

INTERVIEW WITH OUTSIDE DIRECTORS



Kiyoshi Sato

Outside Director

Michiko Ogawa

Outside Director

Expectations for further improvement of brand value and dialogue with stakeholders under a new management team

The Board of Directors of Mazda comprises 15 members, 6 of whom are outside directors. Below is an interview with Kiyoshi Sato and Michiko Ogawa, who have been outside directors for four years, both of whom are involved in the board’s decision-making independent from the execution of the Company’s operations. In it they talk about measures and issues connected to efforts to raise Mazda’s corporate value, such as by sharing details about the progress of its brand value management and updates to the Medium-Term Management Plan.

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.

PROGRESS OF MAZDA’S BRAND VALUE MANAGEMENT

— In last year’s integrated report, on the subject of the medium- and long-term enhancement of Mazda’s corporate value, you both highlighted brand value management as being key. What do you think about brand value management initiatives in the last year?

Sato Based on the results for the past several years, it looks like Mazda’s brand value has continued to rise. More expensive, higher-grade vehicles have garnered customer approval, and this has contributed to sales and profits. In that respect, brand value management is clearly making progress. Looking back over this past year, though, there have been some issues. The most recent performance

data owes much to two factors: The first is that minimal discounts have been needed to make sales, due to limitations on the number of vehicles being supplied to the market as a result of lower production numbers for all companies during the pandemic. The second is that the weakness of the yen and other environmental factors have worked to Mazda’s advantage, due to its extensive exports. Casting our eyes forward, though, as other companies work to resolve supply chain disruptions and begin to supply more products to the market, competition will become fiercer. As such, we will likely start to see the real worth of brand value management tested. I expect that Mazda’s Large Products lineup, including the CX-60 that went on global sale in 2022, will be a new driver of enhancements to the Company’s brand value.

Ogawa I believe that brand value comes not only from a company’s product, technology, and marketing capabilities, but is also augmented by non-financial aspects related to ESG. Even looking at such a short period as one year, it is clear that Mazda has been trying to enhance its brand value, despite various problems like semiconductor shortages. However, in several ways these efforts have not led to exceptional brand value as seen from outside. For brand value management, the indicators used so far to represent brand value itself will change to different ones the Company will utilize going forward. The elements that are becoming newly necessary will increase as Mazda reviews its electrification strategy and Medium-Term Management Plan. 2023 is a start year to create new value for customers, and I feel this is somewhere the Company will be focusing its efforts in the future.

UPDATES TO THE MEDIUM-TERM MANAGEMENT PLAN AND THE FORMULATION OF MANAGEMENT POLICY UP TO 2030

— There were lively discussions by the Board of Directors concerning the Medium-Term Management Plan Update and Management Policy up to 2030 that were announced in November 2022; could you tell us about the formulation process and your thoughts on the discussions from your perspective as outside directors?

Sato As outside directors, we are very often involved in the formulation of the medium-term management plans and other important fundamental management policies through our role in discussions. For matters that the Board of Directors does not discuss, we receive information from relevant departments, and outside directors are regular contributors to the Company’s policy decision-making. Mazda strives toward CASE (including Connectivity, Autonomous Sharing and Electrification) technologies, but to do

so it must respond to changes in national and regional regulations or market situations, which are never still for long. I think that alongside frequent discussions among the Board of Directors, Mazda must accurately grasp how circumstances will change and continue to respond flexibly.

Ogawa Sufficient time is set aside for discussions about medium-term management plans. For the update to the current Medium-Term Management Plan, we bore in mind the dramatic changes to the external environment and the short time in which assumptions can be overturned. At meetings of the Board of Directors held each month there are open-minded debates on major themes of the Medium-Term Management Plan.

SUSTAINABILITY INITIATIVES

— Mazda has set carbon neutrality as one of its most important management issues. As such it is working to reduce CO₂ emissions through the entire lifecycle of its vehicles. For example, in January 2023 Mazda supported Euglena’s project to expand the usage of next-generation bio-fuels, while in March it concluded an off-site corporate PPA for solar power generation. The Company also supported the establishment of the Council for Utilizing Namikata Terminal as a Hub for Introducing Fuel Ammonia, whose investigations have already begun. What do you think of this progress and what expectations do you have?

Sato I think it shows that the Multi-solution approach whereby Mazda offers solution options optimized to each region is an effective part of its efforts to ensure its entire supply chain is carbon neutral by 2050. The case of the solar power generation and other individual initiatives are steadily making ground, but my immediate impression is that there is still a long way to go overall. But through repeated successes like these, I expect that Mazda will apply these to companywide action plans that will lead to bigger results and the resolution of social issues.

Ogawa Within sustainability, the green transformation (GX) and carbon neutrality in particular are major issues that no one company can resolve. Mazda continues to follow a strategy of raising the feasibility of its Multi-solution approach by working with stakeholders. Recently, Mr. Sato and I visited Fuji International Speedway and saw for ourselves racing cars that run on next-generation biodiesel. On the circuit, we also saw other companies varied efforts toward carbon neutrality, and these will help to inform future such initiatives. As the Company pushes forward with demonstrations with stakeholders, systematic advances are being made with a focus on how to effectively promote the Multi-solution approach.

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ware functions are achieved through software, and customers now want Mazda to create integrated value. Under this new definition of value, it is possible to become overly fixated on new technologies and innovation, and lose sight of the more intrinsic approach. Mazda cannot rely on shallow methods; it is important that it considers how it take best advantage of its own strengths and assets as it uses cutting-edge tools. Moreover, the Company must think about the importance of communication in its business operations. Business requires cold logic, but for communication warmer, emotional ties are important. I hope that Mazda will consciously work on an approach that balances a need for rational thinking to publicize efforts and communication that transforms the value the Company creates into empathy, including emotional connections.

EXPECTATIONS FOR THE NEW MANAGEMENT STRUCTURE

— In June 2023, Masahiro Moro took up the role of representative director, president and CEO; while Jeffrey H. Guyton, an American, became a representative director, senior managing executive officer, and CFO. Two months earlier, Tomiko Takeuchi became an executive officer. What are your thoughts on the increasing diversity of Mazda's management?

Ogawa I genuinely believe that with the appointments of Mr. Guyton as a representative director and Ms. Takeuchi as a female executive officer, this displays both a conscious move to add diversity to the traditionally conservative manufacturing industry—where moves toward diversity have been slow—as well as a strong will for Mazda to harness diversity to drive reform. Within the Board of Directors, directors speak more often about diversity, and we expect unprecedented, sometimes intermittent, changes in the future. Mr. Guyton's fundamentally believes that corporate culture plays an extremely important part in an organization's efforts to grow. This is something we occasionally speak about at meetings of the Board of Directors, but Mazda has to raise its total corporate capabilities, such as its ability to raise value for and communicate with customers, to the same level as its exceptional Monozukuri (engineering and manufacturing) skills. That Mr. Guyton, with his desire to actively introduce new ways of doing things and to reform the corporate culture, has been brought onto the board is telling. I also expect a lot from Ms. Takeuchi. For many years, she has led development. I have often spoken with her on a one-to-one basis, even before her promotion to executive officer, and she told me that the reason she wanted to work for Mazda was because she genuinely loves vehicles and wants to make them. She has a strong wish to raise Mazda's corporate value and to make the Company, a place where people that love cars work, even better. As part of its basic policies that form part of its Management Policy up to 2030, Mazda speaks of

ENHANCEMENTS TO MAZDA'S CORPORATE VALUE

— Even within the Company, conversations about value creation are gaining pace. Going forward, in what issues must be overcome to help Mazda's corporate value enhancement efforts to gain traction? Do you have any advice for the Company's employees?

Sato I feel that Mazda's communications, the method by which it creates human connections, have some shortcomings. If Mazda does not refine this point, efforts to enhance the Company's corporate value will come to nothing. Defining Mazda's original form of value is important, but originality is not something that can be appreciated without something to compare it to. I hope that all employees can, as part of that relative comparison, grasp what makes Mazda Mazda, and place greater emphasis on the perspective of how to improve that. At the same time, for customers and the Mazda Group, I'd like employees to greatly improve their communications skills to introduce Mazda's strengths and initiatives. It is vital that Mazda hones its two-way communication through methods such as social media and IT.

Ogawa Value creation, which conventionally just meant creating value by manufacturing vehicles, has changed. We have entered an age in which value previously achieved through engine performance or design, are becoming either software-oriented or where hard-

Monozukuri (engineering and manufacturing), Tsunagarizukuri (creating human connections), and Hitozukuri (nurturing the development of individuals). As the division general manager for the Human Resources Division, Ms. Takeuchi will be responsible for the developing people part. She has also displayed a belief that by utilizing people's abilities and energizing engineering and manufacturing worksites, it is possible to bring out Mazda's overall capabilities. With Mr. Guyton and Ms. Takeuchi leading efforts to reform Mazda's corporate culture, I'm sure we'll see major results far beyond the sum of their parts.

Sato Mr. Moro, the president, is an extremely sincere person, serious yet cheerful, and blessed with great powers of communication. I think he will earn everyone's trust—I've heard many different people express their willingness to take part if he is doing something—and fulfill his responsibilities. As someone who has been in charge in the North American market, one of Mazda's main sales battlegrounds, he will no doubt have some major advantages when it comes to setting future global strategies. Mr. Moro will also be at the center of efforts in areas where Mazda has traditionally struggled or to communicate with relevant organizations and customers, so I expect to see a greater degree of openness at the Company. Mr. Guyton's role, as representative director, senior managing executive officer, and CFO, with his overseas background, will likely be to offer perspectives that differ from what the Japanese members of the team consider common sense. During his time in Europe and North America, he has focused on invigorating organizations, and he has declared his intention to do the same here in Japan. I have great expectations for him.

Ogawa Since I was appointed as an outside director in 2019, I have mostly spoken to Mr. Moro, who was previously in charge of the North American business, online about topics such as specific measures to achieve business reform and the results of such measures. Compared to when I first started, I have seen how his confidence has improved because of his results in the North American market, which has grown to become Mazda's most profitable. Since 2021, he has taken charge of efforts to strengthen communications and overseen sustainability efforts, and every day he works to tackle a range of difficult issues, but with the international experience and record of boldly taking on challenges in North America that he has at his disposal, I am sure he will do well.

— Thank you very much for joining us today.

