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Briefing on Mid-Term Management Plan Update and Management Policy up to 2030

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Hello, everyone.
Thank you for joining our briefing session today. We will provide an update on our Mid-Term Management Plan as well as Management Policy in the lead up to 2030.

We have made progress implementing our Mid-Term Management Plan which runs through March 2026. Today, we will provide an update on that plan, and we will also share our management policy up to 2030 along with key initiatives we are working on.

Chapter 1: Management Policy Up to 2030

The environment and society around us will change drastically toward 2030. We are currently seeing signs of the collapse of globalism and a shift to a multi-polar structure or bloc economies. Division and conflicts are likely to develop due to increasing geopolitical risks and economic security issues, making our business environment more and more uncertain.

While innovations in digital technology are making our lives more convenient and comfortable, global and social concerns, including global warming, continue to be more serious. Therefore, it is the duty of every company to conduct business responsibly for the earth and society to ensure the sustainability of this planet for the sake of our children, our grandchildren and their children.

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

We will continue to expand our brand essence, joy of driving, by developing technologies and adapting our business management to meet the needs of the times. By creating daily driving a more moving experience, we aim to uplift and energize people, bringing more enjoyment to everyday life. To that end, we will continue to undertake research based on human centered philosophy, committing to engineering and manufacturing, creating human connections and developing people that uplift the mind and body.

Considering these changes in the business environment, Mazda came up with three basic management policies.

The first is to contribute to resolving the social challenge to curb global warming through our electrification strategy suited to regional characteristics and environmental needs.
The second is to conduct in-depth research of people, and shed light on their relationship with cars, with a view to realizing a safe and secure automotive society.
The third is to maintain Mazda's brand value management, provide our unique values and continue to be a brand preferred by customers.

The first policy deals with measures to curb global warming, in other words, achieving carbon neutrality or electrification. This is something a single company cannot achieve on its own. In the years up to 2030, we expect our business environment to remain highly uncertain, as there will be many variable factors including trends in regulations in each country and social infrastructure development, as well as electricity supply infrastructure conditions, changes in the power mix and consumer choices.

To respond to future uncertainties as flexible as possible, our approach is to divide into three phases.

The first phase is the 3 years up to 2024. In this phase, while storing resources for future electrification, we will strengthen our technology development in our R&D and manufacturing areas in preparation for the full-fledged electrification. Maximizing the use of our U.S. plant, multiple electrification technology assets, and Large Products, which Mazda has heavily invested in, we will put Mazda's business on a growth path and strengthen our financial base to enable us to deal with another economic crisis like the coronavirus pandemic, with cash on hand. At the same time, we will build a business structure that is highly resilient to changes in the environment by strengthening our supply chains and cost reduction efforts, which will increase investment efficiency.

The second phase is from 2025 to 2027. As regulations become more stringent, this phase will be a transition phase to electrification. During this period, continuing to earn profits from ICE vehicles to maintain and improve our financial base, we will also strengthen our preparations for the age of full-fledged electrification. We took into account market demand, government regulations and policies and a course of technological advancement, and now have good prospects for procuring the batteries we need from our business partners. In addition, we will continue to strengthen our battery R&D and manufacturing technology development, to establish the necessary technology and secure its cost competitiveness. We will further refine and fully use our multiple electrification technologies, and commence the launch of battery EV vehicles from the latter half of this phase.

In the third phase up to 2030, we will undertake a full-fledged launch of battery EVs.
At that time, we will take into account market demand, government policies and the main direction of technology development, and then consider matters such as investing in the batteries production.

Chapter 2: Key initiatives to open up our future

As the sustainability of business entities is inseparable from the sustainability of the earth and society, in the lead up to 2030, we must synchronize our business activities with the sustainability of the earth and society.

We value co-creating with partners. We will aggressively promote collaboration projects with a variety of partners such as other OEMs, specialized makers and even manufacturers in other industries, by deepening mutual understanding, building trust, and co-creating for win-win objectives. In the process of co-creation, we will build a framework for developing new technologies and resolving issues. At the same time, we will further refine our own strengths. We will always be realistic and reasonable in advancing the technology development, so that we make steady progress in vehicle electrification, an effective tool for reducing carbon output, and achieve carbon neutrality, both of which will require our resolute attention and efforts moving forward.

Now, we will introduce our four key initiatives.

Initiative No.1: Carbon Neutrality

The first is carbon neutrality. Our efforts for achieving carbon neutrality cover the manufacturing, transport, usage and recycling of vehicles to protect the planet's environment and to achieve a circulatory society. As a milestone, in January last year, we announced our commitment to go carbon neutral by 2050, and then in June this year, we announced our commitment to making Mazda factories carbon neutral worldwide by 2035.

To achieve the 2035 interim target, we have adopted three pillars: energy conservation, a shift to renewable energies, and the introduction of carbon neutral fuels. In this effort, we will place particular value coexisting with local communities and residents. Our thought is to consider together how to realize sustainability.

To expand the use of renewable electricity in our business activities to achieve carbon neutrality in electricity, we believe it is essential for our electric power system to evolve to include small-scale, decentralized systems, in addition to the current large-scale, vertically-integrated system based primarily on fossil fuels. The key to success here is how to best coordinate these diverse power sources, make them flexible, and shape them into a sustainable ecosystem.

That is why parties that generate, transmit, distribute, and sell electricity, companies that are users of the electricity, and government authorities are working together to promote more widespread use of renewable energies. A parent organization of this drive is the Carbon Neutrality Promotion Council representing five prefectures within our local Chugoku region. Mazda is proactively involved in the

council's activities, working hard to realize the vision of regional coexistence.

To achieve carbon neutrality in 2050, in addition to Mazda's efforts, those on the side of supply chains will also be necessary. Therefore, including our carriers and suppliers, we will proceed with CO2 emission reduction activities in stages. In Japan, we will thoroughly review where waste, irregularities and overburdens occur, and we will then work on structural reforms in supply chains. We will also work to expand the use of carbon neutral fuels.

Initiative No.2 - Electrification

The second key initiative is electrification. Curbing the CO2 emissions from an LCA perspective that considers total CO2 emissions from fuel extraction through to the vehicle disposal is a substantial contribution to the earth's environment.

During a period of transition to EVs up to around 2030, we see our multi-solution approach to be effective. We offer a variety of solutions, including internal combustion engines, electrification technologies and alternative fuels, so we can provide appropriate combinations that suit power generation conditions in each region. On the other hand, we expect Mazda's EV ratio in our global sales in 2030 to be in 25 to 40%, considering each country's electrification policies or more stringent regulations.

Since last year, various variable factors became apparent, such as regulatory tendencies, energy crises, and power shortages. Furthermore, it is extremely uncertain how each of these will develop in the future. As it allows us to be flexible and adaptive to coming changes, such as changes in regulations, consumer needs and acceptance levels, and infrastructure development, the three-phase electrification approach we mentioned earlier will work for this uncertain situation. We will proceed with electrification step by step with our partner companies.

In the first phase, by fully using our technology assets of multiple electrification technology, we will launch attractive products while also meeting market regulations. As noted earlier, we have accumulated technological assets for electrification based on our Building Block concept and we have almost completed our investment in Multi-Solution Scalable Architecture for both Small and Large products. We will continue the cycle of full utilization of the assets we invested in, profit generation, recovery of investment, and reinvestment in new assets.

In this phase, following on from the CX-60, we will enhance our earning power with the introduction of the CX-70, CX-80, and CX-90 offering plug-in hybrids and diesel engines with a mild hybrid system that achieve both environmental and driving performance. In addition, we will develop technologies for BEVs in a full-fledged manner.

In the second phase of transition to EVs, we aim to reduce CO2 by improving fuel economy. Drawing from accumulated technical assets we have built on thus far, we will introduce new hybrids, further refining our multi-electrification technologies. In addition to introducing vehicles dedicated to EVs in China where electrification is advancing, we will also begin launching EVs globally. As for internal combustion engines, we will boost efficiency to the utmost in preparation of the application of technology to further improve thermal efficiency and the possibility of the future use of renewable fuels.

In addition, in proceeding with electrification, we thought it necessary to develop electrification technology here in this region as well in order to continue to co-exist and co-prosper with our local suppliers. Therefore, to conduct the development of highly efficient production technology for electric drive units and to establish a production and supply framework for the electric drive units, we established a joint venture company with Ondo Corporation, Hiroshima Aluminum Industry Co., Ltd., and Hirotec Corporation. We will reduce the depth of supply chain layers and work to be able to produce competitive units stably.

Furthermore, to enhance the value of joy of driving even in an electrification age, for the development of inverters including silicon carbide power semiconductors, we concluded a three-party joint development agreement with Rohm Co., Ltd. and Imasen Electric Industrial Co., Ltd., and signed a joint development agreement with Fukuta Elec. & Mach Co., Ltd. for motor technology.
We will move forward with the development of the next-generation electric drive units.

We will procure batteries from our partner companies while promoting research and development of our advanced battery technologies adopted by the Green Innovation Fund Project at our facilities during these two phases. In addition to our existing suppliers, we recently concluded an agreement with Envision AESC to procure batteries for EV production in Japan. Looking at the direction of market and regulatory trends as well as the evolution of technologies in the future, we are determined to take necessary action.

In Phase 3, as we move forward in our efforts for the full-fledged launch of pure battery EV models, we will also consider the possibilities, including investing in battery production based on the extent of changes in the external environment and progress in strengthening our financial foundation.

Throughout these three phases, we will steadily implement an electrification strategy suited to local characteristics and requirements for the environment to make contributions to solving social issues and curbing global warming.

Initiative No. 3 – Value Creation through Co-creation between people and IT

The third initiative is to create values that only Mazda can offer through co-creation between people and IT. Based on its human centered philosophy, Mazda has relentlessly conducted in-depth research of people and "joy of driving" perceived by the five senses. At Mazda we undertake in-depth research of people in efforts to understand the mechanism of the human body and brain. By modeling our findings on human beings, we help drivers to demonstrate their abilities to achieve their best performance in a more pleasant, less stressful way and make products that offer both driver and passengers the pleasure of comfortable mobility and the joy of being mobile.

The foundation of these initiatives is Mazda Digital Innovation which we have been working on since 1990's. Making full use of IT knowledge and skills, Mazda engineers have worked hard to significantly streamline technology development. These efforts led to "process innovation," which includes model-based development that allows us to design and develop on a computer, resulting in Mazda's innovative powertrain technology and safety technologies. Achieving both capability in high-efficiency development and creating higher values for customers is what differentiates Mazda from its competitors.

In line with our safety philosophy, Mazda Proactive Safety, we will push forward with our ongoing efforts to develop human-centric advanced driver assistance technology through exhaustive exploitation of our IT technology based on our human research to make cars that help both drivers and passengers feel safe as well as people in the vicinity of cars. We aim for no new Mazda to cause a fatal accident that is avoidable with automotive technologies by 2040.

Moving forward, with our capability of model-based development and model-based research as our platform, we will invest in research on people to bring out the maximum potential of humans and promote joint research with other industries and institutes to create moving experiences of driving, which will uplift and energize people, bringing more enjoyment to everyday life.

Initiative No. 4 - Cost Reduction and Supply Chain Enhancement

The fourth initiative is efforts in cost reduction and strengthening our supply chains. Electrification and carbon neutrality, in addition to global issues such as the COVID-19 pandemic, semiconductor shortage and stringent logistics, have caused significant changes in the environment around us. Now that we are forced to rethink how our cost reduction efforts and supply chains should be in order to respond to these changes, we will expand the scope of our cost reduction efforts. From a comprehensive viewpoint, we will also look into both value chains and supply chains in addition to our existing scope that looks to product cost and production cost, and change these to allow us to thoroughly eliminate waste, irregularities and overburdens to make costs ideally effective.

For our supply chains, we have improved costs for each process, but from now on, we will work to optimize the entire process that spans from material procurement to product delivery to customers by making the flow of goods as smooth as possible at the highest speed. Furthermore, we are working on innovative changes in our procurement system which includes fewer tiers in procurement of materials and parts and bringing places where various parts are produced closer to our production facilities as well as using more highly versatile materials and semiconductors. In this way, we will minimize the impact of external changes in the environment such as geopolitical incidents, COVID-19 and earthquakes.

Looking at the entire value chain, we will collectively envision tasks performed in each process within the scope of product planning, development, production, sales and services to which our customer can relate and with which our customers are satisfied. In the planning phase, we will settle on a vehicle structure that is easily recycled without causing expensive after sales service costs and that has an optimized number of parts and vehicle specifications. We will control fixed costs for the entire value chain and reestablish a process that helps us achieve this and at the same time create values our customers expect. With this reestablished process, we will curb investment in development and equipment involving our suppliers, enhance facility operating ratio, and realize a system that helps us curb expenses for customer services such as cost for management, inventory and logistics.

We will reestablish our supply chain and value chain to refine our costs in order to enhance our capability to reduce cost and resistance to reduction in production.

Chapter 3 Management Guideline and Goals for Fiscal Year Ending March 2026

Finally, I would like to share our Management Guidelines for the fiscal year ending March 31, 2026, which is the final year of our Mid-Term Management Plan. We defined the period up to the fiscal year ended March 31, 2022 as a period for solidifying our foundation and we completed preparations for full-scale growth from the fiscal year ending March 31, 2023 as planned. By making full use of the assets we have accumulated including the joint venture plant in the U.S., multi-electrification technology, and the Large Product models, we will further grow and at the same time, we will continue to accelerate our efforts to strengthen our business structure to one that is highly resilient to changes in society.

In terms of our major financial metrics targets in FYE March 2026, considering uncertain business environment, we will focus on accomplishing the targets stated in the Mid-Term Management Plan Revision announced in November 2020. Specifically, our targets are about 4.5 trillion yen in net sales, ROS of over 5%, ROE of over 10%, a dividend payout ratio of over 30%, and one million units as the break-even point.

In areas other than financials, we will make our business more sustainable through initiatives to achieve carbon neutrality at our global production facilities by 2035 and we are aiming for zero fatal accidents

caused by any new Mazda by 2040 in line with Mazda's basic policy for sustainability. We see CO2 emission reduction, which is a major index of social contribution in terms of efforts to curb global warming, as a particularly important value of Mazda and we will keep monitoring this based on further detailed breakdown of the goals.

The source of our efforts to contribute to solutions for global and social challenges and to create Mazda's unique value is the people that make up the Mazda Group. Addressing changes in the labor force and working practices, we will pursue employee-friendliness and job satisfaction and make Mazda an attractive company where every employee can work enthusiastically with pride. In addition, to enable our employees to work to the fullest and to grow, Mazda will invest in various areas including human resource development that leads to the growth of the company.

One example of this is our investments, in company-wide human resource development to train employees to be able to use AI in order to raise the level of our company's digital literacy. Partnering with Aidemy, we aim to educate our employees working in administrative areas to a certain level of digital competence in AI and IT by 2025. We aim to double our productivity by reevaluating additional value in each area and task and modeling each process of our operations by 2030 to identify resources we can utilize for other processes. Transferring such resources to tasks that produce more additional value, we will achieve a leaner corporate structure.

To realize the vision that I presented today, we will unite the passion of each and every employee in the group, our alliance partners, business partners and sales companies to become a company that is trusted even more by society by cherishing every stakeholder and customer, improving our brand value, and making profitability stable.

I would like to thank all of you for attending today's briefing on the "Mid-Term Business Plan Update" and "Management Policy in the Lead Up to 2030."
Before I finish, allow me to share the video of "Mazda's Vision of the Future."