MESSAGE FROM THE PRESIDENT AND CEO

In 2020, we will celebrate the 100th anniversary of Mazda's founding. As we head toward this key milestone, we dedicate ourselves to prizing Mazda's uniqueness in co-creating with others as we seek to enhance corporate value over the medium to long term to sustain and develop the Company for the next 100 years.
Fiscal Year March 2019 Initiatives
In the fiscal year under review, the final year of Structural Reform Stage 2, the Mazda Group continued to make efforts to offer attractive products that provide driving pleasure and outstanding environmental and safety performance, and worked to further raise its brand value with the aim of realizing qualitative growth in all areas of its business.

■ Beginning a New-Generation of Products
We launched the all-new Mazda3 as the first of our new products incorporating new-generation technologies. Mazda has dramatically enhanced the car’s fundamental attributes based on its philosophy of designing the car around the human being. Mazda3 is a global strategic model that has led the Company from both a brand and business growth perspective. It has sold more than six million units* since its debut in 2003, delivering driving pleasure to more customers than any other model in our current product lineup, and has been a mainstay of production at key plants in Japan and overseas.

In August 2017, we announced “Sustainable Zoom-Zoom 2030”*, a long-term vision for technology development. This takes a long-term perspective and sets out how Mazda will make use of driving pleasure—the fundamental appeal of the automobile—to help resolve issues facing the earth, society, and people. The all-new Mazda3 is the first model to feature the technologies that will realize this vision, namely the revolutionary new Skyactiv-X gasoline engine and a set of structural technologies called Skyactiv-Vehicle Architecture. It is also the first to adopt a more mature interpretation of the Kodo design language. Sales of the all-new Mazda3 began in North America in early 2019, and the model has since been launched in Europe, Japan and other markets.

Mazda’s second new-generation model, the Mazda CX-30 compact crossover SUV, made its world premiere at the Geneva International Motor Show in March 2019. Positioned as a new core product, the CX-30 has been designed as an essential partner in customers’ daily lives. The CX-30 is being rolled out to global markets, with sales starting from Europe in summer 2019.

With the introduction of these new-generation products, we are aiming for sustainable growth in sales and profits by improving brand value while maintaining a sales focus on communicating the value of our products.

■ Electrification and Connectivity Strategies*
In October 2018, we announced our technology strategy for electrification and connectivity as a concrete initiative to realize our “Sustainable Zoom-Zoom 2030” long-term vision for technology development.

With electrification technology, we will further refine the internal combustion engine, which is expected to power most cars well into the future, while developing small and light electrification technologies. In this way, we will continue to pursue the reduction of CO₂ emissions from a well-to-wheel perspective while promoting the evolution of driving pleasure. We are pursuing development that enables us to offer multiple solutions approaches, recognizing that in regions that generate a high ratio of electricity from clean energy sources or restrict certain vehicle types to reduce air pollution, electric vehicles (EVs) can be an optimal solution. With a view to reducing corporate average “well-to-wheel” CO₂ emissions by 90% from 2010 levels by 2050, we will introduce electrification technologies to all Mazda cars by 2030.

With regard to connectivity technology, Mazda, consistent with its human-centered development philosophy, is developing and testing connectivity technologies that offer an enriching experience of the joy of life, connecting people by facilitating the sharing of experiences and feelings through cars. By offering this new value together with the joy of driving, Mazda aims to inspire people and enrich society while working to resolve mobility-related issues.

*1 Based on our in-house research as of August 2019
**U.S. Market Initiatives**

We have been making good progress with sales network reforms in the United States. We have launched a car dealer support program that rewards compatibility with high brand standards, and we have been making headway in expanding the network of next-generation brand dealers. In addition, we have been accelerating improvements in operational quality by strengthening marketing, services, and training, centered on 35 key markets.

In November 2018, we held a ground-breaking ceremony to mark the start of construction of a joint venture facility being built by Mazda Toyota Manufacturing, U.S.A., Inc. This plant is scheduled to begin operations in 2021. In April 2019, a ceremony was held commemorating the placement of the first steel column. Preparations are going smoothly, with major construction work of the plant buildings and related infrastructure already under way.

We are continuing to put in place the foundations for growth in our most important market, the United States.

**Medium-Term Management Policy**

Mazda will celebrate the 100th anniversary of its founding in 2020. I see it as my responsibility to lay the foundation for Mazda’s sustained development over the next 100 years. To ensure that Mazda continues to thrive and develop, we must prize our uniqueness and co-create that uniqueness with others. I believe co-creating with others will sustain Mazda’s uniqueness.

In formulating the Medium-Term Management Policy, we first reviewed the Structural Reform Plan and Structural Reform Stage 2, took a fresh look at our strengths and weaknesses as a company, and took into account the external environmental factors affecting the automotive industry as a whole.

We then defined three priority areas in which we need to focus our business resources and efforts as well as the direction of initiative in each area.

**Three priority areas in which we need to focus our business resources**

1. Investment in unique products and customer experience
2. Curb expenses that depreciate our brand value
3. Investment in the areas in which we need to catch up

First, in order to further enhance brand value, we will maintain and strengthen investment in unique products and technologies, one of our key strengths, and in enhancing the customer experience. We will also strive to increase the number of customers who understand the value Mazda offers to support sales growth. Second, we will drastically curb spending on incentives, quality-related issues and other outgoings that can depreciate brand value. Third, we will invest in areas in which we have so far not made sufficient headway and where we need to catch up. These include (1) optimal production systems that support local production for local consumption (as with our new joint venture plant in the United States), (2) infrastructures for
connectivity and sharing services, (3) strengthening alliances with other OEMs to adapt to CASE*4 trends in the future, and (4) our employees and their working environments.

Moving forward, we will implement concrete measures guided by this policy. We will make continuous efforts to take up challenges to attain our targets for fiscal year March 2025 and our longer-term “ideal” for the brand, seeking sustained growth and enhancement of corporate value over the medium and long term.

**Fiscal Year March 2025 Targets**

<table>
<thead>
<tr>
<th>Category</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>About ¥4.5 trillion</td>
</tr>
<tr>
<td>Profitability</td>
<td>Stable earnings</td>
</tr>
<tr>
<td></td>
<td>ROS*: 5% or higher / ROE*: 10% or higher</td>
</tr>
<tr>
<td>Investment for the future</td>
<td>Capital investment + R&amp;D investment: 7%–8% of net sales (on average)</td>
</tr>
<tr>
<td></td>
<td>Sales network, customer experience, infra-structure, employees &amp; work environment, etc.</td>
</tr>
<tr>
<td>Financial structure</td>
<td>Maintain net cash position</td>
</tr>
<tr>
<td>Shareholder returns</td>
<td>Sustainable payout ratio at 30% or higher</td>
</tr>
<tr>
<td>Sales volume</td>
<td>About 1.8 million units</td>
</tr>
</tbody>
</table>

**Targeting Sustainable Growth**

The business environment surrounding the Company is undergoing rapid changes. In order to enable faster business decision-making, further enhance discussion of management strategies, and strengthen supervisory functions of the Board of Directors, the Company transitioned to a Company with an Audit and Supervisory Committee structure from a Company with Audit and Supervisory Board structure. We will continue seeking to improve corporate governance.

By introducing products with outstanding environmental and safety performance, we aim to help address social issues, such as environmental conservation and the realization of a safe and secure society, while enhancing our corporate value over the medium to long term. To sustain and develop the Company over the next 100 years, we will prize Mazda's uniqueness in co-creating with others as we seek to enhance corporate value over the medium to long term.

In addition, we will strive to enhance timely and appropriate information disclosure to and engage in constructive dialogue with shareholders and investors, while at the same time continuing to strengthen corporate governance. The Mazda Group will make every effort to grow into a company truly trusted by shareholders, investors, and all other stakeholders.

I would like to ask our shareholders and other investors for their continued support.

August 2019

Akira Marumoto
Representative Director, President and CEO

---

*4 An acronym signifying the new technologies of Connected technology, Autonomous driving technology, Shared services, and Electrification technology
*5 Operating income ratio
*6 Return on equity