May 12, 2023

(For your information)

Mazda Motor Corporation
FY March 2023 Full Year Financial Results Briefing (for analysts)
Main Q&A

Q1: Could you please comment on how confident you are about your FY March 2024 profit forecast. What are the risks and opportunities?

A1: We are ready to produce more than 100,000 units a month and 1.2 million units a year. On the other hand, there is still risk in procuring parts, although we are now able to procure semiconductors and other components more reliably than before. There is also a risk of a shortage of transport vessels. Around the time of the Covid pandemic, vessels were being scrapped and are now in the transition period of being replaced by environmentally friendly LNG carriers. Furthermore, an increase in the export of Chinese EVs to Europe is also causing vessel shortages. Learning from our previous experience of not being able to ship vehicles we produced due to the unavailability of transport vessels last fiscal year, we will work on leveling our parts procurement and manufacturing this fiscal year to ensure we can sell all the products we produce.
As to opportunities, pricing actions and variable marketing expenses are not something we can always control on our own, but we are determined to look for and reap the benefits of opportunities without fail by carefully monitoring the competitive situation and selling methods.

Q2: Please tell us about how confident you are of achieving global sales of 1.3 million units in FY March 2024, as well as monthly and quarterly production trends, and regional characteristics.

A2: We plan to increase production and wholesales by around 130,000 to 140,000 units this fiscal year. In Japan, we will gradually increase production in the second half of the year with the introduction of our Large Products. In North America, we also plan to increase production with the start of two-shift operations. In terms of the deployment of products, production will be slightly higher in the second half of the year, but our plan is to equalize quarterly production volume including logistics as much as possible. Global production is already 100,000 units per month, and we believe 1.2 million units is achievable. To achieve sales of 1.3 million units, we will challenge ourselves to meet this target, but it depends on the sales turnaround in China.
This fiscal year we also introduced Large Products in North America. In Japan and Europe, where we introduced our Large Products ahead of North America, we will have a complete lineup of all our Large Products.
This year we expect our new products to contribute to sales throughout the year. In all markets, we have prepared our initial budgets on the assumption that unrealized volumes occur due to supply shortages, and we believe that demand will precede supply evenly across markets.

Q3: In regard to operating return on sales, I think you could aim for a slightly higher profit level than 4%, considering the current exchange rate and full-year contribution of the CX-90 and CX-50. Please tell us what parts of the plan require particular effort to meet your medium-term plan targets.

A3: We would like to challenge ourselves to achieve a higher margin than the 4% target. With the introduction of our Large Products, we are expecting an increase in the mix of crossover products. Compared to net results in the fourth quarter, excluding one-off factors, the profitability per unit is steadily improving despite unfavorable exchange rates. Among the main reasons why overall

management efficiency has not sufficiently improved are, for example, the utilization rate and profitability of the Mexican plant and the profitability of the U.S. joint venture plant. Once these plants are utilized more efficiently, we will be able to get closer to what we envisioned.
In addition, we are promoting cost reduction activities. As we move forward with electrification, we intend to work together with our business partners to improve as much as possible the efficiency of the supply chain, which is centered on the internal combustion engine, to further enhance our strength. Although we do not expect to fully reap results of our efforts this fiscal year, we would like to improve management efficiency by implementing initiatives in stages during the Medium-term Management Plan period and generate solid profits to fund electrification.

Q4: The CX-90 in the US is an important model that is attracting attention. How many units are you planning for the model in the US this fiscal year? Do you anticipate any production or supply constraints? How much can you increase production capacity this fiscal year and next?

A4: Without giving a specific breakdown, I will say the majority of the growth in sales from 300,000 to 360,000 units in the US will be driven by the CX-50, thanks to the two-shift operations at the Alabama plant and the full-scale launch of the CX-90. We aim to produce a total of 150,000 Large Products this fiscal year, but as the products are launched in stages over an extended period of time, the full-year contribution of all Large Products in global markets including the US is not expected until the next fiscal year. Please understand that the production capacity of Large Products in Japan will expand from this fiscal year to next fiscal year.

Q5: Do you still have to consider the impact of semiconductor shortages a limiting factor?

A5: The impact is still a limiting factor, but we have taken various steps to resolve the issue including identifying risky semiconductors, changing parts specifications, and switching to general-purpose chips. We have also worked with semiconductor manufacturers to make available semiconductors as usable as possible and to stably procure them. Surprises are becoming less likely to occur, but we need to continue to monitor the situation closely. Although the situation is expected to continue, it has improved from the previous year through cooperation between semiconductor manufacturers and automotive OEMs.

Q6: How are structural reforms in operations in China progressing?

A6: The divergence between the global model and new energy vehicles and smart technologies that are currently developing in China is widening. This fiscal year, we will introduce a China-produced CX-50 internal combustion engine model and a hybrid model to appeal to outdoor and off-road oriented customers who are not attracted to new energy vehicles. At the end of next year, we will introduce one EV model exclusive for China with BEV and PHEV lineup, which we explained at the Shanghai Motor Show. This model is based on technology developed with Changan Automobile. We will also introduce another model in the same lineup in 2025. As we respond to unique demand in China, we will return to a growth path by gradually transitioning to a product portfolio that simultaneously promotes the appeal of Mazda design and driving pleasure and satisfies Chinese demand.

Q7: What is the specific timing of the start of two-shift operations at your Alabama plant?

A7 Employees on temporary transfer from Toyota Motor Corporation and Mazda have been working together as "one team" and implementing improvement activities since last September to stabilize operations. They are now on track to commence two-shift operations in July. The quality level and delivery rate from suppliers are improving. Full production cannot start immediately in July but is expected to start in Q3.

Q8: What is the profitability for each region in FY March 2023? I understand that the US has been a highly profitable market but are local production costs of the CX-50 increasing?

A8: Although our plants in Alabama and Mexico are affected by soaring raw material prices and labor costs, we believe that we can generate profits in the North American market because it is a market where we can relatively increase prices. In terms of a sizeable balance, the North American market, especially the US market, is still quite profitable. We have also been able to establish our Mazda brand in the Oceania region, where Australia is a very profitable market. Although there are various countries in Europe and the situation differs from country to country, we believe that we achieve profitability by diversifying our business into three overseas markets: North America, Oceania (including Australia), and Europe. Although there are slight regional fluctuations due to the influence of foreign exchange rates and other factors, we are maintaining a good balance at present, and we aim to increase profits, particularly in the North American market.

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