

Interview with Outside Directors



Expecting Mazda's Sincere Efforts to Achieve Carbon Neutrality While Fully Demonstrating Its Strengths

Kiyoshi Sato Outside Director

Mr. Sato has served as an outside director since June 2019. Mazda seeks his opinion and advice about management based on his experience of managing an electric production equipment manufacturer, where he worked for a long time, his vast knowledge of sales and marketing, and his global perspective, which he developed through his involvement in overseas business.

Michiko Ogawa Outside Director

Ms. Ogawa has served as an outside director since June 2019. Mazda seeks her opinion and advice about management based on her technical expertise, which she developed as an engineer involved in research and development (R&D) at an electric appliance manufacturer, and from the perspectives of ESG and brand marketing.

The Board of Directors of Mazda, which is a company with an audit & supervisory committee, comprises 16 members, six of whom are outside directors, including four outside directors who concurrently serve as Audit & Supervisory Committee members. Below is an interview with Mr. Kiyoshi Sato and Ms. Michiko Ogawa, both of whom are involved in the decision-making of the Board from their statuses independent from the execution of the Company's operations. Here they share how they value Mazda's management and governance, as well as their frank opinions.

Toward more advanced management and governance

— First of all, how do you rate Mazda's governance and Board operation aimed at enhancing the Board's auditing function?

Sato I am now my fourth year of serving as an outside director. I recognize that all Board members are seriously

committed to enhancing the governance system, including the operation of the Board, and that the Board is operated with great care while responding sincerely to the requirements imposed by the capital market on management. I especially highly rate Mazda's positive attitude toward offering necessary information and lectures to us as outside directors. The Company readily spares much time to explain not only proposals submitted to the Board for deliberations but also progress in the Medium-Term Management Plan and various initiatives. A sufficient amount of necessary information we can receive from the Company helps us deeply understand even highly technical matters, discuss them, and share our views on them. In addition, the Mazda executives listen attentively to us. I recognize that both the Board and management have a positive attitude toward listening carefully to outside opinions.

Ogawa I assumed the position of outside director at the same time of Mr. Sato. I have similar recognition to his of the Board's attitude toward its own operation. I am deeply impressed by discussions focusing on brand value management. I recognize that, as shown in the Medium-Term Management Plan, which includes investment for brand value improvement and curbing expenses that depreciate brand value as important measures, real commitment to discussions and action from the perspective of brand value creation permeates the entire Company. The concept of "brand value management" is utilized not only in the activities of each division, such as R&D, manufacturing and sales, but also in the internal activities of cross-functional teams (CFTs), which take action beyond organizational borders while maintaining each division's initiative. I have the impression that, even in the current era of drastic changes in the automotive industry, represented by the term "CASE" (connected technology, autonomous driving technology, shared services, and electrification technology), the Company's consistent vision of enhancing its brand value and corporate value in an integrated manner is reflected in its overall business activities and monitoring by the Board.

Mazda's initiative to provide solutions to "Earth" issues

— Amid an accelerating general trend toward combating climate change and decarbonized society, Mazda has declared that it will achieve the carbon neutrality of all its plants worldwide by 2035. How do you rate Mazda's initiatives to provide solutions to "Earth" issues?

Sato The Board has continued concrete, in-depth discussions about how carbon neutrality can be achieved. Mazda's broad principle on this challenge build on the three pillars of energy conservation, the introduction of renewable energy, and the introduction of electric vehicles (hereinafter, EVs) and next-generation fuels. For the introduction and more widespread use of renewable energy in the manufacturing field in particular, Mazda's Head Office and Hofu Plant

cooperate with local governments and companies in the Chugoku Region in the activities of the Carbon Neutrality Promotion Council. Moreover, at its overseas manufacturing sites in Mexico, Thailand, the U.S., etc., the Company has pursued optimal decarbonization action modeled after the energy transition initiative that it has implemented in collaboration with the local communities in Japan. These specific activities characterize Mazda's initiative for carbon neutrality. That initiative certainly still includes challenges to be solved in terms of its details and speed, but it has made significant progress in some specific measures, including not only installing solar power generation equipment in the Hiroshima Plant, but also using the power generated at the plant to charge lithium-ion batteries for EVs planned to be manufactured at the same plant. I highly rate these activities as evidence for the Company's serious commitment to achieving carbon neutrality. I hope that such activities will further expand.

Ogawa Carbon neutrality is a "must-pursue" agenda item for every company around the world. I would say that Mazda's distinctive feature in product strategy lies in its original perspective of decarbonization throughout its value chain and its resulting overall approach toward that. I highly value Mazda's vision of taking steady steps toward decarbonization by fully leveraging its own strengths and contributory technologies based on a deep understanding of different regulations, needs, energy-related circumstances, etc., in respective countries and regions while capturing the global trend toward decarbonization and electrified mobility.

Sato Mazda has certainly devoted all-out efforts to developing EVs, but country- or region-specific regulations have been imposed one after another at an increasing speed in the U.S., Europe and other regions. Some people say that automotive manufacturers will be allowed to sell EVs alone after all. Meanwhile, there are still uncertainties over battery technologies and standards. Although lithium-ion batteries are currently the mainstream, there is concern about a shortage of raw material resources in light of future global demand for this kind of battery. The prices of EV batteries are now rising sharply. In addition, even developed countries still have only insufficient infrastructure for EV charging, and there is still a wide gap between governmental environmental policies and various actual energy-related issues. A report given to the Board in consideration of the likelihood of a considerable delay in the energy transition and EV shift around the world, excluding some countries and regions, suggests the possibilities of adopting a realistic decarbonization approach of maintaining non-EV choices based on the most advanced existing environmental technology and energy source.

Ogawa Mazda expresses this approach as "Multiple-Solution," which some people may misunderstand as an omnidirectional defensive stance. However, in the current business environment characterized by rapid

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changes and uncertainties about the future, the flexible strategy of working toward multiple solutions based on Mazda's proprietary technologies may be rather effective for a wide dynamic range of themes, being in a good balance between defense and offense. In addition, the composition of Mazda's product lineup is so logical in terms of size and other factors that it provides an ideal platform for materializing multiple solutions or a favorable architecture for applying the Company's technologies to real products. Therefore, I believe that this approach will not only allow Mazda to return and think again whenever a situational change needs it but also offer concrete solutions to social issues.

Mazda's initiative to provide solutions to "People" issues

— The revised Corporate Governance Code has an additional principle of "Ensuring Diversity in the Appointment of Core Human Resources," with increasingly greater attention to human capital. What advice would you give to Mazda on maximizing the value of its human capital?

Sato Many Japanese companies have been left behind by overseas companies in ensuring diversity in the appointment of core human resources. Seen from my long experience in global business, Western countries-based companies are diverse in nature in the national or racial composition of their employees. Those companies achieve business growth by leveraging the diverse perspectives of their employees, who can speak in English as a common language even if it is not their native language. It is natural for overseas investors familiar with such an environment to recognize Japanese companies as slow in ensuring diversity in their human resources. I don't believe that achieving an adequate level of diversity is an easy challenge that Japanese companies can solve in a short time, and I even recognize that solving this challenge requires

Japanese companies to transform their corporate culture. I hope that, as a company operating globally, Mazda will recruit more heavily from around the world to enhance the racial and national diversity of its employees. Like Senior Managing Executive Officer Jeffrey H. Guyton, who serves as President and CEO of Mazda Motor of America, Inc., many more excellent human resources from various countries and regions should be involved in corporate management and be allowed to share their ideas and views. A favorable organizational environment for that, I believe, will help improve Mazda's brand value globally. I would like to seek Ms. Ogawa's opinion about diversity in gender and other terms.

Ogawa I, myself have experienced various things as one of the few female engineers in Japan. Since Mazda's female employees may be also facing various difficulties, I am allowed to have opportunities for dialogue with them. Meanwhile, the values of customers today—individualized values rather than gendered values—are rapidly diversifying, resulting in drastic changes in the definition of the automobile itself and the requirements for future mobility space. I recognize that the Japanese manufacturing industry used to be a field where higher importance was placed on logical thought than ideas from the female perspectives of sensibility and emotions because it was believed that the logically explicable value of products' functions and performance could appeal to customers. However, the year 2000 or any point around it marked the threshold of a new era where no products or services relying only on their functions or performance could sell well any longer. Since then, the sentimental and emotional value of products and services has come into the focus of public attention, so promoting a technology has now required efforts to not only emphasize its functions but also broaden its appeal through a message that helps develop empathy between its creator and users. I believe that there can be a wider variety of approaches in the current era where digital networks and software are expected to be elastic. Reforms are necessary not only in the field of diversity but also in the mobility of human resources and career paths. Engineers should acquire perspectives necessary for innovation and diversify their own work styles by gaining wider experience in marketing, manufacturing and other fields, rather than building their careers only along an extension of their current work. At Mazda, the number of female executives has been growing though gradually, including the female program manager who leads the development of the Mazda MX-30. Moreover, young employees are strongly interested in the Sustainable Development Goals (SDGs) and full of energy for taking the initiative in achieving transformation toward the creation of social value in view of the future of not only automobiles, but also society and the planet. I believe that it is crucial to foster a more open corporate culture of proactively incorporating the values and ideas of such young employees into business activities.

— Mazda also aims to enhance customers' mental well-being with satisfaction with a car. What do you expect of Mazda in the future concerning its attitude and commitment toward respecting people, including its "human-centered development philosophy"? Would you offer any advice?

Sato Mazda's strong interest in people is represented by the concept of the "human-centered development philosophy," a "jinba-ittai" (sense of oneness between driver and vehicle), and "Zoom-Zoom." The Company has a very serious attitude toward both people and products, working to provide drivers with a wonderful feeling of mobility, expressed in such terms as "Joy of Driving," and to offer passengers a comfortable ride without carsickness and advanced safety functions. I recognize great significance in the Company's commitment to making a meaningful contribution to people and society through its own products and technologies.

Ogawa I recognize that, as represented by the concept of a "jinba-ittai," Mazda engineers have been fiercely committed to living up to the human-centered design philosophy. It seems to me that their commitment is underpinned by their pride in providing drivers and passengers with a time of driving pleasure, which constitutes an important part of pleasure in life. I believe that Mazda and its people will maintain this pride as an automotive manufacturer toward the future. Meanwhile, in view of the world after one to two decades, I am interested in how the human system of feedback between the brain and the body will work on the individual in a car to bring them the pleasure of life against the background of ever-evolving AI and robotics technologies and a digital, virtual world such as the emerging metaverse. Therefore, I often ask Mazda development staff questions in this field. I also expect that Mazda will explore whether Joy of Driving will go beyond the scope of a single product to have an impact on the pleasure of life of a larger number of people and/or become integrated into value for society as a whole.

To enhance corporate value over the medium and long term

— Finally, can you give advice on the medium and long term enhancement of Mazda's corporate value?

Sato Enhancing its corporate value over the medium and long term requires Mazda to tackle two important challenges. One of the challenges is, as you may expect, performing brand value management. The Company has promoted efforts to solve this challenge for several years, making satisfactory progress therein. The value of newly launched cars has been fully recognized by customers around the world, increasing the number of Mazda fans. The other challenge is taking appropriate action on EVs. As I mentioned before, despite a shortage of raw materials for EV batteries, insufficient charging infrastructure, and other various problems, the current



trend toward an EV shift will last long against the backdrop of the urgent social challenge of combating climate change. It will continue to be an important theme how Mazda can develop, provide, commercialize and market a new mode of mobility that can contribute to the achievement of carbon neutrality, regardless of whether it is based on EVs, hydrogen or biofuels. The business environment surrounding the automotive industry, including national and regional regulations, will continue to change around the world. I hope that Mazda will frequently review the Medium-Term Management Plan according to changes in the business environment while implementing it.

Ogawa I also recognize that Mazda has made significant progress in its initiative for brand value management in recent years. To further enhance its corporate value, the Company should place the highest priority on accelerating its initiative to achieve carbon neutrality. There has been a lifestyle shift from owning a car to using it only as necessary, mainly among younger generations. Taking into account such changes in values, I believe that one way to enhance corporate value is exploring how the Company can create new value together with the next generation and what will help foster empathy with the Company in those young people. In this sense, the Company should deliver clear messages on what value it will offer to society and the planet. Many young people quite naturally choose products and services from the companies whose values agree with theirs. Therefore, I believe that Mazda should not only share corporate messages but also devote further efforts to having dialogue with diverse stakeholders to inform them thoroughly of the social value that the Company desires to provide.

— Thank you very much for joining us today.