MESSAGE FROM THE CHRO

People are the drivers of value creation, and our human resource strategies have thus been crafted to contribute to the realization of Mazda's corporate philosophy and management policies.

Tomiko Takeuchi
Executive Officer and Chief Human Resource Officer (CHRO)

Q. Could you please explain Mazda's human capital policies?

At Mazda, we recognize that our people are our most important form of management capital—the source of value creation. Based on this, we have identified material human capital issues and incorporated them into our human resource strategies P35 to contribute to the realization of Mazda's corporate philosophy and management policies. Mazda's corporate philosophy puts forth the values of Radically human, Challenger spirit, and *Omotenashi*. These transcendental values are based on the emotions and behavior of people, and are something that will not change, no matter how the times or environment might transform around us. Through continuous investment in people and measures based on our human resource strategies, we look to ensure that everyone at Mazda feels pride in working here and to thereby fulfill our Purpose of "enrich life-in-motion for those we serve."

Q. What is the background that shaped Mazda's new human resource strategies, and what are the aims of these strategies?

The automotive industry is currently facing a once-in-a-century turning point. Against this backdrop, we are finding ourselves with more work to do because of the need to respond to the trends toward electrified vehicles and carbon neutrality. Meanwhile, the workforce is shrinking while people's values are changing. These trends are making the environment pertaining to human resources increasingly challenging. In light of this situation, we recognized the need to clearly define the human resource priorities that we will need to address to help Mazda achieve ongoing growth as the brand that customers continue to choose. These priorities needed to be tied directly to our corporate philosophy and the Management Policy up to 2030, to serve as a guide that helps us steadily respond to the human resource issues we face. These realizations prompted us to establish new human resource strategies in February 2025.

The vision for our human resource strategies is to equate the sum of employee skills and growth with the growth of the entire Mazda Group. In other words, through these strategies we aim to maximize the skills and growth of all employees to develop a strong organization that can swiftly tackle management issues to enable us to generate greater results with fewer people. By becoming a team of highly efficient professionals, the Mazda Group aims to achieve ongoing growth.

To help us accomplish this vision, we have defined the development of efficient organizations, recruitment of human resources, and cultivation of environments conducive to autonomy and growth as material human capital issues. If these issues are pillars of our human resource initiatives, then culture reforms and health and productivity management serve as the foundation.

If we want to achieve ongoing growth in today's uncertain operating environment, I think we will need to fundamentally revise our prior policies and approaches with regard to people and organizations based on our brand value management.

Q. Could you please elaborate on Mazda's plans for the development of efficient organizations?

Before I get into the details, let me explain what we view to be the ideal organizations from the perspective of people. Basically, each organization should formulate a business plan for contributing to the exercise of Mazda's corporate philosophy and policies based on their respective roles and functions. These plans will then be used to identify the work that is truly necessary for each division. By pinpointing work requirements, we will get a better idea of the work that should be discontinued and the work where we can utilize AI and other digital technologies. This understanding will help paint a picture of the types of experience and skills as well as the actual number of people each organization needs to fulfill their role or function, which will help us more strategically allocate our human resources. In other words, to develop efficient organizations, we look to implement a cycle that begins with business plans. In this cycle, organization-specific business plans will be used to shape staff structures and determine the skills and people needed for an organization to do its job from a medium-term perspective. We will seek to optimally allocate human resources based on these factors. Then, as the operating environment changes, we will revise business plans as necessary. It is not an efficient approach to merely increase staff numbers to accommodate rising work requirements. Rather, we aim to develop efficient organizations that strategically and systematically assign people to the necessary jobs to make the Company as a whole leaner and more resilient.

Corporate Philosophy and Management Policy up to 2030

Equate the sum of employee skills and growth with the growth of the entire Mazda Group

Team of highly efficient professionals

Development of efficient organizations	Recruitment of human resources	Cultivation of environments conducive to autonomy and growth
Pursuit of ideal staff	Recruitment of people necessary to advance business plans	Mazda Brand Academy

Culture reforms	Development of organizational culture that supports the success of diverse employees and encourages action from the customer's perspective
Health and productivity management	Creation of foundations that enable employees to live safely and with peace of mind

Overview of human resource strategies

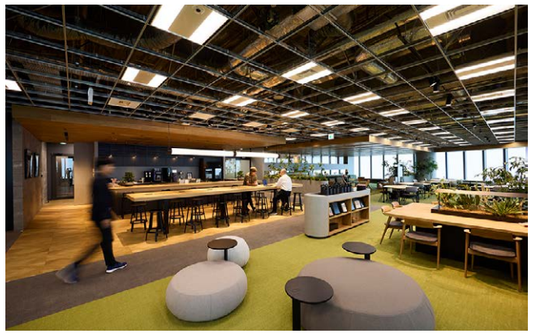
Q. What will be Mazda's approach toward the recruitment of human resources?

When you hear "recruitment of human resources," you are likely to envision the hiring of people from outside of the Company. In terms of Mazda's human resource strategies, however, the recruitment of human resources refers not just to such external hiring but also to the reallocation of people within the Company. For reallocating existing human resources, we have introduced an internal recruitment system and plan to introduce a career challenge system P36 to complement the in-house recruitment system. These systems will be used to match the experience and skills of employees with the needs of organizations based on the experience and skill requirements they have defined. This approach is expected to help us more optimally allocate our human resources.

For positions that are difficult to fill with internal human resources, we will look to recruit external talent. We therefore aim to diversify recruitment channels in order to increase the paths that might lead one to join Mazda. For example, the Company is dedicating efforts to recruiting mid-career individuals through its alumni hiring program, referral hiring initiatives,

MESSAGE FROM THE CHRO

and direct recruiting efforts. In addition, we established Mazda R&D Center Tokyo in July 2025 as a base for ramping up efforts to recruit IT talent in light of the large number of such individuals found in the Tokyo metropolitan area. By offering consultations and internships at Mazda R&D Center Tokyo, we hope to give job seekers a glimpse at the actual people working in development and other fields, inspiring a desire to work at Mazda through a recruitment approach that connects with the front lines.



Tokyo Office and Mazda R&D Center Tokyo

Q. How will Mazda go about the cultivation of environments conducive to autonomy and growth?

As I have mentioned, the vision for our human resource strategies is to equate the sum of employee skills and growth with the growth of the entire Mazda Group. Based on this vision, we are implementing human resource initiatives to develop frameworks that support and encourage autonomous career development in order to tie the skills and growth of individual employees to the growth of the Group. In the past, access to learning opportunities at Mazda was more of a passive affair, with people mainly taking part in rank-based training or participating in training programs in response to the orders of a supervisor.

Going forward, however, we want to emphasize autonomy by having employees reflect on their experience and strengths to craft their own career plans. We will assist employees in advancing their career plans through efforts to shift employee awareness to encourage people to continue to learn actively and autonomously as part of their daily work. Rather than imposing set career plans, we will provide multiple career paths while also advancing integrated initiatives to cultivate environments that are conducive to learning that support autonomy and growth.

Q. Could you please explain Mazda's culture reform initiatives?

Culture reforms are an integral part of the foundation supporting initiatives based on the three material issues of our human resource strategies. We have taken steps to encourage communication to build a more open workplace in the past, but these efforts did not achieve the desired results, although this may have been due in some part to the COVID-19 pandemic.

To address this situation, we launched the Blueprint organizational culture reform initiatives in 2023. Maximizing the sum of employee skills and growth requires an organizational culture that capitalizes on these assets. Based on this belief, we sought to promote understanding in this regard through the advancement of this initiatives, which was made applicable to all of our approximately 23,000 factory workers and other employees in 2025.

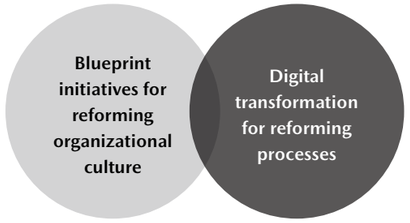
Blueprint is centered on the feelings we want to deliver to customers and colleagues through a joint effort between employees and management—feelings such as being valued or inspired. From this perspective, Blueprint is directly linked to the practice of brand value management, and the ongoing implementation of this will contribute to this practice.

Positioning the employees who deal directly with customers as well as those stationed on the production floor as the central focus, Blueprint is designed to inspire a shift in perception that places management in the role of supporting the front lines. Amid the rapid changes and the diversification of customer values, it is those at production sites and at the front lines of serving customers who are best able to propose solutions to management and organizational issues and to present ways of implementing those solutions. By developing organizations that empower swift action by the front lines—those in which the front lines are the central focus—we hope to better draw upon employee skills and encourage autonomy.

Participants in Blueprint session for factory workers (EDION PEACE WING HIROSHIMA)

Building upon the momentum of Mazda's Blueprint initiatives will be imperative to accomplishing this objective. It will therefore be essential for us to continue initiatives that inspire positive emotions and to implement the necessary measures to entrench the culture we desire. Even though the initiatives have been extended to all employees, we recognize that there are still issues with regard to the thinking and behaviors of management. This is why we plan to organize follow-up Blueprint sessions aimed at promoting changes in management's thinking and behaviors in FY March 2026. At the same time, we will be examining ways of reflecting these reforms in evaluation systems and other necessary human resource measures.

By promoting organizational culture reforms through Blueprint, together with the process reforms CIO Akihiro Kidani is advancing through digital transformation P39, we will endeavor to double productivity and accelerate value creation as we implement the Management Policy up to 2030.



Q. What do you see as your mission, and what are your aspirations for promoting human resource strategies as Mazda's CHRO?

As I mentioned earlier, people are our most important form of management capital—the drivers of value creation. Mazda's management is centered on people. Through the newly established human resource strategies, we will seek to become a team of highly efficient professionals and practice brand value management with a focus on customers from the perspectives of both people and organizations.

One of the values of Mazda's corporate philosophy is Radically human. Based on this value, we are dedicating our energies to ensure that all employees are able to engage with their human emotions while planning their own future and realizing their potential. We expect this will empower employees to succeed both within and outside the Company and help us fulfill our Purpose of "enrich life-in-motion for those we serve." This is the approach we will take toward delivering distinctively Mazda value and inspiring customers and communities to feel a connection with the Mazda brand.

For more information, please refer to the following MAZDA MIRAI BASE article.
Connecting Mazda to the Future of Cars: How Software Engineers are Pursuing Jinba-Ittai Through Interface Design
https://www.mazda.com/en/mazda-mirai-base/articles/20250821-software-hmi/

HUMAN RESOURCE STRATEGIES

In February 2025, Mazda established medium-term human resource strategies to guide it in executing its corporate philosophy and Management Policy up to 2030. In the volatile operating environment currently facing the automotive industry, we aspire to foster people who can create distinctive value and thereby evolve Mazda's manufacturing approach based on our concept of brand value management. By developing environments and frameworks that enable all employees to deliver their best possible performance, we aim to enhance corporate value.

VISION FOR HUMAN RESOURCE STRATEGIES

Our human resource strategies equate the sum of employee skills and growth with the growth of the entire Mazda Group. We are thus working to maximize the skills and growth of all employees and develop strong organizations capable of swiftly tackling management issues. In this manner, the Mazda Group aims to achieve ongoing growth by becoming a team of highly efficient professionals that can produce greater results with fewer people.

Overview of human resource strategies

OVERVIEW OF HUMAN RESOURCE STRATEGIES

Mazda has defined three material human capital issues to facilitate efforts toward realizing its vision. These issues form the pillars supporting our culture reform and health and productivity management efforts.

Development of Efficient Organizations

To support us in exercising our corporate philosophy and advancing the Management Policy up to 2030, it would be ideal for organizations to be able to furnish swift and flexible responses to any change. To achieve such organizations, we should transition to organizations capable of planning staff levels and processes based on backcasting, looking at the goals of the business plans for their respective areas. Mazda therefore intends to develop area-specific human resource portfolios and formulate medium-term staff plans to transition to more efficient organizations.

Human Resource Portfolio Development

Mazda has formulated an outlook for 2030 and beyond in which it has included detailed descriptions of the functions and positions it will need to advance its business plans for each area of operation. This outlook is being compared against our existing organizations to identify the functions and work areas where we need to pursue improvement in order to craft a vision for the stronger and more efficient organizations to be developed going forward. At the same time, systematic steps will be taken to address the functions and work areas needing to be downsized or abolished as we transition from our current organizations to our envisioned organizations.

Formulation of Medium-Term Staff Plans

To enhance the functions identified as needing strengthening as part of developing our human resource portfolio, Mazda will recruit outside talent while also making effective use of its current employee base through reskilling and skill development programs. Moreover, organizations will formulate medium-term staff plans that incorporate the necessary staff numbers and recruitment and development methods as well as the timings at which staff needs must be met.

Operational Streamlining and Digital Transformation

As it promotes automation and streamlining using AI, IT, and other digital technologies, Mazda will also identify those tasks that should continue to be performed by people. We thereby seek to advance the systematic digital transformation of work processes while embracing digital technologies.

Recruitment of Human Resources

Exercising our corporate philosophy and advancing the Management Policy up to 2030 will require us to secure sufficient human resources. For this purpose, Mazda will systematically reallocate internal staff based on its clearly defined human resource portfolio and medium-term staff plans while also fundamentally transforming how it recruits external talent.

Utilization of Internal Staff: Accelerated Staff Reallocations

• Expansion of Internal Open Application Systems

Mazda has made its internal open application systems available on a year-round basis to accelerate staff relocations and encourage autonomous career development. The Company intends to ramp up these activities going forward and to tie these activities to the career challenge system currently under development.

• Systematic Human Resource Development Through Reskilling and Skill Development

Mazda is relocating staff to areas to be strengthened going forward, coordinating medium-term staff plans with human resource development plans, and preparing reskilling programs, skill development programs, and other learning opportunities for employees.

Recruitment of External Talent: Transformation of Recruitment Practices

• Diversification of New Graduate Recruitment Channels

Mazda is deploying recruitment measures that accommodate diverse values in response to the massive change being seen in the values of job-seeking students.

Major Initiatives (Mazda Motor Corporation)

Introduction of job-specific recruitment campaigns, bolstering of internship programs, provision of workplace tours, and organization of jobseeker information forums that focus specifically on employee benefits, education programs, and other initiatives

• Expansion of Channels for Mid-Career Recruitment

Mazda is gradually increasing its levels of mid-career recruitment and diversifying its recruitment channels in response to the diversification of workstyles and employment arrangements as well as changes in how prospective job seekers view work.

Major Initiatives (Mazda Motor Corporation)

Introduction of alumni hiring program, referral hiring initiatives, and full teleworking system; information provision via social media; acceleration of recruitment activities in Tokyo metropolitan area, etc.

Revision of Compensation Systems and Levels

In addition to compensation systems based on conventional job grade systems, Mazda is expanding its range of compensation systems to provide appropriate compensation that matches market rates for software engineers as well as other professions for which it is difficult to recruit talent. We are also redeveloping compensation systems to offer more tailored compensation and better reward employees who are generating results as part of efforts to build frameworks that support employee success.

Cultivation of Environments Conducive to Autonomy and Growth

Mazda Brand Academy

Maximizing employee growth and success requires that all employees be able to craft their own career plans and engage in autonomous learning to work toward their goals while maintaining an optimistic outlook as they go about their tasks with a positive and proactive attitude. The Mazda Brand Academy is a comprehensive initiative for achieving this objective and one of our efforts for supporting employee career independence.

• Formulation of Career Plans for Individual Employees

Mazda encourages employees to reflect on their personal career history to better understand themselves when shaping their future career plans. We also seek to empower employees to systematically acquire skills and experience through their everyday work while maintaining communication with their supervisors to prepare them for their next career step.

• Provision of Multiple Career Paths to Allow Employees to Select Their Path Based on Their Own Volition

To complement its traditional membership systems, Mazda is preparing job-type human resource systems to allow employees to select their career path based on their own volition.

Major Initiatives (Mazda Motor Corporation)

Evolution of *Tobiuo* human resource system (*Tobiuo* 2.0), introduction of career challenge system (scheduled for FY March 2027)

HUMAN RESOURCE STRATEGIES

• Enhancement of Frameworks for Supporting Voluntary Learning Activities by Employees

To support employees in making steady progress in the steps defined in their career plans, Mazda is enhancing its frameworks for supporting voluntary learning activities. Measures in this regard include expanding frameworks for utilizing e-learning programs outside of Company premises or via devices other than Company computers and improving access to these programs.

• Development of Human Resources with Digital Technology and IT Skills

Mazda is investing in the development of human resources with digital technology skills to improve its overall level of digital literacy. The Company is currently advancing a campaign aimed at having all back-office employees achieve a certain degree of proficiency in AI and IT technologies and fostering human resources with advanced AI skills. We are also utilizing tools while reevaluating and redefining work processes to promote digital transformation in an effort to double productivity and shift human resources to higher-value work processes.

Culture Reforms

Mazda is promoting culture reform initiatives aimed at facilitating the exercise of its corporate philosophy. These initiatives include organizational culture reform initiatives, employee awareness surveys, and measures for ensuring respect for diversity and facilitating the success of diverse human resources.

Blueprint Organizational Culture Reform Initiatives

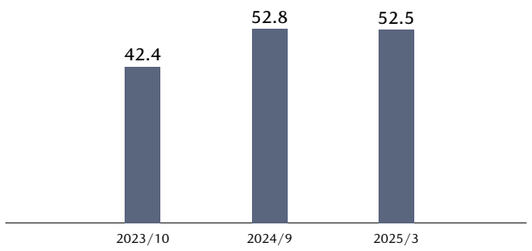
Blueprint is a term that refers to our various initiatives for promoting the values we emphasize in organizational culture reforms and for introducing, disseminating, and entrenching these values. Mazda's Blueprint initiatives have been generating results at bases in Europe and North America, where the initiatives were introduced ahead of other regions, and these initiatives were introduced at bases in Japan in 2023. The Blueprint initiatives are now being implemented targeting all Mazda employees (approximately 23,000 individuals on a non-consolidated basis), and these initiatives have entered the phase during which we will be spreading awareness and entrenching their benefits. Elements of Blueprint were incorporated into competency evaluation items in FY March 2025. Moreover, Blueprint President Sessions in which the president engages in direct discussions with employees were introduced in FY March 2026. These forums provide an opportunity for frank discussion. We intend to use these forums to foster an organizational culture in which everyone at Mazda is united in our pursuit of ongoing business growth.

Global Employee Surveys

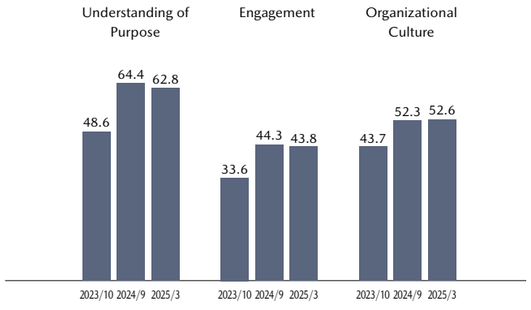
Mazda conducts Global Employee Surveys to track employee sentiment regarding the workplace environment and culture as well as employee motivation toward work. The feedback gained through these surveys is used to guide improvements in organizational capabilities and productivity. The survey results are disclosed to employees, and the results are communicated to members of senior management and division heads to facilitate the development of improvement plans as part of the plan–do–check–act (PDCA) cycle. The results of these surveys are also used as one of the non-financial indicators for manager and executive remuneration systems.

Global Employee Surveys Results

Note: Figures for October 2023 and September 2024 are a comparison of the 20 shared items in reflection of a revision introduced to survey items.



Overall rate of positive responses (non-consolidated)



Rate of positive responses by category (non-consolidated)

Diversity, Equity, and Inclusion

Mazda believes that diversity contributes to increased creativity and is thus an important part of the foundation supporting the ongoing growth of companies and of society itself. Based on this belief, we aspire to foster a workplace environment in which everyone is able to exhibit their full potential, regardless of their gender, age, nationality, disability, or sexual orientation. We aspire to generate a cycle in which diversity drives creation, and the resulting growth of employees contributes to the ongoing development of the Company and communities as a whole.

• Empowerment of Female Employees

Mazda seeks to create an environment in which all employees are able to exercise their skills and succeed, regardless of gender. To this end, the diversification of management is being pursued through the cultivation of female managers and female candidates for managerial positions. We thereby aim to contribute to Mazda's growth and value creation. Issues have been identified with regard to a lack of opportunities for the empowerment of female employees at Mazda Motor Corporation. We have thus developed indicators for guiding efforts to tackle these issues.

Number of female managers (non-consolidated)
Targets
FY March 2025: 80 FY March 2026: 100 FY March 2027: 110
Statistics
FY March 2025: 87 (manager or above, ratio of female managers of 5.1%)

• Work–Life Balance Support

Mazda offers a variety of work–life support measures to enable employees at various stages of their lives to maintain a healthy work–life balance and feel empowered at work.

Major Initiatives (Mazda Motor Corporation)
Work–life support systems for employees involved in child-rearing or nursing, teleworking systems, career development leave, benefit program to support employees in engaging in volunteer activities

Ratio of applicable male employees taking child-rearing leave including post-childbirth paternity leave (non-consolidated)
Targets
FY March 2025: 60% FY March 2026: 70% FY March 2027: 75%
Statistics
FY March 2025: 60%

• Empowerment of People with Disabilities

By building facilities with accessibility in mind and designing work processes that are matched to the specific characteristics of individuals, Mazda seeks to create the foundation needed for people with disabilities to work with confidence. We also provide training to foster a culture of mutual respect.

Major Initiatives (Mazda Motor Corporation)
Establishment of a support desk for people with physical disabilities, employment of two certified sign-language interpreters

• Understanding of Sexual Minorities

Mazda provides education to foster understanding regarding sexual minorities. The Company is also implementing frameworks for preventing harassment and enhancing its employee benefit systems and other internal systems to better aid such individuals. Furthermore, we seek to cultivate allies of sexual minorities within the organization.

Major Initiatives (Mazda Motor Corporation)
Establishment of internal Human Rights Counseling Desk, regular human rights meetings, and e-learning programs for employees, etc.

Health and Productivity Management

Good health is the foundation supporting every aspect of our lives. Based on this understanding, we believe that activities to help employees maintain and improve their health will contribute to more fulfilling work and private lives and, ultimately, to the growth of the organization. Mazda is therefore advancing various initiatives to ensure that every employee can live in good health and continue to succeed.

Health Improvement Initiatives

• Lifestyle disease prevention, mental health disorder prevention, safe and secure workplace development

Enhancement of Working Environments

Mazda is advancing plans to renovate employee living and working environments to ensure that everyone is able to work safely, healthily, and with peace of mind.

Major Initiatives (Mazda Motor Corporation)
• Construction of Mazda R&D Center Tokyo (opened in July 2025)
• Reconstruction of dormitory for factory workers (planned for completion in December 2026)

Growing Lineup of Systems for Supporting Diverse Workstyles

Mazda aspires to support diverse workstyles and thereby maximize the performance of its organization. For this purpose, we offer teleworking, flextime, reduced working hours, and other systems for facilitating workstyles unbound by time or location, and have eliminated dress codes at certain organizations.

Human Capital
https://www.mazda.com/en/sustainability/social/human-capital/

MESSAGE FROM THE CIO

Mazda is promoting digital transformation and AI transformation on a Companywide basis to develop an environment that supports employees' concerted efforts to deliver value to customers.

Akihiro Kidani
Managing Executive Officer and Chief Information Officer (CIO)

Q. In the Management Policy up to 2030, Mazda commits to value creation through co-creation between people and IT. What are the goals of your efforts to reform structures through digital transformation?

As a representative of Mazda's IT function, I am guiding the Company in incorporating AI, IT, and other digital technologies into work processes on a Companywide basis. With these technologies, I hope to improve the efficiency of work performed by the people who are the drivers of value creation, and to facilitate speed to help these people achieve their full potential. Ultimately, I aim to double productivity and reduce fixed costs through these efforts. I am confident that promoting digital transformation and AI transformation to improve productivity will greatly increase the amount of time employees are able to devote to work focused on creating human-centered value. This will no doubt contribute to the timely supply of distinctively Mazda products, services, and experiences that customers choose.

Mazda began embracing digital technologies relatively early in its history. In the 1960s, we introduced computers, then a cutting-edge technology, into production lines. Later, we kicked off Mazda Digital Innovation*1 activities in 1996 based on the projection that development lead times would become an issue needing to be addressed by management going forward. Through these activities, we developed processes that integrated data previously stored on a division-by-division basis to create three-dimensional digital master data and thereby prevent process losses. The benefits of this approach included massive efficiency gains, such as how we were able to reduce the amount of time between design finalization and mass production by around half in 2006. In this manner, we have continued to embrace digital technologies, and the use of these technologies has enabled us to launch distinctively Mazda offerings while also building the foundations for digital transformation. Such assets and strengths will continue to be leveraged in our pursuit of the ideal Mazda.

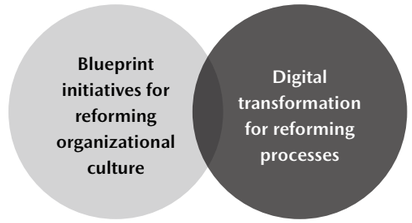
Q. Could you please explain what progress has been made toward Mazda's goals together with some specific examples of initiatives?

As CIO, I am promoting the Companywide integration and digitalization of work processes that have become excessively complicated and often require the skills of specific individuals to perform. Examples of initiatives include the development of data linkage platforms and the development of work processes.

Looking first at the development of data linkage platforms, at the moment, there is a lot of data that can be found throughout the organization, but this data is not managed in an integrated and centralized manner. This means that people wanting to view certain data may not find this information to be readily accessible, which is a situation that results in inefficiencies. We are working to resolve this issue by better linking data to make the same data easily accessible to relevant staff, ranging from management to the people who actually use this data in their work, to ensure that anyone can access, track, and analyze the information they need when they need it. The aim of this undertaking is to lay the groundwork for supporting swift action toward accomplishing our management goals in all divisions.

As for the development of work processes, we are advancing reforms in all divisions, including the 14 administrative divisions in which such reforms were lacking up until now. We are thereby looking to have each division clarify their visions and standardize the processes that will be implemented to help accomplish those visions, while also promoting the digital transformation of their work processes. The progress of these initiatives is reported to the Executive Committee Meeting.

These initiatives will not produce results overnight, but will rather require steadfast and dedicated effort. Nevertheless, as CIO I am committed to leading these efforts together with the MAX Project Office. Set up in September 2025, the MAX Project Office takes its name from Mazda AI Transformation, which we have abbreviated as "MAX," and is a dedicated organization tasked with promoting the utilization of generative AI on a Companywide basis and overseeing an organizational structure comprising approximately 400 people. As I engage in active communication with the relevant divisions, I will continue to advance process reforms using digital transformation in conjunction with the organizational culture reforms CHRO Tomiko Takeuchi is promoting through Blueprint P31, with the goals of heightening competitiveness and furthering the advancement of the Management Policy up to 2030.



Q. What steps are being taken to cultivate human resources who are proficient with AI and other digital technologies?

In August 2022, we began providing training programs using the online AI and digital technology learning platform developed by Aidemy Inc. to all members of back-office divisions, and a total of 14,470 individuals have taken part in these programs to date. We also established in-house AI Dojos in 2023, in which IT employees with AI-related skills act as instructors to help train employees from various divisions on how to promote the use of digital technologies. This program has already facilitated the cultivation of 13 AI engineers possessing sophisticated skills. Our AI Dojos have also been engaged in a joint effort with Hiroshima University aimed at promoting transformation based on three themes related to health and productivity management, leveraging health big data to promote employee well-being and ultimately contributing to the resolution of social issues.

As a result of these efforts, we have noticed an ongoing increase in the number of employees capable of utilizing digital technologies. For example, we have seen production employees autonomously developing systems using skills they learned through self-study and AI Dojos. Such examples indicate that the use of digital technologies is gradually becoming more commonplace at Mazda.

Q. What benefits are digital transformation and AI transformation expected to bring to vehicle development at Mazda?

The Mazda Digital Innovation activities I mentioned previously furnished the foundations for the model-based development*2 and Mazda Monozukuri Innovation P67 initiatives that would come later. They were not only the start of Mazda's digitalization efforts but also a prime example of how digital technologies can be incorporated into vehicle development. More recent efforts include coordination with Secondmind Ltd.,*3 a company that boasts sophisticated AI and other digital technologies, to develop technologies for the high-speed, high-precision optimization of powertrain performance as well as other initiatives aimed at actively utilizing advanced technologies.

Initiatives based on the Mazda Monozukuri Innovation 2.0 P68 approach, meanwhile, have enabled us to triple development productivity. A major factor behind these gains was a development process that incorporated AI. For example, we are utilizing AI simulation technologies to help detect and address issues early in the development process. We have also injected AI into our quality management system, which houses a massive amount of quality information obtained from the market. This is expected to evolve our quality assurance practices and further improve product and service quality.

As we enter the era of software-defined vehicles, the process of developing software and other functions will become an increasingly important part of vehicle development. I believe that combining data linkage with AI will be a key part of addressing this task. Accordingly, I am promoting the appropriate management and linkage of data associated with everything from system condition definition, engineering, testing, and mass production to customer use in order to help us utilize AI to achieve substantial increases in development productivity and efficiency.

An important tool in this undertaking will be model-based development, an area where Mazda boasts strength. We will look to evolve model-based development for use in software function development. In more technical terms, we are committed to innovating function development processes by introducing core systems that support application lifecycle management.*4

By advancing such customer-oriented brand value management initiatives in the area of IT, I hope to support Mazda's engineering and manufacturing activities and thereby contribute to enhancing brand value and corporate value. This is the approach we will take to ensuring that Mazda can continue to supply distinctive products and services that customers choose even in the era of software-defined vehicles.

*1 Mazda Digital Innovation activities are aimed at shortening lead times by enabling multiple work tasks to be advanced simultaneously in product planning, development, mass production preparation, and other divisions involved in the product development process.
*2 Model-based development involves creating computer models of vehicles, control systems, drivers, passengers, driving environments, and other development subjects and conducting development via computer simulation to improve efficiency.
*3 Secondmind is a company based in Cambridge, United Kingdom that utilizes its AI and automotive engineering expertise to support vehicle development processes.
*4 Application lifecycle management is an approach and a tool for comprehensive and integrated management of development project information from across the entirety of the application lifecycle, including information related to outputs and to condition and progress management in product, system, and software development processes.

DIGITAL TRANSFORMATION AND AI TRANSFORMATION INITIATIVES

Mazda is embracing digital technologies, implementing the AI Dojo program, and otherwise advancing digital transformation initiatives in various areas to improve efficiency and create value. To facilitate these efforts, we set up the MAX Project Office as a dedicated organization for promoting the utilization of AI in September 2025. With MAX being an acronym for Mazda AI Transformation, this organization is tasked with fundamentally transforming processes across the Company with the goal of doubling process speeds and drastically heightening productivity.

AI DOJOS

In recent years, the application of AI technologies to product and technology development processes has been spreading throughout the automotive industry at a startling speed. AI is also becoming increasingly important for improving efficiency in response to the diversification of consumer needs.

In light of these trends, Mazda launched the AI Dojo program in July 2023 to help foster human resources with the skills necessary to transform work processes using AI. In this program, AI engineers with sophisticated AI skills work together with divisions seeking to address issues with their work processes to offer comprehensive support for resolving those issues. This support ranges from training and the development of the necessary systems and tools to the establishment of plan–do–check–act (PDCA) cycles that the division in question can implement autonomously. Employees that have generated exceptional results or actively involved other employees in improvement activities using AI are recognized as "AI blackbelts." AI Dojos are open to employees of development and all other divisions to help Mazda become even more competitive.

AI Dojo Statistics

	FY March 2025	FY March 2026*2	FY March 2031 (Targets)
Aggregate number of activities*1	16	30	150
Aggregate number of participants*1	43	84	470

Takayoshi Nakamoto
Principal Engineer, Vehicle Testing & Research Department, Vehicle Development Division
Chief Instructor, AI Dojo

Visualization of Health Challenges and Promotion of Workplace Responses Through Big Data Analysis

At Mazda, we believe that our corporate activities are supported by the physical and mental health of our employees. Based on this belief, we have operated the Mazda Hospital as a corporate healthcare institution supporting regional health for more than 50 years. In addition, Mazda's Health Promotion Center is in possession of health data from the employees that have undergone checkups at this facility. However, an inability to sufficiently analyze this massive quantity of data has led to issues with organizations' ability to identify health issues, select relevant health-related indicators, and evaluate health measures.

To address these issues, occupational health advisors have been using AI Dojos to learn the Python programming language and statistical analysis skills to enable them to analyze this data. As part of this undertaking, a database of more than 240,000 health data entries from the past decade has been compiled to allow for integrated management of health checkup results, preliminary healthcare questionnaires, stress check results, and other healthcare-related data. AI technologies can then be used to quickly and accurately analyze the information contained in this database. This project makes it possible to objectively track the health status of all employees. For example, this approach can be used to visualize the relationship between work engagement (feelings of empowerment and pride toward one's work) and workplace factors. The result of this application of AI has been a reduction of around 400 hours per year in the amount of time used to tabulate and analyze health data.

Moreover, Mazda has embarked on a co-creative venture with Hiroshima University to investigate the underlying causes behind workplace health issues and to improve the accuracy of predictive models and analyses. In addition, measures are being formulated for changing employee behavior and improving workplace environments.

Members of the Health Promotion Center in the Safety, Health and Disaster Prevention Promotion (From left) Shizuka Aramata, Yumi Tsuneshige, and Hiroko Nagato

PRODUCTION SITE DIGITAL TRANSFORMATION INITIATIVES

Employees at domestic and overseas production sites are advancing self-driven activities for improving efficiency and decreasing the amount of people needed for work processes. Digital transformation is also being actively promoted by employees to improve work processes and heighten efficiency, and we are developing frameworks for supporting these efforts through education and training.

Progress in digital technologies is unlocking new possibilities for improvements at production sites. For example, employees have been developing apparatuses that allow them to gauge equipment status using standard microcomputers or programs they have personally written as well as systems for using AI to judge whether installed components are of sufficient quality. Such self-driven initiatives are contributing to increased productivity. Furthermore, we have also established award programs for recognizing employees who have used emerging digital technologies to achieve improvements. These programs are meant to celebrate employees' diligence and ideas while also encouraging further improvements and digital transformation.

Mazda also organizes production technology exhibitions that see attendance by more than 2,000 employees and business partners each year. These events are used as an opportunity to share Mazda's production automation initiatives and element technologies for digital transformation-driven efficiency improvements with local business partners and other stakeholders. By promoting the utilization of digital technologies at Mazda, at business partners, and thus throughout the community, we hope to help evolve manufacturing practices and deliver even greater value to customers.

Exhibit detailing employees' self-driven efforts to improve production processes using digital technologies

PRESERVATION OF CRAFTSMANSHIP USING MOTION CAPTURE TECHNOLOGY —TRANSMISSION OF *KODO* DESIGN DIE TECHNIQUES TO FUTURE GENERATIONS

Japan's manufacturing industry has long been supported by skilled artisans and master craftspeople, referred to as "Takumi masters." However, a declining birthrate, an aging population, and fewer people entering the trade are making it increasingly difficult for masters to pass their skills on to others. Mazda is no exception to this challenge. Recognizing the threat of losing such skills, Mazda has begun employing motion capture technology as a means of transmitting the die production skills of masters to apprentices.

KODO design is Mazda's unique design philosophy that entails using the play of light and shadow to create designs that make people feel like the car is a living being. To sculpt the minute details of this elegant design, dies must be carefully adjusted by human hands to make them perfect down to the micrometer level.

Motion capture is a process that involves attaching markers to a person's body to record their movements and convert details such as their line of sight and where they place their weight into numerical data. This process makes it possible to visually portray the implicit details of craftsmanship that may be difficult to communicate using words or numbers. Compared to conventional training approaches, which generally came down to learning from watching, the data-based instruction enabled by motion capture has reduced the amount of time required to acquire such skills from 20 years to only around five years. As of August 2025, 19 craftspeople have earned their Takumi master certification through involvement in the motion capture program. In this manner, the program is providing frameworks for the ongoing and efficient training of future craftspeople.

Members of the Tool & Die Production Department in the Production Engineering Division (From left) Chiharu Saeki, Minoru Suga, and Takanori Tashiro

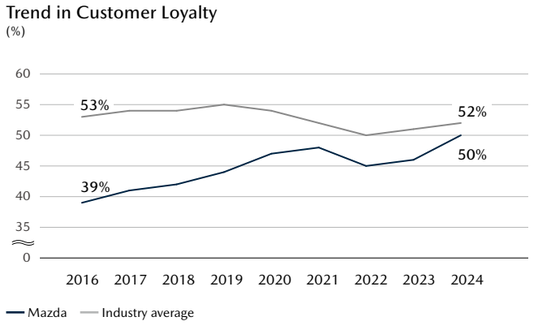
For more information, please refer to the following MAZDA MIRAI BASE article.
Preserving "KODO Design" Craftsmanship for Future Generations:
How Motion Capture Technology Helps Takumi Masters Pass Down Their Skills
https://www.mazda.com/en/mazda-mirai-base/articles/20250627-motioncapture-takumi/

*1 Aggregate figures for data since establishment of AI Dojos in July 2023
*2 As of September 2025

MESSAGE FROM THE CEO OF U.S. MARKET

Mazda drives further growth in the U.S. market as a company that provides experiential value through brand value management

Tom Donnelly
Mazda North American Operations, President and CEO



Awarded the 2025 TOP SAFETY PICK+ by the Insurance Institute for Highway Safety (IIHS) (as of August 2025)

Q. Please tell us about the background behind introducing brand value management in the United States and the results achieved.

Mazda introduced brand value management in the United States in 2016. At that time, the Mazda brand was chosen primarily for its price and incentives. Customer loyalty and sales volumes were declining.

To overcome that situation, we adopted a customer-centric approach and worked to enhance brand value by improving the overall customer experience. We focused particularly on reforming our dealerships, which are the direct point of contact between customers and the Mazda brand. Many Mazda dealerships at the time sold other brands, and their facilities were outdated, which resulted in a suboptimal brand experience.

To address this issue, we launched a program called "Retail Evolution." Through this program, we aimed to improve the customer experience by renovating dealer stores and implementing operational reforms. Our dealer partners have invested more than 2 billion US dollars in the program over the past seven years. Starting with the question, "What is the ideal customer experience?" we focused on creating store facilities and operations that emphasize transparency and trust. At the same time, we identified 39 high-potential markets with many dealers who share our brand value management and proceeded with the structural reform of our sales network. We have been working to establish 300 New-Generation Showrooms that embody the Mazda brand across the United States. As of the end of March 2025, we have exceeded our plan by reaching 340 showrooms, and approximately 70% of Mazda's sales in the United States are now made through these New-Generation Showrooms.

We have shifted our marketing strategy from emphasizing product features and specifications to communicating the unique value that the Mazda brand offers customers. We have also facilitated connections among Mazda owners and built relationships with local communities by reaching out to healthcare professionals and educators, which has fostered familiarity with and affinity for the Mazda brand.

Through these efforts, we have strengthened the Mazda brand in the U.S. market and continue to grow the brand steadily despite challenges such as the COVID-19 pandemic and semiconductor shortages. In FY March 2025, we sold a record 435,000 vehicles, making Mazda one of the fastest-growing brands in the industry.

Q. What are Mazda's competitive advantages over other brands in the U.S. market?

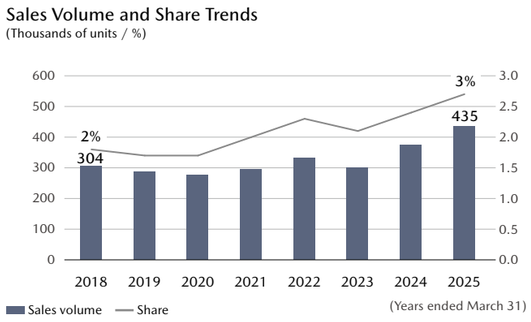
Mazda differentiates itself from other brands in the U.S. market in the following three points.

The first point is its strong partnership with dealers. To reform its sales network, Mazda has consistently engaged in dialogue with dealer operators to foster a deeper understanding of and empathy for brand value management. We have built strong, trusting relationships with dealer partners, and the National Automobile Dealers Association ranked Mazda third in the industry for "most optimistic" scores in their survey in 2024, reflecting the high expectations of our dealer partners. Additionally, the restructuring of the sales network and the transformation to New-Generation Showrooms are progressing steadily. The average throughput (number of units sold per location) at new-generation showrooms increased to 857 units in FY March 2025, demonstrating steady growth.

The second point is a human-centric customer experience. We aim to share the spirit of *Omotenashi*—the Japanese value of heartfelt hospitality—with our dealers in the United States. Guided by our belief that "your happiness is my happiness," we strive to deliver personalized services that truly resonate with each individual customer. In the United States, the lack of transparency in the pricing, content, and work processes of automobile maintenance is an issue for the entire industry. Mazda is working to improve the customer experience by eliminating pain points such as anxiety and inconvenience through a customer-centric approach.

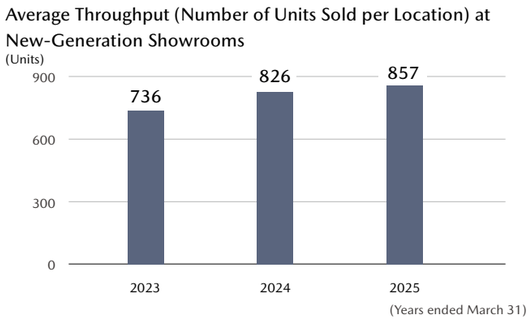
A symbolic example of this effort is the Mazda Service Promise. It consists of five programs: (1) online reservations for maintenance, (2) digital video services, (3) communication methods that customers can choose from, such as email, phone, texting, or in-person, (4) payments by smartphone, and (5) loaner car service. We provide a transparent and personalized service experience from reservation to completion.

At the core of the Mazda Service Promise is the digital video service that was introduced in 2019. Engineers film the inspection



A brand campaign, "Move and Be Moved," that communicates Mazda's unique value proposition across the entire brand—not just for individual models

New-Generation Showroom, Luther Mazda, located in Kansas City

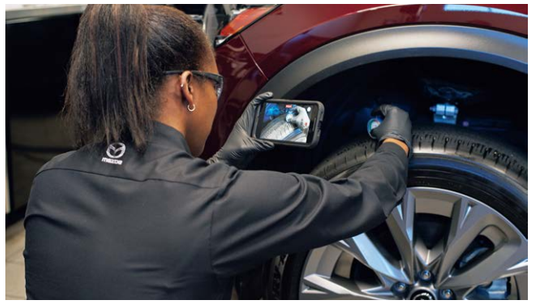


MESSAGE FROM THE CEO OF U.S. MARKET

and work performed, then share the video with customers. This service improves transparency, provides peace of mind, and creates a personal connection between Mazda and its customers. Currently, more than 80% of customers receive the video, demonstrating the success of this initiative. When all five programs of the Mazda Service Promise are implemented, the positive response rate for repeat visit intentions in customer surveys has improved by 95%, and the Net Promoter Score has increased by four points, from 78.5 to 82.5. These figures demonstrate the improvement in customer experience.

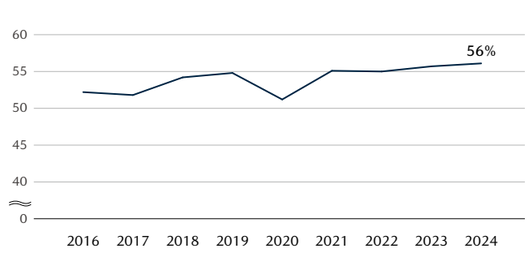
As a result of our focus on enhancing the customer experience, the service retention rate—meaning the percentage of customers who return for after-sales services such as inspections and repairs—has reached 56%, placing us in the top 20% of the industry, contributing to the development of long-term relationships with customers.

Additionally, Mazda Financial Service (MFS), a high-quality sales financing service offered through our collaboration with Toyota Motor Corporation, has further supported customers in continuing to choose the Mazda brand. Five years have passed since we introduced the service, and we will soon see customers whose lease or loan contracts are nearing expiration return to the market. We are entering a phase in which we expect significant results from the collaboration with MFS.



Digital video service filming

Service Retention Rate



The third point is our attractive product portfolio. Customers choose Mazda for its *Jinba-ittai*—a sense of oneness between driver and vehicle—driving performance, emotionally appealing design, and high safety performance. For safety performance, in particular, eight models of five Mazda vehicles earned the highest rating of TOP SAFETY PICK+ in safety tests conducted by the Insurance Institute for Highway Safety, making Mazda the brand with the most models to receive this rating as of August 2025. The introduction of new-generation models such as the Mazda CX-50, Mazda CX-70, and Mazda CX-90 has also helped attract new customers. Among these models, the CX-50, which is produced at Mazda Toyota Manufacturing, U.S.A., Inc.*, a joint venture with Toyota in the United States that began operations in 2021, is our second-best-selling model, after the Mazda CX-5, in the United States and is driving growth. We aim to increase volume growth, especially in the SUV segment.

Mazda Toyota Manufacturing, U.S.A., Inc.

Based on consistent brand value management, Mazda is steadily improving its brand presence in the United States through partnerships, including with dealers and Toyota, its human-centric approach to enhancing the customer experience, and unique products.

Q. How will you grow Mazda's corporate value in the United States moving forward?

The automotive industry is currently undergoing major changes, including connectivity, autonomous driving, and electrification. However, what Mazda must do remains unchanged. We will focus on "what we can control" and deepen our brand value management through a "customer-centric" approach to achieve sustainable growth.

Our goal is to transform from a "car company" into a "brand experience company." In other words, we want to be chosen not only for the functionality and value of our cars but also for the overall car-ownership experience. To achieve this, we will address the pain points of our customers, such as anxiety and inconvenience, head-on. We will strive to exceed our customers' expectations with the spirit of *Omotenashi*. Additionally, we will strengthen our connections with each customer by creating more touchpoints through the use of systems and digital technologies.

Increasing sales volume and service revenue is, of course, an important management indicator. In addition, we believe that pursuing business quality, such as enhancing the customer experience with human-centricity, is the driving force behind sustainable growth in quantity. Through this virtuous cycle, we will build a stronger and more sustainable business foundation by enhancing brand value, strengthening price competitiveness, and fostering customer loyalty.

VOICE FROM THE FIELD—BRAND VALUE MANAGEMENT

Robert Sickel
Pine Belt Mazda, Dealer Principal
Mazda National Dealer Advisory Council (NDAC), Chairman

Mazda makes great cars. But more than that, it's a brand that embodies its public values. It's no secret that customers who buy a Mazda can choose to buy from many of our competitors. What is it that makes them choose to do business with us? What is it that makes Mazda special? It starts with having a great product. But in today's market, that isn't enough. Customers make purchase decisions based on more than the vehicle. It is also about how they are treated both during and after the sale, and it is here that Mazda truly shines.

Brand value management and the concept of *Omotenashi* drive our employees to truly anticipate the needs of our customers. In general, we know people feel stressed and anxious about visiting dealerships. When you walk into a Mazda dealership, we want you to feel calm and cared for. Today, our owners know they purchased a high-value vehicle and trust that we will be there with premium service when the time comes as part of our Mazda Service Promise. In short, this is our commitment to keeping our customers at the center of the service experience by creating a transparent, convenient, and flexible service experience that allows our customers the freedom to choose how they want to interact with the dealership. They appreciate the transparency and openness that our service videos bring to the maintenance and repair process. It is all part of building that long-term relationship that will bring them back year after year.

Brand value management and *Omotenashi* extend beyond the customer relationship. As a dealer, I get to experience it firsthand directly with the Mazda North American Operations team. I have a total of four stores—two domestics and two imports—and the culture at Mazda is helping it make lasting impressions on customers and outperform the competition. Brand value management predated my time with Mazda but it, and the culture it created, was one of the things that attracted me to the brand.

* Production of Mazda vehicles began in January 2022

MESSAGE FROM THE CEO OF MEXICAN MARKET

Mazda elevates its brand value in Mexico through a customer-centric approach and *Omotenashi*

Miguel Barbeyto
Mazda Motor de Mexico S. de R.L. de C.V., CEO

Q. Please explain the background behind introducing brand value management in Mexico and the results achieved.

Since entering the Mexican market in December 2004, Mazda has consistently upheld a customer-centric approach as the foundation of its organization. From the very beginning, the company culture has been deeply rooted in the stance of providing Mazda's unique value to customers and building relationships of trust.

When Mazda entered the Mexican market, American brands held a strong influence and Japanese brands were just beginning to enter the market. In this competitive environment, we considered "what customers find valuable" as a starting point and enhanced the value of our customer experience, such as sales and service, as well as the value of products, including driving dynamics and design. Our goal was to position Mazda closer to a premium brand. In addition, in 2014 we began operations at the Mazda de Mexico Vehicle Operation plant, further working to expand our presence in the market.

As a result, Mazda has achieved steady growth in the Mexican market for 20 years. Annual sales volume increased from approximately 45,000 units in FY March 2015 to 106,000 units in FY March 2025, more than doubling in 10 years. The market share also expanded from 4% to 7%.

Q. How do you implement brand value management and link it to enhancing corporate value?

Mazda has prioritized building relationships with all stakeholders in Mexico under the philosophy of "customer-centricity." To us, dealers, logistics companies, advertising agencies, and call centers are viewed as partners rather than vendors. We aim to deliver the Mazda brand experience to customers by working together with our partners as one team.

Among them, dealers are our most important partners. We engage in ongoing dialogue with them to build win–win relationships. We hold monthly meetings with all of our dealer owners, and always begin with topics related to customer service. We share customer feedback with everyone and discuss specific measures for improvement to enhance customer satisfaction. Additionally, appointing only one dealer owner in the same market area has enabled us to create a system that allows for quick and consistent decision-making in store operations. There are currently 76 stores in Mexico, all of which are New-Generation Showrooms. These serve as our foundation for exceptional customer experiences.

We are committed to putting customers at the center and providing a transparent and consistent experience through collaboration with our partners. For example, the same price is offered nationwide for the same model, regardless of the payment method. While our competitors in the Mexican market tend to vary prices by region, Mazda offers the same conditions at all dealerships, making it easy for customers to understand. In the service domain, we have introduced a clear pricing structure for each service, enabling customers to receive the same service at the same price regardless of vehicle type. Another example is the "Express Service," which is offered for an additional fee and demonstrates respect for customers' time by being free of charge if the regular maintenance service is not completed within 45 minutes. This is a unique approach in the Mexican market.

Furthermore, we are not only pursuing convenience and transparency but are also working to improve the customer experience with a spirit of *Omotenashi*. While technology and systems are important tools, we believe that the most important thing is the connection between people. We believe that providing personalized service and satisfying experiences will lead to long-term customer relationships. These relationships will drive continued returns for maintenance services and repeat purchases of Mazda vehicles. Ultimately, this improves profitability and brand value.

Our ongoing efforts to enhance the customer experience have built long-term relationships of trust, resulting in a service retention rate—meaning the percentage of customers who return for after-sales services such as inspections and repairs—of 86%, among the highest in the industry. As we continue to earn our customers' loyalty, we will increase our brand value and achieve sustainable business growth and corporate value.

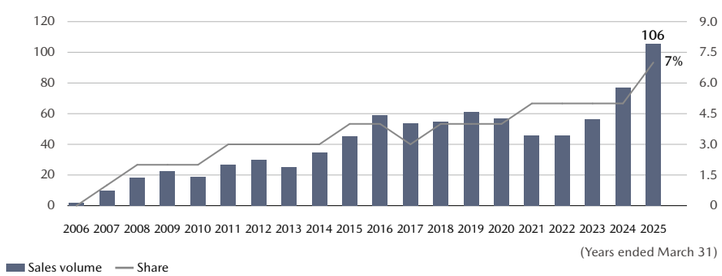
New-Generation Showroom, Mazda Tláhuac, located in Mexico City

Q. How do you plan to grow the Mazda brand in the Mexican market going forward?

In recent years, the competitive environment has become increasingly intense. However, we firmly believe that maintaining our customer-centric approach is key to Mazda's sustainable growth. Since entering the Mexican market, Mazda has worked with its partners to continuously improve and grow its business over the past 20 years. Going forward, we will continue to place customers at the center of all our actions and decisions, and strive to achieve rapid decision-making and collaboration with the front lines to continue growing and remain a brand of choice.

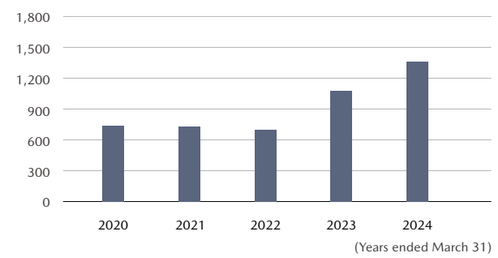
My dream is for Mazda to be recognized as Mexico's first "premium volume" brand. This means more than just increasing sales volume; it means delivering Mazda's unique experiential value to more customers. Our goals are to sell approximately 115,000 units by 2030, rank in the top three in the categories of sales satisfaction and customer service in the J.D. Power survey, and enhance the brand's presence and business growth.

Sales Volume and Share Trends
(Thousands of units / %)



Mazda de Mexico Vehicle Operation

Average Throughput (Number of Units Sold per Location) at All Showrooms
(Units)



MESSAGE FROM THE GENERAL MANAGER OF JAPAN SALES

Mazda aspires to reinvigorate growth in the Japanese market through business structure reforms based on its brand value management.

Tadashi Miura
General Manager, Domestic Brand and Business Management Division

Q. What conditions and issues are being seen in the Japanese market?

In FY March 2025, we sold around 152,000 vehicles in the Japanese market, making it our second-largest market after the United States. However, our operations in Japan have been suffering from a decline in sales volume since FY March 2020. Seeking to reverse this trend and maximize sales volume in this critical market, we have set the target of achieving domestic vehicle sales of 200,000 units.

In recent years, we have also been prioritizing investments in and the enhancement of customer services at dealerships. These initiatives have been steadily generating results. As an indication of how Mazda is supplying an even higher level of customer service, Mazda was rated No.1 in sales satisfaction in Japan among Mass Market Domestic Brands for the second consecutive year by J.D. Power and ranked third in the Mass Market Domestic Brands segment of the 2025 Japan Customer Service Index Study, an increase from its fifth-place ranking in the previous year.* We want Mazda dealerships to be a place where customers experience joy, and for this joy to be one of the reasons they choose the Mazda brand. Ongoing efforts will thus be made to ensure that dealerships can fulfill this function. We also recognize the need to ramp up our efforts to approach customers who have yet to purchase a Mazda vehicle and enact business strategies that are finely tuned to the scale of specific markets and the opportunities found therein. Such efforts will be imperative to growing sales volumes going forward.

Q. How will Mazda seek to enhance corporate value to address these issues?

Reaffirming the position of brand value management as its foundation, Mazda is transforming its organizations to be able to better act with a focus on all customers. At the same time, we are transitioning toward businesses that can achieve ongoing growth as a brand customers continue to choose. To this end, we will introduce the essence of the successful measures implemented in the North American market, where operations have taken a positive turn due to our brand value management. We will also strive to provide more extensive support to frontline sales organizations as part of our efforts to fundamentally transform our business. Furthermore, we have defined three pillars of our business structure reforms: "investment for growth to nurture brand," "designate priority regions (metropolitan strategy)," and "thorough frontline support to improve in-store experience." Four priority measures are being implemented based on these pillars.

The first priority measure is sales network reform. In the United States, Mazda has been narrowing its focus to conduct concentrated investment in New-Generation Showrooms in markets with large populations of dealers and customers with whom Mazda's brand value resonates. As a result of these investments, we have seen increases in customer satisfaction, leading to large improvements in per location sales efficiency. Learning from the lessons of the growth we achieved in the United States through such efficient investment, we are working to build an optimal sales network in Japan based on market potential. In light of the outlook for polarized population trends in urban and non-urban areas, we plan to concentrate investment on urban areas. Specifically, we will increase the number of locations across Japan designated as priority dealerships for enhancing sales efficiency from the current 250 to 300, with the aim of achieving an annual sales volume of 400 units per location. Furthermore, 10 cities, including Tokyo and Osaka, have been positioned as priority markets, where we will invest in developing New-Generation Showrooms leading up to 2030.

The second priority measure is brand-focused marketing investments. In the United States, the Company has moved away from traditional marketing measures focused on the superiority of its product functions and technologies. Now, Mazda is endeavoring to foster understanding through communication emphasizing its brand itself, which is contributing to improved brand presence. We are taking a similar approach in Japan by ramping up market activities for communicating the significance and value of our brand. For example, MAZDA TRANS AOYAMA, which opened in February 2025 as a place to experience the Mazda brand, is functioning as a venue for forming connections with new customers and is expected to expand the base of potential Mazda customers over the medium to long term.

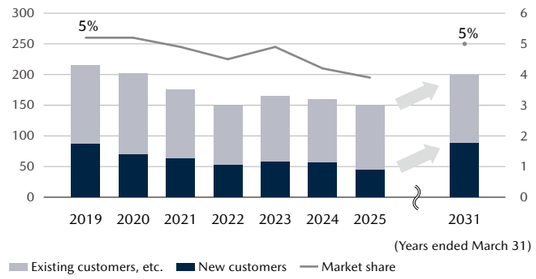
MAZDA TRANS AOYAMA (Minato-ku, Tokyo)

The third priority measure is the development of mechanisms and systems to instill brand value in stores. At dealerships in the United States, behavioral standards for dealership staff have been defined by working backward from the ideal customer experience. This approach has been contributing to increases in customer satisfaction as well as in dealership staff motivation. In Japan, we will follow suit by establishing brand standards defining Mazda brand experiences that better satisfy customers. At the same time, we will implement training and support programs to entrench these standards within dealerships.

The fourth priority measure is to establish a new company to improve the efficiency of back-office functions. Specifically, we established Mazda Business Partner Co., Ltd. in January 2025. By consolidating back-office functions performed by sales company management divisions into this company, we aim to provide an environment in which dealerships and sales companies are able to concentrate more on serving customers and providing them with brand experiences.

As we conduct such growth, marketing, and other investments aimed at facilitating ongoing growth, we will also seek to achieve the optimal balance between investments and cost reductions. At the same time, we will instill brand value management into the Japanese market with the goal of cementing our foundations over the period from 2025 to 2027—Phase 2 of the Management Policy up to 2030—so we can achieve domestic sales volumes of more than 200,000 vehicles during Phase 3.

Sales Volume
(Thousands of units / %)



Q. What do you view to be your role? Also, what do you see as your mission for transforming Mazda's operations in the Japanese market?

I believe it is my mission to help reinvigorate the growth of the Japanese market by cementing Mazda's foundations for practicing brand value management. I have experience serving as a member of management in Russia, Taiwan, and Thailand, where I have worked with colleagues in these countries to promote brand value management while tailoring our approach to the local cultures and business customs. In each of these markets, we succeeded in identifying issues, implementing reforms, and cultivating successors over a period of just three years, thereby constructing the foundations for ongoing business growth. I look forward to applying this experience to the Japanese market.

At the moment, we are moving ahead with reforms aimed at strengthening sales networks and brand power in the domestic market. In addition, we reorganized the domestic business divisions at our Head Office in July 2025, and are now advancing business structure reforms focused on brand value management under a new organizational structure. Mazda is also working together with dealerships and sales companies to foster a more customer-oriented corporate culture. Joining hands with those on the front lines, I will dedicate all my experience and all my passion to heightening Mazda's presence in the Japanese market.

* For J.D. Power award information, visit
http://japan.jdpower.com/en/awards

PERFORMANCE BY MARKET

Mazda is strengthening its global sales foundations and tailoring its product launches and branding activities to match the characteristics of the specific markets it serves. In this section, you will find information on sales volumes and other performance metrics and forecasts on an individual market basis.

Global Sales Volumes

	FY March 2025		FY March 2026 (Forecast)* * Forecast announced in August 2025	
	Sales volume (thousands of units)	Change from prior year (%)	Sales volume (thousands of units)	Change from prior year (%)
North America	617	+20%	595	–4%
Japan	152	–5%	161	+6%
Europe	174	–3%	177	+2%
China	74	–23%	76	+2%
Other Markets	285	–1%	291	+2%
Total	1,303	+5%	1,300	0%

In FY March 2025, Mazda's global sales volume was 1,303,000 units, an increase of 5% year on year, as a result of favorable sales in the North American market. During this fiscal year, the Company augmented its lineup of large products with the introduction of the Mazda CX-70 in North America and other markets and the Mazda CX-80 in markets such as Europe, Australia, and Japan. As the third and fourth additions to this lineup, respectively, these large products join the existing Mazda CX-60 and Mazda CX-90. Furthermore, we launched the Mazda CX-50 Hybrid, which is equipped with a Toyota Motor Corporation hybrid system, in North America while China saw the release of the Mazda EZ-6, which was developed through collaboration with Chongqing Changan Automobile Co., Ltd.

In FY March 2026, we forecast that global sales volume will be around 1,300,000 units, the same level as FY March 2025, as the projected decline in sales volume in North America will be counterbalanced by growth in other markets. Future business growth in Japan is anticipated to be supported by branding activities whereas growth in Europe will be driven by the Mazda6e electrified vehicle released in September 2025 and the new Mazda CX-5 to be launched late in the same year.

North America

In FY March 2025, the total sales volume in the North American market rose 20% year on year, to 617,000 units, following strong performance in Canada and record-breaking sales volumes in the United States and Mexico. Sales volume in this market are anticipated to amount to 595,000 units in FY March 2026.

In the United States, sales growth was supported by the introduction of the CX-50 Hybrid and by sales of large products, leading sales volume to increase 16% and reach a new record high of 435,000 units. Although the outlook for demand in FY March 2026 in this market is uncertain, we will continue to limit sales incentive payments while carefully monitoring competition trends. Other initiatives will include maximizing sales of the CX-50, which is manufactured at Mazda Toyota Manufacturing, U.S.A., Inc., a joint venture production company established together with Toyota P43.

In Mexico, sales volume increased 37%, to a new record high of 106,000 units, in FY March 2025, due to growth in sales of the Mazda CX-30. We will continue to emphasize brand value management as we pursue further growth in the market P47.

Japan

In Japan, sales volume in FY March 2025 declined to 152,000 units because of the discontinuation of sales of the Mazda CX-8. In FY March 2026, we will continue to work toward our sales volume target for this market of 161,000 units, which will represent a 6% year-on-year increase, through efforts to promote our value proposition and improve brand recognition by capitalizing on our diverse lineup of SUVs, which include the CX-60 and the CX-5 as well as the newly released CX-80. Moreover, we will enhance frameworks for supporting frontline organizations and advance other business structure reforms to heighten productivity and place greater emphasis on customer experience based on our brand value management in our domestic sales operations P49.

Europe

The FY March 2025 sales volume for Europe declined to 174,000 units, as the decrease in sales of the pre-upgrade CX-60 and the CX-5 surpassed the increase in sales of the CX-30 and the Mazda2 Hybrid produced by Toyota on an OEM basis.

In FY March 2026, we project an increase in sales volume of 2% year on year, to 177,000 units, to be achieved by promoting sales of large products, the CX-30, and other existing models and by capitalizing on the launches of the Mazda6e released in September 2025 and the new CX-5 scheduled to hit the market in late 2025.

New Mazda CX-5

Mazda6e electrified vehicle

China

In China, the FY March 2025 sales volume decreased to 74,000 units due to the impacts of shrinking demand for internal combustion engine vehicles and intensifying price competition. The EZ-6 was launched in this market in October 2024.

The new Mazda EZ-60 electrified crossover SUV exhibited at the 21st Shanghai International Automobile Industry Exhibition, held in April 2025, was released in September 2025. With this new vehicle and the existing EZ-6, we will seek to reclaim our share of the Chinese market given its rapid embrace of electrified vehicles. We thereby expect to achieve a sales volume of 76,000 units, an increase of 2%, in FY March 2026.

New Mazda EZ-60 electrified crossover SUV

Other Markets

On the whole, the total sales volume for other markets in FY March 2025 declined to 285,000 units following lower sales in Thailand, Malaysia, and other ASEAN markets. In the major market of Australia, sales volume decreased to 97,000 units. The main factor behind this decrease was the discontinuation of sales of the Mazda CX-9 and CX-8, which offset the benefits of the increases in sales of the newly released CX-80 and the Mazda CX-3 and CX-5.

In FY March 2026, total sales volume for other markets is projected to increase 2% year on year, to 291,000 units.

Going forward, Mazda will work to inject the essence of the successful brand value management-inspired business reforms implemented in the United States into operations in China and Thailand to recover performance in these countries. In addition, we will begin development and production of new compact SUVs in Thailand in 2027. These vehicles will be sold in Thailand and also exported to other markets. Meanwhile, we will start up local production of the CX-30 in Indonesia and seek to grow sales in this country.

MESSAGE FROM THE CSO

Mazda is implementing its Multi-Solution Strategy and collaborating with partners to deliver its distinctive value to customers around the world while also making contributions to the global environment and to carbon neutrality.

Takeji Kojima
Director, Senior Managing Executive Officer and Chief Strategy Officer (CSO)

Multi-Solution Strategy

Q. Could you please explain the factors that led Mazda to adopt its Multi-Solution Strategy?

Mazda serves customers in some 130 countries and regions around the world. Our decision to implement our Multi-Solution Strategy P59 was prompted by an examination of the way we can help these customers enjoy Mazda products while limiting our emissions of CO_2.

Some may think that the Multi-Solution Strategy is something new. Quite the contrary, though, we actually began talking about this approach in the 2000s, before the term "electrification" had even entered the public lexicon. Some may remember that it was in 2007 that Mazda announced "Sustainable Zoom-Zoom,"* its long-term vision for technology development. The social and environmental report issued that year explains how the environmental issues facing the automotive industry can vary based on region, vehicle type, or fuel characteristics. It goes on to explain that addressing these multiple issues will require multiple solutions, or a "Multi-Solution Strategy." As can be seen in this early mention, we believe that the Multi-Solution Strategy represents a consistent stance on contributing to the global environment and to carbon neutrality.

Every country and region is different in terms of customer values, lifestyles, and uses for automobiles. There are also differences when it comes to energy policies, regulations, and incentives as well as fuel and charging infrastructure and crude oil prices. For example, renewable energy use has become quite widespread in Northern Europe, and BEVs have a strong presence in this market accordingly. In Japan, meanwhile, fossil fuel-derived electricity is a principal source of power, and charging infrastructure is therefore not yet commonplace. In markets like Japan, HEVs and PHEVs, which combine internal combustion engine and electrification technologies, are effective tools for contributing to reductions in CO_2 emissions and to carbon neutrality.

Our response to these varied circumstances is the Multi-Solution Strategy, which entails introducing diverse options—including internal combustion engine vehicles, HEVs, PHEVs, and BEVs—at the ideal timings. Of course, this strategy is shaped by our concept of brand value management and by our focus on the customer. In other words, the Multi-Solution Strategy is an effective way to capitalize on the strengths of a company with Mazda's scale in order to respond flexibly to volatile operating environment changes while exercising our corporate philosophy.

Q. How does the Multi-Solution Strategy differ from an all-encompassing strategy?

Mazda's Multi-Solution Strategy is fundamentally different from an all-inclusive strategy. Generally, an all-inclusive strategy would involve a company devoting massive amounts of resources to simultaneously develop a wide range of technologies. Our Multi-Solution Strategy, meanwhile, is about selection and concentration of our limited resources to develop element technologies on a staggered timeline. As such, this strategy requires a long-term perspective and structured thinking. This strategy is made possible by the Building Block concept that has been a cornerstone of initiatives based on "Sustainable Zoom-Zoom." The Building Block concept involves backcasting from our outlook for the timing of global proliferation of CO_2 emissions reduction technologies to guide the development of element technologies through projects advanced one at a time. The Multi-Solution Strategy is based on the belief that the technologies developed through this approach will represent a distinctive value proposition that is unique to Mazda.

Q. The growth of the BEV market is slowing, and the outlook is becoming increasingly opaque. Given this reality, what are Mazda's development plans and policies related to electrification and carbon neutrality technologies?

In 2022, we announced our outlook that BEVs would represent 25% to 40% of Mazda's global sales by 2030. In the years that followed, however, the BEV market slowed to a degree that surpassed our expectations. Today, caution is needed with regard to the environmental policies of the U.S. government, and we project growth in BEV and PHEV sales in China. Meanwhile, certain environmental regulations and BEV purchase subsidies have been discontinued in Europe. In this manner, we recognize that trends in the BEV market are quite fluid. Although this is our current outlook, we cannot deny the possibility that the actual government policies and trends might differ substantially from what we are projecting at the moment.

Mazda will thereby be taking a flexible approach toward advancing electrification in response to the trends in demand seen around the world while also seeking to improve management efficiency. Measures toward this end will include collaborating with partners and combining Mazda's products to concentrate our resources on areas of expertise based on our Lean Asset Strategy P57 and Mazda Monozukuri Innovation 2.0 P67.

Specific carbon neutrality technologies we are researching include technologies that enable automobiles to capture CO_2 and those that can be used for the production of carbon-neutral fuel from microalgae.

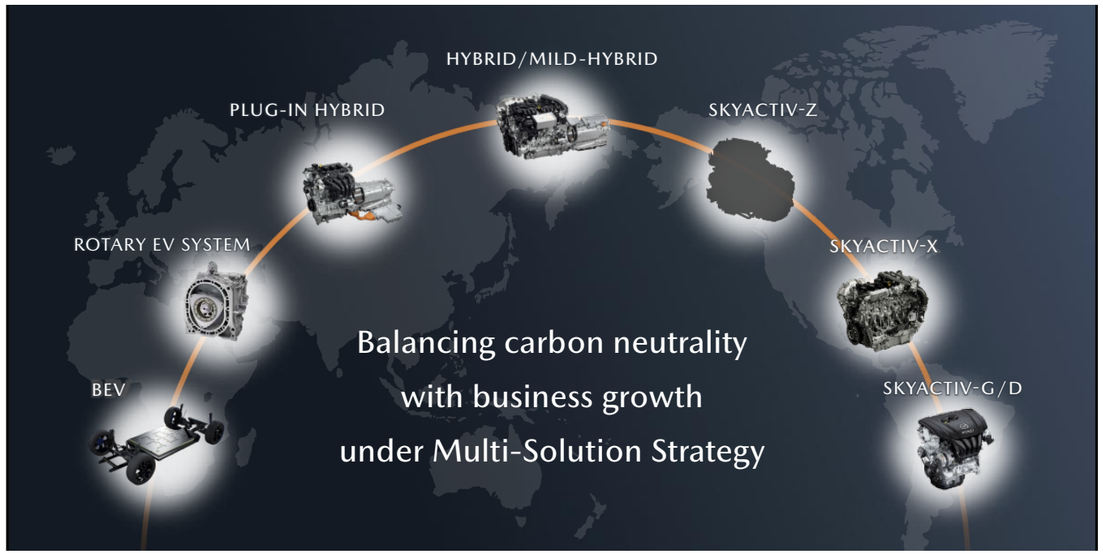
The carbon-neutral fuel produced from microalgae is created by absorbing CO_2 from the atmosphere. This means that, if we can also capture the CO_2 emitted during combustion of this fuel, we can create mobility that is effectively carbon neutral, or maybe even carbon negative. Such mobility would allow us to produce cars that use the strengths of the Japanese automotive industry's internal combustion engine technologies to reduce the amount of CO_2 in the atmosphere while driving. This would all be possible while limiting the social cost of installing new infrastructure. We plan to conduct a verification test of our CO_2 capture technologies during the ENEOS Super Taikyu Series 2025 Empowered by BRIDGESTONE race event scheduled to be held in November 2025.

Collaboration with Partners

Q. What are your thoughts with regard to the collaboration being pursued with various partners as part of the electrification strategies of the Management Policy up to 2030?

Everything we do is focused on delivering distinctive value through products and services based on our concept of brand value management and Lean Asset Strategy to ensure that Mazda is the brand customers continue to choose.

In collaboration with partners, we maintain this focus as we team up with partners who share our aspirations and goals, regardless of industry or business model. We work together with these partners to create better automobiles, evolve automotive cultures, and supply customers with superior mobility experiences and services. Moreover, we combine our strengths and



MESSAGE FROM THE CSO

insights with those of partners to create new social value and maximize value for the customer. This is the approach we emphasize when collaborating with partners.

We also recognize that we must not become overly dependent on such collaboration as it is imperative that Mazda maintain its own strengths as an independent company. I believe that the best way to accomplish this is to enhance our own value so that Mazda remains the partner that other companies continue to choose. Going forward, we will continue to pursue ongoing growth while striving to achieve the ideal balance between independence and collaboration.

Q. What type of companies is Mazda partnering with in its efforts to create distinctive products and technologies?

The automotive industry is currently undergoing a once-in-a-century turning point. One characteristic of this turning point is the rapid increase in demand related to electrification, software-defined vehicles, and carbon neutrality. As the industry seeks to cope with these changes, its structure is undergoing a transformation, moving away from the conventional vertical integration approach to instead adopt a new co-creation-oriented approach in which various partners work together as equals. We also recognize that what we can accomplish entirely by ourselves is limited. This is why Mazda is teaming up with various partners, including Toyota Motor Corporation, Chongqing Changan Automobile Co., Ltd., and Panasonic Energy Co., Ltd. Areas in which we are accelerating collaboration include electrification, electrical/electronic architecture, and software.

Mazda will continue to collaborate with partners to create innovative technologies while using resources efficiently in its quest to supply distinctive and appealing products that deepen the bond between people and automobiles.

Q. As you mentioned, Mazda is currently pursuing collaboration with partners based on the Lean Asset Strategy. What, then, are the reasons behind and the goals of the Company's in-house development of BEVs and proprietary hybrid systems? Also, how do you expect to tie these in-house efforts to success?

We will continue to invest in areas that constitute Mazda's unique strengths and the fundamental value of its brand, such as those linked to supplying the joy of driving. Based on this policy, we are advancing in-house development of BEVs and proprietary hybrid systems to further refine our value proposition with our own hands. Mazda remains committed to the development of human-centered automobiles. As such, our unique approaches and policies shape the driving performance, control technologies, and driver ergonomics of Mazda vehicles. This distinctiveness is what makes people feel the true value of the Mazda brand and is something that we will continue to emphasize going forward. Meanwhile, we will actively engage in collaboration in areas where scale and standardization are key to being competitive with the goal of improving capital efficiency while increasing both quality and competitiveness. BEV batteries are one example of such an area. Rather than blindly pursuing growth in our scale, we intend to concentrate on the core elements of our brand. Through the best possible balance of in-house efforts and collaboration, we hope to continue to supply customers with products, technologies, and services steeped in Mazda's distinctive value. This is how we will work toward ensuring that Mazda is always the brand that customers choose.

* "Sustainable Zoom-Zoom" is Mazda's declaration to tackle CO_2 reduction and other challenges faced by the automotive industry as it develops technologies supporting the sustainability of the global environment and transportation infrastructure, and strives to create an evolving mobility world that offers the joy of driving and is safe for the environment.

COLLABORATIVE PROJECTS WITH VARIOUS PARTNERS

Partner: Toyota Motor Corporation

- Establishment of joint venture production company Mazda Toyota Manufacturing, U.S.A., Inc. (United States)
- Development of electrical/electronic architecture, advanced driver assistance system, electric drive powertrains, etc.*1
- Procurement of hybrid systems
- Procurement of compact and commercial vehicles
- Sales financing operations (United States, Canada, Japan, Australia, New Zealand, United Kingdom, etc.)
- Verification tests of sweep energy storage systems utilizing automotive batteries for developing battery ecosystems

*1 Development promoted through collaboration with Toyota, DENSO CORPORATION, and BluE Nexus Corporation

Mazda CX-50 Hybrid

Partner: Chongqing Changan Automobile Co., Ltd.

- Establishment of joint venture vehicle production company Changan Mazda Automobile Co., Ltd. and joint venture engine and electric drive unit system production company Changan Mazda Engine Co., Ltd. (China)
- Development, production, and sales of Mazda EZ-6 and Mazda6e*2 midsized electrified sedans and Mazda EZ-60 electrified crossover SUV at Changan Mazda Automobile

*2 Name of the Mazda EZ-6 when sold outside of China

Mazda EZ-60

Partners: DENSO CORPORATION and BluE Nexus Corporation

- Development of electrical/electronic architecture, advanced driver assistance system, electric drive powertrains, etc.

Partner: Panasonic Energy Co., Ltd.

- Procurement of cylindrical automotive lithium-ion batteries

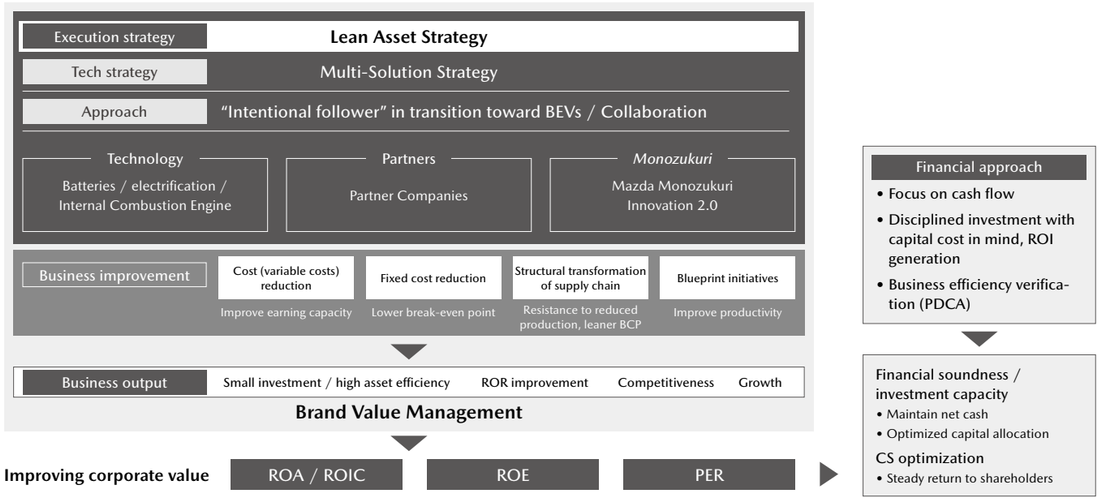
Mazda President and CEO Masahiro Moro (left) with Panasonic Energy President Kazuo Tadanobu (right)

Partners: ISUZU MOTORS LIMITED, Suzuki Motor Corporation, and DAIHATSU MOTOR CO., LTD.

- Procurement of automobiles

LEAN ASSET STRATEGY

Trends toward electrification are increasingly being affected by uncertainty, including growing investment costs due to inflation, regional differences in the pace of electrification, and rising geopolitical risks. Given this uncertainty, as well as Mazda's limited management resources, we must work to minimize management risks while bolstering business competitiveness and also responding flexibly to changes. The Lean Asset Strategy will be our vessel for this undertaking. Through this strategy, we aspire to achieve higher levels of asset efficiency and profitability with low investments in order to heighten competitiveness and drive ongoing growth, thereby spurring continuous enhancements in corporate value.



The Lean Asset Strategy is our approach to reduce asset-related costs while fully utilizing those we hold to maximize our competitiveness as a smaller player. In our development of electrification technologies, we will implement our Multi-Solution Strategy P59 for technology development. We will also act as an "intentional follower" in the transition toward BEVs by planning our steps based on careful assessment of the regulatory and electrification trends of specific regions. Meanwhile, collaboration will be promoted with partners and reforms will be promoted through Mazda Monozukuri Innovation 2.0 P67 to achieve drastic improvements in development productivity and flexibly combine technologies developed through selection and concentration to respond to diverse customer needs.

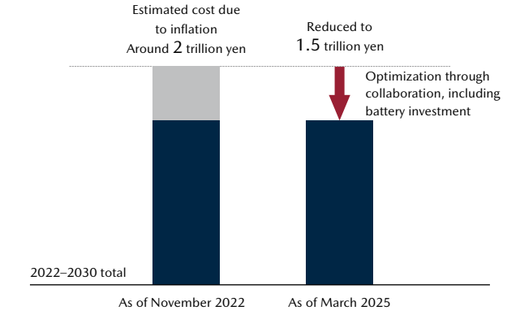
Our business reforms are focused on the four pillars of variable cost reductions, fixed cost reductions, structural transformation of supply chain, and Mazda's Blueprint organizational culture reform initiatives. Through initiatives based on these pillars, we seek to bolster earning power, lower our break-even point, heighten resilience to production declines, increase business resilience, and improve productivity.

In terms of our finances, we are emphasizing free cash flow as we utilize diverse fund procurement methods and practice increased financial discipline with a focus on cost of capital. At the same time, the Company will work to maximize investment returns and improve business efficiency while verifying the associated benefits. We thereby aim to ensure financial health and secure a capacity for investment while also achieving balanced increases in shareholder returns and internal reserves in order to develop an optimal capital structure. The resulting financial base will act as our foundation for supporting improvements in corporate value.

COLLABORATION FOR HEIGHTENING SPEED AND TECHNOLOGICAL COMPETITIVENESS WHILE LIMITING INVESTMENT

When the Management Policy up to 2030 was initially announced in November 2022, we had estimated that electrification-related investments would amount to 1.5 trillion yen. However, subsequent inflation and material price increases indicated the possibility that this investment amount might rise to 2 trillion yen. Regardless of this possible increase, we aim to limit the total amount of investment to the initially projected 1.5 trillion yen by optimizing investment through strategic collaboration aimed at flexibly responding to such changes. As we seek efficiency in growth investments in this manner, we will also continue to evolve Mazda's unique technologies. For example, ongoing development is being carried out with regard to Mazda's proprietary hybrid systems, Skyactiv-Z technologies, and rotary electric vehicles that utilize its rotary engines. In this manner, Mazda aspires to secure a competitive edge by providing diverse options for responding to future electrification.

Anticipated Impact of Electrification Investments (Growth Investments)

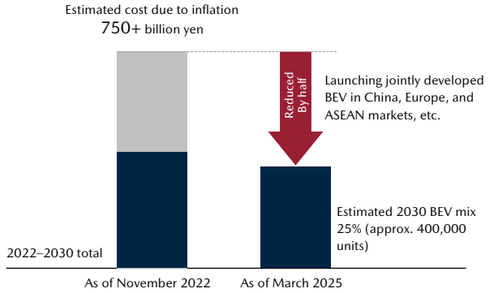


Halving of Battery Investments Through Collaboration

Batteries are an electrification-related area requiring particularly large amounts of investment. At the same time, this area will be heavily impacted by future trends in demand and in technological innovation, and is thus an area with a high degree of uncertainty. To address this uncertainty, Mazda is developing collaboration frameworks to help it flexibly respond to such trends while strategically limiting investment risks.

At the time of the November 2022 announcement of the Management Policy up to 2030, Mazda's plans assumed that we would be procuring batteries entirely by ourselves. When adjusted for inflation, the initial plans would require an investment of more than 750 billion yen. However, we have since ramped up collaboration with partner Chongqing Changan Automobile Co., Ltd., to launch jointly developed vehicles that utilize this company's electrification technologies. Through this collaboration, we estimate that the amount of battery investment necessary should BEVs come to represent 25% of global vehicle sales in 2030 will be 50% lower than our initial forecast.

Improving Efficiency of Electrification Investment

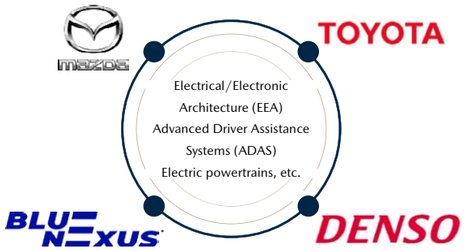


Collaboration for Enhancing Electrification Technologies While Heightening Development Efficiency

The evolution of electrification requires sophisticated expertise and the allocation of massive amounts of development resources to various areas. To facilitate these efforts, Mazda is teaming up with Toyota Motor Corporation, DENSO CORPORATION, BluE Nexus Corporation, and other partners to create efficient development structures for areas including electrical/electronic architecture, advanced driver assistance systems, and electric drive powertrains.

We are also working to reinforce our electrification platforms and bolster medium- to long-term competitiveness through collaboration with local industries in conjunction with the cultivation of the electrification unit production hub located in Mazda's birthplace of Hiroshima, which was announced in 2022.

Efficient Development of Electrification Technology Through Collaborative Partnerships



* BluE Nexus Corporation is an electrification systems company that combines the technologies of AISIN CORPORATION, DENSO CORPORATION, and Toyota.

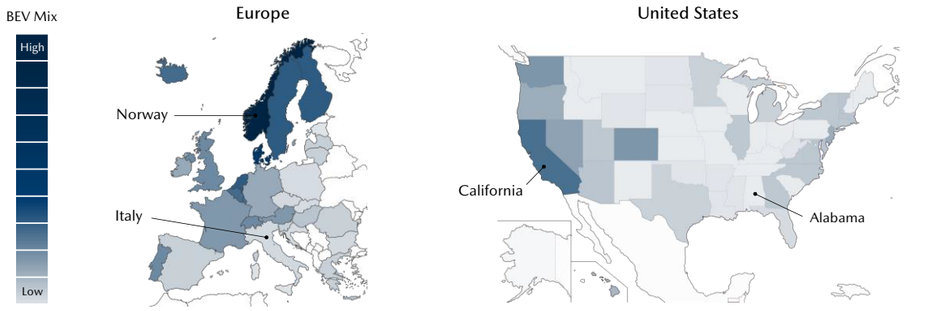
MULTI-SOLUTION STRATEGY

To achieve business growth while promoting carbon neutrality, Mazda is implementing its Multi-Solution Strategy, which entails offering vehicles with diverse powertrains, including internal combustion engine vehicles, HEVs, PHEVs, and BEVs, to respond to the various energy conditions and regulations as well as customer values and lifestyles that can vary by country and region. The foundation for this strategy is formed by Mazda's Building Block concept, which itself is shaped by "Sustainable Zoom-Zoom," our long-term technology development vision formulated in 2007. Our efforts continue to evolve based on our consistent stance toward developing our technology portfolio from a long-term perspective.

ELECTRIFICATION TRENDS AND POLICIES

Mazda recognizes the period leading up to 2030 as the "dawn of electrification." Trends pertaining to electrification are affected by a great deal of uncertainty, including growing investment costs due to inflation, regional differences in the pace of electrification, conservative trade policies, economic security policies, and rising geopolitical risks. Looking at the rates of BEV adoption, for example, we see a stark difference by country and region with Norway having a 90% adoption rate while the adoption rate in Italy remains below 5% in Europe. In the United States, similarly, California has an adoption rate of around 20% while BEVs have almost no presence in Alabama. There are also differences in government policy by country, and some policies represent a reversal in trends, such as the United States' decision to change corporate average fuel economy regulations to eliminate fines for violations in July 2025. In light of this uncertainty in the long-term outlook, Mazda has declared its intention to take a flexible response to electrification trends as an "intentional follower" in the transition toward BEVs.

BEV Market Penetration Rates (2024)



* Data: European Automobile Manufacturers' Assosiation (ACEA)

* Data: CA Energy Commission US Department Energy

Building Block Concept

The Building Block concept is an approach toward pursuing the ideal form for all constituent technologies in a phased, long-term manner to deliver the joy of driving while ensuring high levels of environmental and safety performance. Products of this approach have included our Skyactiv Technology, which has contributed to significant improvements in engine, transmission, and other fundamental technologies and has been incorporated into numerous Mazda products beginning with the original CX-5 launched in 2012. Skyactiv Technology enabled us to achieve an effective reduction in global CO_2 emissions while preventing overdependence on specific types of eco-friendly vehicles. Mazda's product and technology development activities continue to be shaped by the Building Block concept even today.

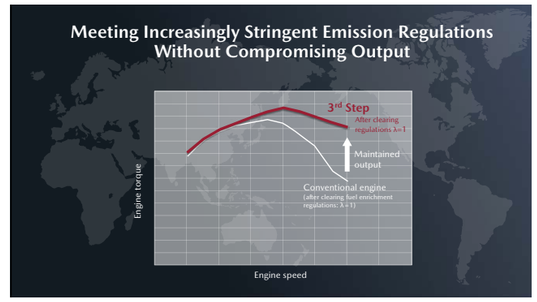
SKYACTIV-Z GASOLINE ENGINE SCHEDULED FOR 2027 LAUNCH

Even in the age of electrification, Mazda aspires to be a front-runner for internal combustion engines. A cornerstone of our engine lineup for the age of electrification will be the currently under development Skyactiv-Z 2.5L in-line 4-cylinder gasoline engine. This engine will be combined with electrification technologies to achieve superior environmental performance and driving performance. We expect that this engine will enable us to meet the strict emission regulations of Europe and the United States as we also offer a tangibly higher level of driving performance.

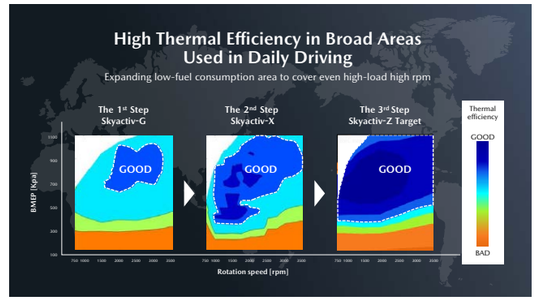
Following the Skyactiv-G gasoline engine introduced in 2011, the Skyactiv-Z is the final step on the road map toward the ideal internal combustion engine. For the Skyactiv-X commercialized in 2019, use of AI in the combustion model substantially accelerated development in conformity with the necessary standards and contributed to the practical application of SPCCI combustion, the world's first* lean compression ignition combustion approach. No other company has yet to achieve practice application of this combustion method. By expanding the application of SPCCI combustion and advancing development of combustion technology to reach the ultimate combustion threshold, the Skyactiv-Z will be the engine that balances excellent fuel consumption performance and driving performance. The Skyactiv-Z will be combined with Mazda's unique hybrid system and is scheduled to be introduced to the new-generation CX-5 that will be launched by the end of 2027.

The combustion improvement technologies that were created before and during the development of the Skyactiv-Z will be applied to the in-line 6-cylinder engines of Mazda's large product offerings, and will also serve as a road map for meeting the strict emission regulations for rotary engines. Based on this, in the future, the number of engine units as hardware, including the Skyactiv-Z, will be reduced to less than half through consolidation, and the control software will also be reduced to two-thirds.

Achieving SPCCI combustion that conforms to necessary standards was estimated to require 16,000 times as many hours as were used to develop the Skyactiv-G, and was therefore considered impossible to complete using conventional methods. However, with the Skyactiv-X, we began using combustion models to advance high-speed measurement and data processing and to develop AI machine learning technology. We were thus able to limit development time to less than one-third of the Skyactiv-G. This technological prowess is fueling ongoing innovation in engine development.

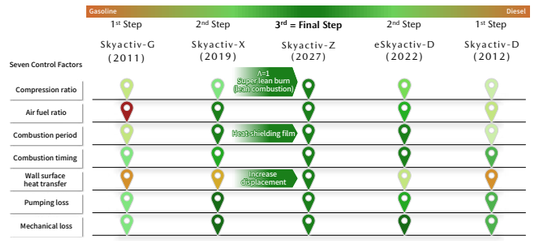


Response to stricter exhaust gas regulations while maintaining engine output on par with prior levels



Improvement of thermal efficiency to achieve high levels of fuel efficiency coupled with comfortable driving

Roadmap to Ideal Combustion



Progress toward final step in creating the ideal internal combustion engine

* Source: Mazda Motor Corporation

For more information, please refer to the following MAZDA MIRAI BASE article.
Where Engine Dreams Meet Possibilities: The SKYACTIV-Z Challenge and Mazda's Internal Combustion-Focused Electrification Strategy
https://www.mazda.com/en/mazda-mirai-base/articles/20250319-multisolution-skyactivez/

MULTI-SOLUTION STRATEGY

PROPRIETARILY DEVELOPED MAZDA BEVS

Based on its Lean Asset Strategy, Mazda teamed up with Chongqing Changan Automobile Co., Ltd., a partner of around two decades, to release the EZ-6 in China and the Mazda6e in Europe and other markets during Phase 1 of the Management Policy up to 2030. These products use Changan's electrification and software technologies as the foundation into which Mazda injects its unique designs and craftsmanship as well as its *Jinba-ittai*—a sense of oneness between driver and vehicle—driving feel. In this manner, we are collaborating with partners to furnish swift and efficient responses to market needs while concentrating resources on the development of proprietary Mazda BEVs.

Amid the rapid evolution of battery technologies, we are seeing the emergence of risks related to procurement. Given Mazda's small scale, it is imperative for us to be prepared to respond swiftly and flexibly, and with minimal investment, to technological progress and operating environment changes. Mazda's proprietary dedicated BEV platform is able to incorporate various battery types and adapt to various vehicle models to achieve incredibly high levels of flexibility and efficiency in adopting batteries.

We must also create models of the hardware structures that need to be controlled by software. For example, there is a need to control temperatures to ensure that vehicle interiors are comfortable, while also heating batteries to prevent declines in charging performance in cold environments and cooling motors and inverters as they heat up during driving. We have therefore developed a full-vehicle model for our thermal management system to support optimization and efficiency through AI-powered control to guarantee vehicles function ideally while consuming minimal energy. Mazda wants to provide its distinctive joy of driving, which entails feeling the happiness of driving and moving as one pleases, through BEVs. For this reason, we are utilizing the integrated control technologies for the entire vehicle developed through Mazda Monozukuri Innovation 2.0 initiatives. With these technologies, Mazda is set to deliver driving control linked to the powertrain by optimizing powertrain control and tire weight bearing based on steering inputs. Prototype vehicles have already been driven on snowy roads, demonstrating how these technologies allow drivers to feel that their vehicle is driving stably and quickly responds to their will, thereby supplying the feeling of *Jinba-ittai* through BEVs.

In response to the rising demand for BEVs, Mazda's proprietary BEVs are developed swiftly using a combination of model-based development* and AI to deliver a distinctively Mazda feel.

* Model-based development involves creating computer models of vehicles, control systems, drivers, passengers, driving environments, and other development subjects and conducting development via computer simulation to improve efficiency.

Signing of Iwakuni Plant Construction Agreement

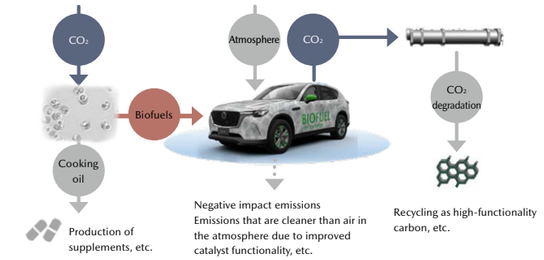
In September 2025, Mazda signed an agreement with Yamaguchi Prefecture and Iwakuni City regarding the construction of the Iwakuni Plant, a new module pack plant for automotive cylindrical lithium-ion battery cells to be built in the city of Iwakuni. Based on this agreement, construction will commence in November 2025 with the aim of starting plant operations in FY March 2028. The Iwakuni Plant will be Mazda's first new domestic plant in 35 years and will have an important role in its strategies going forward as a foundation for supporting the production of electrified products for the global market. Mazda is committed to delivering the joy of driving to delight customers around the world by incorporating the technology and high quality produced at the Iwakuni Plant into its electric vehicles.

Signing ceremony for Iwakuni Plant construction agreement (From left, Yoshihiko Fukuda, mayor of Iwakuni City; Tsugumasa Muraoka, Governor of Yamaguchi Prefecture; and Masahiro Moro, president and CEO of Mazda)

FUTURE-ORIENTED TECHNOLOGY FOR REDUCING CO_2 THROUGH DRIVING

Mazda is advancing research on microalgae-derived biofuel and CO_2 capture technologies to deliver sustainable mobility together with the joy of driving.

Research on Microalgae-Derived Biofuel



Creation of environmental integration ecosystem

Mazda has been working to develop a next-generation clean fuel for diesel engines since the 2010s. Research in this area has focused on a project aimed at converting organisms classified as *Nannochloropsis*—a genus of microscopic algae found in rivers and lakes—into a biofuel. *Nannochloropsis* organisms can store 50% to 60% of lipids in their cells, making them among the most suitable algae for biofuel production. Mazda is advancing joint research on this subject with Hiroshima University, and has also begun experiments on the cultivation of algae at its plants.

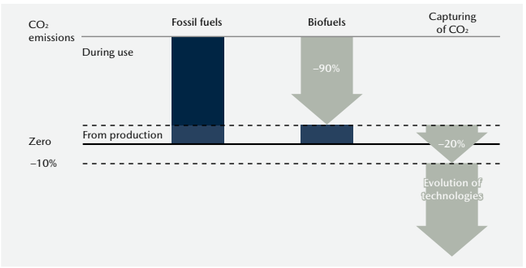
Microalgae cultivation test tanks set up next to the power plant at the Hiroshima Plant

Microalgae used to produce biofuels absorb CO_2 as they grow via photosynthesis. When the resulting fuels are burned through combustion, the only CO_2 they emit is that which was absorbed during the growth of the microalgae. Accordingly, in theory, these biofuels do not result in changes in CO_2 in the atmosphere. When including the amount of CO_2 emitted during production, biofuels contribute to a 90% reduction in total CO_2 emissions compared with fossil fuels, making them a sustainable option for the future.

Capture Negative Mobility Made Possible by CO_2 Capture Technologies

Mazda is developing technologies for capturing the CO_2 emitted by its vehicles.

Using an approach similar to that used by direct air capture, a technology for capturing CO_2 directly from the air, Mazda seeks to capture CO_2 emitted from internal combustion engines. As internal combustion engines have greater concentrations of CO_2 than the air, this approach would allow for more efficient capture of CO_2. If even 10% of the CO_2 emitted during the combustion of biofuels, which, in theory, do not increase the amount of CO_2 in the atmosphere, could be captured, it would offset the CO_2 emitted during the production process, making these fuels completely carbon neutral. Moreover, larger amounts of carbon capture would mean that, in theory, vehicles using biofuel could contribute to greater reductions in the amount of CO_2 in the atmosphere the more they drive, becoming effectively carbon negative. Mazda is advancing research on this unique decarbonization opportunity that only internal combustion engines can offer, something BEVs cannot provide.



Approach toward carbon negativity

We plan to conduct a verification test of our CO_2 capture technologies during the ENEOS Super Taikyu Series 2025 Empowered by BRIDGESTONE race event scheduled to be held in November 2025.

For more information, please refer to the following MAZDA MIRAI BASE article.
Next-Gen Biofuel: High School Students Explore Mazda and Hiroshima University's Joint Microalgae Project
https://www.mazda.com/en/mazda-mirai-base/articles/20241031-microalgae/

MESSAGE FROM THE CTO

Mazda will deliver a more energized future for customers through human-centric vehicle development.

Ryuichi Umeshita
Director, Senior Managing Executive Officer and Chief Technology Officer (CTO)

Q. What goals does Mazda pursue in its vehicle development efforts?

Mazda aims to develop cars that energize people, society, and the earth the more they are driven. We do not view cars merely as a means of getting around. Rather, we see them as a partner that aids people in chasing their ambitions and broadens their horizons. When one is able to sit in the driver's seat and drive where they please, it empowers them with a sense of optimism. We are firm believers in the value of this feeling. This is why we have continued to focus our vehicle development efforts on providing an exhilarating joy of driving that matches people's sensibilities. By making cars that invigorate people both physically and emotionally and energize them the more they drive, we offer empowering experiences. The energy resulting from these experiences can be seen in how customers around the world have been starting up fan clubs for the MX-5 (Roadster in Japan), a symbol of the Mazda brand. In this manner, Mazda vehicles are being used to form communities that help customers build bonds with other fans and have enriching and empowering experiences that contribute to the joy of living. It gives me great joy to hear how Mazda vehicles are fostering a sense of optimism in this manner. The joy of driving is an integral part of all Mazda vehicles. As society becomes increasingly more convenient, this joy of driving will also become ever more important. We are therefore committed to providing the joy of driving to as many individuals as possible in order to move them emotionally and heighten their feelings of the joy of living.

Gathering of MX-5 (Roadster in Japan) owners and fans in Karuizawa, Japan

Mazda's approach toward vehicle development has long been supported by its human-centric research. Based on the study of Kansei engineering[*1] founded by Hiroshima University, which shares Mazda's hometown, in the 1970s, the Company has continued to seek means of tailoring its *Monozukuri* (engineering and manufacturing) activities to the sensibilities of people for some five decades. Today, our development approach has evolved to incorporate neuroscience, and we continue to enhance our efforts by combining our strength in model-based development[*2] with AI technologies. One product of our ever-evolving efforts is the practical application of our Driver Emergency Assist (DEA) system, which applies research on saliency—or where people look and direct their attention—to help reduce damage caused by accidents resulting from driver emergencies. Future efforts will include working to track and quantify aspects of people's senses and sensibilities, such as the levels of comfort they feel in vehicles and their ability to concentrate on driving. We thereby look to supply control mechanisms and technologies that are responsive to individuals' driving skills, cognitive abilities, and health conditions. Through ongoing adherence to this human-centric approach, we aspire to develop vehicles that support people and expand their potential.

To contribute to society, we are evolving our human-centric safety technologies based on the Mazda Proactive Safety concept P72 to contribute to the realization of an automotive society that offers safety and peace of mind. In accordance with this concept, we are striving to empower customers to experience the joy of driving with peace of mind by developing cockpit designs that support swift and accurate driver recognition, judgment, and control. Also for this purpose, we have developed such technologies as the DEA system and i-Activsense, an advanced safety technology that supports accident avoidance and damage reduction in high-risk scenarios. The superior safety performance of these technologies has earned high evaluations by institutions around the world, with the CX-80 receiving the highest possible ratings under the JNCAP[*3] system of Japan and the Euro NCAP[*4] system of Europe in 2024. In addition, eight models of five Mazda vehicles were recognized in the 2025 TOP SAFETY PICK+ selection of the Insurance Institute for Highway Safety of the United States.

Furthermore, we are also working to contribute to carbon neutrality and thereby to the global environment. We are going about this by cutting greenhouse gas emissions based on a well-to-wheel perspective that looks at emissions from driving as well as from fuel excavation and refining and power generation and a life cycle assessment perspective that encompasses the entirety of vehicle life cycles. At the same time, we are moving forward with research on carbon negative mobility that reduces CO_2 the more a vehicle is driven. This research employs cutting-edge technologies including CO_2 capture technologies and technologies for producing biofuel from microalgae. We hope that these technologies will help create a future in which customers are able to experience the joy of driving without being concerned about how they are impacting the environment.

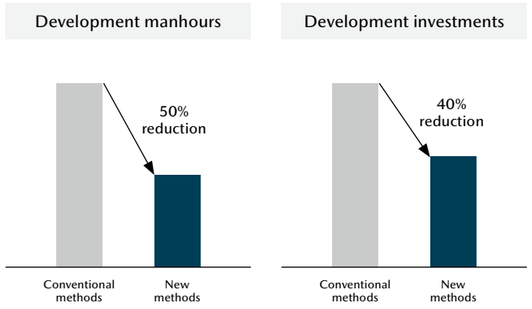
Q. What are Mazda's policies for technology development for contributing to the realization of a carbon-neutral society, and what type of progress has been seen in the implementation of these initiatives?

Based on "Sustainable Zoom-Zoom," Mazda recognizes its mission of bringing about a beautiful earth and contributing to the enrichment of society, and is thus committed to emotionally energizing people with the value of automobiles. One aspect of our efforts toward achieving these goals is to accumulate technology assets from a long-term perspective based on the Building Block concept. We maintain this approach even in the era of electrified vehicles. At the same time, Mazda is implementing its Multi-Solution Strategy P59 to deploy products with various powertrains, including internal combustion engine vehicles, HEVs, PHEVs, and BEVs, to flexibly respond to the differing conditions found in countries and regions around the world. As Mazda's development team, we are charged with the important task of creating products and technologies that will make customers feel confident that, no matter what Mazda vehicle they choose, they will be able to enjoy satisfying driving experiences together with superb environmental performance.

Mazda has positioned the period leading up to 2030 as the "dawn of electrification." Over this period, we will move forward with a systematic approach toward technology development based on three phases: preparation, transition, and full-fledged deployment. There are a lot of markets where the existing infrastructure makes internal combustion engine vehicles an important option. Internal combustion engines are also a critical component of HEVs and PHEVs. The development of high-efficiency internal combustion engines, therefore, has the potential to contribute to smaller motors and lower electrification costs for these vehicles. Accordingly, Mazda is devoted to continuing to be a frontrunner in the field of internal combustion engine vehicles. In this regard, we are currently in the process of developing the Skyactiv-Z gasoline engine P60. This engine is anticipated to deliver the joy of driving at more affordable prices while also meeting the stringent environmental requirements of Europe and the United States. We plan to combine the Skyactiv-Z engine with Mazda's proprietary hybrid system in the new Mazda CX-5 scheduled for launch in 2027. In this manner, we are moving forward with development aimed at creating distinctively Mazda driving experiences that resonate with driver sensibilities.

As part of our BEV development, we are currently utilizing the platforms of our partners, into which we are injecting the craftsmanship techniques that sculpt Mazda's unique designs and driving feel so that these values can be delivered to customers. As seen in the Mazda EZ-6 and Mazda6e, both developed through collaboration with Chongqing Changan Automobile Co., Ltd., we endeavor to swiftly provide markets with the electrified vehicles they need through joint efforts with our partners. At the same time, we are focused on the development of proprietary Mazda BEVs in preparation for the coming age of electrified vehicles, through a policy of selection and concentration based on our Lean Asset Strategy P57. To advance us down this path, product development and business innovation efforts are being carried out by the roughly 300 individuals gathered from 23 divisions across the Company at the Electrification Business Division, an organization established in November 2023 that is casually referred to as "e-Mazda." This experimental team, which spreads across organizational and hierarchical boundaries, is swiftly making decisions and addressing issues to prepare us for the full-fledged era of electrified vehicles. We are also engaging in collaboration and sharing technologies. These efforts are projected to result in reductions of 50% in development manhours

BEV Development Efficiency



and 40% in development investments when compared to conventional methods. We thereby aim to heighten management efficiency and support Mazda's ongoing growth.

Q. How will Mazda respond to the trend toward software-defined vehicles?

In recent years, the automotive industry has been undergoing a shift to emphasis on software with regard to what determines the value of automobiles. This trend necessitates that we make our vehicles more intelligent. However, even in the impending era of software-defined vehicles, we will remain true to the human-centric approach that has guided Mazda thus far. Leveraging the insight gained through years of human-centric research, we will continue to deliver the joy of driving through an intuitive driving feel that makes the driver naturally feel at one with their vehicle. We will also comprehensively manage the safety of entire vehicles as we strive to constantly supply distinctively Mazda value.

Software-defined vehicles use software to achieve the integrated control and evolution of various functions, including those of safety devices or cockpits as well as connectivity and driving dynamics. Mazda was quick to turn its eye to the structural changes that would be brought about by these vehicles, prompting it to establish the Integrated Control System Development Division, a dedicated software control organization, about a decade ago. This division is contributing to the phased and systematic reinforcement of our software development frameworks. At the moment, we are ramping up development of vehicles and technologies in conjunction with activities based on Mazda Monozukuri Innovation 2.0 P67 while utilizing model-based development and AI technologies.

Mazda is also teaming up with Toyota Motor Corporation and various other partners in all areas of the development of electrical/electronic architecture, which acts as the underlying foundation for software-defined vehicles. By working together with partners possessing advanced technologies, we look to efficiently create unique value. Meanwhile, Mazda will directly handle tasks such as the development of complete vehicle models and the orchestration of technologies. Through such a flexible development approach combining the technological prowess of our partners together with the comprehensive capabilities of Mazda, we hope to bolster efficiency while effectively responding to customer needs.

The successes of these efforts can be seen in the new CX-5 announced in July 2025. This vehicle was designed to deliver increased convenience for expanding the scope of customer experiences while also enabling all passengers to enjoy drives in comfort and safety with peace of mind. Features of the new CX-5 include real-time monitoring of drivers' eyelines and brain functioning as well as surrounding traffic conditions to inform drivers of situations that increase the risk of collisions, such as rapid deceleration by the car in front of them. Declines in brain functioning are said to be the cause of roughly 90% of illness-related accidents. When such declines are detected, the CX-5 will quickly activate the DEA system to support safe driving. Other features of this vehicle include sophisticated voice recognition, highly functional steering switches, a large touch panel, and other technological innovations we are able to utilize thanks to our partners. In addition, the AI assistants scheduled to be introduced in certain markets are anticipated to let drivers control navigation and entertainment functions as well as air conditioning safely and conveniently even when driving through voice commands. This integration of Mazda's human-centric philosophy and technologies is sure to make everyday driving more comfortable while enriching customers' lives.

Electrification road map

Q. What are the goals of Mazda Monozukuri Innovation 2.0 in terms of development? Also, how will these initiatives contribute to enhanced corporate value?

Mazda's small scale means that we need a unique development process that is both flexible and efficient. Mazda Monozukuri Innovation initiatives are how we achieve such a process. We expect that these reform initiatives will contribute to enhanced corporate value in three areas.

The first of these three areas is the enhancement of competitiveness through improved development efficiency. The Mazda Monozukuri Innovation program was originally introduced in 2006. By utilizing model-based development to convert phenomenon associated with specific vehicle units into numerical formulas, this program enabled us to conduct high-precision simulations via computers prior to building prototypes. The result was a substantial decrease in the number of prototypes needing to be built as well as in the time and costs associated with this process. The trends toward electrified and more-intelligent vehicles are spurring rapid increases in the complexity of vehicle development processes. To respond to these trends, we have begun promoting reforms based on Mazda Monozukuri Innovation 2.0 to move beyond models of stand-alone units to create models of entire vehicles. Through these reforms, we have built high-speed, high-accuracy development systems via AI and digital transformation measures. Together with the Lean Asset Strategy, these reforms have effectively tripled development productivity. Currently, the software contained in a single vehicle requires more than 200 million lines of code, and this number will only continue to skyrocket going forward. We are responding to these increased development requirements through measures for improving development efficiency and heightening competitiveness.

The second area is the creation of distinctive Mazda value. Even in the era of electrification and software-defined vehicles, we remain committed to building on the value we provide through a joy of driving crafted with intuitive controls and through a driving experience offering safety and peace of mind by minimizing accident risks via support for driver decisions and inputs. Once again, we have always held true to our principle of human-centric vehicle development. This principle can be seen manifested in technologies such as G-Vectoring Control. This technology allows for granular control of engine output in response to steering to optimize the shifting of vehicle weight and produce a natural and satisfying feel when cornering. We were able to create this human-centric technology by utilizing our unique development methodologies, which are used to produce comprehensive models for optimizing steering and powertrain behavior, as part of the Mazda Monozukuri Innovation 2.0 program. G-Vectoring Control can also be used with BEVs to heighten motor responsiveness and thereby achieve highly precise control. With such technologies, Mazda will continue to enhance the joy of driving.

The third area is contributions to the realization of a carbon-neutral society. Under Mazda Monozukuri Innovation 2.0, we are developing shared structures and modules for vehicle control units and software. The goal of this undertaking is to support the implementation of the Multi-Solution Strategy with improvements to development and production flexibility and speed. By efficiently deploying vehicles using diverse powertrains with its limited resources, Mazda aims to respond to the needs of customers around the world while also contributing to the realization of a carbon-neutral society.

Through these initiatives, Mazda will create efficient development structures that will allow it to enhance its unique value proposition while responding to environmental issues and diverse needs even in times of great volatility. We will thereby work to achieve the ongoing enhancement of corporate value.

Q. What do you believe to be your mission as CTO?

Competition is intensifying in the automotive industry. Those of us involved in product development thus find ourselves pressed to reexamine what exactly constitutes the Mazda brand and what approach we must take toward evolving and strengthening this brand based on our concept of brand value management. This introspection should be directed toward crafting the foundations that will be used by those who come after us. We also look to entrench brand value management in our development activities, and, based on this concept, engage in in-depth discussion within the organization about the true value that customers seek when they purchase a Mazda vehicle. Rather than just looking to enhance all of our vehicle functions, we will take a more targeted approach, strengthening only those areas necessary to deliver a distinctively Mazda joy of driving. This will be our approach toward developing cars that energize people, society, and the earth the more they are driven.

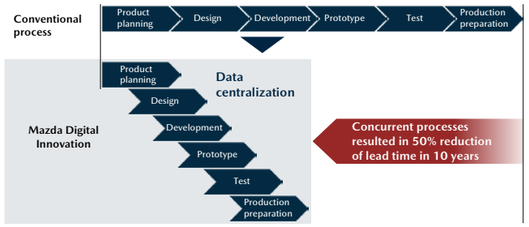
*1 Kansei engineering is a research methodology for assessing objects from a sensibility standpoint by using statistical methods and people's subjective evaluations.
*2 Model-based development involves creating computer models of vehicles, control systems, drivers, passengers, driving environments, and other development subjects and conducting development via computer simulation to improve efficiency.
*3 The Japan New Car Assessment Program is a safety rating program introduced by the National Agency for Automotive Safety and Victims' Aid in 1995 to encourage the proliferation of safe vehicles. Vehicles are rated based on their preventative safety and collision safety performance as well as their automated accident reporting systems.
*4 The European New Car Assessment Programme is administered by an independent agency comprised of the transport authorities of European countries. In this program, 5 stars is the highest possible rating.

MAZDA MONOZUKURI INNOVATION 2.0

Mazda was quick to begin embracing digital technologies, and the expertise and assets it has accumulated through this undertaking have been utilized to innovate development and production processes to leverage the strengths arising from the Company's small scale. One product of these efforts was the introduction of the Mazda Monozukuri Innovation 1.0 program in 2006 and its later evolution into Mazda Monozukuri Innovation 2.0 in 2015. Amid the recent rise of electrified and more-intelligent vehicles, software development workload requirements are growing increasingly large. Mazda looks to curb these work requirements to achieve highly efficient and flexible development through reforms based on Mazda Monozukuri Innovation 2.0 and through the implementation of the Lean Asset Strategy.

MAZDA'S HISTORY OF *MONOZUKURI* DIGITAL TRANSFORMATION

Mazda began adopting digital technologies in its *Monozukuri* (engineering and manufacturing) activities early in its history. In the 1960s, the Company introduced computers, a cutting-edge technology at the time, into production lines. Then, it launched its Mazda Digital Innovation activities in 1996. Through these activities, we developed processes that integrated data previously stored on a division-by-division basis to create three-dimensional digital master data and thereby achieve process concurrency and prevent data transfer losses. We were thus able to achieve massive efficiency gains and eventually reduce the amount of time between design finalization and mass production by around half in 2006. Our Mazda Digital Innovation activities would later give rise to Mazda Monozukuri Innovation, a program built on Mazda's strengths in model-based development.*



Mazda Digital Innovation approach achieving massive efficiency gains through process concurrency, etc.

* Model-based development involves creating computer models of vehicles, control systems, drivers, passengers, driving environments, and other development subjects and conducting development via computer simulation to improve efficiency.

MAZDA MONOZUKURI INNOVATION 1.0

Mazda Monozukuri Innovation 1.0 was launched in 2006 in response to the need to address environmental and safety regulations. This program entailed redeveloping all of our base automobile technologies and making a breakthrough achievement to accommodate more diverse products and specifications while maintaining commonalities. We thereby succeeded in applying these innovations to the entirety of our vehicle lineup swiftly and with minimal resources.

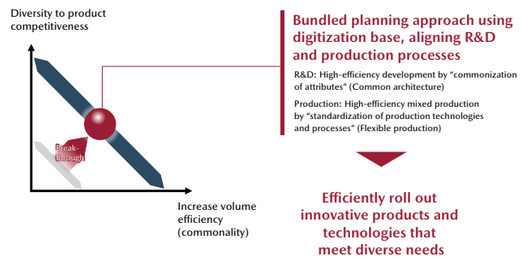
Mazda was thus able to achieve a bundled planning approach that entailed developing and producing vehicles of various sizes and types through an approach similar to that used for individual vehicles with an eye to five or 10 years in the future.

This bundled planning approach entails coordination between development and production divisions to design standard structures (common architecture) and standard processes that can be used for a wide range of products, after clarifying the fixed elements that can be shared across carlines and the variable elements that give each carline its own unique characteristics.

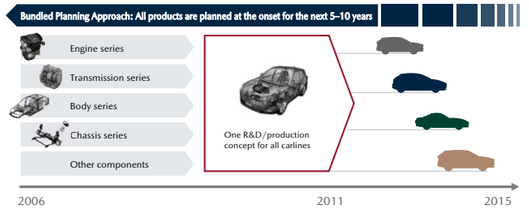
In terms of development, we took steps to achieve consistency in combustion characteristics, that is, the model for the combustion method that is responsible for engine performance, as this approach presented a greater potential to drive improvements in efficiency than the shared use of hardware. The standardization of combustion characteristics allowed for the consequent standardization of control software. We were thereby able to achieve efficiency gains in development processes aimed at obtaining compliance with different exhaust emission and market standards, processes that were among the most time-consuming parts of engine development. The result was a roughly 50% reduction in the average amount of time and resources used for development of specific vehicle series.

As for production, we pursued standardization of transportation standards, parts assembly steps, installation directions, and other processes and methodologies across our vehicle lineup. We then introduced production facilities based on this approach to achieve mixed production of vehicles of various models and generations on our main production lines. Meanwhile, powertrains, interior instrument panels, and other components that require different steps and procedures by vehicle are produced on sublines. The sublines are used to assemble multiple such components into modules, which are then installed on the main lines. In addition, main lines were simplified and shortened, reducing the number of processes performed thereon by around 40%, to better accommodate fluctuations in production volume. These innovations helped to significantly improve the flexibility of production lines and contributed to the maintenance of high utilization rates.

Through this approach, we were able to reinvent our fundamental technologies to create Skyactiv Technology, which has been applied to the original Mazda CX-5 and all subsequent vehicles, contributing to massive improvements in development, production, and investment efficiency. This ability to leverage its small scale to promote close coordination between development and production divisions is a distinctive strength of Mazda.



Breakthrough achievement for accommodating more diverse products and specifications while maintaining commonalities



Development and production of vehicles of various sizes and types through an approach similar to that used for individual vehicles

MAZDA MONOZUKURI INNOVATION 2.0

After entering the 2010s, we noticed a rise in the amount of resources required for the development of software amid the rise of carbon neutrality and connected, autonomous, shared and service, and electric (CASE) technologies. Currently, the software contained in a single vehicle requires more than 200 million lines of code, and this number is only expected to increase going forward.

This rise in programming requirements is a product of a drastic increase in the range and complexity of the solutions that need to be provided in relation to conventional engines as well as to electrified and more-intelligent vehicles. In response to these growing requirements, Mazda is compelled to find a way to accommodate diverse electrification and vehicle intelligence needs with its small scale.

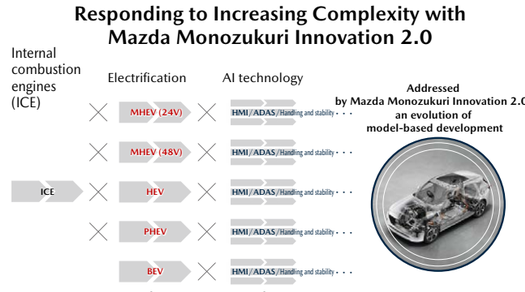
For this reason, we are utilizing the Mazda Monozukuri Innovation 2.0 approach, which is an evolution of our prior Mazda Monozukuri Innovation 1.0 activities, to achieve end-to-end consistency in all areas of whole-vehicle models. We thereby aim to promote innovation that blurs the lines between organizations and companies and spreads across our value chain and supply chain to support the creation of value using fewer resources.

Evolution of Development Activities

Mazda has been developing its model-based development activities through an approach entailing three steps: modeling by unit, whole-vehicle modeling, and model distribution throughout the supply chain. Framing the entirety of a vehicle as a single model makes it possible for us to take an integrated approach toward design and verification of structure- and control-related methodologies focused on the targeted functions and performance.

However, we also recognize that it is unrealistic to expect Mazda to perform all development activities related to electrification and software exclusively in-house. Accordingly, we will go beyond simply using model-based development when it comes to the electrical/electronic architecture that forms the foundations for the development of software-defined vehicles. Specifically, we aim to build upon our collaboration with Toyota Motor Corporation and other partners, and advance our Lean Asset Strategy to provide solutions that offer diverse and moving mobility experiences through a distinctively Mazda joy of driving.

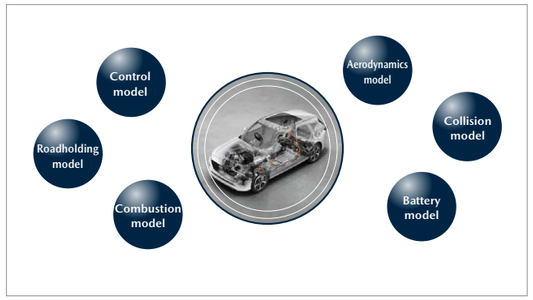
We implemented the Mazda Monozukuri Innovation 2.0 program using the same amount of resources and time as its predecessor. Nevertheless, this program generated more than triple the amount of resources in terms of large and other product platforms, evolutions to internal combustion engines, and electrification technologies. Accordingly, Mazda Monozukuri Innovation 2.0 can be said to have tripled development productivity. Going forward, we will continue to implement our Lean Asset Strategy and Mazda Monozukuri Innovation 2.0 with the goal of achieving similar levels of productivity for BEVs and other vehicles.



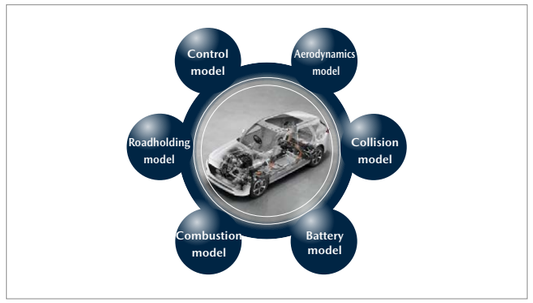
Mazda Monozukuri Innovation 2.0 initiatives for accommodating electrified and more-intelligent vehicles

MAZDA MONOZUKURI INNOVATION 2.0

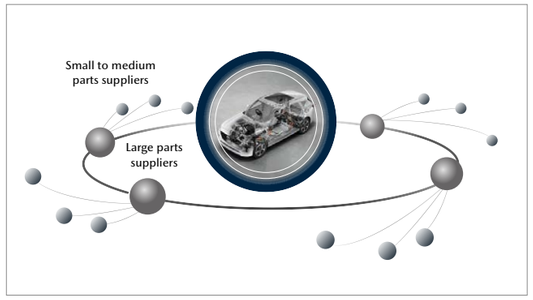
Evolution of Model-Based Development



Step 1: Modeling by Unit
Mazda has been promoting model-based development in light of its forecasts of a rapid increase in the software development requirements in relation to electrified and more-intelligent vehicles. The first step of model-based development taken under the Mazda Monozukuri Innovation 1.0 program was to create models of stand-alone units, including combustion and collision units. These models enabled us to improve development efficiency by standardizing the software that had previously varied by vehicle model.



Step 2: Whole-Vehicle Modeling
In 2015, Mazda established the Integrated Control System Development Division to evolve its model-based development approach by linking its individual unit models to produce whole-vehicle models. With this step, our approach evolved to the point that we were able to produce models of entire vehicles to clarify exactly what needed to be done to control these vehicles in a digital environment before testing using actual vehicles. The G-Vectoring Control technology, which controls a vehicle's chassis with the engine to produce a feeling of *Jinba-ittai*—a sense of oneness between driver and vehicle—was an important step toward realizing practical application of complete vehicle models.



Step 3: Model Distribution Throughout the Supply Chain
Producing whole-vehicle models required us to expand our range of models of the various components used to create vehicles in their entirety. For this reason, Mazda established the Japan Automotive Model-Based Engineering center (JAMBE) in 2021 through cooperation with OEMs, government agencies, academic institutions, other companies, and suppliers, and then proceeded to lead the activities of this organization as its first director. By distributing our models across the supply chain, we look to improve development efficiency and productivity.

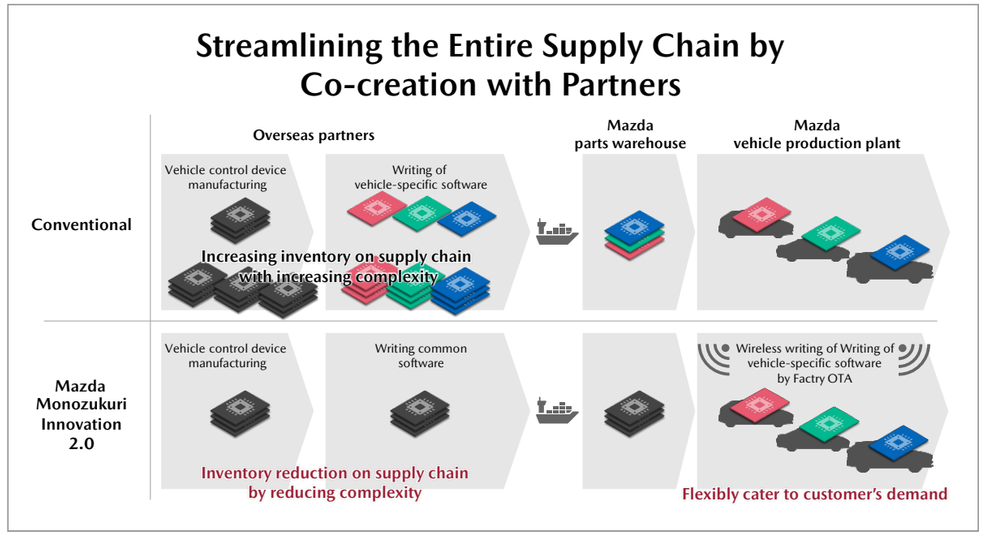
Pursuit of *Jinba-ittai* Feeling with G-Vectoring Control Technology and Kinematic Posture Control
Globally marketed Mazda vehicles feature technologies that optimize vehicle control based on drive mechanisms and suspension structures. Specifically, front-wheel drive vehicles are equipped with G-Vectoring Control technology while rear-wheel drive vehicles use Kinematic Posture Control technology. These proprietary Mazda technologies were developed through a process of model-based development shaped by our human-centric principles. Accordingly, the technologies allow drivers to remain relaxed and experience peace of mind and comfort, while also enabling them to maneuver their vehicle however they please under a wide variety of driving conditions, ranging from low-speed everyday driving to winding roads, expressways, and snow-covered or otherwise slip-prone roads, and even when taking emergency action to avoid an accident.

Evolution of Production Activities
In production, the scope of bundled planning is being expanded to include vehicles ranging from internal combustion engine vehicles to BEVs. We are also branching out from our prior focus on hardware to include software. At the same time, our bundled planning efforts are being implemented in-house as well as at business partners. For example, our module design approach for vehicle structures and processes is evolving to enable production lines to accommodate the differing structures found across the full spectrum of vehicles. On main lines, process steps and procedures are standardized across all vehicle models. Meanwhile, the components supplied to the main lines are produced on sublines, where modules that combine multiple parts are assembled through steps and procedures that can vary by model. This approach is being implemented to improve production efficiency.

We are also introducing automated guided vehicles into Mazda's long-standing mixed production approach to utilize production equipment that is not rooted to any set location. This allows us to produce internal combustion engine vehicles, BEVs, and the full spectrum of other vehicles while improving asset efficiency by securing flexibility in response to demand fluctuations.

In addition, Mazda is engaging in co-creation with business partners to implement structural transformation of supply chain through the optimization of part numbers and the assembly of parts in locations closer to production sites. Using vehicle control devices and software, the variations of which are expected to grow in number in conjunction with the electrification trend, as an example of how these reforms are being enacted, we are taking steps to limit the number of hardware variations to one while only asking business partners to install shared software that is used for all vehicle models. For software that differs by vehicle model, Mazda installs the software on the production line via wireless communication using its Factory OTA (Over the Air) technology. We are thereby able to respond flexibly to changes in demand from customers while also achieving a roughly 75% reduction in the inventories found across the supply chain.


Automated guided vehicles moving freely around factories



For more information, please refer to the following MAZDA MIRAI BASE article.
Mazda's Vision for the Future of Japanese Car Manufacturing: The Ambition Behind Monozukuri Innovation 2.0
https://www.mazda.com/en/mazda-mirai-base/articles/20250404-multisolution-production/

HUMAN-CENTRIC RESEARCH AND DEVELOPMENT
—EFFORTS FOR UPLIFTING CUSTOMERS' MINDS AND BODIES

BASIC APPROACH
In light of the rapid changes taking place in the global automotive industry, Mazda hopes to create moving experiences in driving and mobility for people's everyday lives through its human-centered philosophy and based on the joy of driving, the fundamental appeal of the automobile.

EVOLUTION OF *KODO*: SOUL OF MOTION DESIGN PHILOSOPHY
Mazda's *KODO*: Soul of Motion design philosophy is founded on the principle that cars are more than just lumps of metal, they are living, breathing things. The relationship between driver and car is akin to the emotional connection a rider has with their horse. At Mazda, designs that emphasize this connection are labeled *KODO* design. *KODO* design goes deeper than conventional design, and focuses on a "less is more" aesthetic that cherishes space and eliminates all unnecessary elements to create simplicity of form. The challenge then is to bring the vehicle to life via carefully honed reflections on the body surface.

EVOLUTION AND ENHANCEMENT OF JOY OF DRIVING
For Mazda, beyond simply driving performance, the joy of driving is crucial to the value we seek to provide and is expressed not only in the emotions and inspiration felt the moment one touches a Mazda vehicle but also in the experience of connections with others that our vehicles offer. We aspire to supply uplifting experiences. Mazda pursues this goal by evolving and enhancing the joy of driving based on human-centered values to provide customers with inspiration, energy, and confidence.

NEUROSCIENCE AND AI RESEARCH ON HUMAN EXPERIENCES IN MAZDA VEHICLE DEVELOPMENT AND WELL-BEING
Based on its human-centric philosophy and exploration of how mobility can enhance well-being, Mazda is taking a different approach to vehicle development, positioning cars as things that can actively contribute to driver health rather than simply as a means of getting around.

In this undertaking, we are teaming up with Hirosaki University to conduct joint research on the relationships between health, happiness, well-being and vehicles.

For more information, please refer to the following MAZDA MIRAI BASE article.
Can Driving Make You Healthier? Neuroscience and AI Research on Human Experiences in Mazda Car Creation and Wellbeing
https://www.mazda.com/en/mazda-mirai-base/articles/20250214-wellbeing-car/

CREATION OF UPLIFTING DRIVING EXPERIENCES
Mazda is diligently exploring how cars can best draw out people's inherent abilities and sensibilities. Through deep research on people, we entrench a human-centered design philosophy into all areas of vehicle development. The Company thereby seeks to alleviate stress and anxieties to allow people to drive with comfort and deliver their maximum performance to support more comfortable and enjoyable mobility for drivers and passengers alike. As Mazda continues its efforts to create uplifting driving experiences, it will also cherish opportunities for communication with customers, such as those that allow employees to directly communicate the appeal of the joy of driving.

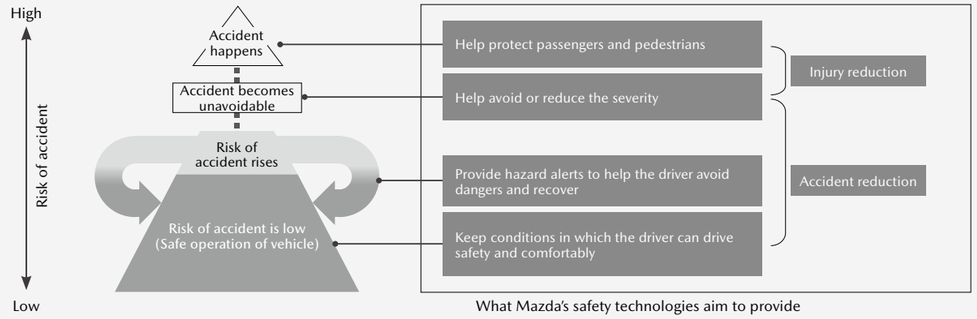
Mazda Fan Festa 2024 open participation brand experience event

Efforts for Uplifting Customers' Minds and Bodies
https://www.mazda.com/en/sustainability/social/uplifting-mind-body/

HUMAN-CENTRIC RESEARCH AND DEVELOPMENT
—REALIZATION OF AN AUTOMOTIVE SOCIETY THAT OFFERS SAFETY AND PEACE OF MIND

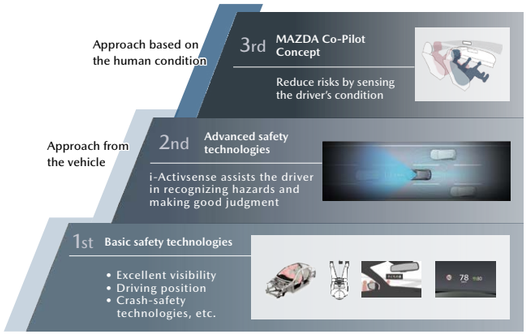
MAZDA'S SAFETY PHILOSOPHY
Mazda Proactive Safety is Mazda's safety philosophy. Mazda places this philosophy at the heart of its research on and development of safety technologies. Ensuring safe driving under a variety of circumstances requires one to operate their vehicle while predicting potential risks of accidents and making appropriate decisions. However, no matter how careful people are, some accidents cannot be avoided. To address such accidents, the Company is utilizing the insight gained through years of research on human-engineering mechanisms to develop advanced safety technologies that reduce risks prior to being exposed to dangerous circumstances and to provide systems using these technologies to drivers.

Mazda Proactive Safety: Mazda's Safety Philosophy



GOALS
Based on the Mazda Proactive Safety concept, Mazda is continuing to develop advanced driving support technologies that utilize IT. The Company is also working to create vehicles that enhance the safety and peace of mind for drivers, passengers, and everyone else around. In terms of what Mazda can achieve through automotive technologies, the Company aims to achieve zero deaths resulting from its new vehicles by 2040.

BUILDING BLOCK CONCEPT FOR SAFETY TECHNOLOGY
In addition to refining its safety technologies, Mazda promotes technology development based on the belief that the very act of spreading these technologies throughout society is a way of demonstrating the value it offers. In developing safety technologies, the Company applies the Building Block concept in a manner similar to the approach used for environmental technologies. For example, we are advancing the ongoing development of basic safety technologies that provide excellent visibility, comfortable driving position, and crash-safety features as well as of advanced safety technologies and Mazda Co-Pilot Concept.



HUMAN-CENTRIC RESEARCH AND DEVELOPMENT —REALIZATION OF AN AUTOMOTIVE SOCIETY THAT OFFERS SAFETY AND PEACE OF MIND

MAZDA CO-PILOT CONCEPT

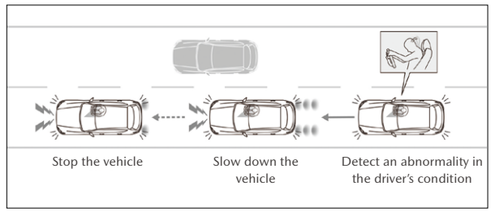
An important part of our relentless mission to eliminate fatalities from traffic accidents is to reduce risks associated with the condition of the driver, such as those arising from drowsiness or sudden feelings of illness when driving. Mazda Co-Pilot Concept is a concept for advanced safety technologies based on the idea of addressing such risks. Technologies shaped by this concept are created through extensive research on human-engineering mechanisms to understand and model physical bodies and brain mechanisms.

By linking these technologies to driver monitoring systems in order to facilitate appropriate interactions between vehicles and drivers based on their condition, we seek to reduce the risk of drivers, passengers, and others becoming involved in traffic accidents. It is people who drive cars. Our technologies are thus designed to function as a co-pilot that looks after the driver, helping them feel the joy of driving and freedom of mobility throughout their lives as well as supporting their lives and the joy of living.

Driver Emergency Assist System

The Driver Emergency Assist (DEA) system is a function that helps reduce damages from accidents resulting from driver emergencies.

Should the DEA system detect a driver closing their eyes, taking their hands off the wheel, or assuming a suspicious driving position and then judge that the driver has been struck by a downturn in condition, it will alert the driver via auditory and visual warnings. If the driver is unable to resume driving after these alerts, the system will use hazard lights, brake lights, and the vehicle's horn to alert those in proximity of the emergency. When driving on an expressway or pay-to-use road designated only for automobile usage, the system will then decelerate the vehicle while driving it as close to the side of the road as possible. On standard roads, the vehicle will slow to a stop while maintaining its current lane. These steps are taken to prevent accidents or reduce damages in the event that an accident is unavoidable. After the vehicle is stopped, the DEA system will then unlock doors and issue an automatic emergency assistance request to emergency report centers to summon aid and prepare for assistance from outside of the vehicle. The CX-80 features a DEA system that is an evolution of the system available in the CX-60 and includes audio guidance announcing when deceleration has been commenced.



Process of DEA system activation

For more information, please refer to the following MAZDA MIRAI BASE article.
Driver Emergency Assist in Mazda's CX-80: Program manager's Vision for a Trusted Co-Pilot
https://www.mazda.com/en/mazda-mirai-base/articles/20241202-cx80-dea/

Third-Party Safety Evaluations (April 1, 2024–March 31, 2025)

Country/Region	Third-Party Evaluation Program	Rating	Vehicle Models	Ratio of Vehicles Receiving Said Rating to Total Vehicles Rated
Japan	JNCAP*1	5 stars (highest rank)	CX-80	1/1
United States	USNCAP*2	5 stars (highest rank)	MAZDA3, CX-30, CX-5, CX-50, and CX-90	5/5
	IIHS*3	TOP SAFETY PICK+	MAZDA3, CX-30, CX-50, CX-70, and CX-90	5/5
Europe	Euro NCAP*4	5 stars (highest rank)	CX-80	1/1
Australia/New Zealand	ANCAP*5	5 stars (highest rank)	CX-80	1/1

*1 The Japan New Car Assessment Program is a safety rating program introduced by the National Agency for Automotive Safety and Victims' Aid in 1995 to encourage the proliferation of safe vehicles. Vehicles are rated based on their preventative safety and collision safety performance as well as their automated accident reporting systems.
*2 The National Highway Traffic Safety Administration's 5-Star Safety Ratings program rates overall safety performance with 5 stars being the highest possible rating.
*3 In the overall safety rating program of the Insurance Institute for Highway Safety, TOP SAFETY PICK+ is the highest possible rating.
*4 The European New Car Assessment Programme is administered by an independent agency comprised of the transport authorities of European countries. In this program, 5 stars is the highest possible rating.
*5 The Australasian New Car Assessment Program is an overall safety rating program operated by municipal government agencies in Australia and New Zealand. In this program, 5 stars is the highest possible rating.

Realization of an Automotive Society That Offers Safety and Peace of Mind
https://www.mazda.com/en/sustainability/social/safety/

QUALITY

BASIC APPROACH

Mazda believes it is important to enhance the quality of its products, services, and all other things offered outside the Company to satisfy customers and to exercise its corporate philosophy. This must be accomplished by improving quality of behavior, quality of work, quality of management, and quality of work environment. For this purpose, we continue to enhance our distinctive value through coordination among all functions based on the Mazda Quality Policy of "To enrich the lives of our customers by providing products and services that reflect steady and uncompromising work."

Our approach toward quality assurance is to position the customer as the focal point for all of our processes and to seek to deliver safety, reliability, and moving experiences through both product performance and the act of use by the customer. We are thus dedicated to fostering people who can think and act based on the perspective of the customer.

Vehicle Production Based on the "100 – 1 = 0" Belief

The "100 – 1 = 0" belief expresses Mazda's belief that, even if it produces 100 vehicles, the customer that buys one of these vehicles will not see their car as one of this 100. Accordingly, if that one car is defective, it has zero value for the customer. In keeping with this belief, Mazda aspires to ensure that every vehicle it sells is of the utmost quality and aims to achieve zero defects. All related departments thus work in close collaboration to ensure consistent quality in all processes, spanning from planning to production.

Process Initiatives for Changing "100 – 1 = 0" to "100 + 1"

Mazda implements quality assurance activities to allow for the early detection and resolution of unpredictable problems that may arise in the market. Through coordination among sales locations and consistently earnest engagement with customers as well as close communication, Mazda aims to establish an emotional connection with customers based on enduring trust ("100 – 1 = 0" → "100 + 1").

CUSTOMER-ORIENTED QUALITY IMPROVEMENT

Recognizing that customer feedback from across the globe is our most valuable asset for vehicle development, Mazda accumulates such input to be reflected in product planning and development. We also conduct ongoing quality awareness-raising and education programs targeting employees. Furthermore, Mazda has been promoting quality control (QC) circle activities for over 60 years. These activities target production function employees as well as employees at domestic dealerships and overseas production bases, encouraging them to exercise autonomy in seeking resolutions to issues.

COMMITMENT TO CONSISTENT QUALITY IN PROCESSES SPANNING FROM PLANNING TO PRODUCTION

In its quality assurance efforts, Mazda seeks to understand the desires and expectations of customers and clarify the importance of ensuring its products deliver the intended functions and performance. We are therefore developing quality assurance and management frameworks for processes spanning from planning and development to purchasing, vehicle production, logistics, and customer services. The Company thereby aims to embed quality throughout its operations with a focus on process consistency. Mazda also promotes personnel and technology exchanges as well as other joint activities together with partners.

EARLY DETECTION AND RESOLUTION OF MARKET PROBLEMS

To facilitate early detection and resolution of market problems, Mazda has established a system for integrated management of all quality information. Such information is gathered from dealerships in Japan and overseas and by employing the results of surveys by external institutions, conducting the Company's own market research, and utilizing connectivity technologies to collect vehicle information. The information collected through this system is shared throughout the Company. In addition, the Company closely monitors daily progress to achieve swift and comprehensive improvement in areas encompassing investigations of incidents and their causes and the implementation and confirmation of improvement measures.

CUSTOMER SERVICE WITH A FOCUS ON THE CUSTOMER

Mazda aims to provide customer service that customers can always rely on and offer an ownership experience that allows customers to enjoy all areas of vehicle ownership with no stress. To this end, the Company is working with dealerships in Japan and overseas to develop people and platforms, reform operations, and create new touch points with customers.

Quality
https://www.mazda.com/en/sustainability/social/quality/

MESSAGE FROM THE CSCO

Mazda seeks to contribute to Japan's manufacturing industry, strengthen its management foundation, and improve management efficiency through structural transformation of supply chain to be more customer-oriented and by embracing co-creation.

Takeshi Mukai
Director, Senior Managing Executive Officer and Chief Supply Chain Officer (CSCO)

Q. What are some of the characteristics and strengths of production at Mazda?

Mazda employs a mixed production approach that entails the production of multiple vehicles, powertrains, and power units on the same production line. My colleagues and I often receive questions from individuals outside the Company inquiring as to why we do not create dedicated vehicle production lines for specific models or for BEVs. To respond to this, we have to consider the situation if we were to create such lines. If we had vehicle-specific production lines, it is possible that a line might go to waste if demand were to drop for the model it produced. Meanwhile, if demand for a certain model were to increase, we might not be able to ready the required number of vehicles to meet this demand due to the restrictions on production capacity presented by using dedicated lines. Mazda is smaller than other automobile manufacturers. Given our small scale, constructing production lines dedicated to specific vehicles is not a rational approach as it would impede our ability to fully utilize our assets and thereby limit production capacity on a Companywide scale. Conversely, the mixed production approach allows us to flexibly adjust production based on the demand for specific models and to compensate for capacity deficiencies at one location with the capacity of another. This leads to increased productivity and management efficiency and is thus a major strength of Mazda.

In 2006, we utilized the strength of the mixed production approach to overcome the dichotomy between product diversity and efficiency via economies of scale. This was the start of Mazda Monozukuri Innovation 1.0 P67. This innovation scheme entails a bundled planning approach of the products and technologies that we expect Mazda to need over the next five to 10 years. As part of this scheme, development and production functions were coordinated from the development planning stage to standardized methodologies and processes including the ways vehicles are mounted on equipment, the order of parts assembly, and installation directions. By introducing production facilities based on this approach, we were able to achieve high levels of production efficiency, regardless of the given model or its respective iteration. The application of Mazda Monozukuri Innovation 1.0 informed the development of our Skyactiv Technology and of all Mazda products beginning with the original Mazda CX-5, which was launched in 2012.

Q. What factors led to the decision to introduce Mazda Monozukuri Innovation 2.0 into production, and what were the goals of this move?

Amid the recent trend toward electrified and more-intelligent automobiles, vehicle structures are becoming more complex. There is thus a need for increasing volumes of software to be installed in vehicles in order to achieve precise control of these functions. We currently find ourselves in a time of transitioning to electrified vehicles. Mazda therefore needs to provide a wider range of vehicles, including internal combustion engine vehicles, HEVs, PHEVs, and BEVs, to respond to diversifying customer tastes and regional characteristics. At the same time, we must consider the constantly changing speed of the transition to electrified vehicles.

Mazda is implementing its Multi-Solution Strategy based on its brand value management. Given our small scale, we will seek to effectively advance this approach by targeting 100% production line utilization rates through flexible responses to changes in production efficiency for this full spectrum of automobiles, ranging from internal combustion engine vehicles to BEVs, via mixed production. We thereby aim to build a resilient management foundation while achieving higher levels of production efficiency. At the same time, we must recognize that the amount of software installed in vehicles will continue to expand at an explosive pace. Currently, the software contained in a single vehicle requires more than 200 million lines of code, and this number is only expected to increase going forward.

Mazda Monozukuri Innovation 2.0 P68 is our answer to this situation—the next step in the evolution of the policies and technologies of Mazda Monozukuri Innovation 1.0. Under this reinvented approach, the scope of comprehensive planning has been expanded to include the full spectrum of automobiles, ranging from internal combustion engine vehicles to BEVs, and these initiatives will now be applied to both hardware and software. Furthermore, we will seek to extend this approach outside of the organization to include applicable business partners and thereby drive efficiency improvements across the entire supply chain. Such efforts to improve efficiency across the supply chain will, of course, be tied to the structural transformation of supply chain being implemented by Mazda. I would like to talk about these reforms a little later.

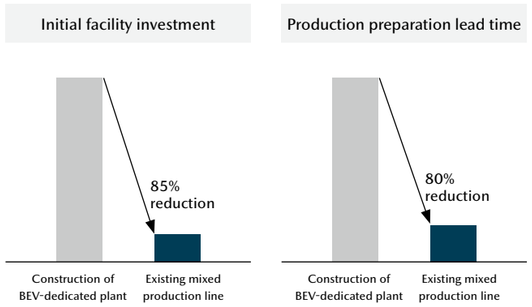
In addition, we will look to further evolve our modular design approach for vehicle structures and processes to make it easier for production lines to be crafted to accommodate various different structures found across the full spectrum of automobiles. At Mazda, vehicle assembly processes are performed on the main production lines, using process steps and procedures that are the same, regardless of model. Meanwhile, the components supplied to the main lines are produced on sublines, where modules that combine multiple parts are assembled through steps and procedures that can vary by model. This approach is used to improve production efficiency. We also employ automated guided vehicles that freely move around factories along with production equipment that is not rooted to any set location. The various models of internal combustion engine vehicles, BEVs, and other types of automobiles—and the variety of powertrains and power units they utilize—all feature different production sequences and efficiency levels. Mazda seeks to address these differences by creating lines capable of flexible and efficient production through such provisions.

We also must address the rise in the variety of electronic control devices needed to accommodate the development of electrified and more-intelligent vehicles. In the past, business partners were responsible for inputting all the software used in electronic control devices. Today, however, we only ask business partners to install shared software that is used for all vehicle models. For software that differs by vehicle model, Mazda inputs the software on the production line using its Factory OTA (Over the Air) wireless communications technology P70. In this manner, accommodations for the different vehicle models produced are made within Mazda factories. This approach is helping us advance reforms to build a more resilient supply chain that allows us to respond flexibly to changes in demand from customers while also achieving a roughly 75% reduction in the inventories found across the supply chain. Evolving production lines in this manner to be more flexible and support the integration of procurement and production across value chains and supply chains is at the heart of Mazda Monozukuri Innovation 2.0.

Q. What quantitative targets have been set to be achieved through Mazda Monozukuri Innovation 2.0? Also, how is this approach contributing to enhancements in Mazda's corporate value?

Mazda Monozukuri Innovation 2.0 enables us to use existing production lines when introducing new models of BEVs or other electrified vehicles. This benefit is anticipated to contribute to a reduction of 85% in initial facility investment and 80% in production preparation lead time in comparison to what would be required to build a new dedicated factory for producing such new models. In this manner, Mazda Monozukuri Innovation 2.0, in combination with our Lean Asset Strategy, allows us to make full use of our limited resources to eliminate disparities in production line operation and achieve consistent levels of production across all lines. This, in turn, is anticipated to contribute to a more resilient management foundation and increased management efficiency.

Investment Amounts for Differing Approaches Toward Accommodating Electrification



Q. What is the background behind the aforementioned structural transformation of supply chain, and what are their goals?

The automotive industry currently finds itself at a once-in-a-century turning point. Against this backdrop, relative value, importance, and risks can change based on various factors. These factors include the trends toward electrified and more-intelligent vehicles, environmental measures, rising material and parts prices, and business continuity plans for responding to geopolitical risks and the government policies being implemented around the world. At the same time, digital

technologies and software are becoming an increasingly critical part of automobiles. This change is creating a need for a shift in the structure of value chains to move away from the conventional vertical integration approach led by automobile manufacturers to a new co-creation-oriented approach in which various partners work together as equals.

Based on this recognition, Mazda is endeavoring to develop a resilient supply chain that features lower costs while being resistant to the impacts of production declines with the goal of achieving ongoing business growth and corporate value enhancements. I am responsible for supply chains, an area where we can exercise control. In this area, we are adopting a customer-oriented approach to advance reforms across the supply chain that blur the lines between conventional supply chain segments. We thereby aim to improve asset and parts turnover rates by limiting the number of parts we use and assembling parts closer to production sites.

Q. What types of structural transformation of supply chain initiatives is Mazda implementing?

Today's globalized supply chains involve complex procurement networks that spread across various countries and regions as well as multiple supplier tiers. A change in production levels could thus require sudden shipments of parts to be arranged, which could necessitate international negotiations. This situation has the potential to result in increases in business continuity risks as well as in costs. Moreover, the recent trends toward electrified vehicles and expansions to model lineups have resulted in our needing to accommodate an increasingly large number of parts. These trends are creating inefficiencies in terms of management, quality, and inventory turnover at business partners, placing downward pressure on earnings. At the same time, we are finding ourselves pressed to develop intelligent functions and other technologies that are not mere evolutions of existing automotive technologies.

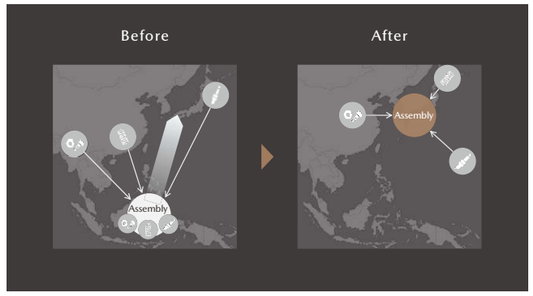
Meanwhile, heightened geopolitical conditions and increasingly complex and diverse conditions are making it all the more important for Mazda to find a way to survive while improving capital efficiency in a manner suited to its small scale. This is why we believe it is important to practice co-creation with business partners to make new discoveries by bringing together different perspectives with regard to the waste, irregularities, and overburdens that can be found across the supply chain. We must thereby seek to improve frameworks to achieve overall optimization and pursue mutual growth.

In this undertaking, we must not allow ourselves to be limited by our preconceptions. Rather, we should change how we think and act. Accordingly, Mazda has been revising its previous processes, which were shaped by its perspective as an automobile manufacturer, to make co-creation a normal part of operations by incorporating the expert insight of business partners right from the initial planning and engineering phases. Through this approach, we look to promote rational and efficient manufacturing across the supply chain, beginning from the early stages of development, and thereby reduce costs.

The underlying goal of these initiatives is to enhance competitiveness while building trust based on co-creation and contributions to communities. We want our relationships with business partners to go beyond the price negotiations we engage in through competitive bids. For this reason, we base our actions on building enduring relationships with partners who share our ambitions. Such relationships are anticipated to help us be more open in our communication and facilitate the sharing of insight. We also expect these relationships to help our business partners gain a greater understanding of automobiles as a whole—one that is not just limited to specific parts for which they are responsible—and to enable the development of technologies and proposals that better match customer needs. This will enable Mazda to utilize its partners' technologies to make even better cars. The process of building such win–win relationships is also anticipated to bolster our manufacturing capabilities across the supply chain.

Q. What are some specific examples of Mazda's structural transformation of supply chain?

Let me explain the initiatives we are advancing in partnership with NIPPON STEEL CORPORATION regarding the steel sheet parts used in the body of the new Mazda CX-5, announced in July 2025. This vehicle was shaped through co-creation that began with the initial phases of its development processes. We were thus able to share information on the issues faced by frontline organizations while incorporating NIPPON STEEL's expert insight and specialized technologies into development processes. Moreover, this partnership led to the development of steel sheet production technologies unprecedented in the automotive industry. Specifically, through co-creation we were able to achieve a 10% reduction in steel use compared to the previous CX-5 model, without having to replace said steel with aluminum or other alternative materials. NIPPON STEEL also spoke highly of this venture, mentioning how the increased ability to share concerns and engage in more in-depth discussion helped build mutual understanding and allowed us to propose technologies that better accommodated customers' circumstances. I believe that this project proved to be an excellent opportunity to learn and make new discoveries for both parties.



Assembly closer to production sites to minimize impacts of operating environment changes

Another example of our structural transformation of supply chain can be seen in our efforts to assemble parts in locations closer to production sites via co-creation with business partners. Rather than completing production of parts that come in various different types at overseas or other remote locations, we are focusing on procuring materials and structural components so that they can be assembled into their completed state at locations closer to vehicle production sites. The aim of these efforts is to simplify procurement networks, reduce costs and CO_2 emissions associated with transportation, decrease inventories across the supply chain, mitigate geopolitical risks, and secure reliable supplies. This approach has been adopted for certain harness parts used in the new CX-5, resulting in lower costs than would have been incurred using prior procurement approaches.

Mazda has set the targets of reducing structural costs by around 100 billion yen and fixed costs by another 100 billion yen through streamlining by Phase 2 of the Management Policy up to 2030. These co-creative initiatives are anticipated to contribute to the accomplishment of these targets as well as to operational improvements and simplifications at business partners.

Q. Mazda has announced its commitment to preserving production functions in Japan and to support mutual prosperity with business partners in the Hiroshima and Yamaguchi areas by bolstering international competitiveness through constant co-creation across the supply chain. What factors prompted this decision and what are the reasons behind this commitment?

Since its founding, Mazda has grown with the support of the people of Hiroshima and Yamaguchi. We therefore recognize that we cannot hope to continue to grow without the cooperation and support of, not to mention co-creation with, the community. This is why Mazda believes that it is its obligation as a Japanese manufacturer to build strong supply chains and manufacturing industries in Hiroshima and Yamaguchi, and other parts of Japan.

The Company operates in some 130 countries and regions. We do not favor any particular market, and instead seek to seize sales opportunities in the best possible manner on a global scale. Through this approach, we aim to achieve reliable operation at factories, safeguard against sudden and unpredictable

operating environment changes, reduce the costs that we have the capacity to control, and transform supply chain structures themselves through co-creation. By heightening management resilience in this manner, we will seek to fulfill this obligation.

Q. What do you see as your mission, and what are your aspirations as Mazda's CSCO and as the individual responsible for the production function?

As the person responsible for our supply chain and production functions, I place extreme emphasis on customers when making decisions and when seeking to resolve issues. It is my goal to respond to the trend toward electrified and more-intelligent automobiles while continuing to supply distinctively Mazda value through our designs and through the joy of driving. By promoting the creation of products that appeal to customer sensibilities, I want to help ensure that Mazda is always the brand that customers choose. I also aspire to protect our employees, business partners, and everyone else who helps Mazda deliver its products and services to customers while contributing to greater capabilities and value for Japan's manufacturing industry. To this end, I will direct integrated initiatives that target the entirety of our supply chains and value chains to support the ongoing growth and enhancement of the corporate value of Mazda.

STRUCTURAL TRANSFORMATION OF SUPPLY CHAIN

The cost reduction and supply chain enhancement initiatives prescribed by the Management Policy up to 2030 are not limited to reducing product- and manufacturing-related costs. They also include measures for bolstering the resilience of Mazda's supply chain to heighten its capacity to reduce costs and prevent declines in production by cutting costs through the structural elimination of waste, irregularities, and overburdens across the entirety of its supply chain and value chain.

To this end, we are implementing structural transformation of supply chain and value chain that blur the boundaries and expand upon the relationships between conventional material and parts manufacturers and automobile manufacturers. This approach entails teaming up with business partners that share Mazda's aspirations to practice co-creation as a normal part of operations through production activities that utilize our respective insight and expertise based on long-term relationships. Through such co-creation, we look to improve capital efficiency and achieve ongoing growth while also growing together with partners by pursuing improvements that optimize our respective operations as a collective whole.

Co-Creation of New Value Together with NIPPON STEEL

The body framework for the new Mazda CX-5 announced in July 2025 was a product of co-creation with NIPPON STEEL CORPORATION practiced as part of normal operations. NIPPON STEEL is a partner that has continued to supply Mazda with various steel materials throughout our long relationship dating back to the post-World War II period.

Our relationship with NIPPON STEEL is not limited to steel transactions, as this company has also long been a leading member of the Yoshinkai, an organization comprised of suppliers of materials and equipment to Mazda. This partner also conducts sales activities promoting Mazda vehicles both within and outside this company. In this manner, a strong trusting relationship has been forged between NIPPON STEEL and Mazda.

Path to Co-Creative Project

In response to the global spikes in raw material prices that began in the early 2020s, Mazda engaged in discussions with NIPPON STEEL on ways to counteract these prices through co-creation as a normal part of operations. Specifically, we abandoned all preconceptions in the search for means to promote more rational and efficient vehicle production beginning from the initial development phases based on our long-standing, trusting relationship with NIPPON STEEL. In recent years, we have been able to begin developing more concrete schemes for acting based on this concept. It was thus decided that the new CX-5 would be the first vehicle to be made by incorporating this approach toward co-creation, kicking off a never-before-seen vehicle production undertaking.

Seeking to ensure that this arrangement proved beneficial for both parties, we began by sharing our respective goals for the project. Specifically, NIPPON STEEL sought to enhance its ability to accommodate the conditions required throughout the automobile development process, heighten its capacity to propose its technologies, and fully utilize its resources. Mazda, meanwhile, aimed to reduce vehicle weight and cost while also absorbing steel insight for use in improving its development and technological capabilities.

Details of Co-Creative Project

In the past, development of new vehicles was conducted entirely within Mazda. When the materials and parts needed were finalized, the Company would accept bids from multiple suppliers before finally choosing the partners with which it would place orders. This process limited business partners to making proposals that reflected the specifications that had already been decided by Mazda.

The process adopted in the co-creative project with NIPPON STEEL, however, entailed this company getting involved with the development of the new CX-5 right from the initial phases. We were thus able to combine NIPPON STEEL's rigidity analysis technologies with Mazda's model-based development* approach to achieve new heights in vehicle body optimization. In this manner, we shared our respective insight and expertise to give form to the concept of co-creation as a normal part of operations and thereby invented a completely new approach toward vehicle development that has significant potential to be further evolved going forward.

* Model-based development involves creating computer models of vehicles, control systems, drivers, passengers, driving environments, and other development subjects and conducting development via computer simulation to improve efficiency.

Body of new CX-5 developed through co-creation between NIPPON STEEL and Mazda

Results of Co-Creative Project

The new CX-5 features a body structure that was optimized through co-creation. This structure was achieved with significantly lower weight and cost, the result of a roughly 10% reduction in the amount of steel used in comparison to prior models, while still maintaining the rigidity needed to provide customers with the joy of driving. Moreover, NIPPON STEEL was able to further evolve the advanced technologies used for its "NSafe™-AutoConcept ECO³" next-generation automobile concept. Benefits for Mazda included a shorter development process for optimizing the body structure as well as the acquisition of expertise for reducing vehicle weight through effective use of steel materials, with no need to rely on the use of aluminum or other alternative materials.

Future of Co-Creative Activities

Our partners in such co-creation as a part of normal operations will not be limited to NIPPON STEEL, as Mazda is committed to engaging in co-creation that expands upon existing relationships and blurs the boundaries between fields with other partners that share its aspirations. This approach will also be applied to an ever-wider range of automobile models going forward. One goal of such co-creative activities is to achieve structural cost reductions totaling around 100 billion yen by FY March 2027.

MESSAGE FROM CO-CREATION PARTNER

Takashi Hirose
Representative Director and Executive Vice President
NIPPON STEEL CORPORATION

The co-creative project with Mazda allowed us to make contributions that went beyond our traditional role of developing steel products and providing reliable quality. We were thus able to create results that benefited the entire value chain. Even though our technologies and corporate cultures may be different, our shared aspirations brought us together for this industry-first undertaking. By working toward a common goal, we were able to discover new perspectives and ideas together as we moved forward with a creative and efficient development process. This project also gave us both the opportunity to learn and refine our skills in a synergistic manner that will no doubt contribute to the production of better automobiles. Our wide-ranging involvement in this project was not limited to the proposal of cutting-edge materials but also included working with Mazda in areas such as vehicle engineering, processing, and mass production. The successes of the project were thus equally multifaceted. NIPPON STEEL also gained the ability to make more appealing proposals to its customers from a perspective that accounted for the entire process, spanning from steel production to automobile manufacturing. In the future, I hope to help tackle increasingly challenging issues through ever-deeper co-creation that more seamlessly combines material technologies with automobile engineering and production technologies.

Co-creative meeting attended by executives and other relevant individuals from both companies

Regular meeting among representatives from both companies

MESSAGE FROM THE OFFICER RESPONSIBLE FOR OVERSIGHT OF COST REDUCTION

Always reflecting on the origins of Mazda's brand value management, we are engaged in a concerted effort to reduce costs from the perspective of the customer.

Yasuhiro Aoyama
Director, Senior Managing Executive Officer

Q. What are the reasons and goals for Mazda's cost reduction activities?

In promoting cost reduction efforts, I aspire to always reflect on the origins of Mazda's brand value management and to emphasize providing quality products at affordable prices. Specifically, I want to deliver value that resonates with customers at prices that are based on their perspective. Even from the early stages of planning, we focus on the needs of customers. We also strive to make our activities something that business partners deem to have value. This is why we work to eliminate waste, irregularities, and overburdens across the entirety of our value chain and supply chain. This approach enables us to advance effective cost reduction activities while also improving profitability across the value chain.

Our operating environment is growing increasingly opaque. We must therefore ensure that our automobile manufacturing activities are sufficient for contributing to ongoing growth. This will require us to build a corporate constitution that supports higher management efficiency while also being resilient to changes in the operating environment. Given that costs are an area where we can exercise control, we are pursuing continuous reductions to costs from a short-, medium-, and long-term perspective. These efforts will be aimed at securing the funds needed to drive Mazda's future growth.

I am thus promoting cost reduction activities in conjunction with structural transformation of supply chain and Mazda Monozukuri Innovation 2.0 P68 activities from a short-, medium-, and long-term perspective.

Mazda has continued to launch large products and other next-generation products to enhance the competitiveness of its products. These efforts have enabled us to increase the per-vehicle sales amount and thereby achieve net sales surpassing 5 trillion yen for the first time in FY March 2025. This success demonstrates that our products have resonated with a large number of customers. At the same time, however, I cannot deny that, as we sought to create even better products, we might have been lacking in terms of our focus on achieving our ideals through streamlined variant lineups and affordable specifications. As such, the cost of making our products rose to a degree that surpassed our expectations, and we were thus unable to generate the profits we had initially projected.

We are seeking to address this issue by rethinking our prior approach and revising our standards. I want to encourage everyone at the Mazda Group, in all business lines and across the globe, to get involved in efforts to determine how best to allocate costs and to then reduce costs based on the perspective of customer value. This must be our top priority.

Q. What specific steps will be taken to reduce costs?

When I took up the position of officer responsible for oversight of cost reduction in April 2025, the Company also established the Cost Planning Innovation Office to equip itself to aggressively advance cost reduction activities.

As we move forward with structural cost reduction activities, we are also revising our quality standards and performance targets to optimize specifications and vehicle equipment load-outs. These efforts are being informed by consideration of changes in the times and customer tastes as well as the evolution of cost reduction technologies and, most importantly, the value Mazda seeks to deliver to its customers. Such examinations have resulted in us reworking our variant lineups to be more ideal from the customer's perspective and standardizing parts and applying parts from existing models to other models.

One clear example of this can be seen in the new Mazda CX-5. With this vehicle, we are looking to lower the number of variants by 60% in comparison to the prior model. We also aim to reduce the number of variants when it comes to other models and engines. Furthermore, the new CX-5 will employ a larger number of parts that are shared with the prior model. For design changes and other portions that solicit a new value proposition for customers, we will utilize existing parts when we are able to deliver consistent quality and reliability with our refined techniques. We thereby aim to make the most use of existing assets to provide value to the customer. The expanded use of existing parts is an approach that is also beneficial for society as it allows us to continue to use our assets longer.

For other marketed models, we are gathering ideas from throughout the Company's various functions and conducting thorough customer-oriented assessments and optimization in relation to equipment, specifications, and performance targets. In fact, we have received more than 1,000 ideas produced by employees examining this matter from the perspective of the customer. A large number of these ideas were innovations that would result in savings of a few yen. Those that promised savings in the area of tens of thousands of yen have already been implemented. While these amounts may seem small by themselves, if we collect enough of these ideas, it will lead to massive cost reductions. This is the very definition of steadfast effort.

We are also pursuing cost reductions in manufacturing processes. For parts, we have established unique internal rules to ensure that they can fulfill their functions in terms of processing standards. However, if you look at standards from the perspective of whether they actually contribute to the value proposition for customers or if we are just spending money to meet unnecessary standards, you will find cases in which increased costs are incurred just to conform to strict rules, despite the fact that parts would still function as needed without said rules. We were thus able to cut costs by revising such superfluous rules.

The same can be said for fixed costs. Questioning things we had previously taken for granted can help us find practices that we should abandon. In this manner, we are moving forward with steadfast efforts for the selection and concentration of processes from the perspective of the customer.

If we view streamlining as the process of revising conventions, rules, and work practices to find the best way to do things, we will get an idea of what we do and do not need to do. Even if the gains of each change are small, we can achieve significant benefits if we make enough small changes. Moreover, such cuts will help us better focus on the work that actually needs to be done and thereby concentrate more on the tasks that create value and generate greater returns on investment. This may require steadfast effort, but I am confident that such ongoing efforts will contribute to structural cost reductions that support Mazda's future growth.

Q. What quantitative targets have been set for cost reduction activities?

For Phase 2 of the Management Policy up to 2030, we have set the targets of reducing structural costs by around 100 billion yen and fixed costs by another 100 billion yen. At the moment, we have determined where about 60% of the structural cost reductions will be implemented. Structural cost reductions account for approximately 15 billion yen of the 40 billion yen in cost reductions projected for FY March 2026, and this amount is expected to increase going forward. We still have some work to do when it comes to fixed cost reductions, but we have already formulated a clear road map for the 40 billion yen in cost reductions, and look to capitalize on the benefits of these cost reductions in FY March 2026. I do not think that cost reductions are anything special. This is why, as the officer responsible for oversight of cost reduction, I am committed to helping Mazda carry out its fundamental business activities with the appropriate level of costs.

Q. How will cost reductions contribute to the enhancement of Mazda's corporate value?

Supplying value that resonates with our customers requires that everyone act as a united team guided by a sense of conviction based on our shared quest to promote distinctively Mazda manufacturing activities and provide quality products at affordable prices. Cost reductions are not just the job of functions like development, production, sales, and marketing. Rather, it is important for everyone at Mazda to be an active and consistent proponent of cost reduction and related improvement activities. We must continue to advocate for this approach on a Companywide basis until it becomes an ingrained part of our culture. I am confident that this undertaking will help heighten our fundamental management constitution and prove to be the best path toward enhancing corporate value.

CARBON NEUTRALITY

Working together with its partners and with local communities, Mazda is aspiring to achieve carbon neutrality throughout the entire supply chain by 2050. As a milestone along our path toward this goal, we aim to reach carbon neutrality at our factories worldwide by 2035.

Mazda has formulated a road map for achieving carbon neutrality at its plants and operating sites in Japan,[*1] which account for approximately 75% of the Company's global total CO_2 emissions, together with medium-term CO_2 emissions reduction targets for FY March 2031. Based on the three pillars of energy conservation, shift to renewable energy, and introduction of carbon-neutral fuels, we are pursuing the accomplishment of these goals through coordination with municipal government agencies and other industries. At the same time, we are seeking out the optimal approach toward reducing emissions at overseas factories through initiatives modeled after those implemented in Japan.

In September 2025, we updated our road map to enable us to act more flexibly in response to the trends in alternative fuel procurement and technological advancements. We thereby announced our intent to promote reductions in CO_2 emissions while ensuring reliable procurement of the energy needed to operate our business.

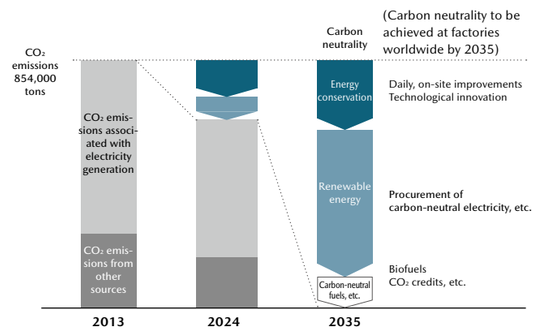
In accordance with this road map, Mazda switched the fuel used to supply the in-house power generation facilities at the Hiroshima Plant, Ujina District from the originally planned coal to ammonia, which will serve as its sole source of fuel. However, we now plan to transition to a gas cogeneration system fueled by city gas produced using liquefied natural gas (LNG), a proven power generation technology, to more steadily pursue decarbonization. This system will allow us to undertake a phased shift toward hydrogen fuel, which is gaining attention as a carbon-neutral form of fuel, with only small-scale equipment modifications. In this manner, we look to promote decarbonization in step with society's future adoption of carbon-neutral fuels. Going forward, we will work to determine ideal specifications for this generation system through co-creation with Kawasaki Heavy Industries, Ltd. in order to achieve high energy efficiency while allowing for optimal energy management to be practiced based on actual factory operating conditions.

In conjunction with the introduction of this system, the coal-fired thermal power generation systems currently in operation at the Hiroshima Plant and the Hofu Plant are scheduled to be decommissioned around 2030. This plan will be advanced together with the community as we enlist the support of local power producers HIROSHIMA GAS Co., Ltd. and The Chugoku Electric Power Co., Inc.

Moreover, the update to the road map entailed reassessing our interim CO_2 emissions reduction target for FY March 2031 and resulted in our announcing a new target of a reduction of 46% or more in comparison to FY March 2014, in line with the Japanese national target. This target replaces the prior target of a 69% reduction from the same year. The new target will guide Mazda's steadfast efforts toward achieving carbon neutrality.

Gas cogeneration system to be introduced
(Photograph: Kawasaki Heavy Industries, Ltd., Kobe Plant Power Center No. 3)

Carbon Neutrality Road Map



Greenhouse Gas Emissions[*1]

Statistics from FY March 2025

Total Scope 1[*2] and Scope 2[*3] emissions (market-based[*4])

649,000 t-CO_2e (down 24% from FY March 2014)

*1 Sites including Mazda's Head Office and Hiroshima Plant (Aki-gun and Hiroshima City in Hiroshima Prefecture), Hofu Plant (Hofu City, Yamaguchi Prefecture), and Miyoshi Plant (Miyoshi City, Hiroshima Prefecture)
*2 Direct emissions from consumption of fuels and from industrial processes
*3 Emissions associated with consumption of purchased heat and electricity (indirect emissions from energy consumption)
*4 Calculated using emissions factors provided in the Ministry of the Environment's greenhouse gas accounting and reporting system

THREE PILLARS OF CARBON NEUTRALITY INITIATIVES AT PLANTS AND OPERATING SITES IN JAPAN

1. Energy Conservation

Mazda is working to achieve Companywide improvements in operational productivity and efficiency while reforming the operating practices for production and infrastructure equipment, heightening efficiency, and promoting technological innovation to conserve energy. These initiatives are shared with business partners so that we can pursue energy conservation together.

Initiatives
- Adoption of low-CO_2-emissions production technologies and advancement of wide-reaching energy conservation initiatives (Aqua-Tech Paint System, etc.)
- Supply of technologies for cleaning specific portions of heat exchange equipment to business partners
- Introduction of internal carbon pricing system (9,100 yen per t-CO_2)

2. Shift to Renewable Energy

Mazda plans to transition to a gas cogeneration system fueled by city gas produced using LNG for the in-house power generation facilities used at the Hiroshima Plant to facilitate a steady approach toward decarbonization. This system will enable a phased shift toward hydrogen fuel requiring only small-scale equipment renovations and thereby allow us to pursue decarbonization in conjunction with society's future adoption of carbon-neutral fuels. In addition, the Company intends to decommission the coal-fired thermal power generation systems it is currently using by around 2030. At the same time, we are examining the possibility of expanding solar power use and adopting storage battery systems as we gradually decarbonize together with our partners and with the community.

Initiatives
- Introduction of gas cogeneration systems for supporting shift to carbon-neutral fuels
- Procurement of LNG and other low-emissions fuels as well as carbon-neutral fuels
- Expansion of solar power use
- Conclusion of off-site solar power corporate power purchase agreements

> For more information, please refer to the following MAZDA MIRAI BASE article.
> Building a Regional Ecosystem Through Renewable Energy: Mazda's Offsite Corporate PPA Initiative - The Road to Carbon Neutrality Episode 4
> https://www.mazda.com/en/mazda-mirai-base/articles/20250515-lca-corporateppa/

- Expansion of carbon-neutral electricity supply and demand in the Chugoku region
- Verification test involving Sweep Energy Storage System utilizing automotive batteries

3. Introduction of Carbon-Neutral Fuels

Mazda is coordinating with constituents of its entire supply chain to replace fossil fuels with carbon-neutral fuels in vehicle production processes that cannot be performed using only electricity. In cases when we must use power sources that are not easily replaced with carbon-neutral fuels, we will make use of J-Credits to promote forest preservation and reforestation in order to absorb CO_2 with the communities we serve.

Initiatives
- Verification testing of cupola melting furnace using 100% biomass fuel
- Participation in Research Association of Biomass Innovation for Next-Generation Automobile Fuels
- Underwriting of convertible bonds issued by Euglena Co., Ltd.
- Research on microalgae
- Expansion of carbon-neutral electricity supply and demand in the Chugoku region
- Utilization of J-Credits

Climate Change (Endeavoring Toward Carbon Neutrality by 2050)
https://www.mazda.com/en/sustainability/environment/climate-change/

DISCLOSURE BASED ON TCFD RECOMMENDATIONS

BASIC APPROACH

In May 2019, Mazda declared its endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and joined the TCFD Consortium,*1 thereby showing its commitment to ramping up its efforts to address climate change. Going forward, we will continue to proactively disclose information based on the TCFD recommendations.

GOVERNANCE

Transition Risks

At Mazda, the Board of Directors appoints an officer responsible for overseeing and promoting carbon neutrality strategies. This individual heads a dedicated department that has been set up within the Corporate Strategy Division to formulate carbon neutrality strategies and lead internal organizations in implementing these strategies.

The Company has integrated the management of carbon neutrality-related processes into its ISO 14001-compliant environmental management system in order to more effectively promote business activities that are considerate of the environment at all Group companies and across the entire supply chain. Carbon neutrality action plans are drafted and enacted by the relevant internal divisions, and the twice-annual Carbon Neutrality Promotion Meeting, which is attended by the officer responsible for carbon neutrality-related matters, is used as an opportunity to share information on the progress of carbon neutrality initiatives. Carbon neutrality strategies, climate change, and other sustainability issues are reported and discussed at Executive Committee Meetings and meetings of the Board of Directors, in which the president participates.*2

Physical Risks

Measures for responding to physical risks, such as those of torrential rains, an acute physical risk associated with climate change, are managed through an emergency risk management structure as part of the Company's business continuity plan (BCP). In addition, the Company is promoting the reinforcement of seawall infrastructure and water resource conservation efforts through dedicated divisions in response to concerns about storm surges and water depletion, which are chronic physical risks.

STRATEGY

With reference to the scenarios released by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), policy and regulatory trends, and industry trends, Mazda has formulated a scenario based on its own assumptions, which the Company has used to identify the following major opportunities and risks.

Major Risks and Opportunities

Transition Risks	Policy and Legal	• Stricter regulations on fuel economy and exhaust gas emissions and carbon pricing, including introduction of carbon tax
	Technology	• Increase in resources to develop electrification technologies, including electric drive system or batteries
	Market	• Rise in raw material prices for electrification and weight reduction and tight procurement situation for semiconductor components • Energy price spikes and supply instability due to tight fossil fuel and renewable energy supplies caused by political conditions and market forces
	Reputation	• Implications on ESG-minded investment decisions by investors
Physical Risks	Acute	• Damage by torrential rain, production halts caused by supply chain disruptions, and health hazards caused by heat waves
	Chronic	• Increasing impact of production halts due to more severe and frequent natural disasters and higher frequency of high tides caused by rising sea levels, water resource depletion and rising prices of water necessary for operations, and spread of tropical diseases
Opportunities	Resource Efficiency	• Efficient use of raw materials through thorough material recycling
	Energy Resource	• Stable reception of carbon-neutral electricity by promoting the expansion of demand and supply of electricity • Diverse selection of renewable energy sources
	Products, Services, and Markets	• Deployment of products that suit each region through Building Block concept and Multi-Solution Strategy • Diversification of products that accommodate next-generation automobile fuels (alternative fuels such as biofuels, synthetic fuels, etc.) • Expansion of market opportunities through deployment of products that suit each region and diversification of products

RISK MANAGEMENT

Transition Risks

Mazda has identified major risks and opportunities based on scenarios released by the IPCC and the IEA, government policies, and regulatory and industry trends, and is advancing initiatives to capitalize on the identified opportunities and avoid the indicated risks. Strategies derived from these processes are discussed at Executive Committee Meetings and meetings of the Board of Directors, both of which are attended by the president. Mazda also regularly shares climate-related information with suppliers through a shared platform.

Physical Risks

- Mazda has established a system for rapid response to torrential rain and other natural disasters. These risks are managed through an emergency risk management system as part of our BCP. In addition to these efforts, the Company has been taking steps to enhance its ability to collect weather forecast information and facilitate making quick disaster prevention decisions based on a predetermined time schedule. These steps are being taken in response to the recent rise in the frequency and severity of torrential rain disasters. Moreover, the Company's response measures are reviewed every heavy rain season to improve response capabilities.
- In response to concerns about storm surges and water resource depletion, Mazda is promoting the reinforcement of seawall infrastructure and water conservation efforts by dedicated departments.
- To combat the heat waves that have become more frequent in recent years, we regularly measure and evaluate the heat environment of each workplace as part of employee health management, and the information gained is used to guide the appropriate maintenance and management of air conditioning equipment. In addition, we use heat-insulating materials and heat-insulating paints in our buildings as part of our eco-friendly measures.
- Measures against the spread of epidemics include the implementation of workplace guidelines providing support when an employee or a member of their family residing with them has become infected.

METRICS AND TARGETS

Global Warming Response

Achieving carbon neutrality throughout Mazda's entire supply chain by 2050 will require the Company to track Scope 1, Scope 2, and Scope 3 greenhouse gas emissions. To facilitate these efforts, Mazda has defined metrics and targets, and is managing progress toward these goals through a plan–do–check–act (PDCA) cycle. Furthermore, we officially participated in the GX League*3 sponsored by the Ministry of Economy, Trade and Industry, in May 2023. As part of this participation, Mazda will present its emissions reduction targets for domestic factories and operating sites and disclose progress toward these targets through the GX dashboard.

Major Metrics and Targets

Target for FY March 2026	Reduce Mazda's non-consolidated CO_2 emissions by 27% compared to FY March 2014
Target for FY March 2031	Reduce Mazda's non-consolidated CO_2 emissions by 46% or more compared to FY March 2014
Target for 2035	Achieve carbon neutrality at Mazda's global factories
Target for 2050	Achieve carbon neutrality across the entire supply chain

*1 The TCFD Consortium is an organization established in Japan for the purpose of holding discussions on effective corporate information disclosure related to climate change and efforts to link disclosed information to appropriate investment decision-making by financial institutions and other entities. The Ministry of Economy, Trade and Industry, the Financial Services Agency, and the Ministry of the Environment participate in the consortium as observers.

*2 Sustainability issues had been reported and discussed at Board of Directors' meetings nine times as of May 2025.

*3 The GX League is an organization that aims to provide value for social structural reform toward carbon neutrality together with member companies through the four initiatives of voluntary emission trading (implementation), market rule formation (co-creation), business opportunity creation (dialogue), and "GX studios" (exchange). "GX" is an abbreviation for "green transformation."

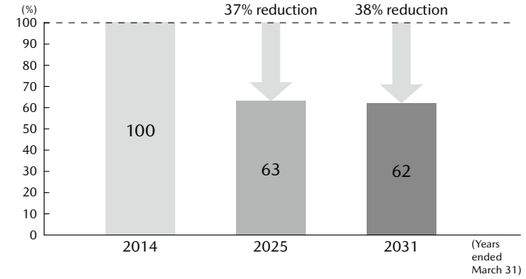
Conservation of Water Resources

Water is essential in automobile manufacturing processes such as cooling. In preparation for potential risks and concerns for the future related to matters such as water resource depletion and rising water prices, we are testing water resource reuse and recycling initiatives to be deployed on a wider scale in FY March 2031 at a domestic model plant. By FY March 2051, we aim to implement these initiatives throughout our global production processes.

Major Metrics and Targets

Target for FY March 2031	Reduce water intake by domestic Mazda Group companies by 38% compared to FY March 2014

Domestic Water Intake



TCFD
https://www.mazda.com/en/sustainability/environment/tcfd/

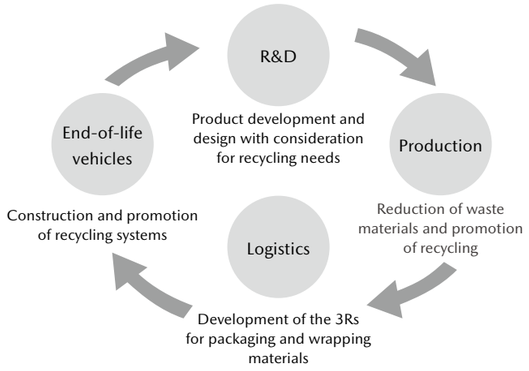
RESOURCE CIRCULATION

BASIC APPROACH

Mazda aspires to be a company that coexists in harmony with the planet and is committed to comprehensive resource recycling and waste reduction measures.

Development-related resource recycling measures include promotion of the 3Rs (reduce, reuse, and recycle) and circular economies for a perspective encompassing the entirety of automobile life cycles. Meanwhile, the Company will advance initiatives in production, logistics, and other areas to contribute to the realization of a recycling-oriented society from a well-to-wheel perspective and a global and supply chain perspective, taking into account the entirety of the automobile supply chain.

Resource Recycling Based on the 3Rs



PRODUCT AND TECHNOLOGY DEVELOPMENT

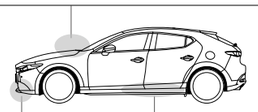
Efforts to Increase Recyclability of New Vehicles

Many limited resources, such as steel, aluminum, plastics, and rare metals, are used in the production of vehicles. Mazda is incorporating 3Rs design principles into all vehicles currently under development to increase the recyclability of new models.

Specific Initiatives

- Research into vehicle design and dismantling technologies that simplify dismantling and separation to make recyclable parts and materials easier to remove
- Use of easily recyclable plastics, which constitute the majority of automobile shredder residue by weight

Instrument Panel
Instrument panel fasteners are constructed to disengage simply so that they can be removed easily when pulled during dismantling



Bumpers
Thin-walled construction of fasteners underneath the bumper makes the bumper easy to demount by pulling its opening

Easily Dismantled Earth Terminals
Terminals are designed to break off when the harness is pulled out to prevent breakage of the harness

Expanded Adoption of Biomaterials

Mazda has been developing plant-derived biomaterials that have the potential to help reduce environmental impacts by curbing the use of fossil fuels and lowering CO_2 emissions. In 2006, the Company became the first in the automotive sector to develop high heat-resistant, high-strength bioplastic for vehicle interior parts. In 2007, Mazda succeeded in the development of the world's first biofabric for vehicle seat covers made with completely plant-derived fibers.[*1] In 2014, a bio-based engineering plastic[*2] suitable for use in vehicle exterior parts was developed by the Company. Mazda is currently expanding its adoption of these materials.

Recognition for Bio-Based Engineering Plastic Development Initiatives

2020	Award for Science and Technology (Development Category) of the 2020 Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology
2021	31st (FY March 2021) Aoki Katashi Innovation Award from the Japan Society of Polymer Processing
2023	Ministry of Economy, Trade and Industry Minister's Prize at the Ninth Monodzukuri Nippon Grand Awards

*1 Source: Mazda Motor Corporation (September 2007)
*2 The bio-based engineering plastic was developed by Mazda Motor Corporation in collaboration with Mitsubishi Chemical Corporation.

PRODUCTION AND LOGISTICS

Plant 3Rs and Global Zero-Emissions and Resource Recycling Initiatives

The Mazda Group continues to expand its global efforts to achieve zero emissions and recycle resources through measures such as efficiently using resources to prevent waste and promoting the 3Rs for resources.

Material-Related Statistics and Targets

2030 Goals	2050 Goals
Achieve zero emissions in manufacturing and logistics processes on a global basis • 0.1% or lower rate of waste sent to landfill among total waste generated (achieved by domestic Group companies in 2018)	Zero emissions through expanded resource recycling initiatives in manufacturing and logistics processes on a global basis • Elimination of dependence on thermal recycling and other combustion-based recycling methods • Expansion of material recycling

Production Materials: Maintenance of Zero Landfill Waste Status and Reduction of Waste

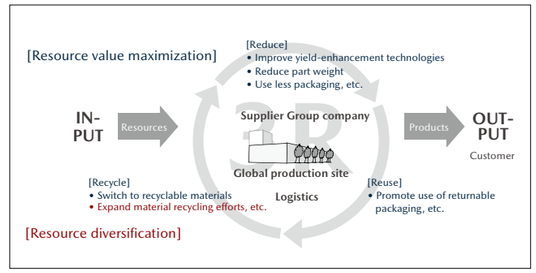
To reduce landfill waste at its four principal domestic sites to zero, Mazda is promoting reductions in the volume of manufacturing by-products and waste, more rigorous sorting of waste, and increased recycling. The Company was thereby able to achieve zero landfill waste, and it has maintained this status from FY March 2009 to FY March 2025. As part of its waste reduction efforts, the Company has been recycling materials to ensure that plastic packaging materials used in the vehicle and transmission assembly processes can be reused as raw materials through stricter sorting of packaging by material and quality. Furthermore, Mazda has been proactively utilizing plastic pallets made from recycled materials to transport parts overseas.

Logistic Materials: Reduction of Packaging and Wrapping Materials

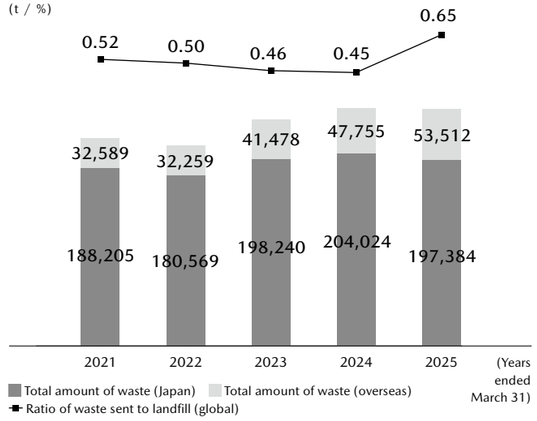
Mazda is moving forward with 3Rs initiatives including using returnable containers, simplifying packaging specifications, and recycling materials. In regard to the transportation of repair parts in Japan and overseas and the export of parts to overseas plants, ongoing coordination is being promoted between departments in five areas—development, production, procurement (purchasing), logistics, and quality—to optimize parts procurement and vehicle manufacturing from the stage of product development and to facilitate strong cooperation across the supply chain. These efforts are anticipated to result in reduced volumes of packaging and wrapping materials and an increased packaging filling rate.

Resource Circulation
https://www.mazda.com/en/sustainability/environment/resource-circulation/

Vision



Total Amount of Waste / Ratio of Waste Sent to Landfill



Introduction of returnable containers