April 27, 2016

(For your information)

Mazda Motor Corporation

FISCAL YEAR MARCH 2016 FULL YEAR FINANCIAL RESULTS

(Speech Outline)

Managing Executive Officer
Tetsuya Fujimoto

Thank you for joining our earnings announcement today.
I'd like to express my sincere sympathies to all those affected by the earthquakes in and around Kumamoto prefecture.
We pray for their safety and for a quick recovery in the affected areas.

1. CONSOLIDATED FINANCIAL RESULTS AND FORECAST SUMMARY

First, I will summarize our consolidated financial results and our forecast.
In FY March 2016, global sales volume was 1,534,000 units, the highest on record.
Revenue was ¥3,406.6 billion, operating profit was ¥226.8 billion, and net income was ¥134.4 billion.
In FY March 2017, we forecast global sales of 1.55 million units, operating profit of ¥170 billion and net income of ¥115 billion.
We will enhance efforts to improve volume and profitability by introducing new products and updated models, improve costs and reduce fixed costs.

2. FISCAL YEAR MARCH 2016 RESULTS

Global sales volume for FY March 2016 was 1,534,000 units, up 10% from the prior year.
This is due to strong sales of Mazda6/Atenza and CX-5, in addition to the progress in launching new models such as CX-3 and the new MX-5/Roadster globally.
Sales in all major markets increased year-on-year.

I would like to explain the sales results by market.
Sales in Japan were 232,000 units, up 3% year-on-year.
Our sales grew thanks to the launch of the new Roadster and the full-year contribution of the CX-3, though overall demand was down from the previous year.

In North America, sales were 438,000 units, up 3% year-on-year.
In the United States, sales were 306,000 units, on par with last year, but fleet sales were restrained

and retail volume increased. The retail volume growth was driven by continuing strong sales of the updated CX-5 and sales of CX-3 and new MX-5 getting into full swing.
In Mexico, sales were 59,000 units, up 30% year-on-year, due to strong sales of the Mazda2 and Mazda3.

In Europe, sales were 257,000 units, up 12% year-on-year, driven by the Mazda2 and CX-3.
Sales in Europe, excluding Russia, grew 27% year-on-year to 232,000 units, far outpacing overall demand growth.
Sales in Germany were 60,000 units, up 17% year-on-year, and sales in UK were 48,000 units, up 20% year-on-year, showing strong increases.

In China, sales were 235,000 units, up 10% year-on-year.
Sales of Mazda3 remained strong, thanks in part to a reduction in purchase tax which went into effect in October 2015. The updated CX-5 and Mazda6 also contributed to sales growth.
The new CX-4 crossover SUV was unveiled at the Beijing Auto Show this week.
With a striking presence, the functionality modern users expect and Jinba-ittai (Horse and Rider as one) driving, CX-4 is a new type of crossover SUV designed to support customers' creative lives.

Sales in other markets were 372,000 units, up 23% year-on-year.
Sales in Australia were 116,000 units, up 15% year-on-year, and market share reached 10%.
The CX-3 and CX-5 were the best sellers in their segments and sales of the new MX-5 were also strong.
Sales in Thailand increased 23% year-on-year, despite declining demand. Sales in Vietnam increased 90% year-on-year and in the ASEAN region as a whole rose 32% year-on-year.
In other markets, sales of Mazda3 and CX-5 were strong.
Record-high sales were achieved in New Zealand, Saudi Arabia, Chile, and Columbia.

Next, I would like to explain financial result.
Revenue was ¥3 trillion 406.6 billion, up 12% year-on-year. Operating profit was ¥226.8 billion, up ¥23.9 billion from the prior year.
Net income was ¥134.4 billion, down ¥24.4 billion from the prior year. This is owing to booking of extraordinary loss of ¥40.7 billion for quality-related expenditures concerning Takata airbags, as well as recognition of long-term deferred tax assets as a result of elimination of tax loss carried forward and reviewing the possibility to recover deferred tax assets in the future.
Free cash flow was ¥154.7 billion. Our ability to generate cash flow is steadily improving.
The exchange rates were ¥120 to the US dollar and ¥133 to the Euro, ¥10 weaker and ¥6 stronger respectively, compared to the prior year.

Next, I would like to explain the key factors behind the ¥23.9 billion improvement in operating profit over the prior year.
Volume and mix improved ¥56 billion, thanks to increased sales globally.
For exchange rates, there was an improvement of ¥12.8 billion from the US dollar, but a ¥10.3 billion deterioration from the Euro and ¥44.9 billion deterioration from other currencies combined to create ¥42.4 billion deterioration in total.
Variable costs improved ¥43.7 billion, driven by a reduction in raw material prices and progress in cost improvement efforts. Marketing expenses improved ¥1.7 billion.
Other fixed cost increased ¥35.1 billion due to increased R&D costs and depreciation costs for new plants in Mexico and Thailand, as well as booking of costs for customer-related actions.

3. FISCAL YEAR MARCH 2017 FORECAST

I will now take you through the forecast for FY March 2017.
Please beware that we have not incorporated any impact from the earthquakes that occurred in Kumamoto into our FY March 2017 sales and financial projections. We are carefully evaluating the impact and we will make an announcement at a later time if we expect any significant impact.

Global sales in FY March 2017 are projected to increase 16,000 units from the prior year to 1.55 million units.
We aim for continuous volume growth with the introduction of new models such as the CX-9 and updated models like Mazda6/Atenza and CX-5, which have proved very popular.
Sales volume growth is smaller than the prior fiscal year, mainly because expansion of crossover production capacity cannot keep up with pace of increasing demand. Utilization rates will not increase due to preparations for new model launches scheduled in this fiscal year.
We will enhance production flexibility between passenger vehicles and crossover vehicles, and expand production and sales by around 100,000 units in next two fiscal years to achieve 1.65 million units.

Next, I would like to talk about financial projections.
We forecast revenue of ¥3 trillion and 280 billion, operating profit of ¥170 billion, and net income of ¥115 billion.
The exchange rate assumptions are ¥110 to the US dollar and ¥125 to the Euro, ¥10 and ¥8 stronger respectively, compared to the prior year.

I will explain operating profit changes.
Firstly, improvement factors are volume growth and profitability improvement, cost improvement and containment of fixed costs.
Volume and mix is expected to improve ¥18.0 billion, as we roll-out new products like new CX-9 and updated models.
Based on foreign exchange trends, we will manage mix to more profitable markets and take

pricing actions.
In the area of variable costs, we expect ¥31.0 billion improvement from cost improvements of new products by Monotsukuri Innovation and cost development in overseas plants. (This includes price reductions of raw materials.)
In other fixed costs, we will reduce controllable costs except for R&D costs and other investments for future growth.

On the other hand, there are two deterioration factors which include exchange impact and investment for growth.
The yen has appreciated against the US dollar, the Euro and other key currencies from the prior year.
The projected impact by currency is ¥15.6 billion from the US dollar, ¥14.9 billion from the Euro, ¥12.9 billion from the Canadian dollar, ¥13.8 billion from the Australian dollar, ¥11.0 billion from the British pound and ¥12.8 billion from other currencies. Total impact is expected to be ¥81.0 billion.
The other fixed costs are projected to increase ¥20.8 billion, which includes enhanced R&D for the future, and increasing depreciation of new plants and equipment for new products.
Although exchange rates will significantly deteriorate, we will make every effort to deal with this in the areas of R&D, manufacturing, sales and finance.

Representative Director, President and CEO
Masamichi Kogai

4. STRUCTURAL REFORM PLAN REVIEW

The Structural Reform Plan was formulated to enable Mazda to respond to changes in the external environment following the Lehman Brothers collapse, including declining vehicle demand and continued appreciation of the yen. Since announcing the plan in February 2012, we have strongly promoted structural reforms that leverage SKYACTIV Technology.
While investing for future growth, we steadily implemented the four key initiatives aimed at achieving a stable profit structure
Initiatives to improve our Brand Value were deployed globally.

I will briefly take you through the four key initiatives.
Regarding business innovation through SKYACTIV Technology, SKYACTIV models and KODO design have been highly acclaimed in Japan and overseas.
The new Roadster was named World Car of the Year and Car of the Year Japan. As such, SKYACTIV models have received numerous prestigious awards.
While increasing global sales volume by 23%, we have innovated our sales methods and promoted “right-price” sales.

Monotsukuri Innovation enabled Mazda to make more competitive products while improving costs. We have also substantially improved investment efficiency of R&D and capital expenditures.

Regarding the establishment of a global production footprint, our overseas production ratio has increased to around 40% due to the smooth launch of plants in Mexico and Thailand. This has contributed to enhanced global supply capabilities and resistance to exchange rate fluctuations.
Regarding global alliances, we will continue to promote optimum alliances in the areas of product, technology and region.
As for the partnership with Toyota, we are studying wide range of areas of cooperation with a mid-to-long term view.
In summary, the Structural Reform Plan made significant progress in every area, including products, sales, production and alliances. We made progress toward achieving a stable profit structure.
However, I believe that there is room for further improvement. In Structural Reform Stage 2, we will focus on the further enhancing those key initiatives.

5. <u>STRUCTURAL REFORM STAGE 2</u>

In Structural Reform Stage 2, we aim to achieve qualitative business growth in the areas of Monotsukuri, sales and financial structure to enhance Brand Value.
Targets for FY March 2019 are unchanged:
Global sales volume of 1.65 million units;
Operating ROS of 7% or more;
Equity ratio of 45% or more; and
Dividend payout ratio of 20% or more.
I will explain initiatives in each area.

First is product and R&D.
During Structural Reform Stage 2, we will launch 6 new models that offer driving pleasure and outstanding environmental & safety performance.
We will continue to advance our SKYACTIV products. The CX-5 and Mazda6, launched in 2012 and updated in 2015, continue to grow in sales globally with reduced incentives. We will introduce the latest design, technology and equipment to all updated models, to improve both volume and profit. We will introduce the updated Mazda3, Mazda6 and CX-3 in this fiscal year.
Furthermore, we will improve net revenue and profitability by expanding the CX-series lineup in light of the growing demand for crossovers globally.
In technology development for the next generation products, our priority will be safety and environmental performance, including ensuring compliance with increasingly stringent environmental regulations.
SKYACTIV GEN2 models will be launched during Stage 2 and i-ACTIVSENSE safety technologies will be further advanced.

In the area of global sales, we will enhance sales, with a full line-up of SKYACTIV models.
We will continue to roll-out our “right-price” sales policy and ensure its penetration globally, to improve net revenue, residual value and customer retention.
We will promote reforms at the sales frontline, focusing on improving customer care and customer brand experience.
We will also strengthen initiatives focused on improving customer retention, such as enhancing trade cycle management.
In parallel, we will take stepped approach to reinforcing and reorganizing our dealer network.
We will keep working to enrich customers’ lives through various touch points and to be a brand that has a special connection with customers.

In Monotsukuri Innovation, manufacturing innovations developed in Japan will be deployed around the globe, to accelerate cost improvements.
At the same time, we will maximize production efficiency at key sites to support volume growth to 1.65 million units without building new plants.
Our enablers are global swing production, which enables plants to supplement and complement each other, and increased production flexibility between passenger car and crossovers in response to increasing demand for crossovers.
Hofu Plant will start producing the CX-3 in FY March 2017, and later we will increase production volume of CX-5 and CX-9 at Ujina Plant. By FY March 2019, we expect to have production system in place that will allow up to 50% of models produced to be CX-series models.

Let me talk about finances.
We aim to generate stable profit and cash flow by improving brand value through steadily increased sales and qualitative business growth.
Our basic approach to financial strategies is to strengthen our financial base to achieve stable and sustainable growth, targeting an equity ratio of over 45%.
We aim to raise payout ratio in stages to 20% or higher while also reinforcing our financial base.
We will make careful judgments about striking the right balance between a strong financial base, shareholders returns and investments for future growth, but we plan to increase R&D and capital investment for the future, including responding to increasingly stringent environmental and safety technology requirements.
Lastly, I would like to talk about dividends.
FY March 2016 year-end dividend is ¥15 yen as planned, and FY March 2017 annual dividend is projected to be ¥35.
Since early 2016, financial markets, including foreign exchange markets, have been fluctuating a great deal but we plan to deliver a stable dividend with steady improvements.

6. SUMMARY

Let me summarize today's presentation.

In FY March 2016, global sales volume was 1,534,000 units, up 23% over the period of the Structural Reform Plan.

High acclaim for SKYACTIV products and KODO design in Japan and overseas contributed to improving our brand value.

Operating profit was ¥226.8 billion and net income was ¥134.4 billion. While significant changes have been made to our business structure through the steady implementation of the Structural Reform Plan, there are opportunities for further improvements. Structural Reform Stage 2 will further strengthen the business.

In FY March 2017, we forecast global sales of 1.55 million units and operating profit of ¥170 billion. Profits may be reduced due to exchange rates, but we will enhance efforts to improve volume and profitability, improve costs and reduce fixed cost.

We will pursue steady volume growth and a "right-price" sales policy by introducing new products and updated models to achieve sales of 1.65 million units in FY March 2019.

We will deploy Monotsukuri Innovation globally, maximizing production efficiency and strengthening cost improvements.

In this way, we will achieve qualitative business growth in each area. With attractive vehicles that offer driving pleasure and outstanding safety and environmental performance, and by providing an experience of the Mazda brand that exceeds customer expectations throughout the ownership period, we will build a strong bond with customers and further improve our brand value.

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