans and crossovers can be produced at any of our plants.

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