

CHAPTER

2

VALUE CREATION
STORY

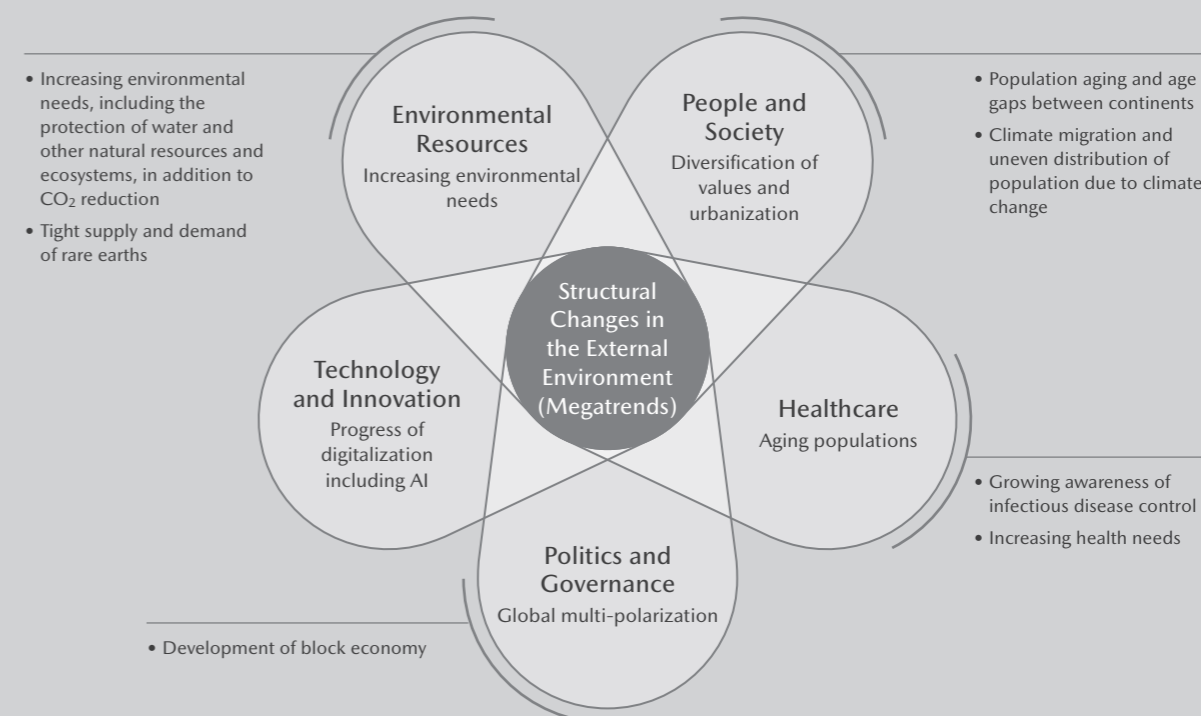
VALUE CREATION STORY

2030 VISION

To be a car-loving company that creates moving experiences
through the “joy of driving”

1. Contribute to a future sustainable Earth by providing multi-solution to mitigate climate change
2. Contribute to a society where everyone feels safe to move freely by providing technology that proactively enhances our well-being
3. Contribute to each person's “joy of living” by delivering moving and emotional experiences

Structural changes in the external environment (megatrends) and Mazda's insights

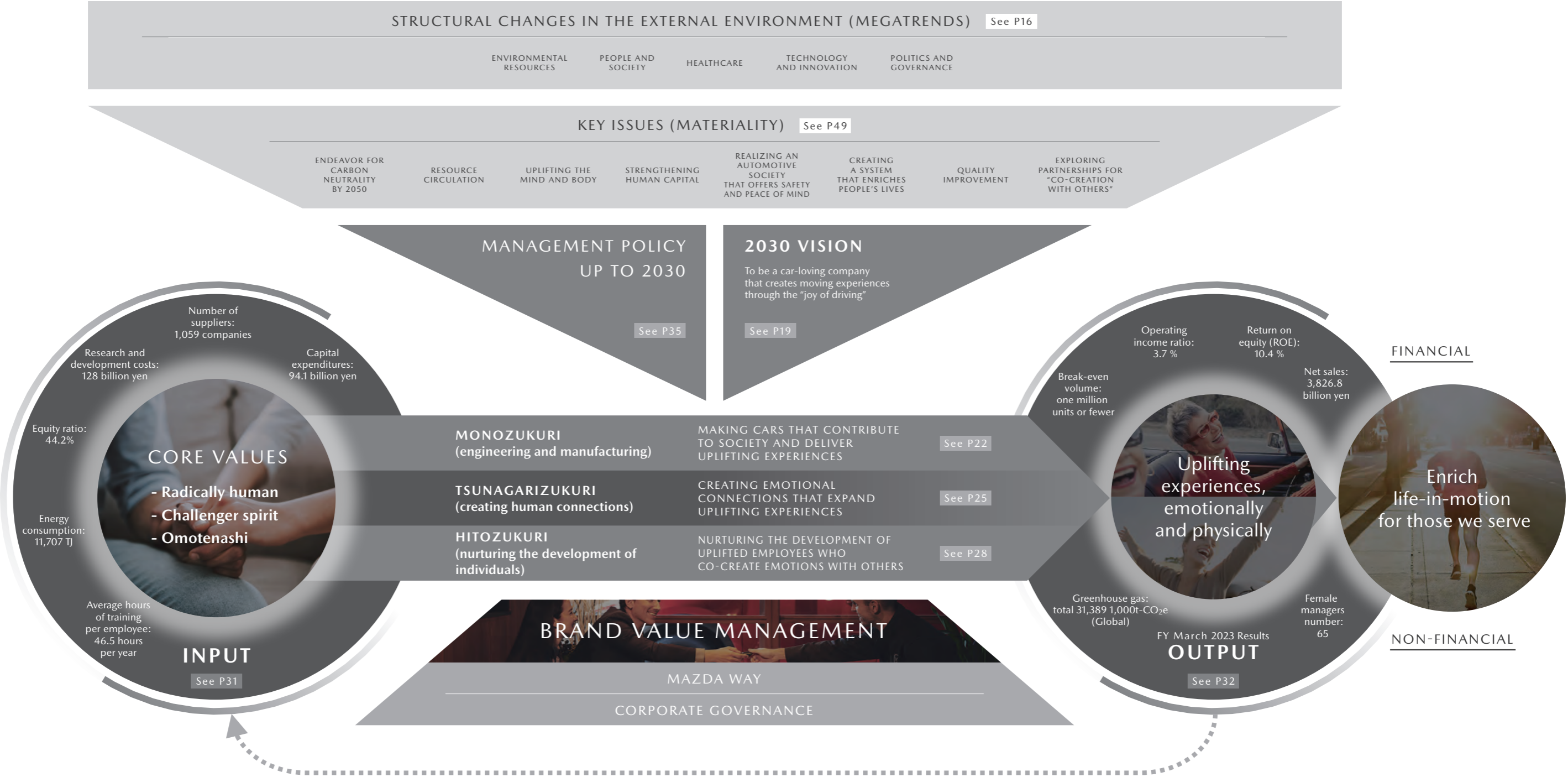


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VALUE CREATION PROCESS

VALUE CREATION PROCESS
— PRACTICE OF BRAND VALUE MANAGEMENT —



WHAT IS IMPORTANT FOR VALUE CREATION

CORPORATE PHILOSOPHY/2030 VISION

01 CORPORATE PHILOSOPHY AND 2030 VISION: BACKGROUND AND AIMS

Eiko Unoki, General Manager
Global Brand Promotion Department
Global Sales & Marketing Division

Sayaka Niki, Manager
Strategy & Analytics Group

Since 2013, Mazda has declared that its management philosophy is brand value management, and it has worked to raise its brand value through its products, technologies, and daily business in all its business areas.

What we at Mazda hope to achieve is long-lasting relationships with people that empathize with the values that the Mazda brand offers. This, we believe, will also help to raise our corporate value.

Ten years have passed since we started focusing on brand value management; as we want to further strengthen the brand, and continue to grow as a company, we need to reconsider its positioning from society's standpoint.

In recent years, consumer values and awareness have changed dramatically. An example can be seen in daily shopping behavior where consumers surrounded by countless products and services find it very difficult to differentiate between them by looking at the products or services alone.

We also live in an age in which so much information is right at our fingertips courtesy of the Internet. It is now easy to ascertain whether one's choices match up to one's values and to see what impact they have on society as a whole.

As a result of these changes, companies are now required to offer meaning to more people and society alongside their products, technologies, or services. In terms of these changing social values and perspectives, Mazda is working to clearly show its *raison d'être* as a company and as a brand, and has established companywide guidelines that set out its desired direction. Going forward, by putting these ideas into practice in our everyday tasks, we at Mazda will aim to gain the understanding, support, and trust of broad swathes of society, and to build a strong brand people continue to choose.

02 CORPORATE PHILOSOPHY AND 2030 VISION: FORMULATION

Since Mazda (or Toyo Cork Kogyo as it was then) was founded, the Company has trodden this path for more than a century thanks to the support of so many people, and yet its significance to society—its purpose—was never clearly defined. So, in 2021, we started a project to first codify the historical facts of its past. The next step was to interview employees from across the Company's wide-ranging departments and business areas. Interviews and discussions involved employees in Japan and Mazda Group employees from around the globe. We carefully listened to the thoughts of each employee, and realized that they all shared, regardless of their department, business area, or region, the same view: Mazda has continued to succeed in business because of its desire to energize people and society.

Moreover, using a variety of data and information, we carried out repeated studies into future societal changes, gaining a deeper understanding of what people want going forward.

Something that these initiatives threw light on can be summed up in the "Uplifted" concept. This concept mixes the desire and strengths the Company has traditionally valued to meet society's future desires. Based on this, to define the Mazda

brand, the Company has established its corporate philosophy, which comprises three parts: Purpose, Mazda's *raison d'être*; Promise, how the Company will provide that; and, Values, the areas on which Mazda places importance in its activities.

To make its recent specific initiatives clearer, and taking on board the tenets of its corporate philosophy, Mazda simultaneously formulated its 2030 vision to tie in to its Medium-Term Management Plan.



03 CORPORATE PHILOSOPHY AND 2030 VISION: IDEAL

Mazda aims to bring about an ideal situation in which it can, for everyone connected to the Company—be it customers, local communities, suppliers and other business partners, employees at Mazda Group companies in Japan or overseas, or anyone else—provide uplifting experiences, emotionally and physically, and enrich life-in-motion every day.

This passion has been passed down through generations, tracing an unbroken line back to the founder's motto to "contribute to society through machine industry."

At first, it will likely be difficult to provide this for all in society, but Mazda will gradually expand the scope of its efforts, allowing it to contribute to its home region and others in society.

CORPORATE PHILOSOPHY

PURPOSE: Enrich life-in-motion for those we serve

PROMISE: Uplifting experiences, emotionally and physically

We uplift the human body, mind and spirit

We uplift communities

VALUES: Radically human/Challenger spirit/Omotenashi

2030 VISION

To be a car-loving company that creates moving experiences through the "joy of driving"

1. Contribute to a future sustainable Earth by providing multi-solution to mitigate climate change
2. Contribute to a society where everyone feels safe to move freely by providing technology that proactively enhances our well-being
3. Contribute to each person's "joy of living" by delivering moving and emotional experiences

WHAT IS IMPORTANT FOR VALUE CREATION

VALUE CREATION WORKSHOPS

Mazda began publishing integrated reports in 2022.

Mazda believes that to promote value creation befitting the Company, it is necessary to foster a united way of thinking that cuts across internal organizations. As such, it holds value creation workshops, made up of members from different business areas.

In 2022, looking at changes in the social environment and its own materiality, Mazda decided to study the types of value it can provide. To do this, it brought together 11 directors and division general managers and 11 middle managers from their departments for a series of offsite workshops separate to their normal duties, for a total of 11 discussions over a six-month period.

As a result of these workshops, Mazda not only formulated and announced its value creation process, deeper discussions between different departments led workshop participants to look anew at organization-wide values and beliefs, but also provided opportunities to share issues that face different business areas. All in all, the workshops helped to strengthen a united way of thinking.

In 2023, the teams of the 2022 workshops were reorga-

nized, and this time members formed three teams, each focused on initiatives in areas that are fundamental to value creation: Monozukuri (engineering and manufacturing), Tsunagarizukuri (creating human connections), and Hitozukuri (nurturing the development of individuals).

These three areas are at the heart of efforts to achieve the purpose through the promise (as shown in the diagram below). It is also an important approach to 2030 management policy.

Each of the teams actively works to:

1. Refine the value creation process
2. Study what can be done to achieve the corporate philosophy and 2030 vision, summarized in the three subjects below.

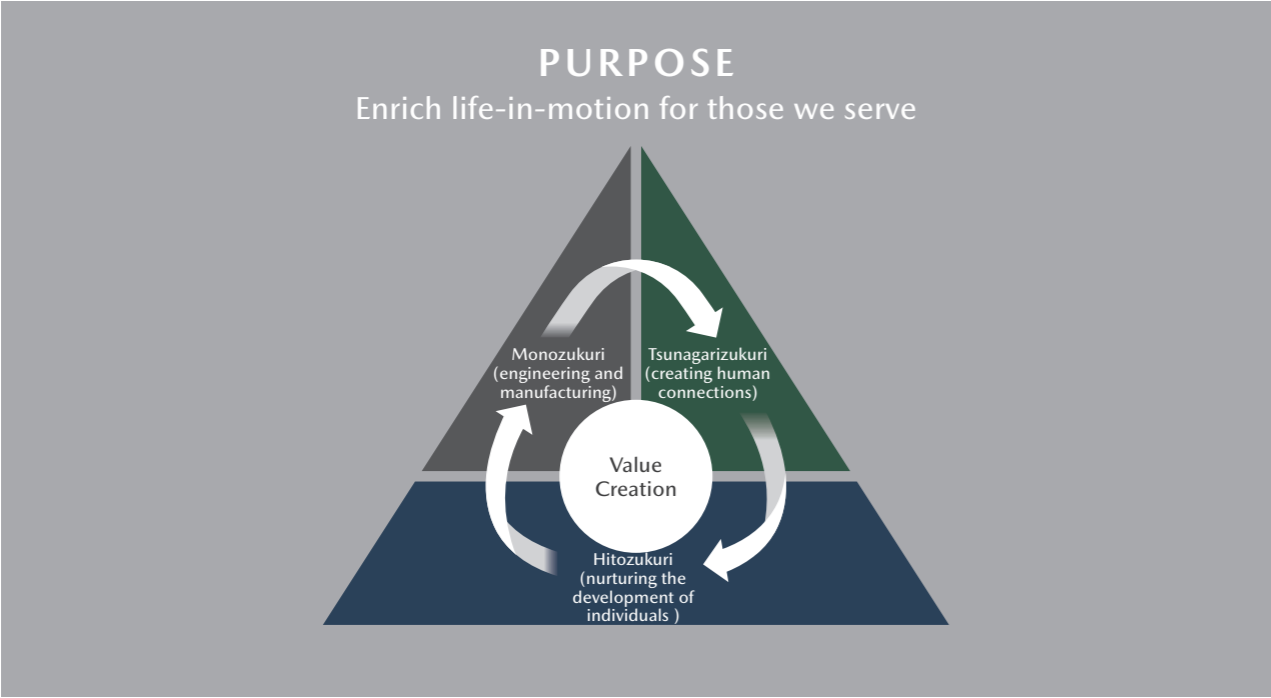
- Passion and ideals for each business area
- Strengths that have been fostered
- Future issues and initiatives

As a new trial, two outside directors—Kiyoshi Sato and Michiko Ogawa—have joined the teams, and through dialogue there have been exchanges of ideas about each team’s studies that incorporate their outside perspectives.

By continuing these efforts, Mazda hopes to ensure that a unified way of thinking takes root and that the Company fosters a sense of being a united team. It believes that doing so will lead to steady increases in the value that Mazda can offer.



Three major initiatives to create value



Monozukuri (engineering and manufacturing)

“We will make the kind of vehicles that tie emotion in motion into uplifting experiences.”

Team leader: Naohito Saga

Participating divisions:
Design Division
R&D Strategy Planning Division
Production Engineering Division
Integrated Control System Development Division

From left:
Masashi Nakayama, Division General Manager
Dai Kimura, General Manager
Naohito Saga, Executive Officer
Takamichi Watanabe, Staff Manager
Taketo Hironaka, Executive Officer
Kazuhiro Kado, Senior Expert
Michihiro Imada, Executive Officer
Masaki Chiba, General Research Manager

1 MONOZUKURI: PASSION AND IDEALS

■ **PASSION: JOY OF DRIVING**

Monozukuri at Mazda has inherited the passion of Mazda’s founder, Jujiro Matsuda, who wanted to “contribute to society through machine industry.” Even as the years have gone by, and people’s lives and values changed, Mazda has trusted that emotion in motion is constant, and has pursued the Joy of Driving to deliver this.

■ **IDEAL: UPLIFTING EXPERIENCES**

Digital innovation has made it possible to do so much without going anywhere, and customer values are increasingly diverse. As such, the idea of movement and mobility has also changed. Mazda continues to believe, though, that through emotion in motion it is possible to truly feel alive.

Customers are happy sharing joy with others, which we help them to do by providing vehicles that allow anyone to go anywhere, with anyone, and at any time, resulting in curiosity, emotion, and smiling faces. Mazda’s vehicles should continue to fulfill that role.

To do so, Mazda’s Joy of Driving has to evolve and deepen. As well as contributing to a more sustainable mobility society by working toward carbon neutrality and to realize an automotive society that offers safety and peace of mind, Mazda will place emphasis on people, discover their desires and emotions, and create vehicles that link emotion in motion and uplifting experiences.

2 STRENGTHS THAT HAVE BEEN FOSTERED

PURSUIT OF EMOTION IN MOTION

■ **HUMAN-CENTERED RESEARCH TO UNDERSTAND EMOTION**

Mazda does not think of vehicles as mere tools and so when the Company looks to make progress in its technical development, it does not just pursue technological improvements. Based on human-centered values, it also studies the body’s physical functions to create environments for people that are more conducive to easy driving. This has meant placing human-centered on the same level as technical development, with the aim of connecting human characteristics with technology to offer every person the Joy of Driving.

The design also incorporates elements that express that Joy of Driving. Mazda’s goal is to create cars with captivatingly beautiful exteriors and comfortable, well-appointed interiors that drivers and passengers alike will find exciting and want to use at every opportunity. The Company works, therefore, to create designs for vehicles that the customer will love and love to use.

This attention to detail has resulted in the following:

- Kodo Design, which creates a range of looks, incorporating design propositions that inspire a sense of muscular movement as though about to launch into motion at any moment, and body forms that reflect the surrounding scenery and light sources.
- Takuminuri painting technology, body colors expressly considered as part of the modeling process

WHAT IS IMPORTANT FOR VALUE CREATION

■ **BUILDING BLOCK CONCEPT: LAYERED TECHNOLOGIES TO MOVE PEOPLE**

Based on its 2007 declaration of its long-term vision for technical development, “Sustainable Zoom-Zoom,” Mazda promised it would deliver both the Joy of Driving and outstanding environmental and safety performance. To do this, Mazda came up with the Building Block concept for all component technologies, which pursues ideal technologies and build them up over the long term, and is steadily evolving the concept. As a concrete example, Skyactiv technologies have been formed over three phases (for more details, see P38). In terms of safety technologies, too, the safety concepts of Mazda Proactive Safety have built technological “blocks” through three different approaches (see P59).

■ **CULTURE OF CO-CREATING MOVING PRODUCTS**

Mazda has forged forward with *Monotsukuri* Innovation, by which cross-departmental co-creation that leverages Mazda’s strength as a smaller player allows the Company to achieve higher-efficiency engineering and manufacturing than its big-player rivals. This initiative has led to both advanced level flexibility, (the diversity and high-mix, low-volume production) needed to meet customers’ demands, and commonality (low-mix, high-volume production), which has raised efficiency.

The *Monotsukuri* Innovation concept comprises the following three parts.

- Bundled Planning: designing all future products at the same time
- Common Architecture: pursuing ideal structures that over-arch different vehicle size classes and displacement, with a standardized level of quality, in both development and production
- Flexible Line Production: using the same production lines to produce vehicles from different size classes, without needing to put new production equipment in place for each new vehicle model

Mazda has also made progress with the application of digital technologies. The Company is making great leaps forward in improving R&D times and costs by using digital transformation (DX) technologies such as model-based R&D that uses computer modeling, and digital twins to recreate production sites virtually. In addition, to deliver products of the highest possible quality, Mazda uses IT, including motion capture to create movement data. It also uses IT to quantify experts’ techniques, and incorporates them into production tools and for personnel development. In these ways, Mazda is developing a streamlined, cross-departmental system by cultivating a culture for development and production of utilizing co-creation from the initial concept stage, not limited to systems and processes.

3 FUTURE ISSUES AND INITIATIVES
OFFERING UPLIFTING EXPERIENCES

Even as the times change, the essence of Mazda’s Monozukuri goals does not. However, the methods will evolve and deepen to meet generational changes and differing needs. Conventionally, the belief was that the starting point for value creation was technology, and then we would mix and match these—vehicle performance, functions, etc.

Going forward, though, by first considering what value the Company should be offering in terms of human desires and emotions, and then combining different technologies and functions to manifest these, Mazda will offer customers a major new type of value that cannot be achieved through individual technologies or functions alone.

■ **EVOLUTION AND DEEPENING OF HUMAN-CENTRIC RESEARCH TO PROVIDE UPLIFTING EXPERIENCES**

In order to better grasp customers’ feelings, Mazda is further refining the human-centric research it has built up thus far. As well as conventional research that focuses on the workings of the human body—build, strength, capabilities, etc.—Mazda is looking into areas connected to brain activity or emotions. By doing so, it will elucidate how different sensory stimuli are tied to different emotions.

Through its future efforts, Mazda will take on the challenge of offering customers fun and energy when they ride in its vehicles by sparking curiosity, emotion, and physical and mental stimulation through moving experiences.

In the design field, too, there are things that digital technologies cannot do. Modeling that has felt the warmth of a human hand, and that incorporates such manual craftsmanship, leads to beautiful exteriors that set the heart racing every time the user sees their cherished vehicle, and easy-to-use interiors that use sustainable materials that consider the environment and that fuse these with leading functionality. Mazda aims for designs that provide these to excite customers every time they enter their vehicles and get them moving.



■ **EVOLUTION AND DEEPENING OF THE BUILDING BLOCK CONCEPT, WHICH LAYERS TECHNOLOGIES TO PROVIDE UPLIFTING EXPERIENCES**

Electrification technologies are becoming an indispensable part of efforts to achieve carbon neutrality. As such, Mazda is working to efficiently develop and produce the battery EVs of the future that everyone will want to use, through which they can experience a new age of Mazda design and the Joy of Driving. Specifically, Mazda will add Skyactive EV Scalable Architecture—used in automotive bodies that combine the specific construction characteristics of battery EVs with Mazda’s Joy of Driving—to its building block concept. To move forward with electrification technologies like these in an effective manner, Mazda will strengthen its co-creation activities with other, like-minded companies (see P38).

Genuinely contributing to the environment through Mazda’s Multi-solution approach



To be able to respond to factors connected to one vital element—batteries—such as growing pressure in supply chains in the future, changes in different national regulations, and different customer needs, Mazda is investigating how to procure a number of varying types of battery.

For internal combustion engines, Mazda will continue to refine the technologies it has built up under the building block concept, and to develop new hybrid systems. Even as circumstances in its customers’ countries and regions change, Mazda will provide the most appropriate clean power sources through its Multi-solution approach. Moreover, it is studying future possibilities offered by alternative fuels (see P38).

Mazda believes that its responsibility toward safety is to contribute to an automotive society free from accidents and that offers safety and peace of mind, with human happiness its number-one priority.

Using races to trial next-generation biofuels



As well as developing safety technologies, Mazda will work in collaboration with communities and society to pursue the goal that there are no more deaths from traffic accidents.

To accomplish this, based on a trust in human capabilities, Mazda will respect the joy that customers get from driving for themselves, while advancing the Mazda Copilot Concept to hone advanced safety technologies that not only provide assistance to the driver—and also passengers and others around the vehicle—should something go wrong but that also consider both the individual and wider society.

■ **EVOLUTION AND DEEPENING OF CO-CREATION USING DIGITAL TECHNOLOGIES TO RESPOND TO THE DIVERSIFICATION OF EXPERIENCE-RELATED VALUES**

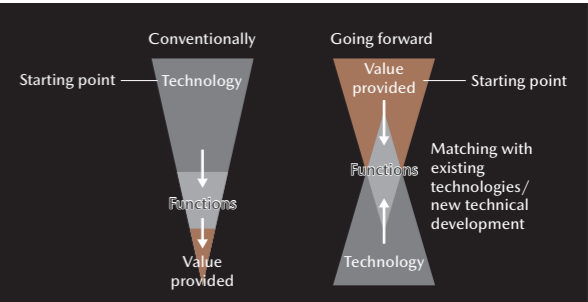
Great progress is being made in digital technologies, and development of the electricity and electronic architecture needed to support these is also rapidly increasing in scale. In response to these trends, Mazda is effectively applying software technologies, but also working with other automotive manufacturers, suppliers, and others to develop highly effective platforms while minimizing required investment.

Specific initiatives in this area include looking at adding to the various electric and electronic functions found in its vehicles that continue to evolve as autonomous driving or advanced safety technologies, with combinations of functions that use the Internet or cloud technologies, or that utilize wireless communications. In terms of the diversification of what customers believe constitutes value, as well as raising the efficiency of its development and production tasks by further evolving the model-based R&D it has built up thus far, Mazda will continue to evolve by upping the scale of its co-creation activities with industry partners.

When applying digital technologies, one important element to consider is the people applying them. Therefore, for all of its employees involved in development and manufacturing fields, Mazda will start AI training, raise the effectiveness of in-house procedures, promote DX, and promote in-house training of highly skilled IT personnel.

For development elements expected to increase in the future, Mazda will use the knowledge it has gained through model-based R&D to structure these, gain a better sense for data settings using AI, and develop swift, advanced development capabilities that suit this new age.

Putting software value first



WHAT IS IMPORTANT FOR VALUE CREATION

Tsunagarizukuri (creating human connections)

“We provide a brand experience in which customers can feel Omotenashi (serving from the heart) that gives rise to positive emotions and smiling faces through every touchpoint.” Team leader: Masashi Otsuka

Value Creation Workshop

Participating divisions:

- Domestic Business Division
- Global Sales & Marketing Division
- Purchasing Division
- Corporate Strategy Division

From left:

- Masato Takeshita, Assistant Manager
- Tatsuro Omura, Staff Manager
- Masashi Otsuka, Division General Manager
- Kazuyoshi Todou, Executive Officer
- Naoya Tokuse, Staff Manager
- Kazuhiko Sumi, Executive Officer
- Nobuyuki Higashino, Division General Manager
- Shinichi Iyo, General Manager

1 HUMAN CONNECTIONS: PASSION AND IDEALS

■ PASSION: BRAND EXPERIENCE CENTERED ON HUMAN CONNECTIONS

For ten years, Mazda has promoted Tsunagari Innovation as an initiative to lay the foundations for its brand value management. This initiative covered efforts to improve customer brand loyalty by strengthening the brand and achieving business growth. By doing so, these efforts—which greatly reformed the Mazda’s thinking and behavior toward various customer touchpoints—helped the customer to see the strong ties and love that they have for it. We at Mazda believe that these connections are born when the human (the customer) appreciates the value of that. Mazda has always placed great value on human-centered values, and has created such connections through producing vehicles and conveying the brand’s value.

■ IDEAL: BRAND EXPERIENCE WITH OMOTENASHI, SERVING FROM THE HEART

It may in part be because Mazda is a company born and raised in Hiroshima, but it has a strong desire to put smiles—a true sign of peace—on people’s faces and to help make society richer.

This is rooted in the concern people show for others, i.e., Omotenashi (serving from the heart). Mazda believes that spreading this feeling to its offshoots worldwide will lead to stronger human connections.

On the other hand, factors such as innovative digital technologies and the pandemic have led to an increase in the number of ways that we have to communicate that are simple, highly efficient, convenient methods of exchanging information. The range of options for human connections is unprecedented.

For precisely this reason, Mazda will expand the ways in which it forms emotional, close-knit connections centered on people, which it has always valued, but also believes this presents the perfect opportunity to also deepen these connections. The Joy of Driving is more than the enjoyment one gains from driving a vehicle, it represents a positive energy that comes from uplifting the human body, mind, and spirit by allowing customers to easily go anywhere they like in peace of mind to make new discoveries at their destinations.

Mazda believes that through Omotenashi, customers get a real sense of Mazda’s brand value, but also that related experiences can bring various emotions and smiles to their everyday lives. These, in turn, bring people together, so that spheres of positivity ripple out throughout communities and society. Mazda also hopes to achieve its purpose, which will add to positive emotions and smiling faces, for communities formed in this way.

The ideal for Mazda is creating human connections that, in this way, have the Joy of Driving as a starting point to enrich life-in-motion for those it serves for circles of emotions and smiles, that will radiate ever-outward.

2 STRENGTHS THAT HAVE BEEN FOSTERED

COMMUNICATIONS STREAMLINED THROUGH TSUNAGARI INNOVATION

■ “INSIDE-OUT” ACTIVITIES THAT FOSTER A SENSE OF UNITY FROM DEVELOPMENT TO SALES

Tsunagari Innovation is not confined to activities at Mazda’s head office, it is being put into practice at Mazda Group companies, affiliates and dealers around the world.

This is the results of the careful spread of Tsunagari Innovation by tying the “inside” (those within the Company) to the “outside” (those outside) through repeat, convincing dialogue in all business areas between head office and employees across the globe who come into contact with customers every day.

■ CLOSE-KNIT COMMUNICATION BETWEEN CUSTOMERS AND DEALERSHIPS

Through one-to-one communications that Tsunagari Innovation brings, Mazda has fostered a culture of forming emotional, close-knit connections.

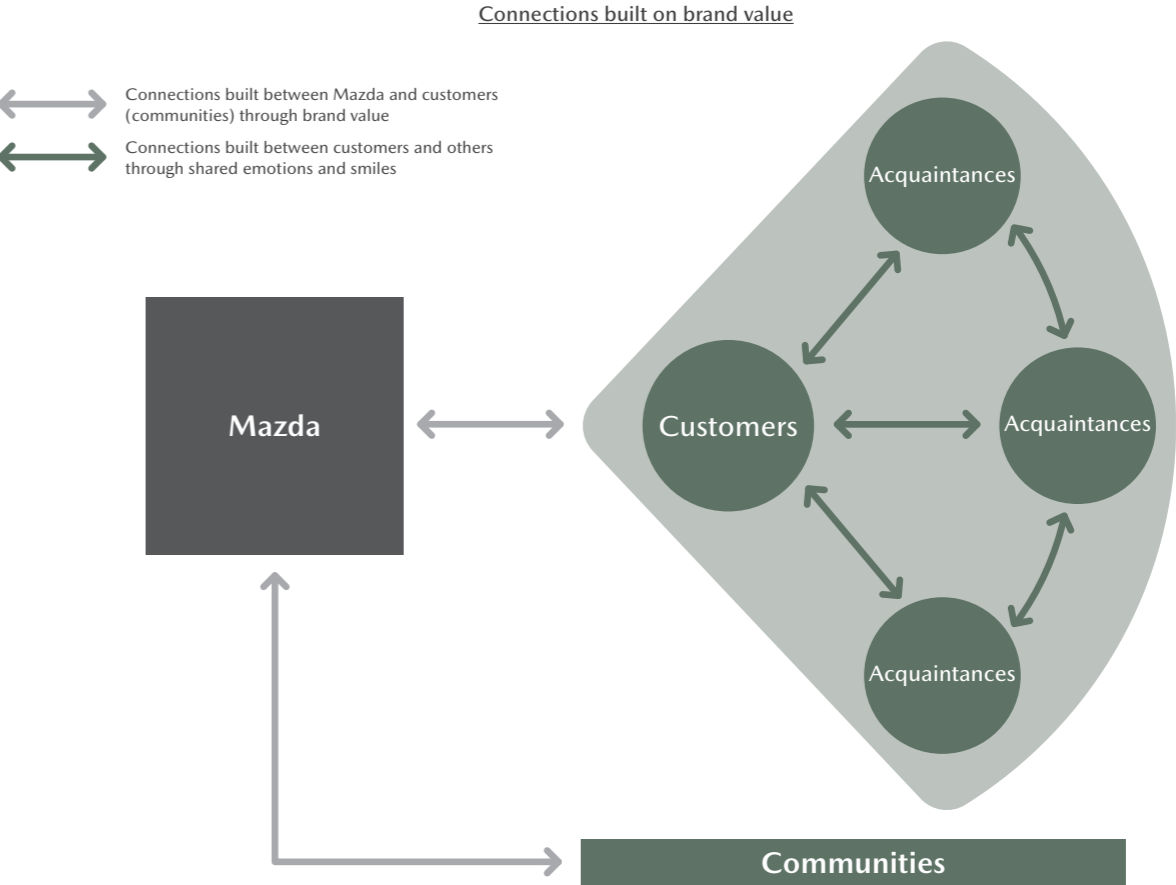
Put in concrete terms, the process of forming connections

with customers, conveying to them the brand’s value, and convincing them to pay a price commensurate with that value, directly ties in to steady increases in unit sales prices but also in Mazda’s profitability.

Aspects of Mazda’s vital American market, such as increases to customer satisfaction and repurchase rates, are the result of sales staff taking the time to treat customers well and inform them of the brand’s value, thereby cementing strong connections.

From its own perspective, Mazda has so far striven to deliver value optimized to each of its customer touchpoints through Tsunagari Innovation.

In the future, though, Mazda’s goal is that the value it provides to customers through various touchpoints be recognized as a single (Mazda) brand. Put another way, that customers across all touchpoints enjoy optimal value from a brand that has a uniform, consistent character. Further increasing the moments of joy Mazda provides in this way is, in a nutshell, Omotenashi.



WHAT IS IMPORTANT FOR VALUE CREATION

3 FUTURE ISSUES AND INITIATIVES

OMOTENASHI: THEORY AND PRACTICE

■ “INSIDE-OUT ACTIVITIES” DRIVE THE FOSTERING OF OMOTENASHI

Mazda will work to once more spread a culture of acting autonomously, in which activities so far to spread Tsunagari Innovation are undertaken effectively, and where every-one—from head office staff to those at sales sites—has the serving from the heart that Omotenashi represents. Added to this, by focusing efforts on developing the people who will steadily implement this, Mazda will further strengthen its abil-ity to create connections.

■ MECHANISMS TO BETTER UNDERSTAND THE CUSTOMER

Mazda looks to better grasp the worries and wishes that face individual customers and the communities they form with others. To this end, it will develop a bulk data platform that can store a variety of information about each customer in an integrated way. With this system, Mazda hopes to use digital technologies to understand behavior histories from existing touchpoints so as to discover what aspects of everyday life or behavior spark emotion or smiles, but also learn more about customers’ lifestyles and the feelings they sometimes face.

■ SYSTEMS THAT PROVIDE CUSTOMERS WITH OMOTENASHI

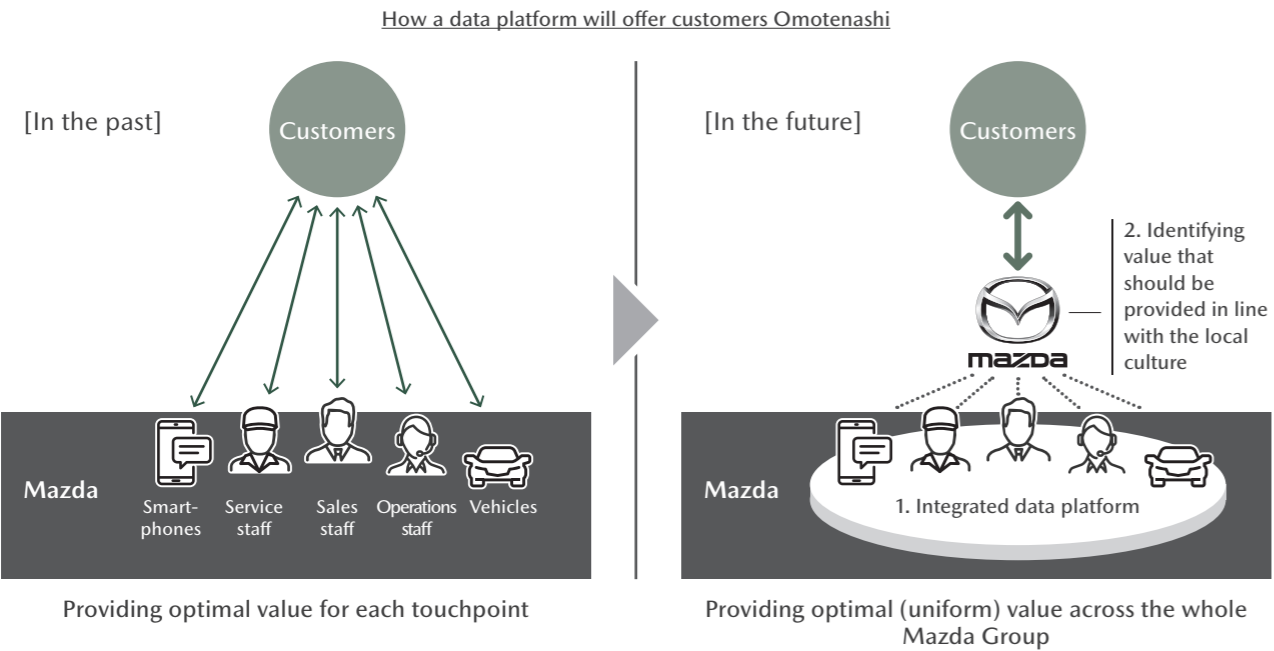
With this data platform, Mazda will put in place authority frameworks and organizational systems that allow the centrally managed information to be utilized by digital communication technologies and to be shared in a safe and timely manner throughout the Company.

Doing so will enable an environment where all employ-ees—including dealership sales staff directly or indirectly involved with customers—can work independently on activities that maximize the value offered to individual customers, fur-ther raising customer satisfaction levels. In addition, by better understanding customers and the circles in which they move, Mazda can stay closer to its customers to create more positive emotions and smiles, and as a result increase the amount of positive information about moving, enjoyable experiences between customers. The Company also hopes that by quanti-fying this data, it can grasp, and improve, the way in which it can create ideal connections with its customers.

■ OMOTENASHI FOR MORE PEOPLE

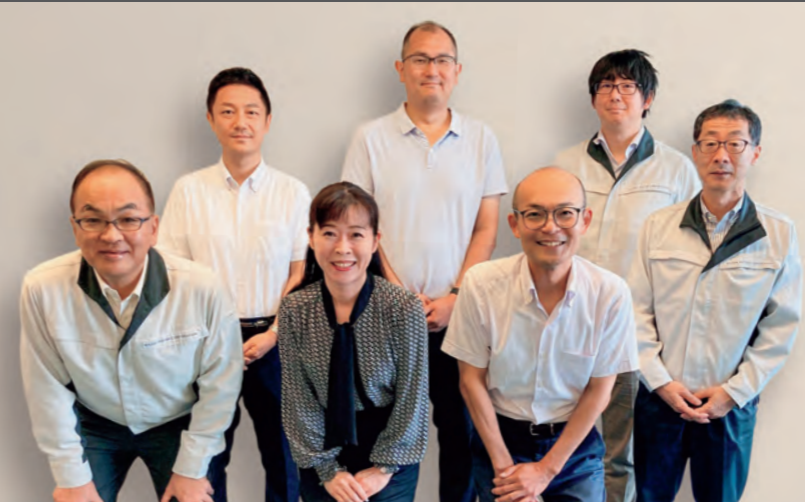
Thanks to an international network of more than 4,800 dealer-ships in around 130 countries, in 2022 there were more than 1.1 million people driving about in Mazda vehicles. Suffice to say, Mazda’s corporate activities touch a large number of people around the world. In terms of business partners, including suppliers, the number of companies totals more than 3,000 globally. In the Chugoku region of Japan alone, this amounts to more than 80,000 workers in more than 500 com-panies. Mazda recognizes that it relies on the support of all of its stakeholders, who are spread across a wide range of busi-ness areas.

We at Mazda will continue to place great import on deep-ening its connections with existing customers, but also future customers and many other stakeholders through Omotenashi (serving from the heart).



Hitozukuri (nurturing the development of individuals)

“We will focus on the front lines, and work together (the Tomoiku concept) to develop individuals able to co-create with those outside Mazda.” Team leader: Tomiko Takeuchi



Participating divisions:
Human Resources Division
Hiroshima Plant
Corporate Planning & Development Division

From left:
Mitsunobu Mukaida, Executive Officer
Kazuhiro Kogomori, Staff Manager
Tomiko Takeuchi, Executive Officer
Masami Ichioka, Staff Manager
Hiroshi Shiomi, Division General Manager
Takahiro Fujihara, Assistant Manager
Tomohiro Nakata, Staff Manager

1 NURTURING THE DEVELOPMENT OF INDIVIDUALS

■ PASSION: UPLIFTED EMPLOYEES

Mazda knows that its biggest management capital is people, and so it aims to be, more than anywhere else, a company where people are uplifted. Mazda firmly believes that energiz-ing each and every employee, holding discussions to convince them all of the positive emotions associated with creativity, growth, diversity, and empathy—and the ideas that come from these—and having them think for themselves about how to achieve those, is how it can maximize the potential of its employees, and that this will tie in to corporate growth.

■ IDEAL: EMPLOYEES WHO CO-CREATE UPLIFTING EXPERIENCES WITH OTHERS FROM OUTSIDE THE COMPANY

Mazda’s Purpose is to “enrich life-in-motion for those we serve,” and in line with this, all employees try to deliver uplifting expe-riences through their business activities, such as those related to Monozukuri (engineering and manufacturing) or Tsunagarizukuri (creating human connections), through enjoyment and emotion for customers and everyone else connected to the Company. To that end, employees who want to gain a deeper understand-ing of societal norms and expectations so that they can provide value that will awe by going even further, are more needed than ever before. Specifically, through an uplifting atmosphere for employees, it is vital that Mazda creates a culture of listening to opinions, considering what can be done, and taking on chal-lenges. In short, expanding upon the “Tomoiku” concept in the Mazda Way—is indispensable.

In both Monozukuri and Tsunagarizukuri, Mazda’s efforts are human-centered.

The Company’s approach to Hitozukuri, meanwhile, places added emphasis on a human-focused philosophy that forms the basis for fostering a culture like the one described above.

2 STRENGTHS THAT HAVE BEEN FOSTERED

■ CORPORATE CULTURE CENTERED ON THE MAZDA WAY

The starting point for Mazda’s development of people can be found in the Mazda Way (see P55). The Mazda Way is a sum-mary of the values (i.e., its code of conduct) passed down within the Company since it was founded. In FY March 2009, the Mazda Way was codified and translated into English, Chi-nese, Spanish, and other languages and shared across the entire Mazda Group in order that employees can display their individuality as they go about their jobs while not deviating from this pivot, around which the whole organization rotates. Through these efforts, the Mazda Way is being passed on accu-rately to the next generation. It is also repeatedly used in in-house training. At Mazda’s head office, the Mazda Way is incorporated into the Tobiuo Human Resources System (also P55), and is also used periodically as the main focus of compe-tency evaluations and other assessments for all employees. Doing this leads to a corporate culture of employees displaying their individuality while also combining their strengths to contrib-ute to the Company and society.

WHAT IS IMPORTANT FOR VALUE CREATION

■ HUMAN DEVELOPMENT THROUGH MONOZUKURI (ENGINEERING AND MANUFACTURING)

As a manufacturer, Monozukuri is very important to Mazda. However, even if Mazda were to install high-performance equipment, this would not result in the manufacturing of good vehicles unless there are people who can get the most out of it and turn that into value for customers. That is why Mazda pays such careful attention to developing people, and has original development initiatives in place, based on the Mazda Way, and befitting the Company.

One such initiative is the Mazda Technical College. Mazda's founder, Jujiro Matsuda, was passionate about training up the technical manufacturing staff who form the basis of the manufacturing industry. So, in 1928, he launched an apprentice system, which later evolved into a boys' school, then an engineer training school, and lastly in 1988, a technical college at Mazda's head office. Students not only learn about technologies and techniques such as robot operations and machine processing, another aim of the training is to make them richer as people. They learn at the college, in the Company, and also on field trips in collaboration with the region. In this way, Mazda's human development is creating skilled, well-rounded, and motivated employees.

Another example is the Mazda Juku system, a selection-based program in which executives and division general managers talk about their own thoughts and experiences to instill a spirit of taking on challenges. After completing the program, participants become teachers themselves, and hold sessions to provide younger employees with similar instruction. This program helps to spread these ideas around the entire organization, and contributes toward the Tomoiku concept of learning from one another.

Having employees who show strong leadership in their respective departments and worksites gather together across departmental boundaries, and combine their strengths, has resulted in advances such as Kodo Design and Skyactiv technologies that are recognized around the world.

In the future, too, through its Mazda Juku system, Mazda will further develop such ideas as working together to change the Company, to create employees able to lead reforms.

■ PERSONAL GROWTH THROUGH VARIOUS OPPORTUNITIES AND EXPERIENCES

Mazda may be on the small side when it comes to car manufacturers, but for this very reason it has plenty of chances to try its hand at different tasks. This will lead to employees gaining diverse experiences and perspectives, but will also act as an opportunity to realize their own undiscovered talents.

For example, a single employee in the production departments is expected to perform three roles: production, equipment maintenance, and improvements. Development department employees, meanwhile, are responsible for areas such as design, cost, and quality. The scope of responsibility for each individual employee is broad, and this helps each to gain wide-ranging experience and fosters the capacity needed for overall design and planning. This allows them to take a multifaceted view of the essence of their work, allowing them to optimize overall their tasks and expand their potential to be active in various fields where they can utilize that experience in the future.

3 FUTURE ISSUES AND INITIATIVES

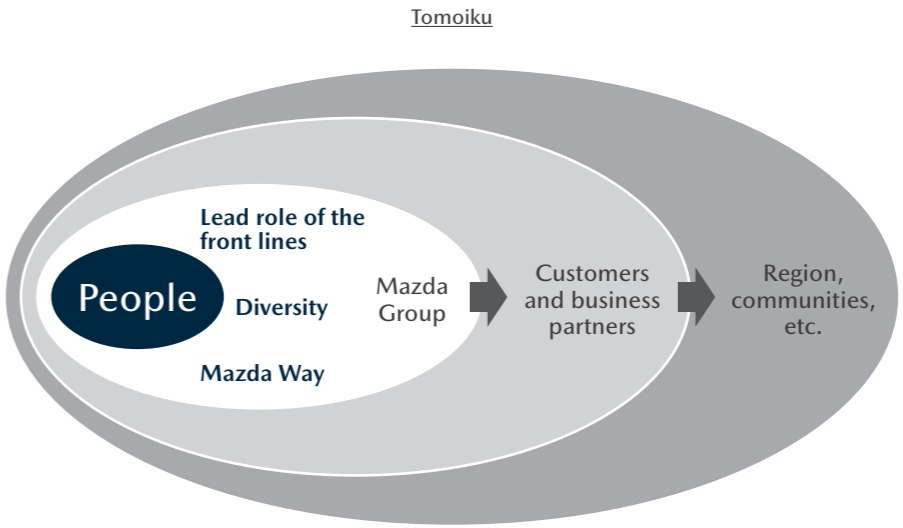
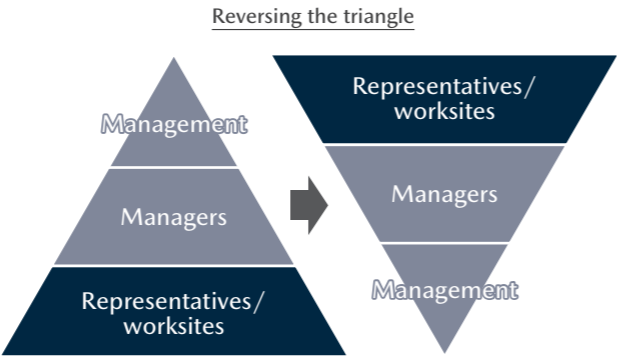
■ EVOLUTION AND DEEPENING OF THE MAZDA WAY, IN WHICH THE FRONT LINE PLAYS THE LEAD ROLE

Knowledge and ingenuity always come from the front line. It is therefore imperative that Mazda develops a corporate culture that ensures employees are motivated and that everyone works to support the front line.

One of the key terms of the Mazda Way is "self-initiative." Management will always listen carefully to any frontline self-initiative, respect views, and work to develop people and a culture where others are carefully considered.

As part of its efforts to reach this kind of future ideal, Mazda has been running a series of Blueprint initiatives to transform its corporate culture. The initiatives put the customer center stage and consider how the value chain should be designed. It is also an effort to change corporate culture, what it calls reversing the triangle. This involves turning the conventional pyramidal decision-making where decisions come from up top and spread down to the worksite to one where the employees who have contact with customers take the lead role, and where management supports the worksites.

This initiative has already been implemented at sites in Europe and North America, and results have already been forthcoming. By rolling this out to Mazda's head office in Hiroshima, the Company aims to foster a corporate culture that is shared by all its sites around the world.



■ HITOZUKURI TO EXPAND TSUNAGARIZUKURI

In terms of Hitozukuri, as part of efforts to train the employees who will take charge of Tsunagarizukuri going forward, Mazda will establish systems to share and praise Omotenashi behavior worldwide.

Specifically, this involves the following actions.

Case study 1: Letter-writing

During a period where customers had to wait for their vehicles to be shipped caused by component procurement issues, staff from the finished vehicle inspection line sent letters to the waiting customers detailing the features of their vehicles, how their own attention is woven into the evaluations, their thoughts on the vehicles, and so on. This initiative led to building ties with grateful customers, by providing them not just with information on how their vehicles are made, but also on opinions from the employees making their vehicles. For employees, hearing genuine customer feedback helped them to get a near-physical sense of the importance and fun of their jobs for the customer, and helped to reenergize workplaces.

Case study 2: Essential car care program

As the COVID-19 pandemic spread across the world, dealerships throughout the US ran a program that offered medical workers a free service covering oil changes, cleaning, and disinfection. It applied not only to Mazda vehicles but also those of other makers, and more than 50,000 people took up the offer. It helped to solve one of the social issues the pandemic threw up with a uniquely Mazda sense of gratitude. In the future, too, the background to and results of this kind of initiative where front lines have shown self-initiative—to consider what they can do themselves—will be shared among all employees and praised. Alongside applying the Mazda Way approach, these initiatives will be rolled out further.

■ HITOZUKURI TO EXPAND MONOZUKURI

In terms of Hitozukuri, Mazda will expand its educational activities for the employees who will take charge of Monozukuri going forward to its overseas sites and partner companies.

Specifically, this involves the following action.

Case study: MPS activities

Mazda Production System (MPS) activities are focused on the MPS approach that has been cultivated at Mazda production sites, and are a way to train employees who will lead initiatives to build relationships of mutual trust, while also working with others pushing in the same direction to drive each other forward and grow together.

Substantial efforts by Mazda in this area include considering its future ideal, and working to toward this by sharing issues while utilizing the knowledge, ingenuity, and expertise of all members to resolve issues with the everyone's participation. Currently, Mazda is working on developing people with 5 overseas plants, 22 regional suppliers, and 3 dealerships, and in the future it wants to expand the scope of its co-creation and Tomoiku activities.

The concept of Tomoiku is best described as "learning and teaching each other for our mutual growth and success."

Mazda wants to develop relationships with partners across the globe that can operate across boundaries—between people, organizations, and companies—that involve consideration for others and sharing of goals, and in which parties can discuss what to do to accomplish those from different perspectives, and learn and teach each other for mutual growth and success. It earnestly hopes to spread the Tomoiku way of thinking so that partners can feel they can challenge themselves to take on ambitious goals because they are working with Mazda or that their full potential has been drawn out because Mazda values people as well as technologies.

WHAT IS IMPORTANT FOR VALUE CREATION

INPUT/OUTPUT

INPUT

| | |
|---------------------------------|--|
| Financial Capital | Equity ratio: 44.2% » Indicates the financial soundness for sustainable value creation |
| Manufactured Capital | Capital expenditures: 94.1 billion yen » Indicates the appropriateness of the amount of capital expenditure for promoting <i>Monotsukuri</i> Innovation, etc. |
| Intellectual Capital | Research and development costs: 128 billion yen » Indicates the appropriateness of R&D costs used to promote human-centered development, etc. |
| Human Capital | Average hours of training per employee: 46.5 hours per year » Indicates the appropriateness of training time spent on each employee, who are key to promoting value creation |
| Social and Relationship Capital | Number of suppliers: 1,059 companies » Indicates the appropriateness of networks that work to increase the efficiency of society through corporate activities |
| Natural Capital | Energy consumption: 11,707 TJ » Indicates the suitability of energy consumption in corporate activities that recognize the need to reduce greenhouse gas emissions |

OUTPUT

| Financial indicators | FY March 2023 Results | FY March 2026 Targets |
|--|--|------------------------------|
| Net sales (billion yen) » Indicates the results of sales activities based on Mazda's Monozukuri and Tsunagarizukuri | 3,826.8 | Approx. 4,500.0 |
| Operating income ratio (%) » Indicates profitability of main businesses which is tied to continued value creation | 3.7 | 5.0 or more |
| Return on equity (ROE) (%) » Indicates a major indicator used in decisions by shareholders in continued investment or investors in investments | 10.4 | 10.0 or more |
| Break-even volume (global)*1 (1,000 units) » Indicates the soundness of the capacity to secure profit, which forms the principal for value creation | 1,000 or less | Approx. 1,000 or less |
| *1 The target number of units for the break-even volume indicates the number of consolidated shipments. | | |
| Non-financial indicators | FY March 2023 Results | Future Reduction Target |
| Greenhouse gas (GHG) emissions*2 (global) (1,000 t-CO ₂ e) » Indicates progress of initiatives aimed at achieving carbon neutrality by 2050 and reducing GHG emissions | Scope 1 113 Scope 2 754 Scope 3 30,522 Total 31,389 | Carbon neutrality by 2050 |
| *2 See P71. | | |
| Number of female managers » Indicates the degree of progress on participation and in creating workplaces where women find it easy to work | As of the end of March 2023 65 | End of March 2026 Target 100 |

MESSAGE FROM THE CFO



Investing in Mazda’s purpose

Jeffrey H. Guyton
Representative Director,
Senior Managing Executive Officer and CFO

MAZDA’S PURPOSE

Mazda employees around the world wake up each day with the aim to enrich the lives in motion of those we serve. We do this with a challenger spirit borne in Hiroshima and distinguished Japanese “hospitality” (omotenashi) extended to all our stakeholders. We take a very human-centered approach to all that we do, and as CFO, I am a leader in the company’s efforts to serve those who “invest” in our purpose.

“Invest” here refers not only to traditional financial investments, but also to the passion, intellect and skill sets of our global team members. We need these abilities to tackle the huge environmental challenges of our time – for example, achieving carbon neutrality (hereinafter, “CN”) in our value chain, or improving public safety and health as many societies around the world age. It’s our job to tackle these challenges not because we are forced to do so, but rather because it is core to our purpose as a business.

FINANCIAL RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2023

The business environment for the auto sector was extremely difficult in the fiscal year ending March 31, 2023, reflecting soaring material prices and a shortage of semiconductors. Against this backdrop, Mazda was able to grow Net Income Attributable to Owners of the Parent 75 percent through appropriate revenue enhancements including curtailed incentives and streamlined marketing costs through more efficient advertising focused on our target customers. The company also posted net cash of 101.6 billion yen, and an equity ratio of 44 percent. Breakeven volume remained below 1 million units for a second year, even while critical foundations were set to start the second shift of production at our joint-venture manufacturing facility in Alabama, USA, home of the CX-50 (crossover SUV). Together with our business partners, that facility will contribute to the economic development of the Huntsville area, a city which has been named one of the best places to live in the United States.*1 In addition to improving the utilization of manufacturing assets, our team members around the world have worked on significant reductions in complexity, and re-engineering of many business processes. In the US, for example, in-house developed training courses were (voluntarily!) taken by more than two-thirds of our staff. These efforts not only reduce costs, but also develop the professional capability and creativity of our team members. The fiscal year also witnessed the launch of our Large product group and sustained Research & Development efforts for CASE (Connected, Autonomous, Shared and Electric). With all these investments, we aim to delight customers’ senses with a rich mix of crossover products, including the largest, most powerful vehicle Mazda has ever built – the CX-90 – available today with a variety of electrified powertrains.

*1 Reference U.S. News & World Report’s rankings Best Places to Live in the USA

THE ROAD TO 2030

The transition to electrified vehicles is taking place at different speeds in different markets, and Mazda divides this new era into three phases as indicated in our Management Policy up to 2030. Depending on geography, we will apply the most appropriate of our multiple powertrain solutions to appeal to customer needs in each market, making the most of both new development and existing assets. Toward a fully electric future for mobility, we are making steady progress in jointly developing electric and electronic architectures, automotive batteries, and electric drive units. To meet this challenge, together with key business partners we plan to invest approximately 1.5 trillion yen through 2030 including R&D expenses and capital investment. Manufacturing and charging those EVs must also be sustainable. And toward our goal of carbon neutrality in 2050, we will further improve our ability to generate cash while complying with regulations globally through a variety of electrification technologies. In addition, Mazda has partnered with governments and power producers in five surrounding prefectures to expand supply and demand of renewable energy in our region. Our aim is not only to facilitate match-making between renewable power generators and consumers including Mazda group companies, but also to contribute to the regional economy through our leadership and technology.

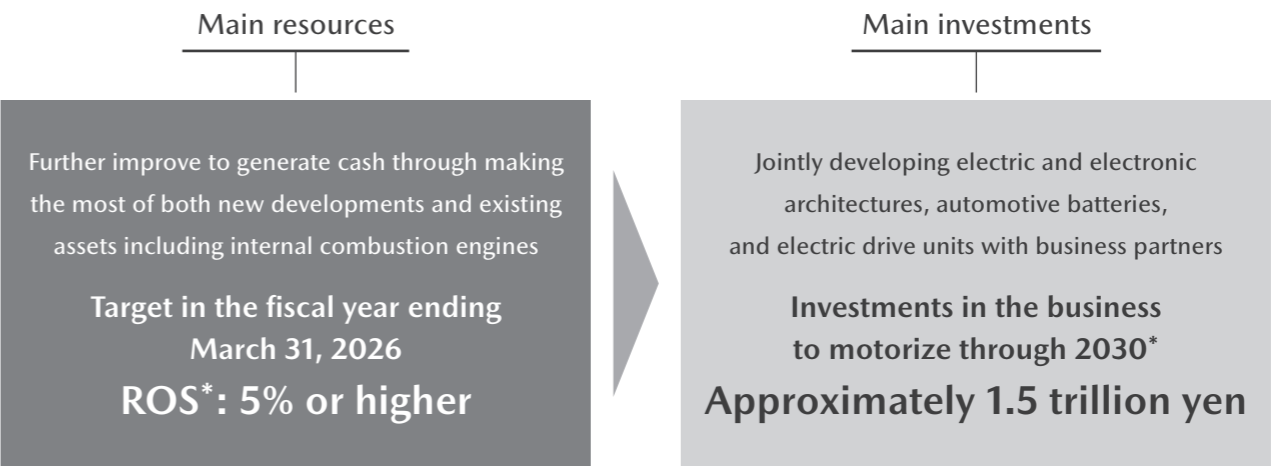
SHAREHOLDER RETURNS

Streamlining complexity and cost; delivering our brand promise to diverse global customers; building an inclusive global work culture; and supporting a vibrant economy through creation of sustainable jobs – this is Mazda’s recipe to generate cash while funding significant investments in CASE and CN. We target a stable dividend payout ratio of 30 percent or more toward the fiscal year ending March 31, 2026, balancing company performance, business environment, and financial conditions.

GOVERNANCE

Finally, we can only gauge progress if we can measure it. The Finance function I lead plays a critical role in promoting a culture of good corporate governance and transparency. One example is to disclose our initiatives and progress in a transparent and visible manner and to engage in dialogue with shareholders and other stakeholders. We believe this culture benefits all of the company’s stakeholders, and it is another element of enriching the lives of those we serve.

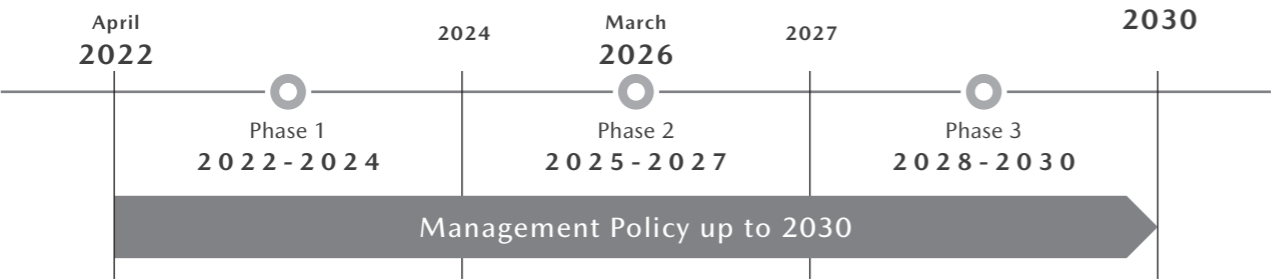
Further Improve to Generate Cash through Making the Most of Existing Assets and Invests to the Business to Motorize



* Return on sales (operating income ratio)

* It includes research and development expenses and capital spending by Mazda and business partners

MANAGEMENT POLICY UP TO 2030



BASIC MANAGEMENT POLICY

Based on the belief that its corporate mission is to conduct business in a manner that is responsible for the Earth and society, Mazda has established the following three basic management policies.

The first policy is to contribute to resolving the social challenge to curb global warming through Mazda's electrification strategy suited to regional characteristics and environmental needs.

The second is to conduct in-depth research on people, and shed light on their relationship with vehicles, with a view to realizing an automotive society that offers safety and peace of mind.

Third, to maintain Mazda's brand value management, provide its unique values and continue to be a brand preferred by customers.

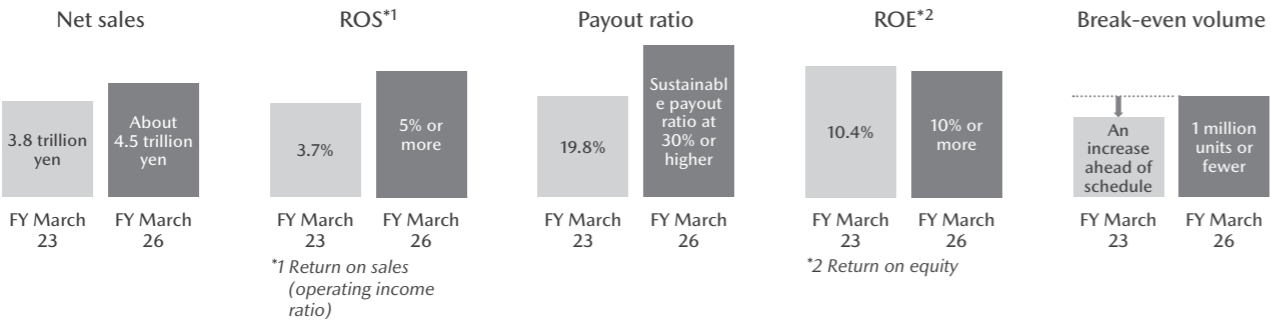
As the automotive industry undergoes a large transformation, due to the evolution of digital technology and the entry of new players in the automotive industry, more diverse products are introduced in the market. By connecting with IoT, various functions and services are possible and thus, the value that vehicles can offer to society are expected to continue to change and increase.

To respond to social changes like these, Mazda will add to its further technical development with contributions to curbing GHG emissions and the bringing about of an automotive society that offers safety and peace of mind, by working with its many corporate co-creation partners to concentrate knowledge and passion.

Moreover, Mazda wants to be able to creating moving, exciting experiences for people's everyday movement, and to offer happiness that can be shared with others, and to this end—based on its ideas of brand value management—it will contribute to society by turning the Joy of Driving into a wider Joy of Living.

MEDIUM-TERM MANAGEMENT PLAN

Financial targets for FY March 2026



KEY INITIATIVES TO OPEN UP THE FUTURE

Based on the idea of co-creation and coexistence, Mazda values co-creation with partners when promoting collaboration projects with them. At the same time, the Company will build a framework for developing new technologies and resolving issues, and further refine its own strengths. To do so, it is implementing initiatives in the following four areas.

- 1 Carbon Neutrality
- 2 Electrification
- 3 Value Creation through Co-Creation between People and IT
- 4 Cost Reduction and Supply Chain Enhancement

1 CARBON NEUTRALITY

Mazda endeavors to achieve carbon neutrality throughout the supply chain by 2050. For more details, please see P51. Below are some of the major efforts in this area.

1. REDUCING CO₂ EMISSIONS THROUGH ENERGY SAVING

ENERGY-SAVING MANUFACTURING PROCESSES
Mazda aims to achieve energy-saving for all of its manufacturing processes, and since it first used bioengineered plastic (bioplastic) for interior components for the Roadster/MX-5 in 2015, all passenger vehicles sold in Japan (except micro-minis) use it in both interior and exterior components.

Bioplastics are derived from plant matter, and contribute to lessening environmental impact by reducing the use of oil-derived materials, curbing CO₂ emissions, and reducing volatile organic compound (VOC) use due to not needing to be painted. In December 2018, Mazda was able to develop a new two-layer molding technology that can enable designs that would have been very challenging with conventional technologies, while also reducing the impact on the environment. It continues to use this in all passenger vehicles sold in Japan (except micro-minis).

Bioplastic has been used in the instrument panel of the new January 2023 facelift of the Mazda2, but also—in a first for a Mazda mass-production model—for a roof film. Compared

to the conventional two-tone color coatings, the amount of CO₂ emissions produced during painting processes has been greatly reduced. In the future, Mazda will move forward with efforts to reduce CO₂ emissions in manufacturing processes, including reducing the use of energy used in heating by developing paints that cure at lower temperatures, and increasing energy conversion efficiency by improving the efficiency of processing technologies.



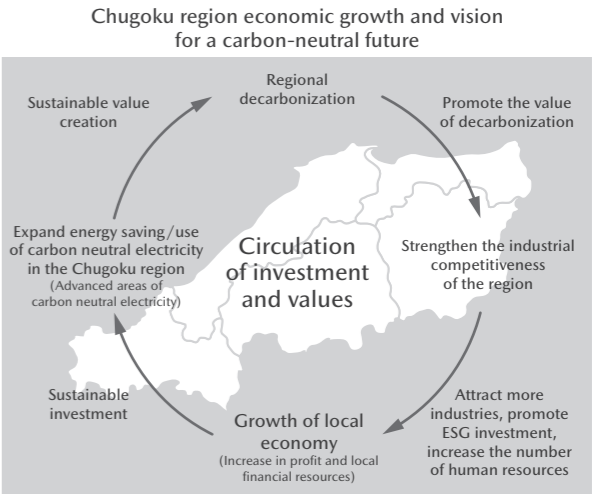
2. REDUCING CO₂ EMISSIONS BY EXPANDING RENEWABLE ENERGY USE

SIGNING OF AN OFF-SITE CORPORATE PPA
In March 2023, with an eye to promoting greater procurement of electricity from renewable energy sources, Mazda concluded an off-site corporate PPA*1 to procure electricity from renewable sources with Toyo Seat Co., Ltd.; Choshu Industry Co., Ltd.; and The Chugoku Electric Power Co., Inc.

Under the agreement, Choshu Industry acts as the electric power producer with Choshu Industry and Mazda installing new solar power generation facilities on unused land in the Chugoku region. The power this generates is sold to Chugoku Electric Power, which then supplies renewable energy to Toyo Seat and Mazda.

This is the Chugoku region's first off-site corporate PPA involving more than one electric power consumer, and since April 2023 the supply of renewable energy, totaling around 4.9 MW, from solar panels fitted at factories and business sites belonging to Toyo Seat and Mazda has been ramped up, and this project should lead to a reduction of around 2,610 tonnes of CO₂ per year.

This project marks the first step toward expanded renewable electricity generation in the region. Since November 2021, Mazda has been part of the Chugoku region's Carbon Neutral Electricity Promotion Subcommittee and taken part in repeated discussions. The Company will strive to attain its goal of a cycle where regional investment leads to value, which in turn attracts more investment, by further spreading the use of renewable electricity hand-in-hand with electricity suppliers and users in the region.



*1 Off-site corporate PPA (power purchase agreement): a long-term contract for the purchase of electric power under which a company producing electric power through solar power generation facilities agrees to provide power generated using those facilities to a designated user or users based in a location separate from the solar power generation facilities, supplying that power to them via an electric power transmission network operated by an electric power retailer.

MANAGEMENT POLICY UP TO 2030

ESTABLISHMENT OF THE COUNCIL FOR UTILIZING NAMIKATA TERMINAL AS A HUB FOR INTRODUCING FUEL AMMONIA

In April 2023, in order to carry out studies into making Namikata Terminal*1 (located in Imabari, Ehime) a green energy supply hub, Mazda agreed to establish the Council for Utilizing Namikata Terminal as a Hub for Introducing Fuel Ammonia with Shikoku Electric Power Company, Taiyo Oil Company, Taiyo Nippon Sanso Company, Mitsubishi Corporation, Namikata Terminal Company, and Mitsubishi Corporation Clean Energy, and the council has now begun its studies. The council's executive office will be run jointly by Mitsubishi Corporation and Shikoku Electric Power Company.

The council's agenda includes scheduling, legal and regulatory issues, efficient use of the terminal, measures to grow demand for fuel ammonia and other issues, based on the assumption that the existing LPG tanks at the terminal will be converted to ammonia tanks and that the terminal will

become a hub handling approximately 1 million tonnes of ammonia per year by 2030.



Namikata Terminal (photo courtesy of Namikata Terminal Company)

*1 Some petroleum-related facilities of the terminal are owned by Taiyo Oil Company and the others are owned by Mitsubishi Corporation. The terminal is operated by Namikata Terminal Company.

3. REDUCING CO2 EMISSIONS BY USING CARBON-NEUTRAL FUELS

SUPPORT FOR THE BUSINESS IN NEXT-GENERATION BIOFUELS

In January, Mazda Motor Corporation ("Mazda") decided to subscribe to unsecured convertible bonds to be issued by Euglena Co., Ltd. Mazda will, through the subscription, support Euglena's biofuels business that aims to expand the use of next-generation biofuels.

Euglena recently announced that it has been working with two leading overseas energy companies to look into the possibility of developing and operating a biorefinery in Malaysia to commercialize its biofuel business as well as increase adoption of next-generation biofuels. The funds procured through this bond issue, which Mazda has subscribed to, will be allocated to this project.

Mazda anticipates procuring the next-generation biofuels produced through this project and will give consideration to using the fuel in its internal logistics and other operations.

PARTICIPATION IN raBit

The Research Association of Biomass Innovation for Next-Generation Automobile Fuels (raBit) was established on July 1, 2022 by ENEOS Corporation, Suzuki Motor Corporation, Subaru Corporation, Daihatsu Motor Co., Ltd., Toyota Motor Corporation, and Toyota Tsusho Corporation. The association is working to advance technical research aimed at achieving a carbon-neutral society, in areas such as biomass use and the efficient manufacture of bioethanol for vehicles.

The association promotes bioethanol as one of many options toward achieving carbon neutrality, and is researching areas such as how to improve manufacturing technologies for bioethanol and how to make use of the CO2 that is produced during its manufacture. These efforts align with the Mazda belief that it should expand the range of available options of its Multi-solution approach, and so in March 2023 Mazda announced it would be joining the association.

SUPPLY CHAIN INITIATIVES

In addition to Mazda's efforts, those on the side of supply chains will also be necessary. Therefore, Mazda will proceed with CO2 emission reduction activities with logistics companies and suppliers in stages.

In Japan, the Company will work on structural reforms in supply chains while expanding the use of carbon-neutral fuels.



Increasing the use of carbon-neutral fuels

Structural reforms to the supply chain



2 ELECTRIFICATION

As it works toward 2030, Mazda is promoting a strategy of electrification. For more details, see P51. Below are some of the major efforts in this area.

PHASE 1: STRENGTHENING TECHNOLOGY DEVELOPMENT TOWARD THE ERA OF (2022-2024) ELECTRIFICATION

MAKING FULL USE OF ITS CURRENT TECHNOLOGY ASSETS IN THE FORM OF MULTIPLE ELECTRIFICATION TECHNOLOGIES

The CX-60, the first in the Large product lineup, is a product that excels in both driving and environmental characteristics, and has been widely praised by customers. Around 85% of CX-60 models sold in Europe between July 2022 when they started to go on sale and June 2023 were plug-in hybrids (PHEVs), and about 30% of those sold in Japan between their

launch in September 2022 and June 2023 were PHEVs or mild hybrids. For sales of the CX-90 in North America between their launch in April 2023 and June 2023, PHEVs similarly made up around 28%.

In June 2023, Mazda also began mass production of an original plug-in hybrid model, the MX-30 e-Skyactiv R-EV.

Building Block Concept for Products and Technologies



PHASE 2: TRANSITION TO ELECTRIFICATION (2025-2027)

COLLABORATION WITH PARTNER COMPANIES IN THE CHUGOKU REGION IN THE FIELD OF THE CORE ELECTRIC DRIVE UNITS

In order to achieve sustainable development for the regional economy as electrification progresses, Mazda is working with partner companies to develop competitive electrification technologies aimed at the next generation of vehicles, and aims to evolve the supply chain overall, including Mazda's part in it.

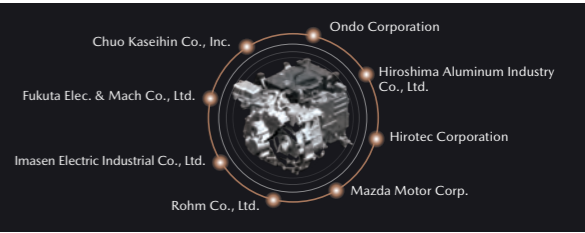
As the first step of this initiative, Mazda established a joint venture company with Ondo Corporation, Hiroshima Aluminum Industry Co., Ltd., and Hirotec Corporation to create a development, production, and supply network for the development of highly efficient production technology for electric drive units.

Furthermore, Mazda signed a joint development agreement with Imasen Electric Industrial Co., Ltd. and Rohm Co., Ltd. for the development of inverters, which are the core components of electric drive units, and established a joint venture with Imasen Electric Industrial Co., Ltd.

In terms of motors, through collaboration on the MX-30 e-Skyactiv R-EV, Mazda has strengthened cooperation with Fukuta Elec. & Mach. Co., Ltd., and the two companies signed a joint-development agreement to develop motor technology

before developing the vehicles that will utilize them. To develop studies into motors together, Mazda has also established a joint venture company with Chuo Kaseihin Co., Inc. and Fukuta Elec. & Mach.

* All joint venture companies mentioned above were established in August 2022.



BATTERY PROCUREMENT FROM CORPORATE PARTNERS

Mazda will procure batteries from partner companies while a focus on the direction of market demand, regulations and government policies, and technological advances.

MANAGEMENT POLICY UP TO 2030

Specifically, in November 2022, Mazda agreed to source batteries from AESC Group Co., Ltd.—which is scheduled to produce them in Japan—alongside the square batteries it procures from its existing corporate partner Panasonic Automotive Systems Co., Ltd.



Cylindrical lithium-ion batteries for vehicles that Panasonic Energy manufactures

Mazda is also focused on equipping these in battery EVs scheduled to be introduced in the latter half of this decade, and has agreed to investigate constructing a medium-to-long-term partnership with Panasonic Energy Co., Ltd.

■ MAZDA AIMS TO REDUCE CO₂ EMISSIONS BY IMPROVING FUEL ECONOMY, AND WILL INTRODUCE NEW HYBRID SYSTEMS

■ BATTERY EVS ARE SCHEDULED FOR LAUNCH AROUND THE WORLD

PHASE 3: FULL-FLEDGED LAUNCH OF PURE BATTERY EVS (2028-2030)

■ FULL-SCALE INTRODUCTION OF BATTERY EVS

■ SHIFT OF FOCUS TO FULL-SCALE ELECTRIFICATION, WITH AN EYE OF INVESTMENTS, ETC., IN BATTERY PRODUCTION, WHILE CONSIDERING CHANGES TO THE EXTERNAL ENVIRONMENT AND PROGRESS TOWARD STRENGTHENING THE FINANCIAL FOUNDATION

■ R&D INTO ADVANCED BATTERY TECHNOLOGIES

For batteries, in the cutting-edge battery technology R&D that have been selected as Green Innovation Fund Projects, in addition to improving the performance and reducing costs of storage batteries and motor systems, Mazda is making efforts to improve performance and save resources from the material level and to put advanced recycling technologies into practical use. Mazda will continue with its own R&D and promote procurement from corporate partners.

3 VALUE CREATION THROUGH CO-CREATION BETWEEN PEOPLE AND IT

■ APPLICATION OF IT FOR SAFETY

Based on its human-centered way of thinking, Mazda has extensively researched humans, and pursued sense stimulation that results in the Joy of Driving. The foundation for this is the continuous work Mazda has done since the 1990s on digital innovation and putting IT to good use. The Company has also worked tirelessly on greatly enhancing the efficiency of its technical development. This has led to reforms to processes, such as in the case of model-based development. Being able to achieve highly efficient development at the same time as creating high levels of value is one of Mazda's strengths.

The Company has declared its aim for no new Mazda vehicle to cause a fatal accident that is avoidable with automotive technologies by 2040. For more details, see P59.

Mazda started introducing the Driver Emergency Assist (DEA) system, an advanced safety technology, into its CX-60 model, which first went on sale in September 2022. As of July 2023, 88.8% of CX-60s in Japan were fitted with the technology.



Mazda makes continuous efforts to make people aware of its attitude toward safety, and its technologies, by attending automotive events, exhibitions, and similar.

■ PEOPLE

The source of Mazda's ability to create value is its people. They are the Mazda Group's driving force. The Company will respond to changes in the working population or ways of working, and make thorough efforts toward ease of working and motivation, so as to be an attractive company where every employee is proud and excited to work.

Mazda also makes a range of investments, including in supporting its employees to develop their capabilities, which leads to corporate growth. In this way, it backs its employees' active participation and growth.

As a form of investment in its human resources to ensure all employees are able to forge ahead with value creation, Mazda has put in place a working environment where employees learn about IT and AI and put them into practice, but where results are also shared so that they can help push each other forward. To ensure that by 2030 all indirect employees will have a certain degree of proficiency, Mazda is utilizing a program from Aidemy, and pressing forward with reforms.

Mazda has set a mandatory course for indirect employees (with between 26 and 31 hours of training), and in the last six months or so, around half of all those employees in the engineering and manufacturing field have completed the course. A special course for new employees (with 135 hours of train-

ing) has been put in place and half have completed it. Elsewhere, to encourage the active use of IT and AI in daily tasks, Mazda is implementing the following initiatives.

- Establishment of AI dojos, that aim to address departmental issues with AI
- Creation of a policy governing use of ChatGPT, and the start of its use in-house
- Launch of a company-wide AI/IT portal (Results: sharing of 120 case studies)

Mazda aims to double its productivity by 2030. It plans to do this by modeling out work processes, by raising productivity for individual tasks by using IT and AI, and investing further resources that are freed up for higher-added-value work.

In addition to this, it is worth keeping in mind that IT and

AI are tools, and that decisions and issue setting are done by people. Specifically, AI learns from data that people have created, and so people must take care to make the correct final decision. This overarching human-centered approach is something Mazda works hard to ensure thoroughly.

The IT Department is working to put in place a single platform that allows data from disparate work systems to be quickly collated and analyzed for its use by AI. The aim, moreover, is to use that platform to optimize expanding control factors and control information, so as to contribute to speeding up and improving the quality of increasingly complex technological and product development. Through initiatives such as this, Mazda will look to improve the productivity of indirect tasks.

4 COST REDUCTION AND SUPPLY CHAIN ENHANCEMENT

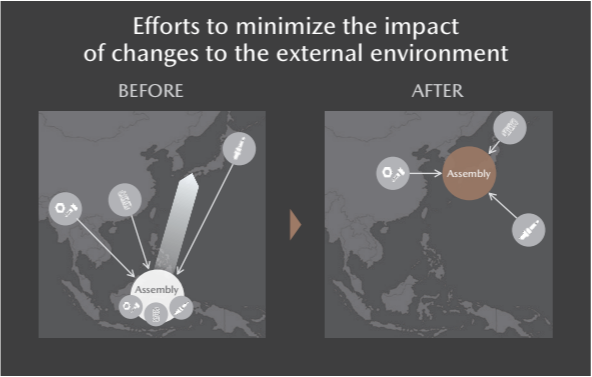
Cost reduction must go further its conventional efforts to reduce product costs and manufacturing costs. Instead, Mazda will expand the scope of its activities and take a bird's-eye view of the entire supply chain and value chain, to thoroughly eliminate waste, irregularities, and overburdens to optimize overall costs.

For its supply chains, Mazda has improved costs for each process from material procurement to product delivery to customers, but from now on, it will work to optimize the entire process by making the flow of goods as smooth as possible at the highest speed.

Furthermore, Mazda is working on innovative changes in its procurement system which includes fewer tiers in procurement of materials and parts and bringing places where various parts are produced closer to its production facilities as well as using more highly versatile materials and semiconductors. In this way, Mazda will minimize the impact of external changes in the environment such as geopolitical incidents, and earthquakes and other large-scale disasters.

For the value chain, Mazda will redevelop processes overall, so as to minimize fixed costs and provide customers with the value they expect. This will involve efforts such as to optimize product specifications and streamline the number of different components, and in pursuit of vehicle structures that are easier to recycle and require less in the way of after-service costs. Doing this will enable the Company to achieve an enhanced structure whereby Mazda and suppliers can control investment in development and equipment, improve equipment operation rates, and in the market curb expenses related to customer services, such as administration/back office, inventory, and logistical costs.

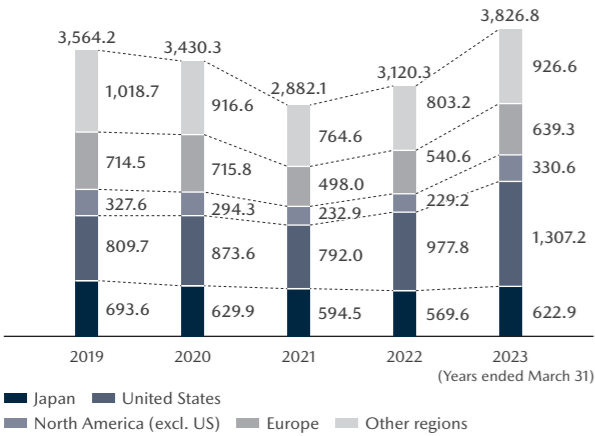
Currently, together with parts and materials suppliers, based on a long-term perspective, Mazda has as part of its normal operations been working on co-creation activities. Combining its strengths with those of its suppliers, Mazda will pursue maximum value for the customer.



FINANCIAL HIGHLIGHTS

Net Sales

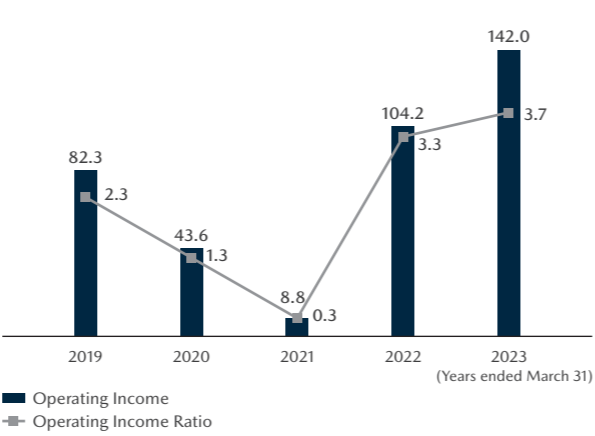
(Billions of yen)



* Net sales are categorized by countries and regions based on customers' locations.

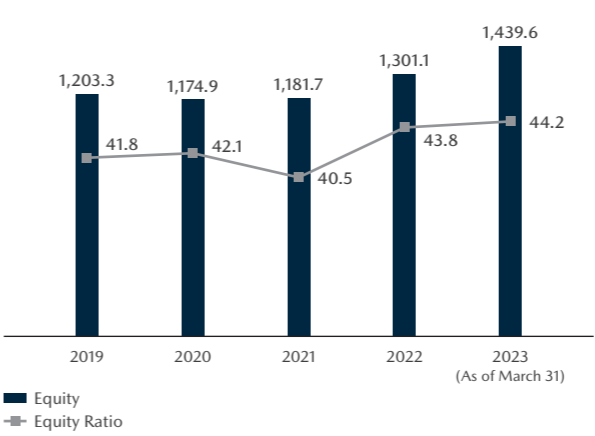
Operating Income / Operating Income Ratio

(Billions of yen / %)



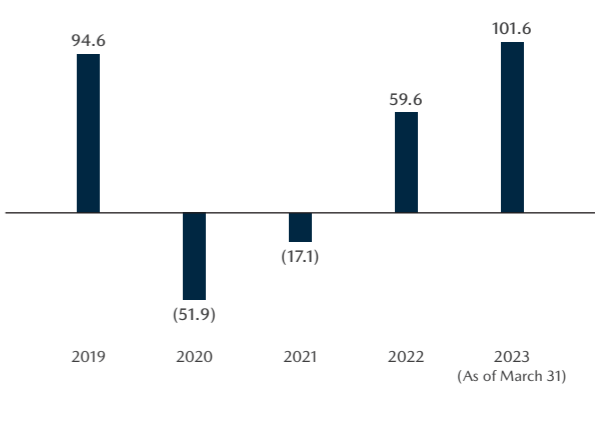
Equity / Equity Ratio

(Billions of yen / %)



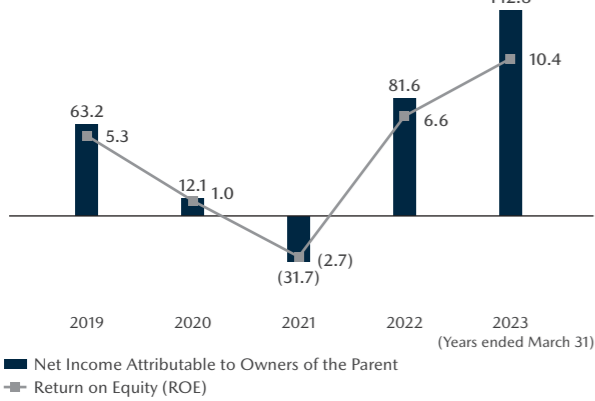
Net Cash Position

(Billions of yen)



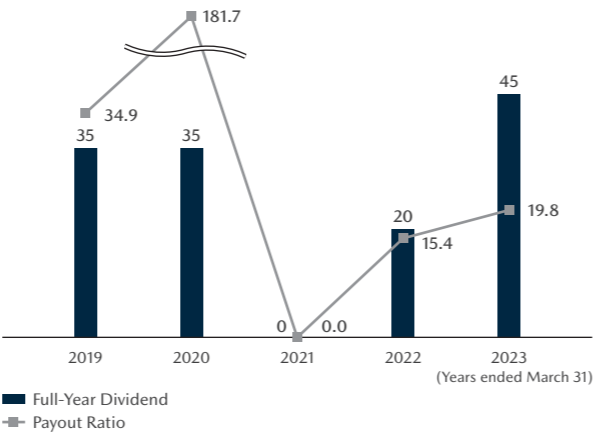
Net Income Attributable to Owners of the Parent / Return on Equity (ROE)

(Billions of yen / %)



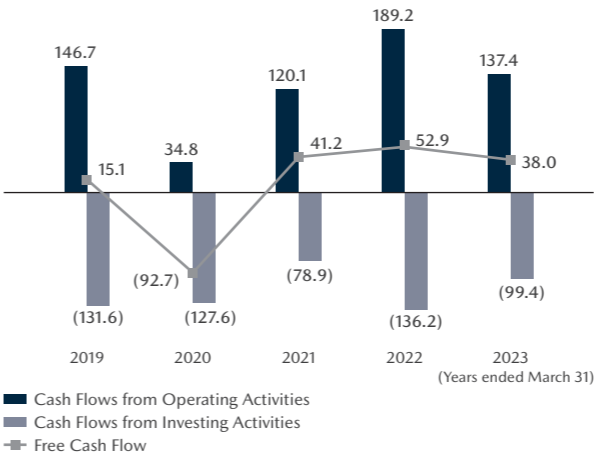
Full-Year Dividend / Payout Ratio

(Yen / %)



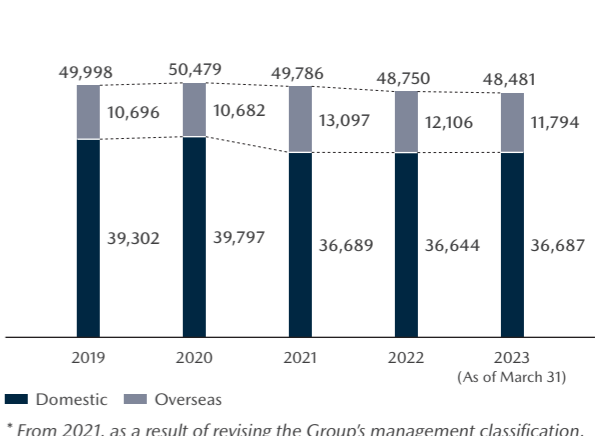
Cash Flows

(Billions of yen)



Number of Employees

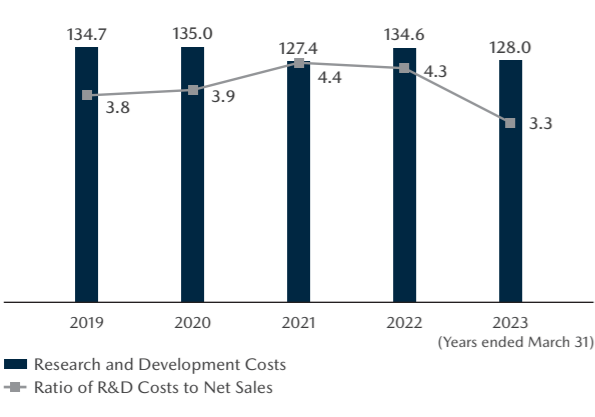
(People)



* From 2021, as a result of revising the Group's management classification, some consolidated subsidiaries that were previously included in "Domestic" have been reclassified into "Overseas."

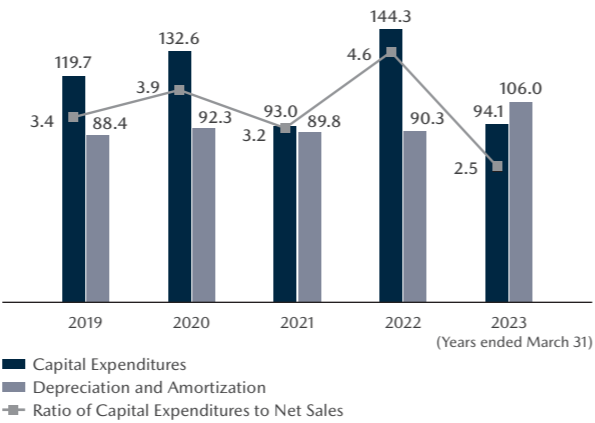
Research and Development Costs / Ratio of R&D Costs to Net Sales

(Billions of yen / %)



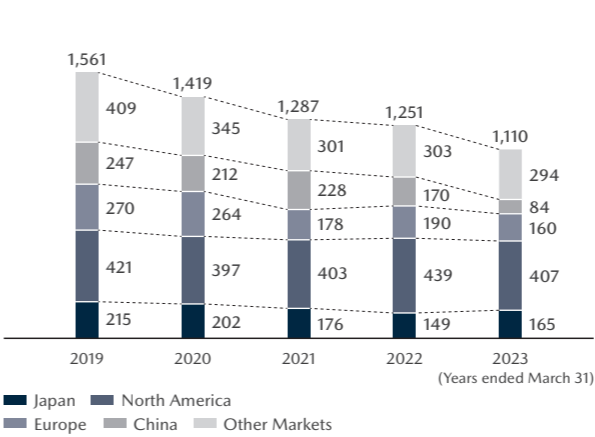
Capital Expenditures / Depreciation and Amortization / Ratio of Capital Expenditures to Net Sales

(Billions of yen / %)



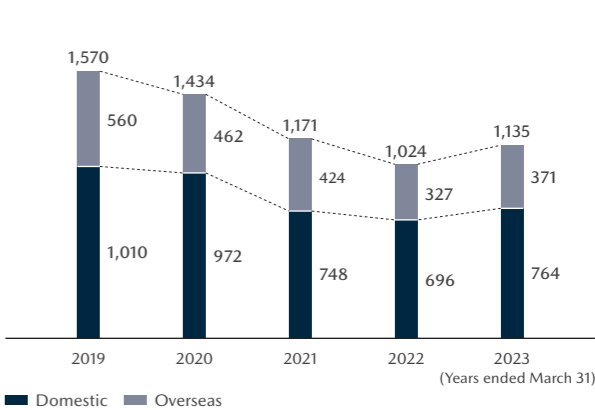
Global Sales Volume

(Thousands of units)



Global Production Volume

(Thousands of units)



ELEVEN-YEAR SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

Mazda Motor Corporation and Consolidated Subsidiaries
Years ended March 31

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019*11 | 2020 | 2021 | 2022*13 | 2023 | 2023 |
|--|------------|------------|------------|------------|------------|---------------|------------|------------|------------|------------|------------|-----------------------------|
| Business results (Millions of yen): | | | | | | | | | | | | Thousands of U.S. dollars*1 |
| Net sales*2 | ¥2,205,270 | ¥2,692,238 | ¥3,033,899 | ¥3,406,603 | ¥3,214,363 | ¥3,474,024 | ¥3,564,172 | ¥3,430,285 | ¥2,882,066 | ¥3,120,349 | ¥3,826,752 | \$28,557,851 |
| Cost of sales | 1,729,296 | 1,993,643 | 2,247,720 | 2,567,465 | 2,448,184 | 2,653,600 | 2,772,184 | 2,683,647 | 2,268,422 | 2,432,645 | 3,025,230 | 22,576,343 |
| Selling, general and administrative expenses | 422,038 | 516,474 | 583,291 | 612,363 | 640,492 | 674,003 | 709,681 | 703,035 | 604,824 | 583,477 | 659,553 | 4,922,038 |
| Operating income | 53,936 | 182,121 | 202,888 | 226,775 | 125,687 | 146,421 | 82,307 | 43,603 | 8,820 | 104,227 | 141,969 | 1,059,470 |
| Income before income taxes | 39,101 | 97,409 | 209,335 | 166,986 | 128,413 | 157,484 | 107,567 | 49,282 | 2,202 | 112,399 | 169,972 | 1,268,448 |
| Net income/(loss) attributable to owners of the parent | 34,304 | 135,699 | 158,808 | 134,419 | 93,780 | 112,057 | 63,155 | 12,131 | (31,651) | 81,557 | 142,814 | 1,065,776 |
| Capital expenditures*3 | 77,190 | 133,216 | 131,010 | 89,214 | 94,399 | 104,129 | 119,734 | 132,578 | 92,972 | 144,332 | 94,139 | 702,530 |
| Depreciation and amortization | 59,954 | 57,656 | 68,872 | 78,972 | 82,416 | 86,954 | 88,443 | 92,269 | 89,765 | 90,281 | 105,950 | 790,672 |
| Research and development costs | 89,930 | 99,363 | 108,378 | 116,610 | 126,915 | 136,009 | 134,660 | 135,009 | 127,432 | 134,622 | 127,990 | 955,149 |
| Cash flows: | | | | | | | | | | | | |
| Operating cash flows | 49,033 | 136,379 | 204,459 | 262,770 | 161,097 | 207,795 | 146,690 | 34,834 | 120,058 | 189,155 | 137,424 | 1,025,552 |
| Investing cash flows | (40,287) | (120,057) | (95,548) | (108,092) | (63,751) | (159,989) | (131,611) | (127,578) | (78,862) | (136,237) | (99,427) | (741,993) |
| Free cash flow*4 | 8,746 | 16,322 | 108,911 | 154,678 | 97,346 | 47,806 | 15,079 | (92,744) | 41,196 | 52,918 | 37,997 | 283,559 |
| Financing cash flows | (57,181) | 10,483 | (62,776) | (94,062) | (149,898) | 30,461 | 83,411 | (24,274) | 99,348 | (86,405) | (89,863) | (670,618) |
| Financial position (Millions of yen): | | | | | | | | | | | | |
| Total assets | ¥1,978,567 | ¥2,246,036 | ¥2,473,287 | ¥2,548,401 | ¥2,524,552 | ¥2,724,092*10 | ¥2,877,613 | ¥2,787,640 | ¥2,917,414 | ¥2,968,148 | ¥3,259,251 | \$24,322,769 |
| Net assets | 513,226 | 676,837 | 891,326 | 976,723 | 1,064,038 | 1,219,470 | 1,233,441 | 1,205,846 | 1,195,830 | 1,316,697 | 1,456,801 | 10,871,649 |
| Interest-bearing debt | 718,983 | 742,735 | 701,019 | 617,132 | 491,434 | 497,893 | 607,051 | 619,868 | 755,928 | 680,807 | 615,502 | 4,593,299 |
| Net cash position | (274,108) | (262,981) | (171,871) | (48,418) | 35,430 | 106,961 | 94,573 | (51,874) | (17,135) | 59,578 | 101,591 | 758,142 |
| Amounts per share of common stock (Yen): | | | | | | | | | | | | U.S. dollars*1 |
| Net income/(loss)*5 | ¥ 11.48 | ¥ 226.99*9 | ¥ 265.64*9 | ¥ 224.85 | ¥ 156.87 | ¥ 182.93 | ¥ 100.28 | ¥ 19.26 | ¥ (50.26) | ¥ 129.49 | ¥ 226.71 | \$ 1.69 |
| Cash dividends applicable to the year*6 | — | 1.00 | 10.00 | 30.00 | 35.00 | 35.00 | 35.00 | 35.00 | — | 20.00 | 45.00 | 0.34 |
| Net assets*7 | 166.04 | 1,105.21*9 | 1,454.61*9 | 1,595.83 | 1,738.70 | 1,894.29 | 1,910.67 | 1,865.63 | 1,876.40 | 2,065.74 | 2,285.21 | 17.05 |
| Financial indicators (%): | | | | | | | | | | | | |
| Operating income ratio | 2.4% | 6.8% | 6.7% | 6.7% | 3.9% | 4.2% | 2.3% | 1.3% | 0.3% | 3.3% | 3.7% | |
| Return on equity (ROE)*8 | 7.1 | 23.5 | 20.8 | 14.7 | 9.4 | 10.0 | 5.3 | 1.0 | (2.7) | 6.6 | 10.4 | |
| Equity ratio*8 | 25.1 | 29.4 | 35.2 | 37.4 | 41.2 | 43.8*10 | 41.8 | 42.1 | 40.5 | 43.8 | 44.2*12 | |
| Average number of shares outstanding (in thousands) | 2,989,171 | 597,829*9 | 597,823*9 | 597,819 | 597,816 | 612,554 | 629,757 | 629,781 | 629,786 | 629,852 | 629,950 | |
| Number of employees (people) | 37,745 | 40,892 | 44,035 | 46,398 | 48,849 | 49,755 | 49,998 | 50,479 | 49,786 | 48,750 | 48,481 | |

*1 The translation of Japanese yen into U.S. dollars is presented solely for the convenience of readers outside of Japan, using the prevailing exchange rate on March 31, 2023, of ¥134 to US\$1.
*2 Net sales are categorized by the regions based on the customers' locations.
*3 Capital expenditures are calculated on an accrual basis.
*4 Free cash flow represents the sum of net cash flows from operating activities and investing activities.
*5 The calculations of net income/(loss) per share of common stock are based on the average number of shares outstanding during each fiscal year.
*6 Cash dividends per share represent actual amounts applicable to each fiscal year.
*7 The amounts of net assets used in the calculation of net assets per share exclude non-controlling interests (and, for FY March 2013, and from FY March 2017 to FY March 2023, stock acquisition rights) from net assets.
*8 The amounts of equity exclude non-controlling interests (and, for FY March 2013, and from FY March 2017 to FY March 2023, stock acquisition rights) from net assets.

*9 A share consolidation was implemented on common stock with a ratio of five shares to one share on August 1, 2014. Average number of shares outstanding, net income per share, and net assets per share are calculated based on the assumption that consolidation of shares had been carried out at the beginning of FY March 2014.
*10 The Company has adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" from the beginning of FY March 2019. The figures for FY March 2018 were adjusted retrospectively in accordance with this change.
*11 The consolidated foreign subsidiaries that apply U.S. GAAP adopted ASU 2014-09 from the beginning of FY March 2020. The figures for FY March 2019 were adjusted retrospectively in accordance with this change.
*12 Percentage after consideration of the equity credit attributes of the subordinated loan is 45.2%.
*13 The Company has adopted "Accounting Standard for Revenue Recognition," etc. from the beginning of FY March 2022. The figures for FY March 2022 onward were adjusted in accordance with this change.