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(For your information)

Mazda Motor Corporation

FISCAL YEAR MARCH 2022 FRIST QUARTER FINANCIAL RESULTS

(Speech Outline)

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1. <u>Fiscal Year March 2022 First Quarter Results</u>

As the industry significantly slowed down and sales activities were restricted due to the COVID-19 pandemic in the first quarter of the prior fiscal year, I will explain the changes from the first quarter of FY March 2020 as well in this presentation.

In the first quarter of this fiscal year, the global sales recovered to 353,000 units, the same level as FY March 2020.
In response to production cuts caused by the semiconductor shortage, we focused on global control of inventory and lean and efficient operations. We prioritized supplying vehicles to the United States and Australia where the economy recovered and industry demand rapidly increased. In these markets, sales have been strong and outperformed the industry recovery. We had to reduce the supply of vehicles to Japan, Europe, etc. but we tried to sell each one of our vehicles while safe-guarding their product value and took measures to respond to the strong demand for second-hand cars to achieve sales recovery.

Allow me to explain our initiatives as we face the impact from the semiconductor supply shortage. Firstly, we are continuing our intensified weekly monitoring process to adjust production, sales, and inventory in a way to maximize profit. We are keeping more efficient inventory control than before in all major markets. We are allocating the limited production to strong sales markets like the US and Australia so that we can maximize sales and profit. As to an example of the USA, from very limited stock, we supplied fast-moving products and achieved strong sales with lean inventory.
As our production footprint is limited, inventory efficiency and its full utilization are critical to us. We will continue to monitor local trends and business environment changes and keep our production, sales, and inventory operation agile and flexible.

Next, I would like to present the financial metrics.
Net sales were ¥803.4 billion, operating profit was ¥26.1 billion, and net income attributable to

owners of the parent was ¥11.4 billion. Operating profit improved ¥71.4 billion year on year. Operating ROS was 3.2%, maintaining or improving the profitability from the latter half of the prior year when sales recovered from the COVID-19 impact. Also, in comparison with FY March 2020, operating profit improved ¥19.1 billion despite the fact that wholesales volume was down approximately 50,000 units and net sales were lower with the limited production due to the semiconductor supply.

I will now explain the factors behind the year-on-year operating profit improvement of ¥71.4 billion. Last year, we had posted an operating loss of ¥45.3 billion due to the COVID-19 pandemic, but we posted a positive operating profit of ¥26.1 billion in this first quarter.
Volume and mix improved ¥95.2 billion in total including an approximate ¥20 billion improvement from curbed marketing expenses, improved sales mix, etc. on top of increasing wholesales.
Variable costs deteriorated ¥7.5 billion due to the impact of raw material price hikes. Fixed costs increased ¥9.7 billion from last year when we stopped all the spending, but we are on track to our target of reaching a breakeven volume below 1 million units for the full year.

Next, let me explain changes in improvement of profit structure for the first quarter, comparing ¥26.1 billion operating profit in the first quarter of this fiscal year against ¥7 billion operating profit in the first quarter of FY March 2020 which was a pre-COVID. I will explore the factors behind the improvement of 19.1 billion.
The wholesale volume of this fiscal year was down due to the production cut caused by the semiconductor supply shortage, resulting in a deterioration of approximately ¥25 billion. Despite another deterioration of about ¥15 billion from raw material price hikes, operating profit improved by ¥19.1 billion.
The improvement was driven by an enhancement of quality of sales contributing to ¥16.0 billion level through improving per-unit profit and curbing marketing expenses.
In addition, a ¥7.5 billion improvement of variable costs and a ¥24.8 billion improvement from extensively curbing fixed costs and driving efficiency were achieved and resulted in an improvement of approximately ¥50 billion in total. We are on track to lower the breakeven volume with improved variable profit and reduced fixed costs.

I will now explore the changes in volume and profits for the first quarter of the last three fiscal years.
Global sales volume recovered to 353,000 units, which is on par with FY March 2020. Compared with FY March 2020, consolidated wholesales declined approximately 50,000 units, which is equivalent to the reduced production volume due to the semiconductor supply shortage. However, as explained earlier, operating profit significantly increased over the same quarter pre-COVID-19. These are the results of initiatives we have implemented in line with the Medium-term Management Plan. We have made progress in improving transaction prices and reducing incentive spending through customer-focused sales and services. Also through the appeal of

product value, residual value is improving. At the same time, by leveraging lessons learned from the COVID-19 pandemic, we are moving forward with our efforts on reinforcing cost reductions, and continued fixed costs reduction and efficiency improvements.

Next, I would like to talk about the changes in the break-even volume since FY March 2020.
As a result of our initiatives, Mazda's break-even volume has now reached a level below 1 million units since the second half of the last fiscal year.
We are making steady progress to strengthen profitability for delivery of financial metrics as defined in the Medium-Term Management Plan.

2. Fiscal Year March 2022 Full Year Forecast

The FY March 2022 full year forecast will remain unchanged from what was announced in May, as uncertainty regarding the future and the business environment continues, including the semiconductor supply shortage and increases in material prices. In the first quarter, the sales environment in the United States showed a recovery at an unexpectedly rapid pace. However, we need to monitor and carefully assess the situation as there remains uncertainty in factors such as future market trends, semiconductor supply shortage and price increases as a result of the shortage, another wave of COVID-19 infections as well as the risk of natural disasters such as heavy rains.

3. Summary

Based on the policy of the Medium-term Management Plan Revision, we have made steady progress in strengthening our business foundation and profitability. Investment in technologies, products and production is progressing as planned. We will update equipment at Hofu No.2 plant to prepare for Large Products in 2022 and electrification. The new plant in the United States is scheduled to start operation in 2021.
We have made progress in curbing expenses that depreciate brand value such as keeping incentives in check. Combined with such efforts, improvements in variable profit and fixed costs are also showing results in lowering the break-even volume.
As the business environment remains uncertain, we are keeping our full-year forecast unchanged.
To achieve strong growth from next fiscal year, we will continue our efforts in structural reform to make steady improvements.

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