February 6, 2019
Mazda Motor Corporation

FY March 2019 Third Quarter Financial Results
Main Q&A

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

   In the first nine months of FY March 2019, global sales were down 1% year on year to 1.17 million units, due to substantial volume decline in China despite continued volume growth in Japan and ASEAN region. Crossover models maintained strong sales momentum.

   Consolidated revenue was ¥2,622.6 billion, up 3% year on year, due to the increased wholesales, etc. Operating profit was ¥59.6 billion, down 44% year on year, resulting from the increase in marketing expenses due to the intensifying competition, exchange rate impact, as well as investment for US sales network reforms, costs for compliance with environmental regulations in Europe, quality-related cost, etc. which offset increased sales and cost improvement. Net income was ¥37 billion, down 56% year on year.

   We revealed the all-new Mazda3 at the Los Angeles Auto Show in November 2018. The model was very well received and its sales launches start early 2019, starting from North America. We are making a good progress in sales network reforms in the U.S. As we have also started construction of the new JV plant in the U.S., we are making a good progress in the key initiatives.

2. **Sales in China continue declining and full year sales volume plan is revised down. Please explain future forecast and initiatives to improve.**

   In China, sales environment continued to deteriorate due to economic slowdown and intensified competition, and sales of key models including Mazda3 declined. Challenging sales environment will continue, and we revised down full year sales volume forecast.

   We continue sales focused on communicating product value, which we have been working with dealers, and maintaining dealer inventory at appropriate levels to improve quality of sales. We keep our brand-focused policy from mid- and long-term perspective.

3. **Please explain factors for slow sales in the U.S. and progress of sales network reforms.**

   In the U.S., a difficult sales environment continued due to declining demand for sedan models. Sales of crossover models were strong, with updated CX-5 and CX-9 both achieving year-on-year growth but sales in the U.S. declined partially due to production drop and supply constrains following heavy rains in July 2018. Difficult sales environment will continue but we promote initiatives to improve quality of sales by reducing incentives and focusing on per-unit profit.

Concerning sales network reforms, we plan to increase the number of next-generation brand dealers to 300 by 2021. 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 continue the network reforms to make sure to achieve growth in the U.S.

4. What are the main factors for revisions to full year forecast?

Full year global sales volume is revised down 47,000 units from October forecast to 1,569,000 units. Wholesales volume, however, is projected to increase 16,000 units from October forecast by increase production volume through efficiency improvement and working on holidays. Exchange rate assumptions for the fourth quarter are revised to reflect the current levels.

Full year operating profit forecast is revised up to ¥80 billion from October forecast of ¥70 billion, reflecting volume and mix improvement due to increased wholesales, and improvement in fixed marketing expenses (advertising expenses) and other fixed costs, while negative impact from exchange rates and hikes in raw material prices is projected.

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