

Message from the President



Mazda Seeks to Gain Deeper Insight into People, Creating Unique Value through Co-Creation with Others, and Building a Sustainable Business and Society

The Company's Values

Three Core Values Mazda Has Fostered over the Past Century

Since its founding in 1920 in Hiroshima, Mazda Motor Corporation has been growing together with local communities with the support of local residents, and in 2022 reached its 102nd anniversary. Early on in its history, Jujiro Matsuda, the second president, dedicated himself to manufacturing and upholding the motto, "Contribute to society through machine industry." Inheriting his spirit, Mazda has continued to develop various unique technologies, even though it has remained a relatively small-scale manufacturer based outside of Japan's metropolitan areas. In the 1950s, for example, Mazda became Japan's first manufacturer to make practical use of the then latest casting process. In the 1960s, Mazda launched the world's first rotary engine with two rotors at a time when the commercialization of a rotary engine was generally believed to be impossible. The creation of such innovative technologies has been driven by an Endless Challenges spirit, which has been a hallmark of every generation of Mazda employees and is deeply rooted in our way of manufacturing. It is this Endless Challenges spirit that has led to the development of various innovative technologies and processes including Skyactiv Technology, Kodo Design, mixed model production and flexible production process.

Among the values and standards, we have fostered and upheld, there are three key principles that we have adopted as core values in the formulation of the Value Creation Process.

The first core principle is to gain Deeper Insight into People. This principle is the cornerstone of Mazda's human-centered development philosophy and is based on a firm belief in human ability and efforts to bring out the maximum potential of humans. At the same time, it also implies the Company's expectation for all employees to deepen mutual understanding and build relationships of mutual trust, while autonomously fulfilling their own tasks. No matter how far IT progresses, people are the creators of value and the implementers of improvement. Human resources are Mazda's most valuable asset, and I truly hope that all of our employees, in addition to performing their own work tasks, will do their utmost to deepen mutual understanding and build relationships of mutual trust with our suppliers, dealers, and other business partners.

The second principle is our vision of Co-Creation with Others, the philosophy we shared at the time of the announcement of our Medium-Term Management Plan in 2019. We at Mazda understand that we cannot do everything singlehandedly. Therefore, it is essential that we co-create with our business partners and other stakeholders in setting common objectives and goals, preparing concrete action plans, and carrying these plans out through joint efforts. This applies not only to tasks and projects outside the Company, but also to everyday business within the Company.

Since almost all our business activities involve collaboration with others across various business domains and markets, co-creation is essential in our everyday work within the company as well.

We have inherited this view from Tsuneji Matsuda, the third president, who said that our partner factories are our "brothers."

The third principle is the motto "Endless Challenges,"

which I mentioned earlier. This motto is inscribed on the stone monument in Miyoshi Proving Ground (Miyoshi City, Hiroshima Prefecture). Each time I see this monument, the inscription inspires me to work even harder. This was the spirit that drove Mazda's engineers as they strove to commercialize the rotary engine and overcome various difficulties under the leadership of Kenichi Yamamoto, the sixth president. At Mazda, this Endless Challenges has been a hallmark not only of employees engaged in manufacturing but all Mazda employees, who in the course of their work face various challenges.

As we look back at Mazda's history and review the three core principles, we are constantly reminded of the tremendous support we receive from all our customers and all stakeholders. I believe that my mission as president is to continue to develop Mazda in the next century by continuing to value and strengthen our relationships with all stakeholders.

Management Vision

Brand Value Management That Prioritizes Emotional Ties with Customers

In the course of creating the next century of our corporate history, we have been implementing our philosophy of brand value management. In line with this, we are striving to build emotional ties with our customers and other stakeholders who resonate and empathize with the values the Mazda brand offers, and to raise corporate value through the enhancement of Mazda's brand value. In implementing brand value management, it is essential to create value unique to Mazda based on Mazda's traditional values and offering new value in the form of products and services. What, then, does "value unique to Mazda" mean? It is value derived from the Human-Centered philosophy Mazda pursues in all areas. We will continue to explore our stakeholders' interests, deepen our understanding of their needs, and create original value that we can offer them in the form of products, technologies, and services, all the time adhering to our Human-Centered philosophy.

Throughout its history, Mazda has been striving to create "moving" experience in daily life. Our aim is to uplift and energize people and bring more enjoyment to their everyday lives.

In Engineering and Manufacturing, we have continued to produce technologies and cars that offer Joy of Driving, which includes exhilarating and captivating driving experiences. Joy of Driving is not just about driving vehicles at a high speed or with impressive engine power; it is also about ensuring that drivers can maneuver their vehicles at will and feel the joy of driving free of concerns. It is also about giving passengers, and even their pets, a pleasant ride. To allow drivers and passengers alike to enjoy Joy of Driving in all its forms, Mazda will continue to study human beings from the perspective of our human-centered development philosophy. We will shed light on mechanisms of the human body and brain to determine optimal ways of maximizing human capabilities and assisting drivers, as well as determine the influence of drivers' physical and mental conditions on their driving. We will continue our study by developing AI algorithms as well as Model-Based Development, which is used for developing advanced driving assistance technologies that ensure driver safety and peace of mind.

To Create Human Connections, we will promote digital

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transformation (hereinafter “DX”) in our sales and service channels. In addition to using information provided by customers, we will collect vehicle traveling data from vehicles equipped with connectivity technologies to gain in-depth knowledge of customers’ individual vehicles and how they are used, so that we can properly respond to their demands and resolve problems in a timely manner. Through these endeavors, we hope to improve the convenience of vehicles and further enrich our customers’ car lives.

In line with the Medium-Term Management Plan, we will continue to implement brand value management and Human-Centered philosophy, which plays a key role in Mazda’s unique design and engineering. In adopting this approach, we understand that we must demonstrate our commitment to resolving social issues, an aspiration which is shared by our customers and other stakeholders.

Medium-Term Management Plan

Phase of Strong Growth Commencing in FY March 2023

The Medium-Term Management Plan currently underway is based on the original plan announced in November 2019. In November 2020, we announced the revision of the original plan in light of significant changes in our business environment due to the global pandemic of novel coronavirus (COVID-19). The revised Medium-Term Management Plan sets out our

management goals to establish a solid financial base for implementing our investment plans to promote EVs, for which demand is increasing, and to achieve carbon neutrality (hereinafter “CN”). To this end, Mazda will implement various initiatives in line with the following five policies: Invest for raising brand value, Curb expenses that depreciate brand value, Accelerate fixed cost/cost reductions to lower break-even volume, Invest in areas where we need to catch up and start investment in new areas, and Enhance alliances.

In line with these policies, the Medium-Term Management Plan designates the period from FY March 2020 to FY March 2022 as the phase of foundation building, and the period from FY March 2023 onward as the phase of strong growth. To implement key initiatives in line with the five policies, it is essential to involve Mazda’s partners in various areas by deepening mutual understanding and building relationships of mutual trust. Moreover, it is important to collaborate and engage in co-creation activities by setting common objectives and goals with our partners. When Mazda announced its Medium-Term Management Plan in 2019, the Company established “Co-Creation with Others” as a unique Mazda value.

Outcomes of the Three-Year Foundation-Building Phase

FY March 2022 was the final year of the foundation-building phase. Our business environment, however, changed radically even after we revised the Medium-Term Management Plan in November 2020. Major changes over the past two years include lockdowns caused by the global resurgence of COVID-19, a decrease in vehicle production due to the shortage of semiconductors, soaring raw material and energy costs, a significant increase in geopolitical risks, and tighter environmental regulations in various countries.

Over the past three years of the foundation-building phase, which was affected by these substantial environmental changes, Mazda has achieved significant outcomes regarding the first policy: Invest for raising brand value. To steadily promote brand value management through effective use of Mazda’s unique products, technologies, production, and customer experience, key initiatives were implemented as planned. These initiatives include the construction of a new joint venture plant with Toyota Motor Corporation in the United States, reform of sales networks in the United States, and investment in Large products and IT. These initiatives have already proven to be effective. We see enhanced recognition of our brand value in the United States and sales increases in terms of both quality and quantity. The CX-50 and CX-60, for example, have already been highly acclaimed by our customers.

In regard to the second policy to Curb expenses that depreciate brand value, we were able to achieve outcomes that exceeded our goals, thanks to significant efficiency improvement in quality-related costs, variable marketing expenses, and supply chain costs.

During the early phase of the COVID-19 pandemic, it was extremely difficult to produce and sell vehicles. Being aware of the possible recurrence of this situation in the future, we worked to lower break-even volume by accelerating fixed cost and cost reductions. In addition, we started cross-function activities to implement company-wide reforms, and many of these activities are now on track to achieve the desired outcomes. Cross-function activities adopt a purpose-driven approach to promote structural reforms by changing employees’ awareness,

tasks, and organizations, as well as fostering the development of human resources. Structural reform and consistent daily improvement activities proved to be effective in achieving our initial goal to reduce break-even volume and improve our financial structure. Moreover, I am also pleased that these activities help promote employee capacity building.

Realizing Strong Growth to Create New Value

During the strong growth phase commencing in the current fiscal year (FY March 2023), we will steadily improve the assets that we have already built to date. During this phase, we expect growth to be driven by Large products such as the CX-50 and the CX-60, for which investment has already been completed. Meanwhile, we will proceed with essential initiatives planned for this phase including the development of an exclusive architecture designed for EVs in preparation for full-scale electrification, advancement of next-generation electrical/electronic architectures, and autonomous driving technologies in collaboration with partner companies, and development of next-generation connected service technologies.

In regard to our policy to Invest in areas where we need to catch up and start investment in new areas, Mazda will focus on strengthening of investment in human capital to support autonomy and performance of all employees, Mazda’s most important assets, from the viewpoint of promoting a virtuous cycle of growth, employment, and distribution of the fruits of growth. While sharing profits with employees is one way of sharing the outcomes of the Company’s growth, Mazda will also reinforce programs for supporting employees’ reskilling to provide them with competence and capabilities to respond to emerging demand accompanying ongoing digitalization and electrification. Our vehicle engineers, for example, have accumulated knowledge of internal-combustion engines and other hardware technologies but in the future they must be proficient in software-based control technologies. The ongoing trend toward digitalization and electrification makes it imperative for Mazda to increase investment in the education of engineers to offer those involved in the development of software and control technologies more reskilling opportunities. In addition to investment in engineers’ reskilling programs, Mazda will also allocate resources to digital education for employees aimed at accelerating new value creation and structural reforms.

During the latter half of the period of the current Medium-Term Management Plan, we intend to achieve strong growth, build a sound financial base, and promote reinvestment in anticipation of the growing demand for investment in EVs and programs for achieving CN. Bearing in mind the ongoing increases in material, energy, and logistics costs, we will prepare a framework and action plan for company-wide cost reductions. By ensuring the thorough implementation of the action plans across the Company, Mazda will steadily proceed with investment plans during the remaining period of the present Medium-Term Management Plan.

As a practical step in investment in new partnerships, Mazda entered into collaborative agreements with suppliers, including suppliers in Hiroshima Prefecture, for the development and production of components for electric drive units, as announced in November 2022. Through this partnership, Mazda will accelerate the development of new technologies and creation of new value in anticipation of the growing demand for electrification.

I feel that our external environment is becoming

increasingly unclear and uncertain. In this context, the remaining period of the Medium-Term Management Plan will be of vital importance. During the four years until the end of FY March 2026, we should secure the growth of our business by effectively using the assets we have accumulated thus far and steadily carry out investments based on the Management Policy up to 2030.

Strengthening the Foundation for Growth

Keys to Growth: A Sincere Corporate Attitude, Initiatives to Enhance Alliances and Human Resource Development

To enhance corporate value in the medium and long term while promoting value creation, it is essential to reinforce the management structure, which is the foundation for the Company’s growth. In this regard, it is important to constantly enhance corporate governance so that the Company can ensure it practices thorough legal compliance and makes fair and transparent managerial decisions in a timely manner, while maintaining good relations with all stakeholders.

In June 2019, Mazda transitioned from a company with a board of company auditors to a company with an audit & supervisory committee. Having adopted this governance structure, which is closer to a monitoring model, we have reinforced the supervisory function. This transition has also enabled the Company to make managerial decisions faster and to engage in deeper discussions about management strategies. I believe that the solid governance structure we have established has contributed to our capability to respond to changes in Mazda’s business environment, including the impact of the COVID-19 pandemic. The Board of Directors comprises 16 directors, six of whom, are outside directors of various genders, careers and academic backgrounds. Their presence has increased the diversity of Mazda’s management in terms of gender, professional skills, and backgrounds. I believe that their advice and input from external, objective viewpoints have made board meeting discussions more robust and enriched Mazda’s management as a whole.

In December 2021, Mazda formulated the Basic Policy on Sustainability. Mazda also disclosed the skill matrix of all directors including outside directors to increase the transparency of the Company’s efforts to reinforce corporate governance and share them with stakeholders outside the Company. In this way, we are striving to reinforce corporate governance and promote disclosure of relevant information.

With regard to IR, Mazda continues to disclose information to shareholders and investors appropriately in a timely manner. In addition, the Company holds constructive dialogs with its stakeholders. Their valuable opinions are then shared by members of the Board of Directors and other executives. In accordance with our Basic Policy on Sustainability, we are also eager to disclose non-financial information related to ESG, such as information concerning the Earth, People, Society, and Management. Through these endeavors, we will continue to share both financial and non-financial information with stakeholders and hold dialogs with them.

Maximizing Employees’ Performances

Strengthening the investment to human capital, in other words, building employee capacity, is equally important as corporate governance in enhancing Mazda’s corporate value

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in the medium and long term. The presence of diverse values in an organization can be effective in promoting innovation, if we promote diversity and inclusion, and combine the diverse strengths of employees. In 2008, Mazda announced the “Mazda Way” as an approach to promoting respect for diversity and maximizing the collective capabilities of employees by aligning the various vectors of their views. The Mazda Way reflects the values that the Company has embraced since its founding in regard to its approach to business. In a sense, the Mazda Way is a summary of Mazda’s Code of Conduct and comprises the following seven principles: integrity, basics/flawless execution, continuous *Kaizen* (continuous improvement), challenger spirit, self initiative, *Tomoiku* (achieving success by learning from one another and growing together), and ONE MAZDA. The Mazda Way has been designed to serve as the Company’s anchor and to inspire employees to fully develop their individual characteristics and abilities.

The automotive industry is currently undergoing an unprecedented transformation that can be summed up in the term CASE (Connected, Autonomous, Shared, and Electric). To respond to a rapidly changing business environment, employees must be more active and autonomous in their work. Embracing the slogan, “Maximizing Employees’ Performances,” Mazda’s management and labor have worked together for the past four years to improve the labor environment by creating an open workplace culture. While it is customary for most Japanese companies to hold annual wage negotiations in spring, Mazda has established the Spring Labor-Management Council, where both labor and management discuss their common issues and goals openly and frankly. At the council meetings, which are held four times a year, both parties discuss initiatives to maximize employees’ potential and eliminate any impediments keeping employees from performing to their full potential. These dialogs have proven to be effective in promoting *Kaizen* or improvement.

To improve vertical relationships within the organization, Mazda also holds monthly dialogs between executive officers and managers. At these meetings, members from various departments present examples of work process reassessments and improvements in their relevant workplaces, and management shares its messages and thoughts. These case examples and messages from management are then shared with other employees in individual workplaces. In addition, management communicates its thoughts and views to employees through video presentations on our internal communication site. Questionnaire surveys are also conducted to identify employees’ views. Through these means, Mazda strives to ensure effective ongoing two-way communication between management and employees.

I believe that open and frank dialogs are extremely important, and that new value created through such dialogs often leads to the enhancement of the corporate value.

We will continue to support autonomy and performance of all employees by promoting open and frank dialogs with them, reinforcing human capital through the effective use of digital and other educational means, and maintaining a virtuous cycle of growth, employment, and distribution of wealth.

Medium and Long Term Outlook

Refining Mazda’s Unique Value to Promote Sustainable Growth and Value Creation

Globalization in the 2000s contributed to boosting the world economy, leading to the steady improvement of the business environment of the automobile industry and strong growth in major markets such as the EU, North America, ASEAN, and China. Benefiting from this strong growth, Mazda expanded its business worldwide, and at present sells its products in 130 countries. In recent years, however, we have witnessed signs of the collapse of globalization as the world economy becomes multipolar and divided into various blocks. With growing geopolitical risks, conflicts among nations are increasing and the world has become more and more divided, as evidenced in intensifying economic friction, particularly over securing energy and manufacturing resources.

Meanwhile, the COVID-19 pandemic has accelerated the pace of digitalization and progress in DX. IoT technology, which simultaneously connects various goods and services via the internet at all times, will significantly enhance the convenience of everyday life. Through this, we are beginning to see the creation of new value where the real world is integrated with the virtual world.

On the other hand, such changes in the world economy have widened the gap between the rich and poor on a global basis and exacerbated the impact of climate change. The rapid motorization in emerging countries has caused the total global number of traffic accidents to escalate even though the number of accidents in developed countries is on the decline. Moreover, the rapid spread of DX has raised various new social issues, such as concerns about the infringement of privacy and internet addiction disorder. These changes in megatrends also influence our business significantly.

Initiatives to Promote Co-Creation and Coexistence to Resolve Social Issues

In this environment, the automotive industry has an even greater responsibility to promote initiatives to solve social and global issues that have become the daily concerns of people. Automotive manufacturers must play a leading role in addressing climate change and realizing a CN society in particular. Building an automotive society that offers safety and peace of mind in response to the rapid motorization in emerging countries and the aging of the population in developed countries is also one of Mazda’s missions. To address these social and global issues, Mazda will continue to develop new technologies and build appropriate frameworks and infrastructures together with its broad range of business partners and other stakeholders based on the Company’s vision of co-creation and coexistence. At the same time, through new investment we will actively promote various initiatives to help resolve social issues and projects to develop relevant technologies.

In November 2021, for example, Mazda became a member of the Carbon Neutral Electricity Promotion Subcommittee, which was set up as one of the expert subcommittees under the Carbon Neutrality Promotion Council established by the Chugoku Economic Federation. Under this framework, Mazda collaborates with five prefectural governments in the Chugoku region, regional electric power companies, and other businesses in the region. Transcending differences in industries, members cooperate in efforts to promote renewable energy and a circular economy.

As for product electrification, Mazda promotes joint initiatives with the members, such as product development

and technological development in the manufacturing area, by bringing together specialized knowledge.

The sustainability of society and the sustainability of companies are inseparable. Recently, corporate attitudes toward social issues and activities to address these have begun to influence the purchasing behavior of customers, particularly those of Generation Z. In this context, Mazda must transform itself and work to synchronize its corporate activities with the initiatives taken by society to achieve sustainability. As a good corporate citizen, we must continue to work to meet expectations of the community and stakeholders.

To fulfill our social responsibility as an automotive manufacturer while sustainably growing our business, we will continue to create Mazda’s unique value and make company-wide efforts to offer products and services that will be continually preferred by customers and other stakeholders.

Creating Human Connections Based on Mutual Trust and Emotional Ties

Since its founding in 1920, Mazda has consistently worked to vitalize and enrich peoples’ lives and society by providing vehicles and other products as well as services to customers. The MX-5 (Japanese name: Roadster), one of our flagship models, won high acclaim from our customers as a car that makes drivers feel a sense of oneness with their vehicle and offers Joy of Driving experience. For more than 30 years, the MX-5 has been enjoying enthusiastic support from our customers. In various countries, customers have established MX-5 fan clubs, which serve as a platform for members to communicate with each other and share their interests and experiences.

Mazda is not a large company in any sense. Accordingly, we will continue to strive to ensure that such supporters enjoy their daily lives with Mazda’s products. To this end, we will continue to create products that maximize the human body’s inherent abilities based on our in-depth knowledge of the human body and brain. At the same time, we will continue to build a relationship based on mutual trust and emotional ties with each stakeholder. Regardless of changes in technologies and energy sources in the coming years, we will steadfastly adhere to this approach and continue our efforts to create Mazda’s unique value in all our corporate activities, including Engineering and Manufacturing, Creating Human Connections, and Development of People.

To undertake in-depth research of the human body and mind, and to scientifically analyze the impact of a vehicle’s movements on drivers and passengers, we have formed co-creation networks with partners in the medical community, universities, and industries. With the cooperation of these partners, we are exploring the concept of the ideal relationship between vehicles and people. I believe that these activities are essential for us to discover the seeds of new value creation. In addition to developing new technologies, we are committed to creating an ideal environment and communities to ensure that our customers turn to Mazda as the brand of their choice for many years to come.

Importance of Co-Creation with Others

To drive safely, a driver must recognize potential hazards, exercise good judgment and operate the vehicle in an appropriate manner. People can continue to engage in a broad range of activities and visit various places if they are



able to drive, and such activities can invigorate their body and mind. In developed countries where the aging of the population is accelerating, creating and offering safe vehicles by incorporating the viewpoint of ‘well-aging’ is vital. With the belief that technologies should be used to maximize human capabilities and assist people, Mazda will continue to offer vehicles and technologies that contribute to creating “moving” experiences that serve to uplift and energize people, bringing more enjoyment to everyday life.

With the understanding that the current unclear and uncertain environment may continue for some time, Mazda will take initiatives to resolve social issues step by step. Focusing on its Human-Centered philosophy, we will continue to promote brand value management as we strive to co-create new value with stakeholders.

Finally, to shareholders and investors, I would like to thank you for your understanding of Mazda’s vision and plans, and for your continued support.

Akira Marumoto
Representative Director, President and CEO
Mazda Motor Corporation