

# 02

## GROWTH STRATEGIES

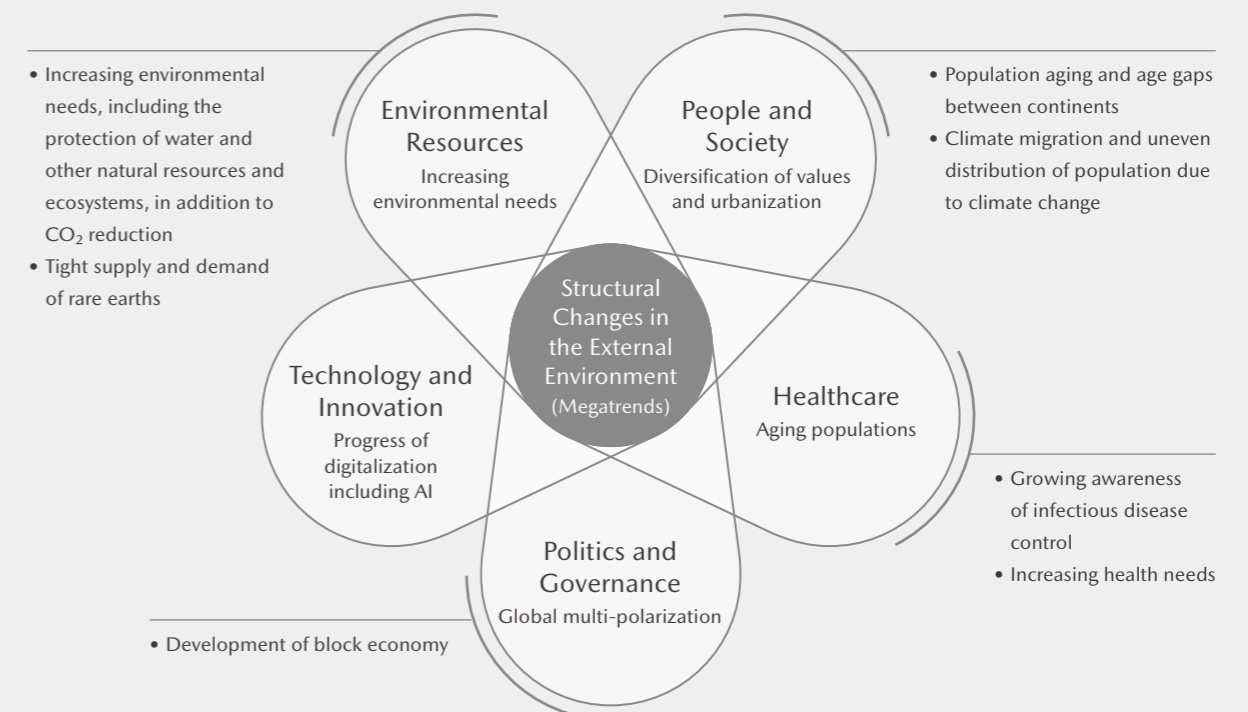
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## 2030 VISION

To be a car-loving company that creates moving experiences through the Joy of Driving

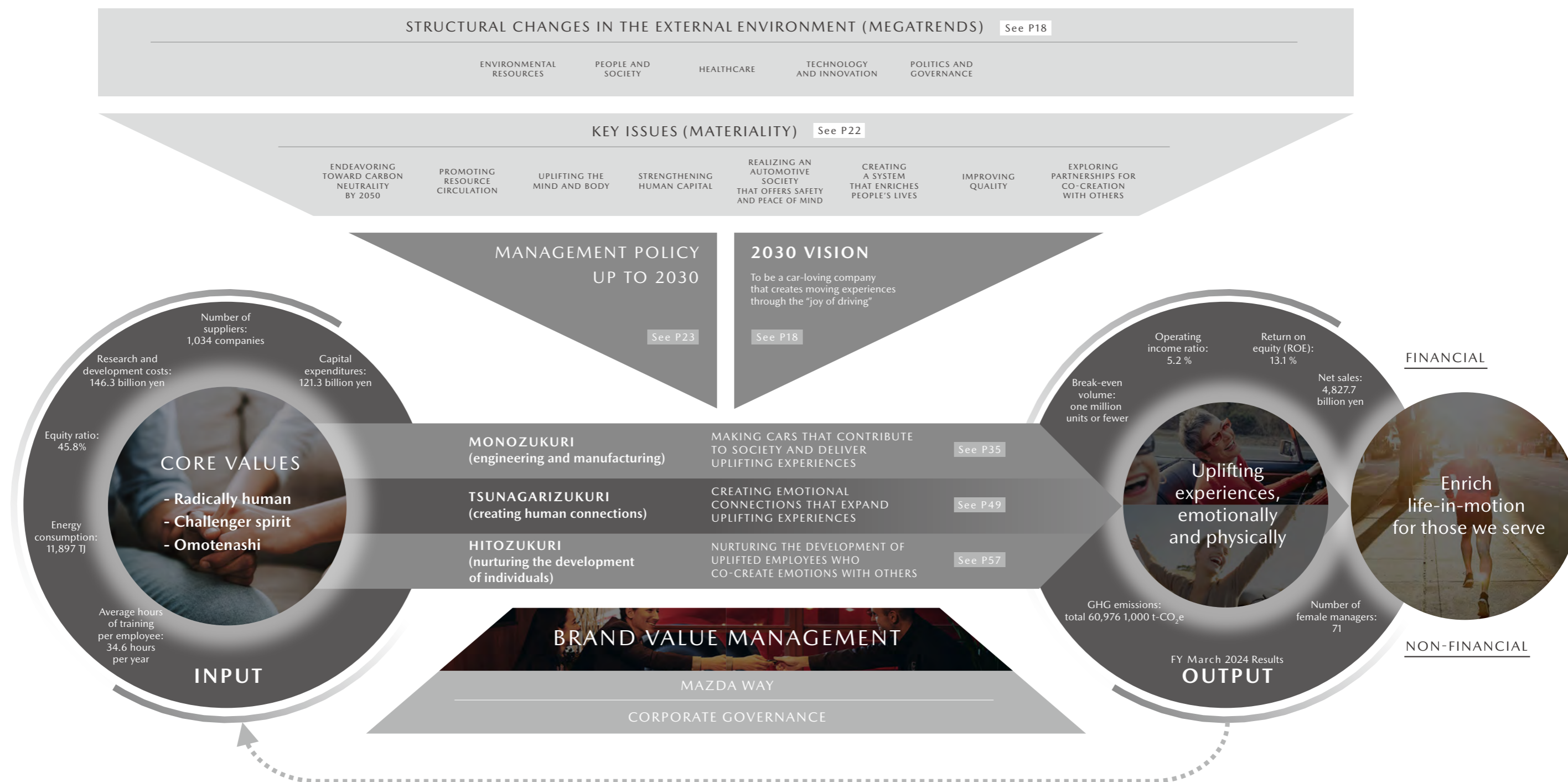
1. Contribute to a future sustainable Earth by providing multi-solution to mitigate climate change
2. Contribute to a society where everyone feels safe to move freely by providing technology that proactively enhances our well-being
3. Contribute to each person's Joy of Living by delivering moving and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

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



# VALUE CREATION PROCESS

## — PRACTICE OF BRAND VALUE MANAGEMENT —



SUSTAINABILITY PROMOTION & KEY ISSUES (MATERIALITY)

BASIC POLICY ON SUSTAINABILITY

While striving to sincerely meet the requests and expectations of all stakeholders under its corporate philosophy, Mazda aims for sustainable growth as a company through its global business activities. The Company is determined to contribute to the sustainable development of society through efforts to resolve various social issues by making the most of its strengths.

Basic Policy on Sustainability  
<https://www.mazda.com/en/sustainability/about/>

Sustainability Promotion Organization

In FY March 2024, the CSR Management Strategy Committee was reorganized and renamed the Sustainability Committee as part of a Companywide reorganization and based on the understanding that a more effective organization was necessary given recently growing interest related to environmental, social, and governance (ESG) issues. Internal departments advance their operations based on goals and plans formulated with an understanding of the policies and guidelines determined by the Sustainability Committee, which is chaired by the executive officer in charge of sustainability, and in cooperation with other internal divisions, committees, and Group companies. In addition, the Board of Directors has been holding discussions on issues concerning sustainability since FY March 2016.

Sustainability Committee

The Sustainability Committee discusses directives for Mazda's sustainability initiatives from a short-, medium-, and long-term perspective based on global changes in the social climate.

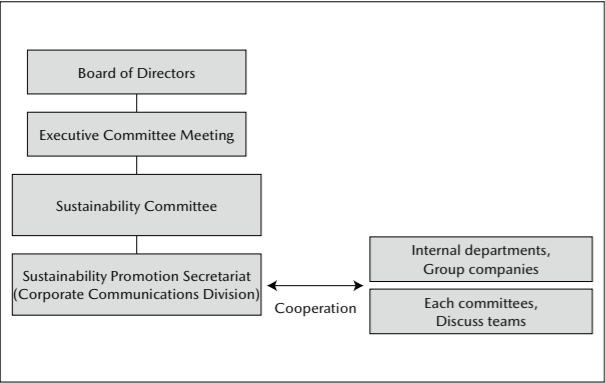
- Chairperson: Executive officer in charge of sustainability
- Meetings: Quarterly
- Members: Members of the Executive Committee Meeting

Note: Meeting frequencies and members vary based on the matters to be discussed.

The following two working groups have been established to discuss certain topics.

- Working Group for the Future: Discussion of directives for Groupwide, future-oriented sustainability initiatives
- Working Group for Issue Resolution: Discussion of responses to pressing sustainability issues

Sustainability Promotion Organization (As of July 31, 2024)



IDENTIFICATION AND REVIEW OF MATERIALITY THEMES

In July 2016, Mazda identified and disclosed its key issues (materiality). In subsequent years, which saw growing worldwide interest in ESG issues, the social environment surrounding the Mazda Group underwent some changes. Given these circumstances, in FY March 2018 the Company commenced a review of its materiality themes. This review was based on two particular perspectives. The first is that of stakeholders, which entailed looking at items such as the United Nations Sustainable Development Goals (SDGs) and surveys by international ESG ratings organizations. The second is that of importance to the Mazda Group in terms of its business initiatives to accomplish the goals of the Management Policy up to 2030. Based on these two perspectives, in 2021 Mazda identified the social issues that the Mazda Group should address through its business and clarified and disclosed the relationship between these issues and the SDGs and targets adopted by the United Nations. Then, given the update to the Medium-Term Management Plan and Management Policy up to 2030 announced in November 2022, Mazda once again reviewed its materiality themes.

Materiality Review and Identification Process

**Step 1 | Selection of social issues**

To select social issues from the stakeholders' perspective, Mazda analyzed and clarified what investors and the global society expect of the Company from the details of surveys conducted by global ESG rating organizations. As for the importance to the Mazda Group, specific issues described in the Management Policy up to 2030, "Sustainable Zoom-Zoom 2030," and the Company's securities report were analyzed so as to select the social issues.

**Step 2 | Evaluation of impact and prioritization of social issues**

Mazda identified potential priority issues to be tackled by evaluating the social issues selected in Step 1 according to two axes: Impact on stakeholders<sup>\*1</sup> and impact on the Mazda Group.<sup>\*2</sup> The Company also clarified the themes to be addressed from a long-term viewpoint by correlating these themes with the 169 targets of the SDGs.

**Step 3 | Validation**

To validate the priorities of themes identified in Step 2, discussions were held with management to reach a consensus regarding the priorities.

**Step 4 | Disclosure of materiality themes**

A specific action plan is currently being prepared to ensure steady implementation of the materiality themes identified in Steps 1–3 and follow up on the progress. The materiality themes that Mazda recently identified and an action plan that will be formulated henceforth will be disclosed to stakeholders. By periodically evaluating and revising the materiality themes and plan, Mazda will implement a plan–do–check–act (PDCA) process.

<sup>\*1</sup> Expectations for the Mazda Group and the automotive industry  
<sup>\*2</sup> Risks and opportunities for the Mazda Group

INITIATIVES / GUIDELINES RELATED TO THE EIGHT THEMES OF MATERIALITY

Eight themes of materiality		Social issues (Relevant keywords)	Mazda's initiatives / targets / SASB code <sup>*1</sup>	SDGs goals
"Earth"	Endeavoring toward carbon neutrality by 2050	Climate change issues (Carbon neutrality)	<div>Initiatives</div> <ul style="list-style-type: none"><li>• Efforts to reduce CO<sub>2</sub> emissions over a vehicle's entire life cycle from the perspective of "well-to-wheel" and Life Cycle Assessment (LCA)</li><li>• Accumulation of technological assets in line with Mazda's Building Block concept and utilization of these assets in highly efficient manufacturing</li><li>• Initiatives toward making Mazda factories globally carbon neutral by 2035</li></ul> <div>Targets</div> <ul style="list-style-type: none"><li>• Achieve carbon neutrality across the entire supply chain by 2050</li><li>• Achieve 69% decrease in CO<sub>2</sub> emissions at plants and operational sites in Japan by FY March 2031, in comparison to the level in FY March 2014, and a usage rate of electricity generated from non-fossil fuel sources of 75%</li></ul> <div>SASB TR-AU-410a.3</div>	<div></div> <div></div> <div></div> <div></div> <div></div> <div></div>
	Promoting resource circulation	Increase in demand for resources and rising amount of waste  Water resources issues  Circular economy	<div>Initiatives</div> <ul style="list-style-type: none"><li>• Increase in the recyclability of new vehicles</li><li>• Initiatives to promote the 3Rs (reduce, reuse, and recycle) at plants and global efforts for zero emissions and the expansion of resource recycling</li></ul> <div>Targets</div> <ul style="list-style-type: none"><li>• Resource recycling for materials: Achieve zero emissions in manufacturing and logistics processes on a global basis by 2030</li><li>• Resource recycling for water: Implement an optimal approach to water resources recycling and circulation at model plants<sup>*2</sup> in Japan by 2030</li></ul> <div>SASB TR-AU-440b.1   SASB TR-AU-440b.2   SASB TR-AU-440b.3</div>	<div></div> <div></div> <div></div> <div></div>
"People"	Uplifting the mind and body	Changes in values regarding mental and social health	<div>Initiatives</div> <ul style="list-style-type: none"><li>• Creation of moving experiences in driving and mobility through human-centered approach</li></ul>	<div></div> <div></div>
	Strengthening human capital	Decline in the labor force  Globalization of the market and diversification of customer needs  Diversity, equity, and inclusion	<div>Initiatives</div> <ul style="list-style-type: none"><li>• Respect for the diversity of employees and fostering of a corporate climate in which every employee can express their individuality while working alongside others to contribute to the Company and society</li><li>• Work on a variety of programs to enable employees—a diverse range of people with different values and lifestyles—to enjoy their work by finding a healthy balance between their work and personal lives</li></ul> <div>Targets</div> <ul style="list-style-type: none"><li>• Number of female managers: 80 in FY March 2025, 100 in FY March 2026</li><li>• Ratio of applicable male employees taking child-rearing leave (including post-childbirth paternity leave): 60% in FY March 2025, 70% in FY March 2026</li></ul> <div>SASB TR-AU-310a.1   SASB TR-AU-310a.2</div>	<div></div> <div></div>
"Society"	Realizing an automotive society that offers safety and peace of mind	Fatal road traffic accidents	<div>Initiatives</div> <ul style="list-style-type: none"><li>• Promotion of technology development based on Mazda Proactive Safety original safety concept</li></ul> <div>Targets</div> <ul style="list-style-type: none"><li>• Reduce deaths caused by new vehicles to zero through automotive technologies by 2040</li></ul> <div>SASB TR-AU-250a.1</div>	<div></div>
	Creating a system that enriches people's lives	Declining population, falling birthrate and aging society, and concentration of population in urban centers  Traffic jams and congestion in urban areas and expansion of rural areas where no public transportation is available (Mobility as a Service)	<div>Initiatives</div> <ul style="list-style-type: none"><li>• Building of a model of social contribution that will enrich lives by offering safe, secure, and unrestricted mobility to people everywhere</li><li>• Testing of a shared mobility service leveraging mobility technologies</li></ul>	<div></div> <div></div> <div></div>
Common to "Earth," "People" and "Society"	Improving quality	Quality issues	<div>Initiatives</div> <ul style="list-style-type: none"><li>• Promotion of consistent quality in all stages, from planning to production</li><li>• Early detection and early resolution of market problems</li><li>• Building of special bonds with customers</li></ul> <div>SASB TR-AU-250a.2   SASB TR-AU-250a.3</div>	<div></div>
	Exploring partnerships for co-creation with others	Once-in-a-century transformation (CASE)	<div>Initiatives</div> <ul style="list-style-type: none"><li>• Inter-company collaboration: Joint development of technical specifications for next-generation vehicle communication devices</li><li>• Industry–academia–government collaboration: Hiroshima "Your Green Fuel" Project</li></ul>	<div></div> <div></div>

<sup>\*1</sup> For more details, please refer to the SASB Content Index: <https://www.mazda.com/en/sustainability/guidelines/>  
<sup>\*2</sup> The model plant is a pilot plant where new measures are tested ahead of implementation at other facilities.

MANAGEMENT POLICY UP TO 2030

BASIC MANAGEMENT POLICIES

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

Basic Management Policy 1	Contribute to the curbing of global warming through Mazda's electrification strategies tailored to regional characteristics and environmental needs
Basic Management Policy 2	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
Basic Management Policy 3	Maintain Mazda's brand value management, provide unique value, and continue to be a brand preferred by customers

As the automotive industry undergoes a massive transformation, more diverse products are introduced to the market due to the evolution of digital technology and the entry of new players in the automotive industry. As various functions and services come to be provided by connecting a variety of items via IoT technologies, the value that vehicles can offer to society is expected to continue to change and increase.

To respond to social changes such as these, Mazda will complement ongoing technology development activities with contributions to curbing global warming and to the realization of an automotive society that offers safety and peace of mind achieved by working with its many corporate co-creation partners to unite their knowledge and passion.

Moreover, Mazda wants to be able to create moving, exciting experiences in people's everyday movement and to offer happiness that can be shared with others. To this end, based on its approach toward brand value management, the Company will contribute to society by turning the joy of driving into a wider joy of living.

MANAGEMENT POLICY UP TO 2030

Phase 1 2022–2024	Phase 2 2025–2027	Phase 3 2028–2030
<b>Acceleration of technology development for the age of electrification</b> <ul style="list-style-type: none"><li>U.S. plant, large product models</li><li>Redoubling of cost reduction activities and reinforcement of supply chain resilience</li></ul>	<b>Transition to electrification</b> <ul style="list-style-type: none"><li>Battery procurement</li><li>Enhancement of battery technology development</li><li>Advanced launches of BEVs (latter half of Phase 2)</li></ul>	<b>Full-scale launch of BEVs</b> <ul style="list-style-type: none"><li>Shift toward electrified vehicles</li><li>Investment in battery production</li></ul>

Four Key Initiatives for Shaping the Future

Based on the principles 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.

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

1 CARBON NEUTRALITY

Social Issues

A report published by the Intergovernmental Panel on Climate Change (IPCC) points to a need to limit the average rise in the global temperate to below 1.5°C above preindustrial levels by around 2050 in order to prevent serious impacts on nature and on our activities.

Policies for Addressing Social Issues

Mazda has announced that it will endeavor to achieve carbon neutrality across its entire supply chain by 2050. To accomplish this goal, the Company recognizes the importance of achieving reductions to CO<sub>2</sub> emissions across the entire vehicle life cycle. The Company believes that it is necessary to adopt a multi-solution approach toward this undertaking, in which it offers the most ideal option to match the needs of the energy sources, generation methods, and customers found in specific markets. These efforts are informed by a “well-to-wheel” perspective and an LCA perspective.

Major Initiatives

- Declaration of goal of achieving carbon neutrality across entire supply chain by 2050
- Achievement of carbon neutrality at Mazda factories worldwide by 2035  
Mazda is advancing initiatives to accomplish these goals based on the following pillars with the cooperation of local governments and other industries. Initiatives implemented in Japan are used as models for finding the best possible approach for initiatives at overseas factories.
  - Energy conservation
  - Shifting to renewable energies
  - Introducing carbon neutral fuels
- Reduction of CO<sub>2</sub> emissions from factories and operating sites in Japan,\* which account for approximately 75% of our global total CO<sub>2</sub> emissions, by 69% from the level seen in FY March 2014 by FY March 2031, as a medium-term target and a step on the road map toward carbon neutrality

\* Total of 17 factories and operating sites in Japan, including Mazda's Head Office and Hiroshima Plant (Aki-gun and Hiroshima-shi, Hiroshima Prefecture), Hofu Plant (Hofu-shi, Yamaguchi Prefecture), and Miyoshi Plant (Miyoshi-shi, Hiroshima Prefecture)

2 ELECTRIFICATION

Social Issues

Mazda sees its multi-solution approach as an effective one for the period of transition to EVs leading up to around 2030. Under this approach, Mazda will offer a variety of solutions, including internal combustion engines, electrification technologies, and alternative fuels, so that it can provide appropriate combinations that suit the energy sources and generation methods of specific regions.

Policies for Addressing Social Issues

Mazda estimates that the BEV ratio of global sales in 2030 will be between 25% and 40% given the trends in electrification policies and regulatory tightening seen in the relevant countries and regions. Mazda must be flexible and adapt to the coming changes, such as changes in regulations, consumer needs and acceptance levels, and infrastructure development. To this end, the Company will steadily work on the transition to electrification in three phases, proceeding with electrification step by step with the cooperation of its partner companies.

Phase 1 2022–2024	Phase 2 2025–2027	Phase 3 2028–2030
Acceleration of technology development for the age of electrification	Transition to electrification	Full-scale launch of BEVs

Major Initiatives

- Phase 1Acceleration of technology development for the age of electrification
- Full utilization of existing multi-electrification technology assets
  - Launch of large products and offering of PHEVs and diesel mild hybrid electric vehicles (MHEVs) that achieve both

- environmental and driving performance to boost earning power while also developing technologies for BEVs in a full-fledged manner
- Phase 2Transition to electrification
- Introduction of new hybrid systems in pursuit of reduced CO<sub>2</sub> emissions via improved fuel economy
  - Commencement of global launch of BEVs
  - Creation of competitive electric drive units for next-generation vehicles through collaboration in core electric drive unit field
  - Establishment of joint venture company with partners in the Chugoku region to create development, production, and supply systems for high-efficiency production technologies
  - Joint development contracts and joint venture company establishments for developing inverters used as core components of electric drive units
  - Formulation of joint development contracts and joint venture companies related to studying and cultivating motor technologies
  - Procurement of batteries from partner companies while moving forward with internal R&D project for developing advanced battery technologies selected as a New Energy and Industrial Technology Development Organization (NEDO) Green Innovation Fund Project
- Phase 3Full-scale launch of BEVs
- Full-scale launch of BEVs
  - Investment in battery production based on the extent of changes in the operating environment and progress in strengthening financial foundation with an eye to shifting toward a full-fledged electrification approach

3 VALUE CREATION THROUGH CO-CREATION BETWEEN PEOPLE AND IT

**Social Issues**  
Birthrate decline and population aging are making it increasingly difficult to secure human resources, and this situation requires dedicated attention. In this environment, companies will be unable to survive if they do not adapt by utilizing digital technologies, which have a significant impact on corporate competitiveness.

**Policies for Addressing Social Issues**  
The source of Mazda's ability to create value is its people. It is therefore crucial for Mazda to provide an environment in which employees feel compelled to tackle new challenges in order to maximize their skills and achieve our goal of doubled productivity.  
The Company is approaching this undertaking by inspiring the leaders of divisions not directly connected with production to realize the role they play in such efforts and to diligently advance organizational culture and process reforms.

Blueprint initiatives for reforming organizational culture

Digital transformation for reforming processes

Major Initiatives

- Promotion of digital transformation to refine processes in all divisions and achieve dramatic improvements in process productivity through standardization and generative AI utilization

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4 COST REDUCTION AND SUPPLY CHAIN ENHANCEMENT

**Social Issues**  
The scope of cost reduction must be expanded beyond conventional efforts to reduce product costs and manufacturing costs. Mazda believes that it is important to expand the scope of its activities and adopt an overarching perspective encompassing the entirety of its supply chains and value chains to thoroughly eliminate waste, irregularities, and overburdens to optimize overall costs.

**Policies for Addressing Social Issues**  
**Supply Chains**  
Mazda endeavors to implement improvements in each process, spanning from material procurement to product delivery to customers, and is also working to achieve overall process optimization by making the flow of goods as smooth as possible at the highest speed.  
**Value Chains**  
Mazda will redevelop processes so as to minimize fixed costs across the value chain and provide customers with the value they expect. This undertaking will involve efforts such as the optimization of product specifications and reduction of the number of different components at the planning stage and in pursuit of vehicle structures that are easier to recycle and require less in the way of after-service costs.

Keeping fixed costs down to provide customers with the value they expect

Streamlined component types

Minimal-service-cost structure

Easy-to-recycle structure

Major Initiatives

**Supply Chains**  
Mazda seeks to minimize the impact of operating environment changes, such as geopolitical incidents and earthquakes and other large-scale disasters. The following initiatives are being taken to this end.

- Transformation of procurement system by reducing tiers in procurement of materials and parts and utilizing production locations for various parts that are closer to its production facilities
- Expanded use of more highly versatile materials and semiconductors

**Value Chains**  
Mazda is combining its strengths with those of its suppliers to pursue maximum value for the customer through the following initiatives for building a more resilient value chain.

- Development of structure in which Mazda and suppliers can limit investment in development and equipment and improve equipment operation rates
- Limiting of administration, inventory, logistical costs, and other expenses related to customer services provided for marketed items
- Co-creative activities with parts and materials suppliers advanced based on a long-term perspective as part of normal operations

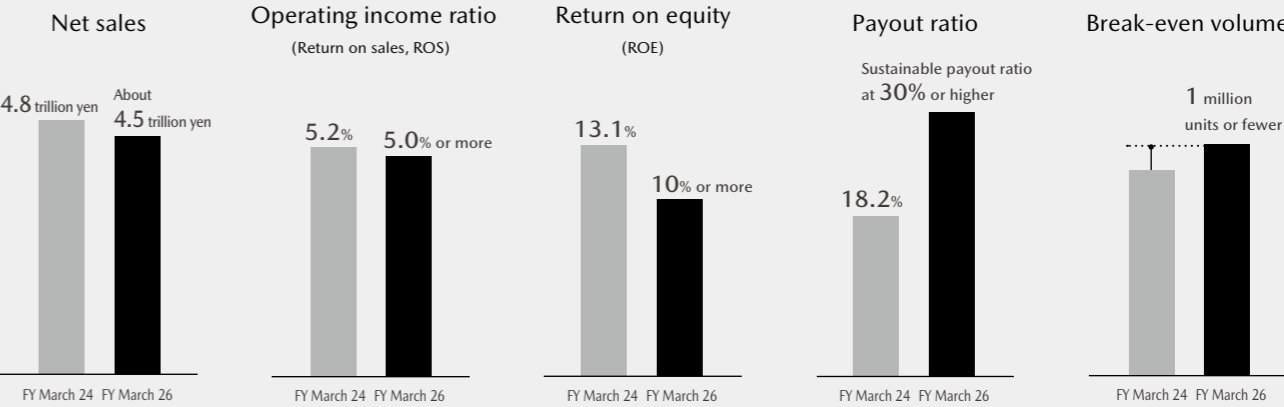
Efforts to minimize the impact of changes to the external environment

BEFORE

AFTER

FINANCIAL TARGETS

Financial Targets for FY March 2026 and FY March 2024 Results



REVIEW OF PERFORMANCE BY REGION

GLOBAL PERFORMANCE AND FORECASTS

Global Sales Volume (Thousands of units)	FY March 2023	FY March 2024	Change from Previous Fiscal Year	FY March 2025	Change from Previous Fiscal Year
Japan	165	160	-3%	180	+13%
North America	407	514	+26%	600	+17%
Europe	160	180	+13%	183	+2%
China	84	97	+15%	98	+1%
Other Markets	294	289	-2%	339	+17%
Total	1,110	1,241	+12%	1,400	+13%

**Overview of performance in FY March 2024:**  
**Year-on-year increase of 131,000 units, / 12%, in sales volume to 1,241,000**

- Year-on-year sales volume growth of more than 25% in North American market, resulting in this market accounting for three-fourths of global sales volume growth
- Strong sales of CX-90 introduced in FY March 2023 as well as of CX-30 and CX-50 in U.S. market, leading to record-breaking full-year sales volume; new record for sales volume also set in Mexican market
- Benefits felt from measures to increase sales in China including revision to prices and equipment for Mazda3 and CX-5; year-on-year increases of 15% in sales volumes in China on a full-year basis and 46% in the second half of the fiscal year

**Forecast for FY March 2025:**  
**Year-on-year increase of 159,000 units, / 13%, in sales volume to 1,400,000**

- Introduction of large products and hybrid electric vehicle (HEV) models centered on North American market and enhancement of sales network to boost sales
- Growth of sales in Japanese and other markets through launch of large products
- Sales on par with previous fiscal year to be targeted in Chinese and European markets by accommodating electrification trend
- Launch of new Mazda EZ-6 featuring BEV and PHEV power units scheduled for late 2024 in Chinese market, where EV sales are growing most rapidly
- Response to hybrid vehicle needs of European market through launch of CX-80 equipped with PHEV power unit in 2024

GROWTH IN THE U.S.

Overview of Performance in FY March 2024

- Growth in overall demand of 12% year on year
- Record-breaking sales volume for Mazda achieved due to growth of 25% year on year
- Higher CX-50 production volume due to two-shift work approach at the Alabama Plant, leading to 63% year-on-year increase in CX-50 sales volume to 51,000 units
- Full-year sales of CX-90 of 41,000 units, growth in CX-90 sales achieved in the second half of the fiscal year due to advertisements and other awareness-raising efforts



CX-90



CX-50

Forecast for FY March 2025

- Total North American sales volume surpassing 600,000 units for first time due to growth in sales of large products and CX-50 as well as launch of CX-70



CX-70

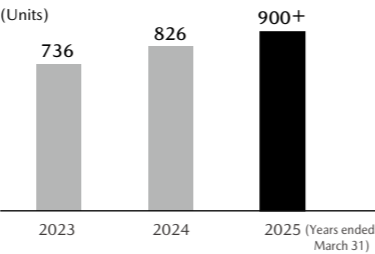
Transition to New-Generation Showrooms completed at more than 300 locations as of March 31, 2024

- Transition to New-Generation Showrooms completed at more than 300 locations in the United States as of March 31, 2024; plans to complete transition at more than 70 additional locations to make for a total of over 370 locations, or approx. 70% of the sales network, into such New-Generation Showrooms
- Approx. 90% of new vehicle sales in the United States attributable to New-Generation Showrooms, which are expected to achieve average annual per location sales of more than 900 units



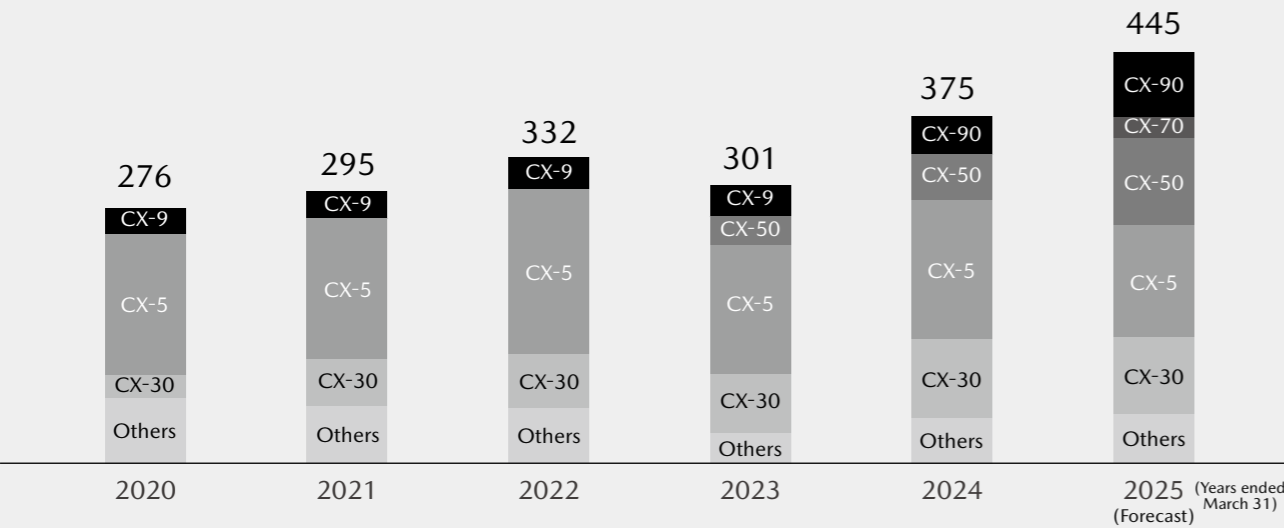
New-Generation Showroom

Average Throughput (Number of Units Sold per Location) at New-Generation Showrooms in the United States



Sales Volume in the United States

(Thousands of units)



PERFORMANCE BY REGION

Overview of Performance in FY March 2024

Japan

- Growth of 3% year on year in overall demand (total of registered vehicles and micro-minis)
- Decrease of 3% year on year in Mazda's sales volume (total of registered vehicles and micro-minis)
- Lower full-year sales volume due to intensified competition for SUVs and other models, but upgraded Roadster sales surpassing sales targets

Europe

- Growth of 9% year on year in overall demand
- Increase of 13% year on year in Mazda's sales volume
- Contribution to sales volume growth by CX-30, CX-60, and other models
- Full-year CX-60 sales of 27,000 units, up 7,000 units year on year; continuation of strong sales for PHEVs; contributions to sales volume from full-year sales of the diesel engine models

Other Markets

China

- Growth of 17% year on year in overall demand, increase of 15% year on year in Mazda's sales volume
- Contributions to sales volume growth from Mazda3 and CX-5 and newly launched CX-50

Australia

- Growth of 15% year on year in overall demand, increase of 8% year on year in Mazda's sales volume
- Contributions to sales volume growth from models including CX-3, CX-30, and BT-50 as well as newly launched CX-60

ASEAN

- Decrease of 7% year on year in Mazda's sales volume
- Sales in Vietnam unchanged year on year, growth of 20% year on year in sales in Malaysia

TOP-LINE GROWTH SUPPORTED BY LARGE PRODUCTS

- Target of 100% year-on-year increase in global sales volume for four large products, to 200,000 units, following completion of lineup with introduction of CX-80 into Japanese, European, and other markets in late 2024
- Transition to growth path to be undertaken in conjunction with expansion of large product lineup in FY March 2025 and beyond



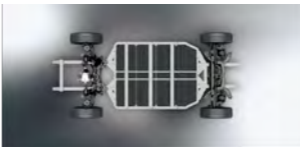
CX-80

PROGRESS OF ELECTRIFICATION STRATEGIES

Establishment of Electrification Business Division (casually referred to as "e-Mazda") in November 2023

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- Acceleration of shift of resources to electrification businesses
- Preparation for 2027 launch of a BEV model based on Mazda's first BEV dedicated platform



Dedicated BEV platform

Products Leveraging Multi-Electrification Technologies



Multi-solution

- HEV and PHEV large product models and new addition of CX-50 model equipped with Toyota-developed hybrid power system scheduled for launch in second half of 2024
- Next-generation CX-5 currently under development and planned to be equipped with a Mazda-developed hybrid power system combining a Skyactiv engine featuring improved exhaust and heat efficiency with electrification technologies

Realistic Approach of Introducing BEVs in Response to Market Needs

- Plans for introduction into Chinese market, where electrification trend is advancing most rapidly, of four new energy vehicles (BEVs and PHEVs) utilizing partners' technologies starting with the Mazda EZ-6 to be launched in 2024 (as announced at Beijing International Automotive Exhibition 2024 in April)



Mazda EZ-6 unveiled at Beijing International Automotive Exhibition 2024

CFO MESSAGE



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

DIRECTION OF MANAGEMENT POLICY UP TO 2030 AND MY COMMITMENT

Mazda declared our passion to be a car-loving company that creates moving experiences through the “joy of driving” in our 2030 Vision. We seek to deepen our connections with all stakeholders, including customers, business partners, and shareholders, achieving sustainable growth through exciting products, high-quality manufacturing, and thoughtful solutions for carbon neutrality (CN) and electrification.

To this end, we have outlined three phases of electrification initiatives in the Management Policy up to 2030.

In Phase 1, up to 2024, we aimed to grow our business by leveraging existing assets as we prepared for electrification. From a financial perspective, we strengthened our earnings base by

shifting our product lineup to more profitable SUVs and large products, developing our sales networks (especially in the U.S., our largest market), and starting full-scale operations at our Alabama plant in the U.S. At the same time, we invested resources in technological development in the areas of EV development and production.

Phase 2, from 2025 to 2027, is positioned as a transition period to electrification, and we will work to ensure an efficient transition through mutual complementation with our business partners. We plan to procure batteries from AESC Japan in addition to existing partner companies, and we have signed an agreement with Panasonic Energy Co., Ltd. to build a

partnership for the supply of lithium-ion batteries. Further, for tackling the challenges of CASE, we are advancing development with numerous companies including Toyota Motor Corporation.

In Phase 3, which will end in 2030, we will move forward with the full-scale launch of BEVs and shift our focus to electrified products including PHEVs. We will also consider investing in battery production, while closely monitoring the direction of market conditions, regulations, and policies.

Having set this plan in motion, Mazda recognizes that the transition to electrification is still in its infancy, with many variables, including national policies, customer demand, and rapid advances in technology. In this environment, Mazda places great importance on managing risk, and we are taking a multi-solution approach to reducing carbon emissions, providing exciting products that utilize internal combustion engines (ICE), electrification technologies, alternative fuels and others in accordance with the different power supply conditions in each region.

My role as CFO is to be the lead in working to meet the expectations of everyone who invests in our vision, to provide

customers with attractive products and experiences that are unique to Mazda, and, thus, to strengthen our profit structure and create a virtuous cycle that allows us to make necessary future investments efficiently. To achieve this, we believe it is imperative to shift from a product-driven business model to one that is driven by market dynamics and customer experience.

To that end, we have implemented a program called “Blueprint”. Based on American poet Maya Angelou’s concept that people will always remember how you make them feel, we aim to create a corporate culture nurturing everyone’s capabilities, making customers feel trust in our brand, appreciated for their purchase, and inspired by Mazda’s spirit. At the same time, we are implementing strategies to improve our corporate value over the medium to long term, recognizing our cost of capital and allocating resources with an emphasis on efficiency.

With this approach, we aim to provide shareholder returns that satisfy our investors and give the Company a solid financial foundation.

PROGRESS OF MANAGEMENT POLICY UP TO 2030

In the fiscal year ending March 2024, although there were restrictions on logistics including a shortage of ships, and longer transport times due to changes in shipping routes, sales were driven by the newly launched large products such as the CX-90 and the CX-50 manufactured at the Alabama plant in the U.S., and global sales increased 12% year over year to 1,241,000 units. Sales in the North American region, including the U.S., Mexico, and Canada, were particularly strong, exceeding 500,000 units for the first time.

Further, operating income for the fiscal year ending March 2024 increased 76% year over year to a record high of 250.5 billion yen, thanks to an improvement in the country mix due to the growth of high-profit markets such as the U.S., price increases and the improvement in unit prices due to the introduction of large products, and foreign exchange rates. Although an increase in quality-related expenses and advertising and research and development for new products partially offset the profit, we were able to see clear results of our efforts to strengthen our profitability in preparation for our future investment in electrification. The Return on Sales (ROS) increased by 1.5 points year over year to 5.2%, and the Return on Equity (ROE) increased by 2.7 points year over year to 13.1%.

The fiscal year ending March 31, 2025 is the final year of Phase 1 of the Management Policy up to 2030, and we have positioned it as a year for top-line growth.

We expect the North American region to remain the largest growth driver, with sales there expected to reach 600,000 units this fiscal year.

In particular, in the U.S. which we position as our key market, the number of new-generation dealerships that offer customer experiences on a par with those of premium brands has been increasing since dealership network reforms began in 2016. This fiscal year, more than 370 dealerships, or approx. 70% of all stores, will be new-generation dealerships. These stores are expected to deliver 9 out of 10 new cars sold in the U.S. We aim to achieve further business growth together with all the dealers who support Mazda’s business in the U.S.

In terms of products, the CX-70 and CX-80 will be added to the large product lineup around the world this fiscal year, bringing the full lineup of large products to four models. These models are not only contributing to sales volume, but also to strengthening our profit structure, and are expected to contribute greatly to securing funds to carry out necessary growth investment.

INITIATIVES TO ENHANCE CORPORATE VALUE

Status of profitability, financial position and cash flow generation

Our ROS and ROE have progressed steadily over the past five years, except during the COVID-19 pandemic. In addition, thanks to the introduction of the aforementioned large products and strong sales in the North American region, ROS for the fiscal year ending March 2024 was 5.2% and ROE was 13.1%. The equity ratio was 45.8%. Net cash was 351.5 billion yen, and FCF grew to 239.0 billion yen, up 201 billion yen from the previous fiscal year. Our profitability, financial position and cash flow generation capacity are steadily improving.

Our understanding of our stock price and initiatives to improve profitability and capital efficiency

Our Price Book-value Ratio (PBR), the relationship between our market capitalization and our net assets, has remained below 1.0 since the fiscal year ended March 2017. PBR is the product of Return on Equity (ROE) and Price-to-Earnings-Ratio (PER). Mazda's ROE has remained above the cost of shareholders' equity over the past ten years, except during the COVID-19 pandemic. On the other hand, the gap between Mazda's PER and that of the Tokyo Stock Exchange (TSE) Prime average is widening. We believe that this is due to factors including declining expectations for future growth amid changes in the industry environment.

From the perspective of prioritizing capital efficiency, we will continue to aim for ROE to stay above the cost of shareholders' equity. We will focus on growing profit and sales volume to build a solid profit structure, consolidating and utilizing existing assets and building assets that generate profit, and maintaining the optimal capital structure.

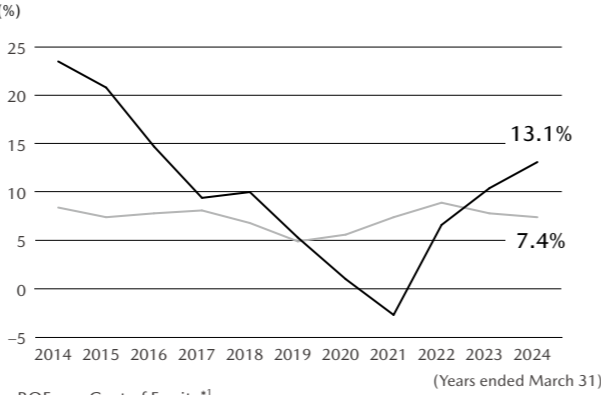
Mazda is proud of being a truly global company, selling cars in more than 130 countries and regions. While this has contributed to having Mazda fans all over the world, it has also created a large amount of complexity, a large asset base, and dis-economy of scale. This is particularly challenging for a company of our modest size. As we prepare for the investments required to transition to an electrified future, we are working hard to allocate resources to our most profitable regions and models, realizing both business growth and complexity reduction at the same time.

Further, we will build trust in our management by steadily accumulating a track record of initiatives to improve ROE, and will increase confidence in future growth by communicating our growth story including transition scenario and milestones for electrification, carbon neutrality, and strengthening human capital.

(Reference) Major Financial Data

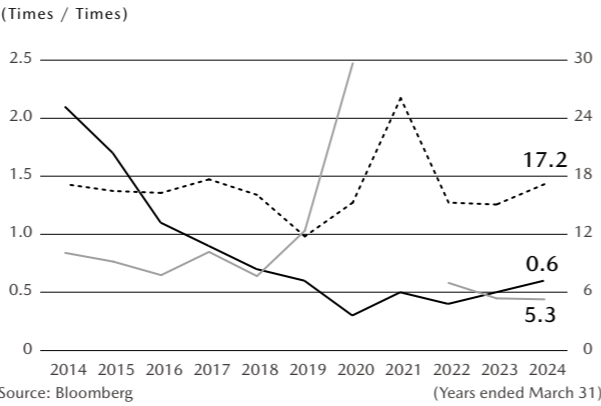
	2020/3	2021/3	2022/3	2023/3	2024/3
ROS (%)	1.3	0.3	3.3	3.7	5.2
ROE (%)	1.0	(2.7)	6.6	10.4	13.1
Equity ratio (%)	42.1	40.5	43.8	44.2	45.8
Net cash (Billions of yen)	(51.9)	(17.1)	59.6	101.6	351.5
FCF (Billions of yen)	(92.7)	41.2	52.9	38.0	239.0

ROE and Cost of Equity



— ROE — Cost of Equity\*1  
\*1 Our estimate based on Capital Asset Price Model (CAPM)

PBR and PER



— PBR (left) — PER (right) -- PER TSE Prime Market avg.\*2 (right)  
(PER is not available for FY March 2021 due to net loss in the period)  
\*2 The average of the First Section of the Tokyo Stock Exchange before March 2022

Capital allocation

At Mazda, we aim to enhance corporate value by making investments necessary for future growth while considering an optimal capital structure and realizing stable dividends. We plan to fund future investments mainly by cash generated by operations – through improved profitability and lean working capital.

As for shareholder returns, we aim to achieve stable and growing dividends, targeting ultimately a 30% payout ratio of net income, considering also the investments needed to fund future growth as well as the cash on hand needed for financial soundness. Once this is achieved, a share buyback could be considered to provide further returns to shareholders.

We anticipate between 25%-40% of global customers will choose an electric vehicle in 2030, and in order to support that demand we plan to invest approximately 1.5 trillion yen in electrification, together with our major business partners, by the end of this decade. As significant as this trend is, in 2030 this means still more than half of our customers will prefer a vehicle with combustion power. Therefore we will continue to invest in maintaining and renewing our business foundations, including our profitable ICE business to stay competitive and continue to improve productivity. Our plan calls for us to maintain an equity ratio of 50%\*3 and net cash position, and take external

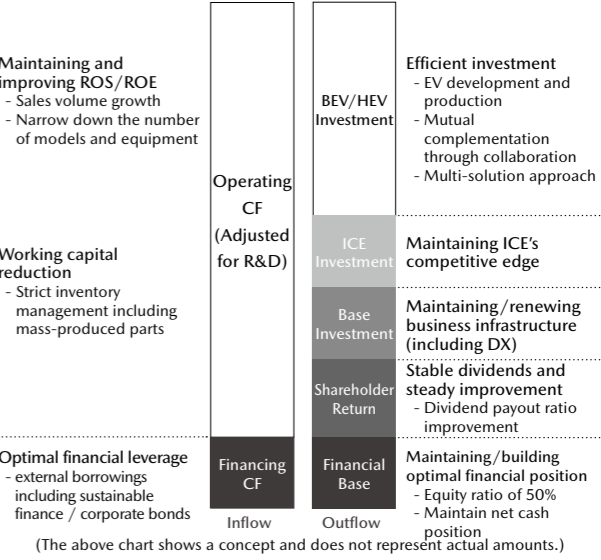
Strengthening corporate governance

Governance is the foundation of corporate value. Mazda tackles this subject on many levels, but as one example this fiscal year, we introduced a performance-linked restricted stock compensation plan with components including ROE, employee engagement, customer orientation, and greenhouse gas emissions,

borrowings, including sustainable finance and corporate bonds, only as needed.

\*3 Based on the current accounting standards

Capital Allocation Concept



with the aim of better aligning the interests of directors and shareholders over the medium to long term.

In addition to these efforts, we will continue to aim to enhance our corporate value over the medium to long term by fostering a corporate culture of inclusion, trust, integrity and transparency.

Initiatives to enhance corporate value

