August 1, 2018

Mazda Motor Corporation

FY March 2019 First Quarter Financial Results
Main Q&A

1. **Please summarize results for FY March 2019 First Quarter**

   In the first quarter of FY March 2019, global sales were 403,000 units, up 7% year on year, setting a new record for the first quarter. Strong sales of crossover models and improved sales momentum driven by the introduction of updated models contributed to increased sales. By region, sales in Japan, the U.S. and ASEAN markets increased year on year.

   Revenue for the period was ¥873.1 billion (up ¥71.0 billion year on year). Operating profit was ¥33.1 billion (down ¥6.8 billion), and net income was ¥20.6 billion (down ¥16.0 billion). The main factors for the year-on-year decrease in operating profit include a decline of volume and mix driven by intensified competition and higher raw materials prices. However, steady progress was made towards the full year forecast.

2. **Why did volume & mix deteriorate despite increase in wholesales volume and higher crossover mix? Operating profit appeared to exceed the plan toward full year target of ¥105 billion. If not for the heavy rain impact, is there upward opportunity?**

   Despite the improvement in wholesales volume, etc. thanks to launches of new CX-5 and CX-8, volume & mix declined ¥6 billion, mainly due to increased marketing costs caused by higher interest rates in the U.S. and intense competition in global markets, and the reduced supply of OEM products. Although the results for the first quarter seemed to exceed the plan toward full year target, investment for U.S. sales network reforms and costs for compliance with environmental regulations are expected and there will be an effect of launching a new-generation model in the second half of this fiscal year. Thus, the 1Q results were in line with our plan toward full year operating profit target of ¥105 billion.

3. **While the impact of the recent record rains on business performance is still under investigation, please let us know any specific recovery actions supposed to be taken.**

   Currently, we are still investigating the impact on production and sales plans and business performance. In sales, we utilize in-group inventory to reduce impact on sales. In production, we aim at early recovery by working closely with suppliers and utilizing overseas plants. Our highest priority is on supporting the recovery, and entire Mazda group will work to minimize the impact.

4. **If the U.S. imposes 25% tariff on automobiles, or if NAFTA renegotiation results in 75% regional value content, what will be the impacts and countermeasures?**

   We always run our business from a global perspective for medium- to long-term, and pay keen attention to the situation and trade environment of those countries where we do business with. Mazda is concerned that the additional tariffs will have serious impact on employment and economy in the U.S. Business activities of global automobile related companies are based on current NAFTA conditions. Therefore, breakdown of negotiation or significant changes to NAFTA will have a huge impact on North American business. We hope NAFTA renegotiation will lead to maintaining or strengthening industry competitiveness of North America and the U.S.

###