INTERVIEW WITH THE EXECUTIVE VICE PRESIDENT: MEDIUM-TERM MANAGEMENT POLICY

The new Medium-Term Management Policy covers six years and sets out three priority areas in which we need to focus our business resources and the measures we intend to take in each area.

We are committed to reinforcing Mazda’s presence as a unique and vigorous company eager to take up challenges.

What points did you consider in forming the Medium-Term Management Policy?

In formulating the Medium-Term Management Policy, we 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.

In formulating the new Medium-Term Management Policy, we first reviewed the Structural Reform Plan and Structural Reform Stage 2, which we had been working on for the past seven years to transform the business structure, and achieve qualitative business growth and further enhance brand value. To clarify the issues, we looked back to see for what purposes the funds we had earned over the seven-year period had been used.

First of all, we have gained in terms of brand value. Key indicators of brand value—net sales, per-unit revenue, and residual value ratios—all improved. On the other hand, issues remained with disparities in different markets. From a “usage” perspective, we steadily improved brand value by investing in products equipped with
Skyactiv Technology and Kodo—Soul of Motion design, and in reinforcing the sales network. However, sales incentives and quality-related costs that relatively erode our brand value have increased. I also believe we did not invest enough in such areas as infrastructure and building partnerships or in our employees and their working environments. Next, we took a fresh look at Mazda’s strengths and weaknesses. We considered unique products and technologies, and alliances with various partners, as strengths. Set against that, we identified weaknesses in procurement scale merit and other areas that depend on enterprise size. We also considered external environmental factors affecting the automotive industry as a whole, such as further diversification of customer and market needs, uncertainties regarding global social and economic conditions, climate change, and environmental regulations. Based on these points, we defined three priority areas in which we need to focus our business resources, and the direction of initiatives we intend to take 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

Please explain the “three priority areas” and the measures being taken in each.

With “investment in unique products and customer experience,” we will continue and strengthen investment aimed at raising our brand value and work to increase the number of customers who understand the value Mazda offers, thereby achieving revenue growth.

Over the past seven years, net sales, per-unit revenue, and the residual value ratios all improved, but results differed by market. In markets where results have been a little disappointing, I believe that one factor has been a lack of adequate response to diversifying customer demand and market changes. In order to respond to diversifying demand, we will maintain and strengthen investment in unique products and technologies, one of our key strengths; offer a wider range of powertrains, including electrification; and improve leading-edge technologies. Essentially, we are aiming to offer customers greater choice by expanding our coverage of the price spectrum while maintaining our established entry pricing.

In terms of products, we are taking our Kodo—Soul of Motion design, a key Mazda strength, to a deeper level, adopting it for new-generation models including the all-new Mazda3 and the Mazda CX-30. In addition, we are moving ahead with the optimal deployment of Skyactiv-Vehicle Architecture with both small architecture and large architecture to maximize the appeal and distinctive features of our products. In addition to the latest Skyactiv engines, including Skyactiv-X, our small architecture will span mild hybrids, battery EVs, and a range of electrified vehicles with rotary engine range extenders. With large architecture, in addition to a longitudinal straight-four engine, we are moving ahead with preparations to introduce a straight-six Skyactiv-D (diesel) engine and a straight-six Skyactiv-X engine, as well as electrified vehicles such as mild hybrids and plug-in hybrids. We plan to ensure efficient investment in products by further honing the Monotsukuri Innovation we have been promoting.
We will also invest in new CASE technologies and infrastructure. In addition to further reinforcing Mazda’s strengths in control systems and computer modeling-based development, we will make use of alliances including those with existing partners. Although we will use alliances, we still take Mazda’s unique human-centric approach to value creation by reinvigorating car culture and offering a new experience of car ownership so that users of Mazda vehicles feel the richness of life.

We will continue to invest in strengthening our sales network to expand sales and improve customer experience. Along with reorganizing our dealer network, we will enhance the sales network by working together with those on the frontline to improve operational quality through enhanced sales, marketing, services, and training. To improve customer experience, we will use new technologies such as connectivity to strengthen communication that satisfies the requirements of individual customers. We also aim to enhance the customer experience by improving the supply chain to deliver products promptly at a time that suits the customer. We believe this will lead to a reduction in excess inventory, thus helping to achieve business improvements such as higher cash flows and lower incentives.

**How do you plan to “curb expenses that depreciate brand value?”**

**By continuing and reinforcing sales based on communicating product values and improving product quality, thereby tightly controlling expenses that could reduce brand value.**

We aim to maintain and strengthen our policy of sales based on communicating product values leveraging our new-generation product lineup. We plan to steadily expand this approach to all markets. In this way, we intend to curb incentives while improving residual values. We also intend to strengthen trade cycle management* to put high residual values and sales finance to work to encourage more customers to choose Mazda cars when they purchase their next car.

With regard to quality-related costs, we aim to enhance quality assurance through to mass production by utilizing computer modeling-based development, another one of Mazda’s strengths. In addition, we aim to use the on-board communication device in Mazda Connect 2 to quickly solve quality issues that arise after mass production begins and prevent them from spreading. Through these efforts, we will tightly control spending that erodes brand value.

*Trade cycle management is a business model that achieves high residual value and offers customers the latest Mazda vehicles thanks to our bundled product planning with a focus on accessible finance services. These include credit services that guarantee residual value so that our customers can replace their Mazda with a new Mazda equipped with the latest technologies.
In which fields will you invest the resources generated by sales growth and curbed spending in the areas you have noted?

In addition to further improving brand value, we will invest in areas where we believe we have not yet been able to make sufficient headway and need to catch up.

Specifically, we will invest in optimal production systems that support local production for local consumption such as the joint venture plant in the United States, and in infrastructures for connectivity and sharing services, including alliances with other OEMs and other industries.

We will also invest in building partnerships. We have long promoted stronger alliances, but looking ahead we think a more proactive and wider-ranging approach to collaboration is needed to respond to CASE trends and other developments. This includes cooperation in autonomous driving technology and participation in joint car-sharing enterprises. Based on our mutual trust with Toyota Motor Corporation and others, we plan to promote such active collaboration.

Mazda cannot co-create value with others without the support of all employees. We will invest in diversifying work approaches and human resource systems, reforming and continually improving work processes, and improving our working environment to ensure employees are highly motivated.

We will also enhance shareholder returns, contribute to society, promote activities that directly enrich people’s lives, and strengthen investment in safety and the environment.

We will implement further concrete measures in the future based on the Medium-Term Management Policy. We are committed to reinforcing Mazda's presence as a unique and vigorous company eager to take up challenges.

August 2019

Kiyoshi Fujiwara
Representative Director and Executive Vice President

Direction of Initiatives

<table>
<thead>
<tr>
<th>Effect of brand value improvement</th>
<th>Improve per-unit revenue by responding to customer and market diversification</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Investment for brand value improvement</td>
<td>Invest in new-generation products, sales networks, and customer experience</td>
</tr>
<tr>
<td>2 Curb expenses that depreciate brand value</td>
<td>Trade cycle management and reduce incentives, Quality improvement to enhance customer satisfaction</td>
</tr>
<tr>
<td>3 Investment in infrastructure</td>
<td>Build an optimum production structure that supports local production for local consumption, Invest in infrastructure for connectivity/sharing business, etc.</td>
</tr>
<tr>
<td>Investment in partnerships</td>
<td>Based on mutual trust, enhance alliances with partners to work together</td>
</tr>
<tr>
<td>Investment in employees / work environment</td>
<td>Improve work environment to enhance employee motivation</td>
</tr>
<tr>
<td>Shareholder returns</td>
<td>Continue stable shareholder returns</td>
</tr>
<tr>
<td>SDGs &amp; CSR-related investment</td>
<td>Co-exist with society and focus on our raison d’être, Increase investment in environment and safety technologies</td>
</tr>
</tbody>
</table>