



Inspiring People through Cars Sustainable with the Earth and Society

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My name is Akira Marumoto, and I was appointed Representative Director, President and CEO of Mazda Motor Corporation in June 2018. I would like to thank all of the Mazda Group's stakeholders for their ongoing understanding and support. I would like to extend our deepest sympathy to all who were affected by a series of natural disasters that hit different parts of Japan this summer. Hiroshima was no exception. Mazda's hometown was severely affected by the record rainfalls in July 2018. As a car company founded and based in Hiroshima, we've taken actions to help those in need and speed up recovery. We've dispatched employees as volunteers, provided vehicles, and supplied goods and materials to affected suppliers. We will continue supporting the reconstruction and recovery effort in partnership with local communities and suppliers (see p. 7). To our stakeholders, I would like to apologize again for the concern we caused with the improper handling of test data in final vehicle inspections, an issue uncovered by our investigation into sample testing of fuel economy and emissions during final vehicle inspections. We have reported the results to Japan's Ministry of Land, Infrastructure, Transport and Tourism and are committed to taking all necessary actions and measures to ensure it never happens again (see p.43).

Laying a solid foundation for qualitative growth and higher brand value

In the March 2018 fiscal year, under the Structural Reform Stage 2 medium-term business plan, Mazda worked to offer appealing products that provide both driving pleasure and outstanding environmental and safety performance, to achieve qualitative growth in all areas of its business, and to further enhance its brand value. Looking at product initiatives, in the Japanese market we launched the CX-8, a new three-row crossover SUV. Since its launch in December 2017, the model has continually exceeded sales volume targets. We also expanded and improved our lineup of advanced safety technologies in an effort to provide safety and peace of mind to a wider range of customers. In production, we worked to create a flexible production system in order to respond rapidly to the growing demand for crossovers around the world. In August 2017, for example, we expanded the crossover vehicle production capacity at our Hiroshima Plant, and in October we commenced production of the CX-5 crossover at the Hofu Plant. In April 2018, we announced the "Direction of Future

Frameworks" as the basic direction of our future initiatives for sustainable growth (see pp. 8-13). Mazda regards the next three years as a time to secure a solid foundation for strong growth from the March 2022 fiscal year. On that basis, we will work to enhance product competitiveness through the development and introduction of next-generation technologies and products, and will accelerate the reform of our sales network, particularly in the United States. In addition, we will advance our alliances with Toyota and other companies and leverage the start of operations at the new plant in the United States.

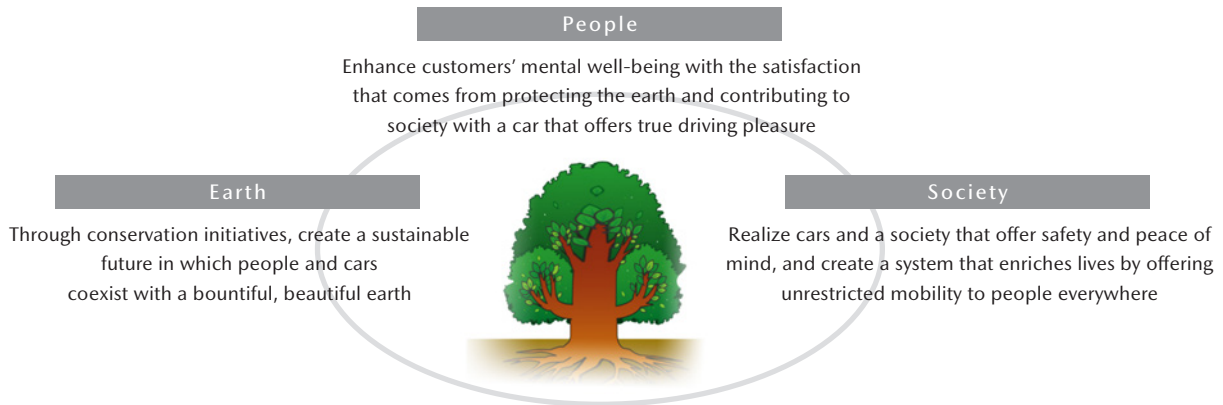
About the agreement of the business alliance with Toyota Motor Corporation(August 2017)

- Establishment of a joint venture to produce finished cars in the U.S.
- Joint development of technologies for electric vehicles
- Collaboration in the next-generation areas, including connected technologies and advanced safety technologies
- Further complement each other's product lineups

For details: <http://www2.mazda.com/en/publicity/release/2017/201708/170804e.pdf>

Steady action toward Sustainable Zoom-Zoom 2030

At Mazda, we see it as our mission to bring about a beautiful earth and to enrich people's lives as well as society. We will continue to seek ways to inspire people through the value found in cars.

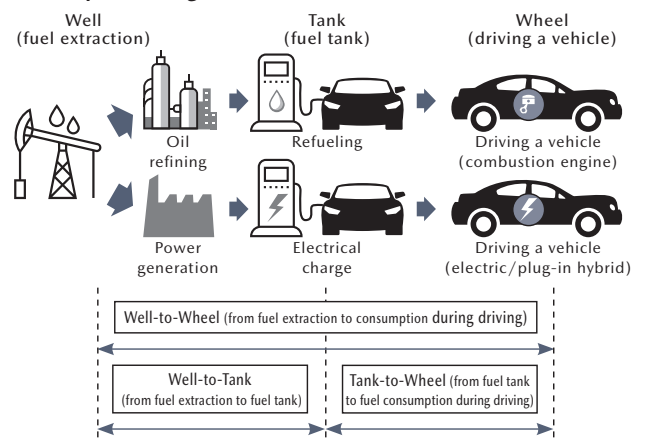


In August 2018 Mazda announced "Sustainable Zoom-Zoom 2030," our long-term vision for technology development leading up to the year 2030. Mazda believes in a simple yet powerful idea of the car as a source of excitement and inspiration. We are firmly committed to the joy of driving and will continue to deliver the brilliance of life through our products and services. It is this spirit that drives us to make our emotional connection with customers stronger and deeper. It is this driving joy that runs at the base of our challenges to solving issues faced by the earth, society and people. "Sustainable Zoom-Zoom 2030" is the roadmap and vision that lays out those challenges. As the concrete steps demonstrating our commitment to delivering on this vision, we announced the Skyactiv-X next-generation gasoline engine along with our next-generation vehicle architecture, which we call Skyactiv-Vehicle Architecture and our next-generation design vision model, Mazda Vision Coupe, was unveiled at the Tokyo Motor Show in 2017. While keeping an eye on the changes that are occurring almost daily in the automotive industry, Mazda will continue to push forward with our strategy. We are witnessing an emergence of new auto technologies such as CASE -- Connected, Autonomous, Shared and Electric. To us, the spread of these new technologies and services will enable more efficient, safe and unrestricted mobility, potentially bringing new value to automobiles and to society.

First, for the earth, our greatest challenge lies in reducing carbon dioxide emissions to curb global warming. To that end, Mazda is embracing a well-to-wheel approach and working to reduce carbon dioxide emissions throughout the car's life cycle. We

are aiming to reduce our corporate average carbon dioxide emissions to 50 percent of 2010 levels by 2030, with a view to achieving a 90 percent reduction by 2050. Our approach and our targets align perfectly with the Paris Agreement and the Strategic Commission for the New Era of Automobiles set up by Japan's Ministry of Economy, Trade and Industry. We are committed to further accelerating our efforts to achieve these targets. As automotive power source fitness, energy situations and energy mixes vary from country to country, a multi-solution approach is needed to implement the right solution for the right region.

Conceptual diagram of Well-to-Wheel*



* Where fossil fuel is extracted and used to drive a vehicle.

Mazda plans to introduce electrification technologies to all the cars we make by 2030. Meanwhile, we will continue to perfect the internal combustion engine, which is expected to remain the predominant power plant for many years yet, through heat insulation and other improvements. Other, tandem efforts toward carbon-neutrality will be essential to realize the reduction in carbon dioxide emissions we hope to achieve by 2050. The automotive industry is expecting a wider penetration of recyclable liquid fuels, such as biofuels made from microalgae. To help spread these alternative fuels and solve relevant technical issues, Mazda is taking part in a collaboration between industry, academia and government (see pp. 129-133). For regions that generate a high ratio of electricity from clean energy sources or restrict certain vehicle types to reduce air pollution, EVs and other electric drive technologies are the optimal solution. We will exploit the advantages of electric drive systems and combine them with Mazda's proprietary technologies to produce EVs that fully deliver the joy of driving.

Secondly, for society, Mazda will deliver safety and peace of mind based on its human-centered approach to vehicle development. We are witnessing the emergence of new causes of car accidents, mainly in developed countries. In our effort to create a safer car society, Mazda is, of course, committed to improving our advanced safety technologies and making more of these features standard in all cars. On top of that, we are aiming to make the Mazda Co-pilot Concept, which uses autonomous driving technologies, standard by 2025. We will also be examining the potential of new business models that leverage connectivity technologies to help fulfill the mobility needs of those who have difficulty driving or live in sparsely populated areas, issues compounded in countries with population aging or decline.

Last but not least, people. We want more people to experience

the joy of driving a Mazda, as well as the sense of delight, accomplishment, and fulfillment that comes from contributing to the planet and society through driving. When we talk about driving joy, we don't mean the adrenalin rush or feeling of acceleration you might experience on a roller coaster ride. It is a product of the car's fundamental abilities to accelerate, turn and stop in common driving situations — on your daily commute, going to the store and on longer trips with your family. A Mazda feels like a tool you've been using for years. You relish the interaction and the pleasure it brings which makes you want to keep on driving. And because it's engineered to match people's sensitivities, the car's movements feel natural to passengers, who can enjoy the ride in comfort and peace of mind. The same car should captivate people the moment they see it, and the way its expression changes in different environments and lighting means you never tire of looking at it. Owning such a car gives drivers a deep sense of fulfillment and a desire to keep on driving whenever and wherever. That's how we define the joy of driving. Many of us today enjoy the benefits of economic affluence brought by industrialization and automation. Yet, an increasingly sedentary lifestyle and fewer opportunities for face-to-face interaction seem to be adding to the stress of daily life. To help remedy this situation, we will continue to hone the Jinba-ittai feeling of being one with the car that unlocks people's potential and energizes them physically and mentally, as well as our designs that enrich the lives of all who see our cars.

Another crucial task is to balance these wide-ranging R&D activities with business efficiency. Fully utilizing the model-based development techniques (see p. 127), which are our strength, will allow us to improve quality and enhance development efficiency. We will also be working with alliance partners in areas in which we can cooperate and outsourcing when it makes strategic sense to do so.

We are confident that, despite our relatively small size, initiatives such as these will help us respond to the need for multiple powertrain solutions while maintaining good business efficiency.

Growing responsibly with society

Mazda aims to grow with society through fulfilling our corporate vision. Every Mazda employee strives to meet the needs and expectations of our diverse stakeholders while also integrating CSR initiatives into our daily operations. As a result, in September 2017 Mazda was selected for the first time as a component of the Dow Jones Sustainability Index (DJSI).^{*1} Our inclusion in this global ESG investment index serves as recognition of Mazda's corporate sustainability and validation that our efforts are moving in the right direction.

In January 2018, Mazda signed the United Nations Global Compact.^{*2} Mazda, which incorporates corporate social

responsibility into its day-to-day operations, will work to uphold the 10 principles of the UN Global Compact, and is committed to contributing to the development of a sustainable society through these activities.

^{*1}. Investment indices based on performance in the areas of ESG (environment, social and governance). Developed and launched jointly by S&P Dow Jones Indices LLC of the U.S. and RobecoSAM AG of Switzerland in 1999, the DJSI is globally recognized by investors as the oldest ESG investment index.

^{*2}. The UN Global Compact is a voluntary effort by corporations and organizations to be good corporate citizens by exercising responsible, creative leadership and to build a global framework for sustainable growth. More than 12,000 corporations and organizations in approximately 160 countries worldwide are participants or signatories to the compact.

Wholehearted commitment to growing as a trusted company

We want to be a brand that inspires deep loyalty, so customers will choose to stay with Mazda for life. We call this "Mazda Premium." While the word premium may call to mind expensive brands, for us Mazda Premium means making the best cars in the world, brightening people's lives through the power of driving pleasure, and creating an emotional connection with our customers. It's an aspiration we have had since the days Mazda began building three-wheeled trucks, and one we will continue to pursue with unrelenting passion.

With vehicles sold in more than 130 countries and regions

worldwide and manufacturing operations in seven, Mazda has a social responsibility to many stakeholders. Since becoming president in June 2018, I have been very aware of the gravity of this responsibility and the enormity of my mission. I pledge to value dialogue with our stakeholders as we strive to realize our corporate vision and achieve sustainable growth for both Mazda and society. We will continue to work wholeheartedly to grow as a company that is truly trusted by our global stakeholders, and inspire people through cars that are sustainable with the earth and society.

Recovery support efforts following heavy rains*¹ in July 2018

As a company based in an area heavily affected by the disaster, Mazda is placing its highest priority on the region's recovery and moving swiftly to provide personnel and material support. For example, we revised our "Heartful Holidays"*² program to encourage more employees to volunteer in the recovery effort.

To ensure the earliest possible recovery, we will continue working with local communities and suppliers to minimize the impact of our operations on safety and transportation conditions and ensure that government and community-led relief efforts are unimpeded.

Mazda's basic approach

1. Our highest priority is to support victims and aid the recovery of affected areas.
2. Deal with our own issues in cooperation with local communities and business partners to ensure that recovery efforts are not hindered.
3. Without waiting, expand the scope of our thinking as to what we can do right now and proactively propose support measures.

Summary of relief efforts to date (as of August 31)

■ Personnel support

• Mazda employees have engaged in volunteer work (medical assistance,*³ field work,*⁴ and administrative support*⁵) for a total of 1,729 man-days.*⁶

■ Material support

• A total of 2,950 sandbags, 25,617 liters of drinking water, 1,764 pairs of work gloves, 1,688 dust masks, 4,840 towels and 436 dust cloths have been provided to affected areas or used during volunteer work.

• Company cars have been loaned in response to requests from affected areas on 12 separate occasions.

• Ten trucks for use in recovery efforts were donated to affected areas during August.

■ Facilities

• Mazda's Taibi Training Center in Saka, Aki-gun, was opened as an accommodations facility for volunteers from August 1 through 30.

■ Donations

• Mazda has donated 100 million yen to relief efforts. (80 million yen to Hiroshima prefecture, 20 million yen to the Japanese Red Cross Society).*⁷

• Donations were collected in the lobby of the headquarters building in Fuchu-cho, Hiroshima, from July 26 through August 31 (total collected: 127,988 yen).

*1. A series of heavy downpours that caused flooding and landslides across a large area of Japan, particularly in the west, in July 2018.

*2. Revised to increase holiday pay from 70% to 100% and the number of days that can be taken from 10 to no limit.

*3. Doctors, nurses and public health nurses from Mazda Hospital have provided medical assistance for a total of 165 man-days.

*4. Employees have engaged in field work, including clearing earth and debris, cleaning and tidying up both inside and outside houses, for a total of 489 man-days.

*5. Others have engaged in administrative support at volunteer centers and conducted hearings to ascertain what supplies and assistance are required for a total 57 man-days.

*6. Including 863 man-days of people taking "Heartful Holidays" to engage in volunteer work and 155 man-days and unpaid volunteer work by members of the Mazda Shinwa-kai sports teams.

*7. Announced on July 12: <http://www2.mazda.com/en/publicity/release/2018/201807/180712a.pdf>