

MESSAGE FROM THE CFO



Investing in Mazda’s purpose

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MAZDA’S PURPOSE

Mazda employees around the world wake up each day with the aim to enrich the lives in motion of those we serve. We do this with a challenger spirit borne in Hiroshima and distinguished Japanese “hospitality” (omotenashi) extended to all our stakeholders. We take a very human-centered approach to all that we do, and as CFO, I am a leader in the company’s efforts to serve those who “invest” in our purpose.

“Invest” here refers not only to traditional financial investments, but also to the passion, intellect and skill sets of our global team members. We need these abilities to tackle the huge environmental challenges of our time – for example, achieving carbon neutrality (hereinafter, “CN”) in our value chain, or improving public safety and health as many societies around the world age. It’s our job to tackle these challenges not because we are forced to do so, but rather because it is core to our purpose as a business.

FINANCIAL RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2023

The business environment for the auto sector was extremely difficult in the fiscal year ending March 31, 2023, reflecting soaring material prices and a shortage of semiconductors. Against this backdrop, Mazda was able to grow Net Income Attributable to Owners of the Parent 75 percent through appropriate revenue enhancements including curtailed incentives and streamlined marketing costs through more efficient advertising focused on our target customers. The company also posted net cash of 101.6 billion yen, and an equity ratio of 44 percent. Breakeven volume remained below 1 million units for a second year, even while critical foundations were set to start the second shift of production at our joint-venture manufacturing facility in Alabama, USA, home of the CX-50 (crossover SUV). Together with our business partners, that facility will contribute to the economic development of the Huntsville area, a city which has been named one of the best places to live in the United States.\*1 In addition to improving the utilization of manufacturing assets, our team members around the world have worked on significant reductions in complexity, and re-engineering of many business processes. In the US, for example, in-house developed training courses were (voluntarily!) taken by more than two-thirds of our staff. These efforts not only reduce costs, but also develop the professional capability and creativity of our team members. The fiscal year also witnessed the launch of our Large product group and sustained Research & Development efforts for CASE (Connected, Autonomous, Shared and Electric). With all these investments, we aim to delight customers’ senses with a rich mix of crossover products, including the largest, most powerful vehicle Mazda has ever built – the CX-90 – available today with a variety of electrified powertrains.

\*1 Reference U.S. News & World Report’s rankings Best Places to Live in the USA

THE ROAD TO 2030

The transition to electrified vehicles is taking place at different speeds in different markets, and Mazda divides this new era into three phases as indicated in our Management Policy up to 2030. Depending on geography, we will apply the most appropriate of our multiple powertrain solutions to appeal to customer needs in each market, making the most of both new development and existing assets. Toward a fully electric future for mobility, we are making steady progress in jointly developing electric and electronic architectures, automotive batteries, and electric drive units. To meet this challenge, together with key business partners we plan to invest approximately 1.5 trillion yen through 2030 including R&D expenses and capital investment. Manufacturing and charging those EVs must also be sustainable. And toward our goal of carbon neutrality in 2050, we will further improve our ability to generate cash while complying with regulations globally through a variety of electrification technologies. In addition, Mazda has partnered with governments and power producers in five surrounding prefectures to expand supply and demand of renewable energy in our region. Our aim is not only to facilitate match-making between renewable power generators and consumers including Mazda group companies, but also to contribute to the regional economy through our leadership and technology.

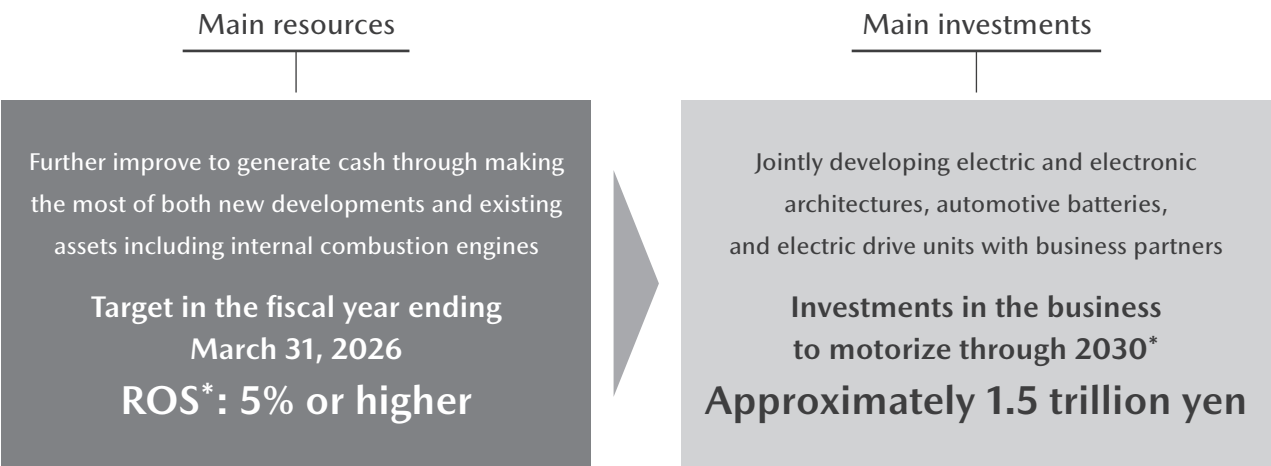
SHAREHOLDER RETURNS

Streamlining complexity and cost; delivering our brand promise to diverse global customers; building an inclusive global work culture; and supporting a vibrant economy through creation of sustainable jobs - this is Mazda’s recipe to generate cash while funding significant investments in CASE and CN. We target a stable dividend payout ratio of 30 percent or more toward the fiscal year ending March 31, 2026, balancing company performance, business environment, and financial conditions.

GOVERNANCE

Finally, we can only gauge progress if we can measure it. The Finance function I lead plays a critical role in promoting a culture of good corporate governance and transparency. One example is to disclose our initiatives and progress in a transparent and visible manner and to engage in dialogue with shareholders and other stakeholders. We believe this culture benefits all of the company’s stakeholders, and it is another element of enriching the lives of those we serve.

Further Improve to Generate Cash through Making the Most of Existing Assets and Invests to the Business to Motorize



\* Return on sales (operating income ratio)

\* It includes research and development expenses and capital spending by Mazda and business partners