

MANAGEMENT

Mazda has established management systems to fulfill its social responsibility throughout the Mazda Group and the entire supply chain.

CONTENTS

110 Management (Corporate Governance/Internal Control/Risk Management/Compliance)

121 Implementing CSR in the Supply Chain

124 For Shareholders and Investors

CSR Targets for FY March 2018

(Self-assessment key ○ : Accomplished, △ : Nearly accomplished, × : Not accomplished)

Items	ISO 26000 core subjects	FY March 2017 targets	FY March 2017 results	Self-assessment	FY March 2018 targets
Corporate governance	6.2 Organizational governance	Continuously improve and strengthen corporate governance measures, in light of the purport and spirit of the Corporate Governance Code.*1	<ul style="list-style-type: none"> Enhanced transparency, fairness and objectivity of the process for appointing officers (candidates for director or Audit & Supervisory Board Member, executive officers) directors, Audit & Supervisory Board member and determining the remuneration of directors and executive officers, through discussions at advisory committees. Introduced compensation in the form of stock options, in order to enhance the internal directors and executive officers' desire to contribute to enhancing corporate value over the medium and long term. Enhanced the effectiveness of the Board of Directors by further improving provision of information to outside directors, based on the FY March 2017 evaluation results of the board's effectiveness. Further improved provision of information through general meeting of shareholders. 	○	Continuously improve and strengthen corporate governance measures, in light of the purport and spirit of the Corporate Governance Code.*1
Risk management	6.2 Organizational governance	Identify various internal and external risks and continue activities to minimize such risks. ① Improve the level of development of the risk management systems of Mazda and its Group companies, and have these systems checked and evaluated by the Risk Compliance Committee. ② Continue risk management activities based on the action plans in preparation for earthquakes and tsunami. ③ Hold discussions on suppliers' risk countermeasures (and develop a BCP framework in preparation for the expected Nankai Trough Earthquake, etc.).	<ul style="list-style-type: none"> Visualized the progress made in the development of the risk management systems of Mazda and its Group companies. A mid-term action plan for the next three years (FY March 2018-2020) was formulated by the Risk Compliance Committee. ("Hardware" aspect) Completed the preparation of disaster prevention materials and determined the specifications for the safety confirmation system. ("Software" aspect) Held disaster drills both jointly with fire authorities and solely by Mazda's self-disaster-defense teams, in preparation for earthquakes and tsunami. Started to operate the SCR keeper, a supply chain risk management system, after completing the registration of information on domestic suppliers into the system. Established the means of production and procurement of alternatives for high-risk parts and materials, in preparation for the expected Nankai Trough Earthquake. 	○	Identify various internal and external risks and continue activities to minimize such risks. ① Improve the level of development of the risk management systems of Mazda and its Group companies, and have these systems checked and evaluated by the Risk Compliance Committee. ② Continue risk management activities based on the action plans in preparation for earthquakes and tsunami. ③ Update and enrich data for the supply chain management system.
Information management	6.6 Fair operating practices	① Ensure information management through continuous awareness-raising activities. ② Promote and strengthen information security measures.*2	<ul style="list-style-type: none"> Implemented e-learning programs (practical version) regarding security control. Promoted the appropriate use of file-sharing websites. <ul style="list-style-type: none"> Established work procedures at Mazda for responding to the enforcement of the Social Security and Tax Number System, and provided guidance and support to Group companies in Japan in establishing these procedures. 	○	① Ensure information management through continuous awareness-raising activities. ② Promote and strengthen information security measures.*2
Protection of intellectual property	6.6 Fair operating practices	Promote activities to protect and make effective use of intellectual properties. ① For protection of Mazda' intellectual properties: - Continue strengthening the management system, and promote rights acquisition activities on a global basis (so as to maintain the number of patent applications at around 1,000 in Japan, and increase the number overseas to 650, up 40% from the previous year). ② For the protection of the intellectual properties of other parties: - Continue to strengthen awareness-raising activities aimed at protecting the intellectual properties of Mazda and other parties. - Promote the appropriate use of works belonging to other parties, in conducting communication activities.	<ul style="list-style-type: none"> ① For the protection of Mazda' intellectual properties: <ul style="list-style-type: none"> In Japan: Completed around 1,000 patent applications. Overseas: Completed around 550 patent applications. ② For the protection of the intellectual properties of other parties: <ul style="list-style-type: none"> Patent training: Held a total of five programs, with around 130 participants. Promotion of the appropriate use of trademarks: Added about 650 new images to the Mazda-Shared-Image-Collection. 	①△ ②○	Promote activities to protect and make effective use of intellectual properties. ① For the protection of Mazda' intellectual properties: - Continue strengthening the management system, and promote rights acquisition activities on a global basis. ② For the protection of the intellectual properties of other parties: - Continue to strengthen awareness-raising activities aimed at protecting the intellectual properties of Mazda and other parties. - Promote the appropriate use of works belonging to other parties, in conducting communication activities.
Compliance	6.6 Fair operating practices	① Ensure compliance and improve the level of compliance awareness through continuous awareness-raising activities, etc.*2 ② Continue and strengthen support for Group companies through the provision of education materials, timely information, etc.	<ul style="list-style-type: none"> ① Ensured the implementation of the existing awareness-raising activities. <ul style="list-style-type: none"> Around 1,150 employees participated in the compliance seminar organized by the Human Resources Office as part of management skill training. Established a new portal site that is easily accessible for compliance-related information and that can be used for business operations and training. Released an e-learning program entitled "Security Export Control (Case Studies)." Conducted a survey of division/department managers and above regarding their compliance awareness and initiatives. ② Held management training for executives of Group companies in Japan. <ul style="list-style-type: none"> Started to hold regular meetings among departments concerned, in order to share information on the administration of overseas affiliates and to secure the consistency thereof. 	○	① Ensure compliance and improve the level of compliance awareness through continuous awareness-raising activities, etc.*2 ② Continue and strengthen support for Group companies through the provision of timely information, etc.
Fair transactions	6.6 Fair operating practices	① Continue and strengthen activities to request that suppliers comply with Mazda Supplier CSR Guidelines and to conduct surveys on their operation status of CSR initiatives. ② Promote supply chain management at overseas production sites.	<ul style="list-style-type: none"> Continued to request and instruct suppliers to fully comply with the Mazda Supplier CSR Guidelines. Started to review the items and methods of the supplier CSR questionnaire survey conducted since FY March 2014, in light of past survey results and changes in matters of public concern. Applied the Mazda Supplier CSR Guidelines to suppliers of MMVO, the major production site in Mexico. 	○	① Continue and strengthen activities to request that suppliers comply with the Mazda Supplier CSR Guidelines and to conduct surveys on their operation status of CSR initiatives. ② Gradually promote the establishment of the supply chain management system at individual overseas production sites.

*1 Corporate governance guidelines for listed companies announced by the Tokyo Stock Exchange in June 2015.

*2 Initiatives at Mazda Motor Corporation

MANAGEMENT

Mazda is working to enhance corporate governance and strengthen internal control in order to improve the transparency of management and expedite decision-making.

Corporate Governance

Mazda respects the purport of the Corporate Governance Code formulated by the Tokyo Stock Exchange and, while working to build a good relationship with its stakeholders, including shareholders, customers, suppliers, the local community and its employees, the Company strives to sustain growth and enhance its corporate value over the medium and long term through transparent, fair, prompt and decisive decision-making and to continue to enhance its corporate governance.

a b

Corporate Governance Framework

The Board of Directors is made up of ten directors, two of whom are highly independent outside directors. The outside directors are expected to help strengthen oversight of the Board of Directors and further boost the transparency of management by offering advice on Mazda's management activities based on their knowledge, experience, and insights, and by taking part in the decision-making process. The Audit & Supervisory Board is made up of five members, including two full-time corporate auditors and three highly independent outside corporate auditors. The Audit & Supervisory Board members audit the directors in the execution of their duties in accordance with an annual audit plan formulated by the Audit & Supervisory Board. Accounting audits are conducted by KPMG AZSA LLC.

In addition to the general meeting of shareholders and meetings of the Board of Directors, Audit & Supervisory Board and other bodies designated by law, Mazda holds executive committee meetings to convey information necessary for debate on important company-wide policies and initiatives and business management as well as advisory bodies that contribute to decision-making by the president. The Company has also introduced an executive officer system. By separating execution and management, the effectiveness of the oversight of the Board of Directors is enhanced, and decision-making is speeded up through expanded debate by the Board of Directors and by delegating authority to executive officers. In this way, the Company is working to further managerial efficiency.

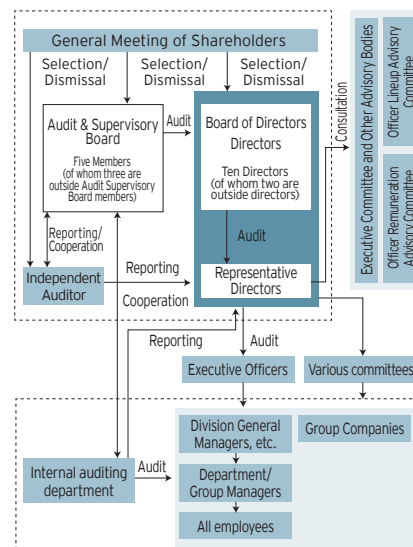
Enhancing Transparency and Fairness in the Nomination and Appointment of Officers and Determination of their Remuneration

Mazda has established an Officer Lineup Advisory Committee to discuss the make-up of the officer lineup and policies for the development and selection of candidates for nominating and appointing directors, Audit & Supervisory Board Members and executive officers.

The Company has established an Officer Remuneration Advisory Committee to discuss remuneration policy and a structure and process based on the policy to enable its continued growth and to enhance its corporate value over the medium and long terms. The Officer Lineup Advisory Committee is composed of eight internal directors and two outside directors, while the Officer Remuneration Advisory Committee is composed of three internal directors and two outside directors. Both committees are advisory bodies to the president and are chaired by an outside director.

The policies for the nomination and appointment of officers and the policies for determining remuneration are disclosed in the Corporate Governance Report.

a Corporate Governance Framework



* Company-wide Safety and Health Committee, Quality Committee, Risk Compliance Committee, Human Rights Committee, Security and Export Control Committee, etc.

b For detailed information, please see the following.

- Corporate Governance Report
<http://www.mazda.com/en/investors/library/governance/>
- Annual Report 2017
<http://www.mazda.com/en/investors/library/annual/>
 - Officers' areas of responsibility, profiles, etc. (pp. 40-41)
 - Officers' compensation/Audit fees (p. 36)
- Company Outline
<http://www.mazda.com/en/about/profile/executive/>
 - Officers' areas of responsibility
- Securities Report (Japanese only)
http://www.mazda.com/globalassets/ja/assets/investors/library/s-report/files/f_repo170629.pdf
 - Corporate governance, etc. (pp. 35-44)

Support for Outside Directors and Outside Audit & Supervisory Board Members

The Company provides explanations of matters to be brought before the Board of Directors as necessary so that outside officers can freely state their opinions at board meetings. The Company also arranges for outside officers to interview executive officers and provides opportunities for them to inspect facilities and participate in events both inside and outside the Company.

Analysis and Evaluation of the Effectiveness of the Board of Directors

Mazda analyzes and evaluates the effectiveness of the Board of Directors in order to steadily advance measures for the further enhancement of the board's efficiency. In this initiative, based on a survey prepared by the board's secretariat, all of the directors and members of the Audit & Supervisory Board evaluate the board's effectiveness. After the results are compiled by the secretariat, an analysis of the current situation is shared at a board meeting, and the ideal to be pursued and improvements are discussed.

In FY March 2017, it was found that members of the Board of Directors were properly involved in determining the Company's business strategy and share an understanding of its content, that outside directors and corporate auditors expressed their opinions from an independent perspective after gaining an understanding of the Company's situation by receiving explanations of resolutions in advance and other forms of support, and that the oversight function of the execution of operations was ensured.

It was found that the annual schedule of matters to be brought before the board was formulated based on the previous survey (2015) and that as a result of greater efforts to explain important matters such as the business strategy to outside directors in advance, the outside directors have a better understanding of operations.

On the other hand, it was found that there is a need to prepare more thorough reports on progress after deliberations and to provide outside directors with more multifaceted information, and improvements were discussed. The Company will analyze and evaluate the board's effectiveness annually and continue to make improvements in order to enhance corporate value over the medium and long term.

Cooperation among Parties Responsible for Auditing

Audit & Supervisory Board members (full time), the auditing company, and the Mazda's auditing department holds the meetings below on a regular basis to improve the quality of auditing and to deepen the mutual understanding between each other by exchanging information on audit plans and results.

- Meeting between Audit & Supervisory Board members (full time) and the auditing company
- Meeting between Audit & Supervisory Board members (full time) and the Mazda's auditing department
- Three-party meeting among Audit & Supervisory Board members (full time), the auditing company, and the Mazda's auditing department

Auditing for Group Companies

In the Mazda Group, each Group company has established a corporate governance framework with the aim of enhancing cooperation between Mazda and the Group companies.

Japan

Group companies in Japan set the corporate auditors. Through the Group Audit & Supervisory Board Members' Meetings attended by the Audit & Supervisory Board members (full time) of the Group's large companies and appointed part-time corporate auditors from among the Mazda employees, Mazda aims to strengthen ties between Mazda and its Group companies.

Overseas

Major overseas Group companies hold meetings of the Audit Committee.*¹ Members participating in these meetings are executives and internal auditing-related departments of each overseas Group company, Mazda's executives, Audit & Supervisory Board members (full time) and internal auditing-related department, and the department in charge of each group company. They enhance each Group company's internal control by discussing and exchanging opinions on activities related to internal control. Mazda further provides guidance and support to other overseas Group companies, to improve their internal control-related initiatives.

In April 2017, the Global Internal Audit Summit was held, bringing together the parties responsible for auditing at Mazda Group's major operation bases. At the Summit, which was in its eighth round, participants shared their auditing policies and plans as well as related risks and issues. They also presented best practices at each base and discussed the promotion of the "global audit alliance", in which an auditor of an overseas Group company conducts auditing of another operation base working together with Mazda's internal auditing-related department.

In this manner, efforts are under way to improve the quality of the entire Mazda Group's auditing and foster its greater efficiency.

Internal Auditing

Internal audits are conducted in Mazda and its Group companies in Japan and overseas, for the purpose of ensuring sound and efficient management. **C**

The Mazda's auditing department is staffed with those qualified as Certified Internal Auditor (CIA), Certified Information System Auditor (CISA), etc. Members of the department are continuously encouraged to improve their auditing skills, acquire specialized qualifications, and participate in outside training programs and internal workshops.

System Auditing

The Mazda's auditing department and the internal auditing departments of overseas Group companies conduct audits on overall IT control concerning financial reports and IT security for individual operations and systems, with the aim of reducing IT-related risks.

VOICE



Guillermo Alvarez

Senior Manager, Audit
Mazda North American Operations

I am responsible for directing the audit activities for Mazda North American Operations. In order to be "Trusted Advisors" to the operations, our auditors continue to enhance their skills through continuing education, understanding operational processes as well as sharing best practices by participating in the "Global Internal Audit Summit" and "Global Audit Alliance" activities. Additionally, I continue to maintain a close relationship with our Mazda Head Office and other audit members in Mazda groups via regularly scheduled conference calls. My desire is to continue to minimize risk to Mazda by working in close partnership with Mazda Global Audit, overseas group companies and by sharing of best practices.

C Internal auditing in Group companies

- Major Group companies (North America, Europe, China, Thailand, Australia, etc.): The internal auditing department of each company conducts audits and reports the results to Mazda. To ensure high auditing quality, Mazda's auditing department conducts audits, advises on annual audit plans and audit results, and provides information related to auditing, and various other supports.
- Other Group companies in Japan and overseas, and Mazda: Mazda's auditing department conducts audits.

*1 Committees are set and operated independently for each overseas group company for the purpose of gathering information and exchanging opinions on internal control

Internal controls

Mazda has established the Mazda Corporate Ethics Code of Conduct (see p.118), which states action guidelines for employees, the Finance Control Guideline for global financial control, and other guidelines. Based on these guidelines, each department develops rules, procedures, manuals, etc. to promote establishment of internal control.

For Group companies, cooperative systems have been established, in accordance with the Domestic Affiliates Administration Rules and the Overseas Affiliates Administration Rules. The responsible department at Mazda supports training and system improvement for each Group company.

Internal Control Self-Diagnosis

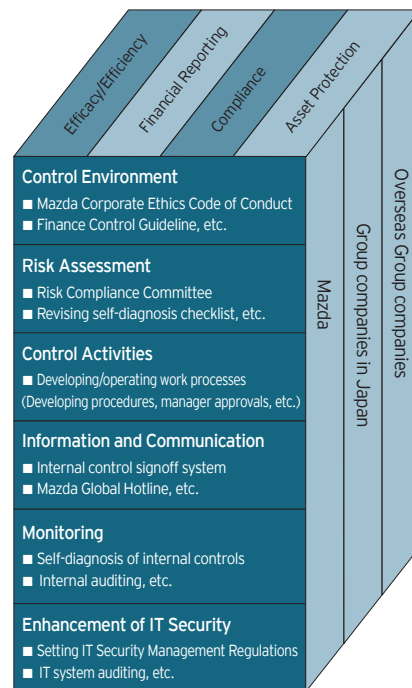
In 1998 Mazda initiated a system of self-diagnosis of internal controls for the purpose of disseminating awareness concerning internal controls. Currently, self-diagnosis is carried out at almost all Mazda Group companies in Japan and overseas. This system enables the supervisors in charge of actually developing and operating the processes and mechanisms, not third parties such as internal auditing departments or auditing companies, to evaluate internal controls using the checklist. Through this system, Mazda's departments and Mazda Group companies have proactively found inadequacies in internal controls and taken action to improve them.

Mazda's internal auditing department reviews the procedure for self-diagnosis and provides advices for necessary improvements while ensuring that any newly found risks would be reflected in the checklist, so as to always ensure proper and effective diagnosis.

Implementation of Internal Controls Signoff System

From FY March 2007 Mazda has introduced the signoff system, in which top management of Mazda's each department and each Group company ensure internal controls by "signing off" after identifying inadequacies in controls and confirming the status of correction thereof through auditing and self-diagnosis. The Mazda Internal Controls Report is prepared based on the contents of these signoffs. From FY March 2010, for the purpose of early discovery of inadequacies at each department or Group company, a new system of quarterly reporting has been implemented whereby inadequacies found are reported to the Mazda's auditing department on a quarterly basis. For each inadequacy reported, the deadline and responsible person for improvement are determined to facilitate speedy improvement.

d Mazda Internal Controls



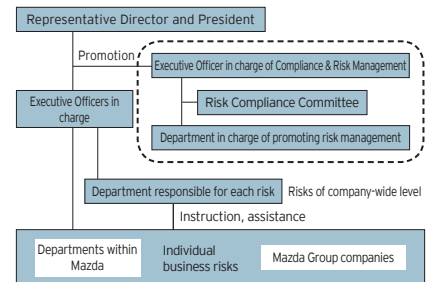
Risk Management

Mazda makes continuous efforts to identify and reduce various internal and external risks in accordance with the Basic Policy on Risk Management, Risk Management Regulations, and other related internal regulations, so as to ensure continuous and stable progress of business activities. Among the risks identified, considering the level of importance, individual business risks are managed by the department in charge of that business area while company-wide risks are handled by departments that carry out business on a company-wide basis. These departments manage the risks appropriately, following the PDCA cycle.

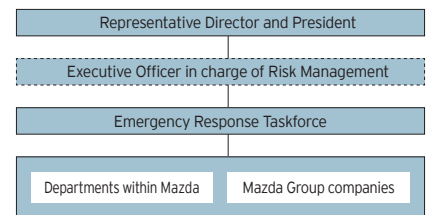
e In the event of an emergency, such as a natural disaster or situation that creates serious managerial consequences, Mazda takes appropriate measures in reference to its internal regulations, including establishing an emergency response taskforce when necessary. **f** In FY March 2017, to further clarify risks in the company and its subsidiaries and to strengthen the risk management, the Risk & Compliance Committee ascertained and evaluated the function of risk management and compliance. Based on these results, the committee has established a medium-term action plan for the next three years. The committee also periodically reports its initiatives to the Board of Directors.

Moreover, to prevent suspension of its businesses from causing a serious impact on society, Mazda has been developing measures to be prepared for possible future large-scale earthquakes, such as the expected Nankai Trough earthquake.

e Risk Management Structure in Normal Times



f Emergency Risk Management Structure



For incidents that fall outside the scope of existing risk management organizations and require a coordinated interdepartmental response, the executive officer in charge of risk management will consult with the president, establish an emergency response taskforce, and appoint a general manager for this taskforce.

■ Annual Report 2017
<http://www.mazda.com/en/investors/library/annual/>
 • Business risk (pp.47-49)

Basic Policies of Risk Management

Concept

With the advance of IT and globalization and the growing awareness of environmental issues and compliance with the law, the environment surrounding the company's activities is rapidly changing, and it can be expected to change even further in the future. In order to realize this "Corporate Vision," it is necessary to specifically address these changes in the environment and minimize the potential risks that threaten to interfere with the continuous, safe furtherance of our business activities. The company must also create a system that will allow a rapid recovery when abnormal or emergency circumstances occur and gain the strong trust from our customers, shareholders and the community. The entire Mazda Group shall address risk management and work toward becoming a company that can truly be trusted.

Goals

In the following ways, Mazda shall strive for Enhancement of Corporate Value and Harmony with the Community thereby realizing the company's "Corporate Vision."

1. Ensure the health and safety of all those who make up the Mazda Group as well as local citizens
2. Maintain and increase the trust from the community
3. Make appropriate use of the tangible and intangible corporate assets of the Mazda Group
4. Secure interests of the stakeholders, earn their trust and meet their expectations
5. Support the functions of the organization and seek a rapid restoration of business activities at the time of abnormal circumstances or emergencies

Action Plan

All corporate officers and all employees shall have responsibility for carrying out risk management based on the awareness that risk exists in every facet of business activities. Risk management shall be addressed from all angles at every stage of operations.

Methods

Risk management activities shall be divided into two types:

1. Continuous efforts to prevent and mitigate potential risks existing in everyday duties and the promotion of the proactive use of these activities (risk management)
2. Minimization of damage resulting from crisis and rapid recovery (crisis management)

Scope of Application

1. Shall include the control of all types of business risk.
2. Shall apply to the entire Mazda Group including subsidiaries and related companies.

Response to Accidents and Other Emergencies

Mazda has been systematically undertaking preparatory measures for major earthquakes since FY March 2004. Examples of such “hardware” and “software” measures include quake-proofing buildings and facilities, and raising embankments, as well as maintaining emergency-contact networks, organizing self-disaster-defense teams, developing response manuals, selecting tsunami evacuation areas, and carrying out evacuation drills. Moreover, disaster drills are held annually both jointly with the fire authorities and solely by Mazda’s self-disaster-defense teams to confirm initial response to an emergency, based on lessons learned from the Great East Japan Earthquake and the earthquakes that occurred in Kumamoto and Tottori Prefectures.

In FY March 2017, Mazda deployed disaster-prevention equipment and facilities, including rescue tools and emergency toilets systems, across the Company to strengthen its preparation for large disasters. Also, starting in FY March 2018, Mazda is scheduled to introduce a system to automatically confirm employees’ safety in the event of a large-scale disaster.

Steady efforts to enhance both the “hardware” and “software” aspects of emergency readiness will continue in preparation for the expected Nankai Trough Earthquake or other large earthquakes and tsunami associated therewith. Mazda also supports local communities’ disaster prevention activities through the dispatching of fire engines and other means.

Information Security

Personal information and other important information are appropriately managed and protected based on the established information management policies and internal regulations, so as to ensure information security.

To raise employees’ awareness about information security, Mazda requires its employees to execute training on the management of confidential information, protection of personal information, and IT security. When newly joining the Company, management of confidential information is covered in the introduction program, while e-learning is used for personal information protection and IT security training. Other continuous education efforts are also available, including an Intranet site dedicated to information and knowledge on information security.

For companies in the Mazda Group, Mazda provides guidelines and educational tools regarding information security, realizing a group-wide effort to ensure information security.

IT Security Management Rules

The IT security policy based on the BS 7799*¹ framework has been established as IT security management rules, under which the mechanisms for security control and monitoring that should be incorporated into IT systems are determined. Whether such mechanisms are properly installed and operated is confirmed on both a regular and random basis.

9 Number of participants in drills at Mazda Head Office

Drill for disaster response, firefighting and first aid (using AED) in preparation for an earthquake, tidal wave, etc.

	FY March 2015	FY March 2016	FY March 2017
Participants	18,700	19,100	19,021

*1 Standards on information security management established by the British Standards Institution (BSI), on which ISO/IEC27001 & 27002, the current international standards for information security management, are based.

Protection of Personal Information

Mazda rigorously protects personal information in line with its own Personal Information Protection Policy.

Handling rules are set out in order to ensure appropriate management of personal information, regular examination of management records for retained personal data is taken, and management statuses are checked once a year. In cases in which the handling of personal information is entrusted to outside parties, such contractors are carefully selected based on a checklist which determined the necessary items including security management. The Mazda Call Center responds to customers who wish to inquire about the Company's handling of personal information and those who request disclosure regarding privacy issues.

Mazda and its Group companies appropriately comply with the revised Act on the Protection of Personal Information that came into effect in 2017.

Personal Information Protection Policy

The Company endeavors to adequately protect the personal information of its customers, business partners, employees and other parties in accordance with laws and regulations on the protection of personal information and the basic guidelines described below.

1. Mazda shall establish Regulations for the Protection of Personal Information, to be adhered to by all parties that handle personal information.
2. Mazda shall put in place a presiding supervisor for the management of personal information, and provide corresponding educational activities for its employees (directors, employees, part-time workers, temporary agency workers, etc.) and other related persons.
3. Mazda shall acquire personal information through appropriate means. When collecting personal information, Mazda shall either inform that person of the purposes of use and its contact address, or announce such information by a well-recognized method or methods (such as through a website).
4. At Mazda, personal information shall only be utilized by those who have been authorized to manage such data, to the extent disclosed to the parties concerned or publicly announced, and within the scope necessary.
5. Mazda shall take all necessary measures required by law, including obtaining consent from the relevant party, for the provision of such personal information to a third party.
6. If Mazda assigns a third party to any business relating to personal information, the Company shall make an appropriate selection of the assignee for such business, and take all necessary measures required by law, such as conducting necessary and adequate supervision.
7. If Mazda receives any claim for disclosure, correction, suspension, or elimination of all or any part of the personal information retained by the Company, Mazda shall react appropriately in accordance with laws after the Company confirms that said claim was made by the relevant party.
8. Mazda shall ensure reasonable security measures, and continuously improve such measures to prevent illegal access, loss, destruction, falsification, and/or leakage of personal information.

Basic Policy on Intellectual Property

Mazda's overall vision for intellectual property is to use intellectual property as a management resource in support of its business management and enterprise activities, based on respect for its own and others' intellectual property. Based on this vision, Mazda has established an Intellectual Property Committee to discuss and decide key items regarding intellectual property. The committee is comprised of division general managers from related divisions and chaired by an executive officer responsible for intellectual property issues. Also, the invention incentive system increases motivation for inventions among employees working at the forefront of research and development. **h**

For its Group companies in Japan and overseas, Mazda supports them in developing/ implementing policies and establishing systems for handling intellectual property, with the aim of enhancing the intellectual property management functions of the entire Mazda Group.

h

Invention and device awards

Once a year on Mazda's foundation day, certificates of commendation, commemorative medals, prize money, etc. are presented to the selected recipients through the manager of their department. No limit is set for the amount of prize money, so that inventors are fully rewarded for their contribution.

Protection of Intellectual Property and Intellectual Property Risk Management

Mazda's dedicated Intellectual Property Department leads Company activities regarding intellectual properties so as not to infringe upon the intellectual property rights of other companies, and conducts strategic activities aimed at fiercely protecting, accumulating, and making optimal use of the intellectual properties generated through these in-house activities.

- 1.Exhaustively uncovers and globally obtains rights concerning intellectual properties created by its business activities, including new technologies, markings, model names and vehicle designs, and protects Mazda technologies and the Mazda brand.
- 2.Takes steps to exhaustively investigate as well as prevent and solve any problems regarding intellectual properties that may obstruct business activities in each domain, such as infringement of other parties' patent rights; trademark rights, design rights and copyrights; and violations of the Unfair Competition Prevention Act.

To avoid patent litigation driven by patent trolls*¹, which has been increasing mainly in the United States, Mazda joined the License on Transfer Network*² in March 2015.

Awareness-Raising Activities

The Mazda Corporate Ethics Code of Conduct (see p.118) stipulates "Protect confidential information. Never infringe on any intellectual property rights, whether belonging to Mazda or another party," so as to clearly convey a relevant code of conduct to all employees and guide their behavior. The Intellectual Property Department is responsible for the overall management of intellectual property, and also regularly conducts awareness-raising activities to instill respect for intellectual property law. Based on periodic review of risks according to changes in the external environment, the Department offers awareness-raising programs tailored to the management level and position of each employee and executive in Mazda and each Mazda Group company at home and overseas, and to the type of intellectual property in question.

In FY March 2017, to prevent intellectual property-related problems, intellectual education was provided with particular focus on problems of copyright that can arise from the use of the Internet and potential violation of the Unfair Competition Prevention Act, thereby promoting information-sharing and awareness-raising.

Examples of awareness-raising activities

- Preparing manuals for creating and publishing materials
- Developing Mazda-Shared Image-Collection, which collects communication materials that involve no risks of intellectual property infringements

Brand Protection (Measures against Imitation Products)

To protect the customers, the Intellectual Property Department makes a sustained effort in collaboration with related departments to eliminate the risk posed to customers by the purchase of imitation products. This effort is aimed at supporting and improving the strength of the Mazda brand and its trustworthiness, as a brand that continues to be relied on by customers.

- 1.Mazda develops and implements its own measures against the sale of imitation products.
- 2.Mazda actively participates in programs organized by the private and public sectors against imitations.
- 3.Mazda appoints permanent staff from among the members most knowledgeable in intellectual property issues to liaise with countries and regions that are major sources of imitation products. Working with government and other agencies tasked with exposing imitation products, these staff members work to devise measures to stem the flow of such products.

*1 A patent troll is an organization or group that is not engaged in technology development itself but acquires patents for technologies developed by others, for the purpose of demanding unreasonably high patent royalties or settlement money from third parties that use the relevant technologies.

*2 A patent association established in July 2014 by Canon Inc., Google Inc. and some other companies. If a member company sells a patent it owns to an external organization, group, or individual, the license for the patent will be automatically granted to other member companies. (If a patent troll obtains a patent of a member company, Mazda cannot be charged a patent royalty by the patent troll.)



EMPLOYEE'S VOICE

Developing Cars Existing Sustainably with the Earth and Society through Collaboration between the Research & Development and Intellectual Property Divisions

We are in charge of the development of low-compression clean diesel engines and the acquisition of patents. When we applied for the patent for SKYACTIV-D, which was released in 2012, the research & development (R&D) and intellectual property divisions worked together to prepare documents that would allow patent examiners to visualize the images of the elaborately optimized piston shape, so that we could explain to them in an easy-to-understand manner where Mazda's unique technology lies.

In FY March 2017, this patented engine received the Imperial Invention Prize, which is awarded to inventions that have made a significant contribution to the promotion of Japanese technology and the development of the country's industrial economy. The R&D and intellectual property divisions will continue to collaborate in developing of cars existing sustainably with the earth and society.

Toru Niitani (Right)

Intellectual Property Department, R&D Technical Administration Division

Daisuke Shimo (Center) and Sangkyu Kim (Left)

Engine Performance Development Department, Powertrain Development Division

Compliance

At Mazda the concept of compliance applies not only to laws and regulations, but also includes adherence to other rules such as internal guidelines and societal norms and expectations. Business operations are conducted in accordance with the Mazda Corporate Ethics Code of Conduct to ensure fair and honest practice. This also applies overseas; Mazda not only complies with international regulations and the laws of each country and region, but also respects local history, culture, and customs. The Mazda Corporate Ethics Code of Conduct is revised as needed to cope with changes in the social environment, social needs, etc. The Global Employee Engagement Survey, which includes a questionnaire concerning compliance, is conducted to check the employees' degree of understanding of compliance.

Outline of the Mazda Corporate Ethics Code of Conduct

Five principles of "faithful" behavior

1. To comply with laws and regulations, company rules, common sense and sound practice in international society.
2. To be fair and even-handed.
3. To fulfill the company's social responsibilities.
4. To fulfill your own duties truthfully.
5. To be honest.

Guidelines

1. Comply with laws and regulations and the company rules. In a situation where such rules are not clearly defined, make a judgment considering their spirit.
2. Treat employees, customers and clients fairly and justly. Do not obtain from or give anybody an unjust benefit and/or favor taking advantage of your business position.
3. Make distinctions between public and private affairs, and never pocket or abuse the company assets.
4. Keep confidential information. Never infringe on any intellectual property rights, whether it belongs to Mazda or another party.
5. Seek to develop, manufacture and sell products taking human safety and the environment into consideration.
6. Act with a view to seeking sound profit.
7. Respect human rights and human dignity.
8. State the truth honestly and timely in reporting internally and/or to the public.

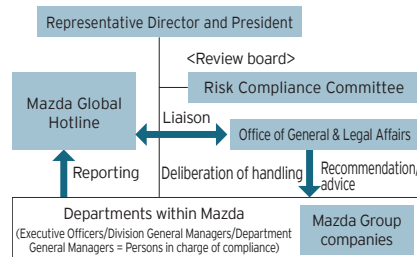
Mazda Global Hotline

In 1999, Mazda established the Ethics Advisory Office to handle employee inquiries about compliance and conduct investigations on ethical matters. In September 2007, the office was renamed the Mazda Global Hotline and the scope was expanded to include domestic and overseas Mazda Group companies and contact points were established both inside the Company and outside (attorney's office). To ensure that all employees are aware of this hotline, Mazda has distributed the Compliance Card with the contact information to all employees at Mazda Motor Corporation, and ensures awareness of this hotline at every opportunity through compliance education. Mazda has also introduced the hotline to Mazda Group companies in Japan and overseas via each company's Intranet. This hotline is also introduced to suppliers so that they can report the questions arose from any transaction.

The Mazda Corporate Ethics Code of Conduct states that "Persons who report incidences of violation of the law and persons who cooperate in investigations of alleged violations shall not be subjected to retribution or disadvantageous treatment." In addition, Mazda has set up several contact points to provide various consultations for employees.

These contact points aid in the early detection and appropriate handling of important compliance-related information. The critical cases are reported to the management.

i Compliance Promotion System



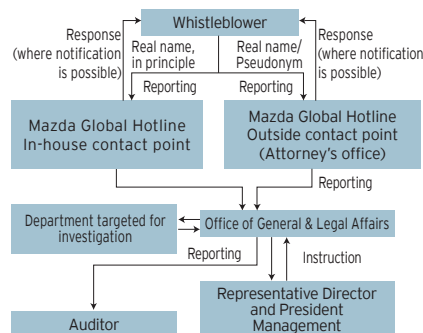
Global Employee Engagement Survey Percentage of positive responses (Consolidated)

	FY March 2015	FY March 2016	FY March 2017
Legal and company policy compliance is strictly observed in this company.	73%	73%	75%
This company deals properly with violations of compliance.	70%	71%	73%

Overview of Compliance Activities

- 1997 Ethics Committee established under the direct supervision of the president
- 1998 Mazda Corporate Ethics Code of Conduct established. Guidelines on Entertainment and Gifts established
- 1999 Ethics Advisory Office established
- 2002 Compliance Seminar held for executives and middle managers (once a year in principle)
- 2005 A mandatory e-learning course held for all indirect employees Ethics Questionnaire conducted targeting executives and employees A wallet-size "Compliance Card" is distributed to every employees in the Mazda Group.
- 2007 The Mazda Global Hotline established
- 2008 Distribution of "Learning from Other Companies" and "Compliance Communications" started on the Company Intranet The Ethics Committee reorganized to Risk Compliance Committee
- 2013 Compliance Card revised and disseminated through the Mazda Global Hotline
- 2017 Distribution of "Let's Learn Together about Compliance!" started on the Company Intranet

j Mazda Global Hotline Outside contact point



k Various Contact Points



Compliance Education

Mazda believes that mere adherence to laws and regulations is not enough; it is important to have each and every employee understand the essence of such laws and regulations and to practice integrity. Various compliance education activities are organized in line with the changes in the social environment and social needs. In FY March 2017, around 1,150 employees took part in these activities. The content of voluntary learning opportunities using e-learning is also being enhanced. Moreover, the Company also uses its Intranet to raise employee awareness of compliance issues. For example, Mazda distributes a case study series entitled "Learning from Other Companies," which highlights problems and best practices at other companies in terms of compliance and risk management. Another Intranet-based study tool is a monthly series entitled "Compliance Communications," which draws on familiar situations to prompt better understanding of compliance. Every month around 4,000 employees read these materials. In February 2017, the Company renewed its "Compliance Communications" and started "Let's Learn Together about Compliance!" on the Company Intranet, presenting case studies on themes closely related to daily operations in a conversational form. |

This information is also shared with Mazda Group companies, who apply it in their own compliance education activities. There are also department-specific compliance efforts, such as the arrangement of regular meetings using the Compliance Communications. Continued initiatives targeting executives and middle managers are also taking place to reemphasize the importance of compliance through compliance seminars and timely provision of information.

Enhancing Global Tax Compliance

The Mazda Group handles tax affairs with integrity, in keeping with the Mazda Corporate Ethics Code of Conduct and other relevant rules and regulations.

It is an important duty as a good cooperate citizen to pay taxes in an appropriate and timely manner, in accordance with followings: international rules, each country's laws and regulations, and the Company's Finance Control Guidelines. With this in mind, Mazda contributes to social development in each country, by voluntarily fulfilling its tax obligations.

The Mazda Group understands the purport of the Base Erosion and Profit Shifting (BEPS) projects, which are promoted by the OECD and the G20 countries. The Group will not engage in tax-evasion behaviors through the abuse of tax havens, but will sincerely cooperate in implementing information disclosure in response to requests from the tax authorities of each country, to ensure tax transparency. Particularly in its global business operations, Mazda is well aware of the importance of transfer pricing taxation as a means of determining proper profit-sharing among Group companies in the respective countries. By promoting active dialogue with tax authorities through effective use of Advance Pricing Arrangement, the Mazda Group is committed to transparent and fair transfer pricing.

The Group will continue to establish trusted relationships with the tax authorities in each country and enhance tax compliance from a global standpoint, while taking into account changes in the social environment and needs regarding tax affairs.

| Themes of "Compliance Communications," "Learning from Other Companies' Case Examples," "Let's Learn Together about Compliance!" and "e-Learning" (Example)

- Agreement
- Insider Stock Trading
- Act on Subcontracting
- Act against Unjustifiable Premiums and Misleading Representations
- Anti-Monopoly Act
- Security Export Control
- Non-Disclosure Agreement
- Copyright
- Personal Information
- Security Control
- Ordinances on Exclusion of Violence Group
- Unfair Competition Prevention Act
(including bribery of national civil servants)
- Outsourcing Agreement
- And others

Supporting Enhancement of Compliance at Dealerships in Japan

To support transparent management throughout all Mazda Group companies, Mazda systematically promotes the strengthening of compliance among its dealers in Japan based on the principle as compliance being the base for building the brand.

Specific initiatives:

1. CSR Committee meetings are convened in conjunction with the Mazda Dealership Association in order to discuss basic policies and measures related to compliance and internal controls, and request the promotion of compliance to all Mazda dealerships at every opportunity such as during the conferences for dealership representatives.
2. Know-how sharing including examples of practical and effective activities is promoted. The Internal Controls Conference with persons in charge from dealerships has been held twice a year since FY March 2012. The conference was reorganized in FY March 2016 as Internal Controls Head Conference with additional participation of responsible persons to strengthen the promotion of compliance.
3. Questions encompassing risks concerning standard business process and laws particular to dealerships in Japan as well as internal control were added to the Self-Diagnosis Checklist on Internal Controls, which is deployed throughout the Mazda Group. It supports the promotion of dealership management in compliance with related laws and improvement of work efficiency.
Starting in FY March 2017, the Self-Diagnosis Checklist began to reflect examples of dealerships' activities. It is to promptly share best practices with related parties and to promote more practical self-diagnosis.
4. Education tools, such as one-point lessons on compliance about near-at-hand case studies and specialized e-learning programs, are introduced on the compliance site on the Intranet used by all dealerships in order to promote understanding of compliance and internal controls among dealership employees.
5. For immediate reporting of problems related to compliance, internal controls, and other issues, an in-house consultation contact point has been set up at each dealership, and the effective use of Mazda Global Hotline reporting system has been reminded.