

MESSAGE FROM THE PRESIDENT

Contributing to the joy of living
through the joy of driving



Masahiro Moro
Representative Director, President and CEO
Mazda Motor Corporation

UNDERSTANDING TRENDS IN THE EXTERNAL ENVIRONMENT

TURNING CHANGES IN SOCIETY OFFER OPPORTUNITIES FOR GROWTH

The automotive industry at present is going through what can be called a once-in-a-century transformation. We live in an era of uncertainty due to pandemics, energy crises triggered by international conflicts, and geopolitical risks that make predicting the future a monumental challenge. Amid the significant changes occurring at present, we are being challenged to tackle global issues like climate change, adapt to the aging of populations in society due to longer lifespans, and solve problems arising from rapid advancements in digital technology. In this era of immense change, companies are required to find solutions to global challenges and turn them into opportunities for growth.

MAZDA'S NORTH STAR

UNIQUE VALUE DERIVED FROM MAZDA DNA AND PASSION

To help navigate the era in which we live, Mazda has established a corporate philosophy to serve as our North Star—our fundamental truth. This philosophy draws on Mazda's 103-year history and is the culmination of a Group-wide effort by those of us at Mazda who live in this era of immense change to articulate the significance of Mazda's existence in society.

We came to realize that Mazda's DNA embodies the spirit of believing in people, trusting in their capabilities and facing any difficulties or challenges with an unwavering spirit of continuous innovation and wherewithal to do the right thing and get things done. This tenacious mindset, which we call the Challenger Spirit, was on display when Mazda became the first car maker to mass produce the rotary engine, a demonstration of our determination to forge new frontiers.

What's more, as a company born and raised in Hiroshima—the City of Peace—our people, as corporate citizens, long to contribute to society by enriching lives and doing things that elevate the human spirit, to serve as a testament to a peaceful world. This way of thinking was demonstrated when, a mere four months after the devastating atomic bombing on August 6, 1945, Mazda's people resumed production, playing an integral part in the city's reconstruction from ruins.

This "DNA" and "passion" that have been passed down from generation to generation since our founding are now deeply ingrained in our corporate philosophy. No matter how the times may change, Mazda will continue to be Mazda, and we will continue to cherish this "North Star," which will guide us to the future so that we can become a company needed by people living in the society of the future.

At Mazda, we hold three things dear—purpose, promise and values, the very elements that comprise our corporate philosophy.

Our purpose of *enriching life-in-motion for those we serve* represents Mazda's raison d'être. We believe that we can enrich people's lives by extending the value of creating moving experiences through the joy of driving to the joy of living. For example, our brand icon, the MX-5 (Roadster in Japan), has given rise to fan clubs organized by owners around the world, creating a spirited *community* where customers can connect and share fulfilling experiences with each other, and enjoy the true joy of living. This community purpose will remain timeless, regardless of changing eras or power sources. To become a company chosen by future generations, we recognize the importance of empowering communities through our corporate activities.

Our promise of *uplifting experiences, emotionally & physically* is what we offer to all individuals, including our customers and others outside of the organization, as part of realizing our company purpose. Uplifting experiences not only invigorate people's minds, bodies and souls but also foster a sense of community as people connect with the likeminded, contributing to the joy of living for all.

We confirm our values of *radically human, challenger spirit* and *omotenashi* (serving from the heart) as we act and make decisions on a daily basis.

In 2023, we are focusing on our purpose of *enriching life-in-motion for those we serve* by leveraging Mazda's strengths in *Monozukuri* (engineering and manufacturing), *Tsunagarizukuri* (creating human connections) and *Hitozukuri* (nurturing the development of individuals) through various activities that will deliver uplifting experiences and enhance lives.

We want to further drive our purpose by looking into establishing new business entities dedicated to creating unique Mazda customer experiences with the aim of creating a brand that will bring us closer to our customers.

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BRAND VALUE MANAGEMENT

A BRAND THAT CREATES THE MOVING EXPERIENCES THROUGH THE JOY OF DRIVING AND IS CONTINUALLY CHOSEN BY CUSTOMERS

In the face of advancing digitalization and diversifying values, Mazda must continuously be *chosen by customers* for its unique value. To remain relevant and needed in society, it is essential for Mazda to be selected for this distinct trait regardless of what is happening in the world. Therefore, Mazda has enacted its 2030 vision, which embodies the aspiration to be a car-loving company that creates moving experiences by expanding the joy of driving in line with the times. To make this happen, we will consistently promote brand value management as our fundamental policy of management.

Mazda’s brand value management philosophy aims to enhance corporate value by creating emotional connections through shared resonance of the value we offer among stakeholders, including our customers. Through this approach, we strive to foster long-lasting relationships with the Mazda brand, leading to an improvement in brand value and subsequently enhancement of corporate value. Brand value management places our customers—people—as the starting point, and we will strive to grow into a brand and company that continues to be chosen by customers by discovering and providing the Mazda-like value that customers desire. We aim to grow and evolve continuously by working towards being a brand and company that will be consistently chosen by customers.



MANAGEMENT POLICY UP TO 2030

THREE BASIC POLICIES FOR BRAND VALUE MANAGEMENT FOR ACHIEVING THE 2030 VISION

It is our responsibility to further enhance management efficiency and steadily implement measures to achieve Mazda’s 2030 vision set out in the Medium-Term Management Plan update and Management Policy up to 2030 announced in November 2022.

With the understanding that people are Mazda’s most important asset, we will initiate reforms to foster an internal culture where all individuals can fully demonstrate their abilities and promote a team-oriented approach, akin to a baseball club.

Focusing on the promotion of brand value management, the Management Policy up to 2030 is underpinned by three pillars: reducing global warming (which is the social responsibility of an automobile company), realizing an automotive society that offers safety and peace of mind, and creating value that is unique to Mazda.

First are our efforts in carbon neutrality (CN), which tie in with reducing global warming in Basic Management Policy 1. In addition to taking on the challenge of achieving carbon neutrality across the entire supply chain by 2050 in the manufacture, transport, use and recycling of cars (announced in January 2021), in June 2022 we announced our goal to achieve CN at all Mazda plants globally by 2035. To achieve our medium-term goal in CN by 2035, we are promoting efforts in three areas: energy saving, renewable energy, and carbon-neutral fuels.

In energy saving, we are first focusing on the automobile manufacturing process, which generates a significant amount of CO₂ emissions, and are implementing measures such as reducing thermal energy and improving energy conversion efficiency through more efficient processing technology.

In renewable energy, we are working in cooperation with local communities through initiatives of the Chugoku Region Carbon Neutrality Promotion Council, and we are implementing measures such as regional coexistence initiatives by promoting the use of renewable energy and, at Mazda group companies, initiatives such as the introduction of off-site corporate PPAs.

In the area of carbon-neutral fuels, in addition to conducting research on next-generation biofuels and carbon-neutral fuels to replace gasoline as well as initiatives to increase the use of these by partner companies, we are also participating in initiatives to introduce and utilize fuel ammonia.

To achieve carbon neutrality across the entire supply chain by 2050, it is essential for not only Mazda but also every player in the entire supply chain to take action. Therefore, we will work with various stakeholders step by step to promote activities for reducing CO₂ emissions.

Initiatives in electrification constitute the second part of our efforts to reduce global warming. In the automobile industry, the development of electrification as well as other new technologies such as digitalization and smart systems is accelerating. Mazda will also steadily move forward with its electrification efforts to achieve carbon neutrality.

Looking ahead to 2030, we will steadily work on the transition to electrification in three phases.

Phase 1, up to 2024, focuses on accumulating resources for future electrification efforts and strengthening technology development in the field of electric vehicle development and production.

Phase 2, from 2025 to 2027, involves transitioning towards electrification, which includes facing heightened regulatory hurdles. During this period, we will continue to generate profits from internal combustion engine vehicles while securing and strengthening our financial foundation to be well-prepared for the full-scale electrification era.

In Phase 3, covering 2028 to 2030, we will move to the full-scale introduction of battery electric vehicles (BEVs). As we approach the full-scale electrification era, we will consider various possibilities including battery production and decide on the direction we will take after carefully assessing market demand, policies, and technological advancements.

During the transition period until around 2030, when BEVs are expected to become mainstream, we will respond with a “multi-solution” approach that will offer various combinations and solutions such as internal combustion engines, electrification technology, and carbon-neutral fuels depending on regional customer needs and power supply conditions.

At the same time, we estimate the global ratio of BEVs in 2030 to be around 25-40% based on stricter regulations and policies of various countries and regions. At this stage, we will take the approach of an intentional follower, during which time we will learn, accumulate and develop new technology and information while steadily advancing our efforts.

In addition to collaborating with other car makers, we will foster the development of electrification technology locally and strive for coexistence and co-prosperity with business partners, including suppliers in the Chugoku region.

Basic Management Policy 2 is aimed at realizing an automotive society that offers safety and peace of mind.

Needless to say, to truly experience the joy of driving, safety is essential. Although the number of fatalities in traffic accidents in Japan has decreased significantly, that number has not yet reached zero. Unfortunately, in other countries including the United States, the number of traffic accidents is actually increasing. We will continue to improve automobile technology, actively listen to not only those in the automobile world but also society at large, and contribute to realizing a safe and secure society free of accidents by putting people’s happiness first. This is an important mandate of Mazda. In addition to developing safety technology, we will work together with local communities and society to achieve *zero fatal accidents*.

In the development of safety technology, under our unique safety philosophy, Mazda Proactive Safety, we will integrate digital technology with our human-centered approach to manufacturing, which we have valued up until now. We will also further refine our safety technology in line with the demands of the times, including technology that helps prevent carelessness during driving, by supporting drivers in ways that will enable them to maximize their abilities.

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Basic Management Policy 3 is aimed at “value creation unique to Mazda.” With the advancement of digital technology, autonomous driving will become widespread, thereby eliminating the need for humans to take control of the wheel. While some people will view autonomous driving in this way, we want our customers to experience the joy of driving, a sense of exhilaration and self-empowerment that comes from driving in a car, and the exciting discoveries and enjoyment people can experience from expanding their range of activities. To deliver such experiences, we study people very deeply to understand the mechanisms of the human body and mind, and model them to create products that allow people to perform at their best while behind the wheel, free of stress and anxiety.

STRENGTHENING OUR FOUNDATION

AN ORGANIZATIONAL CULTURE THAT SUPPORTS THE FRONT LINE AND GROWTH THROUGH IT

To implement the outlined plans and ensure steady progress in brand value management, strengthening the foundation supporting Mazda’s business is essential. We will focus on the following three points to reinforce our business foundation.

1. Value creation through investment in people and IT
As I mentioned earlier, people are Mazda’s most important asset, and the sum total of the improvement and growth of each person’s abilities is also the source of the company’s growth. Focusing more on the front line, we will foster an organizational culture that supports people there, and create an environment in which all employees who are working hard on the front line every day can demonstrate their creativity as individuals and create value.

To empower all employees to create value, we will invest in digital education which will provide opportunities for them to acquire and apply IT and AI knowledge, and we will create an environment where they can work together in a stimulating atmosphere. Through such initiatives, we aim to double productivity by 2030 by increasing the added value of our operations.

2. Value chain and supply chain resilience
In line with the changing times, we will thoroughly eliminate waste, irregularities and overburdens in the supply chain and value chain in efforts to optimize costs. In the supply chain, we aim to achieve “total process optimization” where goods will flow seamlessly with maximum speed throughout all processes from material procurement to delivery to customers. By restructuring our parts procurement structure and expanding the use of highly versatile materials and semiconductors, we will minimize external environmental impacts including geopolitical risks that affect business continuity. In the value chain, we will shift toward integrated value development of technologies and services to deliver the value that customers seek. By doing so, we believe that our business partners including suppliers will be able to focus on delivering the value that our customers truly need.

3. Continuous improvement in corporate governance and active dialogue with stakeholders
We are committed to continuous improvements aimed at enhancing the effectiveness of our governance structure, taking into account dialogue with shareholders and investors as well as the spirit of the Corporate Governance Code. In our corporate governance, we have appointed six outside directors, including two females, bringing diverse perspectives and experience to the Board of Directors, which consists of a total of 15 members. Aiming to further diversify gender, skills and backgrounds and refine our management practices, we have also appointed one female executive officer from within the company.
To address the myriad of complex challenges we face, we are committed to promoting the concept of Team Management, which combines the newly established functional axis Chief Officer system (CXO) with traditional organizational axes, enabling cross-functional and flexible responses. This approach will enhance the speed of decision-making and operations.

Regarding sustainability, with the formulation of the Basic Policy on Sustainability in December 2021, we have clarified the direction of our initiatives. In August 2023, we established a human rights policy, firmly stating that Mazda will not tolerate any human rights violations in any of our business activities, either internally or externally, and that respect for human rights is fundamental to our corporate activities. Alongside these efforts, we will work on enhancing information disclosure.
In investor relations (IR), we will continue to focus on timely and appropriate disclosure, including non-financial information, to our shareholders and investors. Moreover, through active dialogue, we seek to foster an understanding of Mazda’s management philosophy, contributing to improving our corporate value, including PBR enhancement.

EVOLVING THE JOY OF DRIVING TO THE JOY OF LIVING
The speed of external environmental changes, such as frequent and stringent revisions in environmental regulations and the emergence of important social issues, has brought us to a stage where we face significant challenges in transitioning to a sustainable business. To address these challenges, it is essential to amplify the collective efforts and growth of each and every employee, and for the company to unite as one to surmount the significant transformations. We will leverage diverse technologies and collaborate with numerous partners, combining wisdom and passion to realize carbon neutrality and create a society where safety, security and freedom in mobility are achieved. In doing so, we aim to bring emotion in motion and excitement to everyday life, sharing happiness with family, friends and those around us.

Through these initiatives, Mazda will continue to evolve the joy of driving and contribute to society through the joy of living experienced by our customers.

To our valued shareholders and investors, we thank you for your continued support, trust and confidence.




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