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## Mazda Motor Corporation

Akira Marumoto  
Representative Director,  
President and CEO

Contact: (082)282-1111  
Securities Code: 7261  
<http://www.mazda.co.jp/>

The corporate governance of Mazda Motor Corporation (hereinafter “the Company”) is as follows:

### I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

#### 1. Basic Views

While working to build a good relationship with its stakeholders, including shareholders, customers, suppliers, the local community and its employees, the Company shall strive to sustain growth and enhance its corporate value over the medium and long term through transparent, fair, prompt and decisive decision-making and to continue to enhance its corporate governance in line with the following basic philosophy.

i. The Company shall ensure that the rights of shareholders are effectively secured, create an environment in which their rights can be properly exercised and ensure shareholders’ equality.

ii. The Company shall foster a corporate culture and climate that respect stakeholders’ rights and status and sound business ethics and have a dialogue and collaborate with stakeholders appropriately.

iii. The Company will disclose information appropriately based on laws and regulations and take the initiative to provide other information as well based on laws and regulations.

iv. Based on its fiduciary responsibility and accountability to shareholders, the Company’s board of directors shall lay out a broad direction for corporate strategy, establish an environment that will support appropriate risk-taking and exercise highly effective supervision over the management team from their independent and objective stance.

v. The Company shall engage in constructive dialogue with shareholders and take a proper interest in their interests and concerns while endeavoring to explain the Company’s management policies in a clear manner and gain shareholders’ understanding.

#### [Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company respects the intent and spirit of the Corporate Governance Code and shall implement its principles.

**Principle 1-3 Basic Strategy for Capital Policy**

In order to enhance corporate value over the medium and long terms and build a solid financial foundation for stable, continued growth, the Company shall endeavor to reduce its interest-bearing debt and increase its equity capital.

The Company shall also endeavor to use its management resources effectively and enhance its capital efficiency.

With regard to shareholder return, the Company shall endeavor to strengthen its financial foundation for a higher dividend payout ratio, with the payment of dividends based on performance as its basis.

**Principle 1-4 Cross-Shareholdings**

i. Policy on cross-shareholdings

Taking into overall consideration business strategy, the necessity to business activities such as maintaining and strengthening business dealings, and the economic rationality of cross-shareholdings, the Company shall have cross-shareholdings when it will lead to the enhancement of corporate value over the medium and long terms. If the purpose of cross-shareholdings is judged to have diminished, the Company shall aim to reduce cross-shareholdings, including the selling of shares based on the relevant company's circumstances, etc.

ii. Verification by the board of directors

Every year at a board of directors, the Company shall individually verify the appropriateness of its cross-shareholdings according to the above-mentioned policy.

iii. Basic policy on exercise of voting rights

When exercising its right to vote for cross-shareholdings, the Company shall comprehensively evaluate whether or not matters that have come up for a vote will contribute to enhancing the corporate value, etc., of the Company and companies of which the Company holds shares over the medium and long terms; the Company shall then determine to vote for or against proposals.

**Principle 1-7 Related Party Transactions**

Based on the Companies Act, the Company shall require the advance approval of and after-the-fact reports to the board of directors on conflict-of-interest transactions by directors or Audit & Supervisory Board Members to ensure that there is no harm to the interests of the Company or its shareholders and so that no such concerns are raised. Based on internal regulations, the same shall be done in the case of executive officers as well.

The Company shall also ensure proper oversight by the board of directors as to whether or not there have been transactions with principal shareholders and the nature of such transactions. At present, however, there are no principal shareholders holding 10 percent or more of the Company's voting rights.

**Principle 2-6 Roles of Corporate Pension Funds as Asset Owners**

The Mazda Pension Fund manages the Company's corporate pension fund and consigns the investment management of the fund to multiple asset management institutions. The selection of management institutions is done prudently from the standpoint of securing long-term earnings, through consultation with external experts, such as management consultant companies, and through examining quantitative aspects such as past management results.

Furthermore, so that the Fund may fulfill its function, in addition to dispatching specialists from the Finance Division, a full-time manager shall be appointed to the Pension Fund to promote and train employees with the relevant administrative abilities. Additionally, members of the Investment Management Committee, who are experts in human resources and finance, shall confirm the sound administration of the Fund, in addition to making decisions regarding important matters.

The selection of individual companies to invest in and the exercising of voting rights are consigned to the asset management institutions so that there are no conflicts of interest between corporate pension beneficiaries and the Company.

**Principle 3-1 Full Disclosure**

**i. Company objectives, business strategies and business plans**

In an effort to earn the trust of customers and other stakeholders and to be a brand that they will continue to choose and to pursue its business activities in a unified manner, the Company has established the following corporate vision:

We love cars and want people to enjoy fulfilling lives through cars.  
We envision cars existing sustainably with the earth and society,  
and we will continue to tackle challenges with creative ideas.

1. Brighten people's lives through car ownership.
2. Offer cars that are sustainable with the earth and society to more people.
3. Embrace challenges and seek to master the Doh ("Way" or "Path") of creativity.

Under its Structural Reform Stage 2 (Fiscal year ending March 2017 through fiscal year ending March 2019), a medium-term business plan launched the fiscal year ending March 2017, the Mazda Group has worked to offer appealing products that provide both driving pleasure and outstanding environmental and safety performance, to achieve qualitative growth in all areas of the business and to further enhance brand value.

Ahead of the announcement of the next medium-term business plan, the company has established the basic direction of its future initiatives for sustainable growth.

For details on these plans or to learn about the progress that has been made, refer to the investor relations materials on the Company's website:

<http://www.mazda.com/en/investors/library/>

## **ii. Basic views and guidelines on corporate governance based on the principles of the Code**

Refer to "I. 1 Basic Views."

## **iii. Board policies and procedures in determining the remuneration of the senior management and directors**

Refer to "Directors' Remuneration" in Section II. 1.

## **iv. Board policies and procedures in the appointment and dismissal of the senior management and the nomination of director and Audit & Supervisory Board Member candidates**

(Nomination, Appointment Policies and Procedures)

When nominating and appointing officers (candidates for director or Audit & Supervisory Board Member, executive officers), under the basic premise that they are healthy both physically and mentally, the Company shall consider whether they have the proper attitude to fulfill the mandate of shareholders, customers and other stakeholders, high ethical standards, the ability to take action, leadership qualities and the experience and ability to carry out their duties as well as their professional and personal achievements. Candidates for director must have exceptional character, insight, ability and a wealth of experience. The overall structure and balance of the board must also be considered.

With regard to candidates for Audit & Supervisory Board Member, in addition to the above the Company shall ensure that at least one of them has thorough knowledge of finances and accounting.

The Company shall confirm that, in addition to the above, candidates for outside director and outside Audit & Supervisory Board Member meet the Company's requirements for independence and have the time and energy necessary to properly fulfill their roles and responsibilities.

In order to enhance the transparency, fairness and objectivity of the process for nominating and appointing officers, the Company shall establish an Officer Lineup Advisory Committee made up of all directors and with an outside director as chair to serve as an advisory body to the president and offer advice on the makeup of the officer lineup and on policies on the training and selection of candidates. Based on the committee's advice, proposals on the nomination and appointment of corporate officers shall be submitted to the board.

(Dismissal Policies and Procedures)

Regarding the dismissal or other measures taken against a director, in cases where a director (directors, Audit & Supervisory Board Members, and executive officers) was found to have violated the rules, regulations, or company statutes regarding their duties; in cases where a director took an inappropriate action, thereby making them unqualified to serve as a director; or in cases where circumstances emerged that made the appropriate execution of their duties difficult, a proposal to dismiss the director in question shall be introduced to the board based on the advice of the Officer Lineup Advisory Committee.

#### **v. Explanations with respect to the individual appointments and nominations based on iv.**

Refer to the Notice of the Ordinary General Meeting of Shareholders for the reasons for the appointment of the directors and Audit & Supervisory Board Members.

<http://www.mazda.com/en/investors/stockinfo/meeting/>

#### **Supplementary Principle 4-1-1 Scope of matters delegated to management**

The Company's board of directors shall deliberate and make decisions on matters stipulated by laws, regulations and the articles of incorporation as well as important operations set forth in the Company's rules for the board of directors. Other matters shall be decided on by executive officers under the president to whom authority has been delegated based on the Company's rules on the delegation of authority.

Management meetings to report information necessary for debate on important company-wide policies and initiatives shall be held, and advisory bodies to contribute to decisions by the president shall be established.

#### **Principle 4-9 Independence Standards and Qualification for Independence**

Refer to "Independence of Officers" in Section II. 1.

#### **Supplementary Principles 4-11-1 View on appropriate balance between knowledge, experience and skills of the board and on diversity and appropriate board size**

Refer to Principle 3-1-iv.

#### **Supplementary Principles 4-11-2 Directors and Audit & Supervisory Board Members who serve as management of other companies**

The company shall confirm that outside directors and outside Audit & Supervisory Board Members who serve as management of other companies can devote sufficient time and energy to properly fulfill their roles and responsibilities.

Refer to the Notice of the Ordinary General Meeting of Shareholders for the status of those who hold important posts concurrently:

<http://www.mazda.com/en/investors/stockinfo/meeting/>

#### **Supplementary Principles 4-11-3 Analysis and evaluation of the board's effectiveness**

In order to steadily advance measures for the further enhancement of its efficiency, the Company's board of directors analyzed and evaluated the meetings conducted in Fiscal 2017. The method and results are outlined below.

##### **i. Method of analysis and evaluation**

Based on a survey prepared by the board's secretariat, all of the directors and members of the Audit & Supervisory Board evaluated the board's effectiveness. After the results were compiled by the secretariat, an analysis of the current situation was shared at a board meeting, and the ideal to be pursued and improvements were discussed.

The survey primarily covered debate on the composition of the board of directors, the business strategy, debate on compliance and internal control, and the provision of information (the amount of information, materials, explanations and support for outside directors) and involvement in the debate.

##### **ii. Overview of results**

It was found that members of the board of directors are properly involved in determining the Company's business strategy and share an understanding of its content, that the outside directors express their opinions from an independent perspective after gaining an understanding of the Company's situation by receiving explanations of resolutions in advance and other forms of support, and that the oversight function of the execution of operations has been ensured.

Based on the previous survey (fiscal 2016), efforts were made to further enhance the provision of information to outside corporate officers and to strengthen progress reports and debate on important matters at board meetings. It was found that, as a result, the outside corporate officers gained a better understanding of the Company's operations and more constructive discussions took place at board meetings at appropriate times.

Meanwhile, the Company recognized the need for further improvements, including strengthened monitoring of the business strategy and other important matters, enhanced debate on risks and profitability, and continued debate on a more diverse board of directors.

The Company will analyze and evaluate the board's effectiveness annually and continue to make improvements in order to enhance corporate value over the medium and long term.

### **Supplementary Principles 4-14-2 Policy on the training of directors and Audit & Supervisory Board Members**

When directors or Audit & Supervisory Board Members assume their posts, the Company shall hold training for them to ensure that they can fulfill their respective roles and responsibilities. Even after they assume their posts, the Company shall provide them with opportunities to undergo training in corporate governance, internal control, compliance and other areas, as necessary.

In addition to the above, outside directors and outside Audit & Supervisory Board Members shall be given opportunities to learn more about the nature and status of the Company's business, such as tours of dealerships and plants, participation in events and meetings with executive officers.

### **Supplementary Principle 5-1 Policy for Constructive Dialogue with Shareholders**

#### **i. Basic Policy**

For continued growth and enhancement of corporate value over the medium and long terms, the Company shall promote investor relations through the timely and appropriate disclosure of information to shareholders and investors and through constructive dialogue.

#### **ii. Investor Relations**

The officer who oversees finance shall have overall responsibility for dialogue with shareholders, and the officer in charge of finance and the financial planning department (investor relations department) shall be in charge. In order to enhance dialogue, they shall cooperate with departments in charge, including the Corporate Planning & Development Division and the Corporate Services Division, and create a framework for the proper provision of information.

#### **iii. Methods of dialogue**

Apart from dialogue conducted in private meetings, the Company shall hold quarterly briefings on financial results and other briefings, including those for individual shareholders, and shall conduct plant tours. The company shall also endeavor to disclose information impartially and with a high degree of transparency through the issuance of its securities reports and correspondence with shareholders as well as explanations of the Company's operating policies and the Mazda brand on the Company's website.

#### **iv. Relaying information on dialogue**

Opinions from customers will be relayed to the board of directors or the management team as necessary by the officer in charge of finances.

#### **v. Management of insider information**

In dialogues with shareholders, insider information (undisclosed material facts) shall be handled appropriately in accordance with laws and regulations and internal regulations.

### **Principle 5-2 Basic Guidelines for Earnings Plans and Capital Policy**

Basic guidelines for earnings plans are described in the Structural Reform Plan Stage 2 (effective from March 2017 through March 2019). In addition, ahead of the announcement of the next medium-term business plan, the company has established the basic direction of its future initiatives for sustainable growth. These plans has been posted on the Company's investor relations website:

<http://www.mazda.com/en/investors/library/>

Refer to Principle 1-3 above for basic guidelines on capital policy.

## 2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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### [Status of Major Shareholders] [Updated]

Name / Company Name	Number of Shares Owned	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	34,275,700	5.44
Toyota Motor Corporation	31,928,500	5.07
The Master Trust Bank of Japan, Ltd. (Trust Account)	31,492,800	5.00
Japan Trustee Services Bank, Ltd. (Trust Account 9)	15,851,700	2.52
Sumitomo Mitsui Banking Corporation	12,857,500	2.04
Japan Trustee Services Bank, Ltd. (Trust Account 5)	12,233,900	1.94
BNYMSANV AS AGENT / CLIENTS LUX UCITS NON TREATY 1	10,413,600	1.65
Japan Trustee Services Bank, Ltd. (Trust Account 7)	9,093,200	1.44
Japan Trustee Services Bank, Ltd. (Trust Account 1)	8,897,400	1.41
State Street Bank West Client – Treaty 505234	8,737,380	1.39

Controlling Shareholder (except for Parent Company)	_____
Parent Company	None

Supplementary Explanation
Status of major shareholders above is as of September 30, 2018.

## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Transportation Equipment
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

## 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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## 5. Other Special Circumstances which may have Material Impact on Corporate Governance

None
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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	16
Term of Office Stipulated in Articles of Incorporation	2 years
Chairperson of the Board	Company Chairperson
Number of Directors	10
Number of Outside Directors	2
Number of Independent Directors	2

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Ichiro Sakai	Lawyer												
Kazuaki Jono	Other												

#### \*Categories

- The director presently falls or has recently fallen under the category.
- The director fell under the category in the past.
- A close relative of the director presently falls or has recently fallen under the category.
- A close relative of the director fell under the category in the past.

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/ Audit & Supervisory Board Member
- g. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company between which the Company outside directors/ Audit & Supervisory Board Members are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Other

#### Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment

Ichiro Sakai	○	—	<p>Mr. Sakai served as a prosecutor and attorney for many years and has extensive experience in and knowledge of the legal profession. He has contributed to further strengthening the board's supervisory function by offering valuable advice and suggestions based on this experience and knowledge. The Company requests his election as an Outside Director so that he can offer further advice and suggestions on management from his independent standpoint.</p> <p>Based on its criteria for independence, the Company has determined that Mr. Sakai has sufficient independence such that no risk of conflict of interest with general shareholders will result and has designated Mr. Sakai an independent officer.</p>
Kazuaki Jono	○	—	<p>Mr. Jono has held important posts with Hiroshima Prefecture, including vice governor and has extensive experience and knowledge acquired over many years in the administration of a local government. He has contributed to further strengthening the board's supervisory function by offering valuable advice and suggestions based on this experience and knowledge. The Company requests his election as an Outside Director so that he can offer further advice and suggestions on management from his independent standpoint.</p> <p>Based on its criteria for independence, the Company has determined that Mr. Jono has sufficient independence such that no risk of conflict of interest with general shareholders will result and has designated Mr. Jono an independent officer.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee
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Established
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Committee's Name, Composition, and Attributes of Chairperson
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	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Officer Lineup Advisory Committee	Officer Remuneration Advisory Committee
All Committee Members	10	5
Full-time Members	0	0
Inside Directors	8	3
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation
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<p>In order to further enhance the transparency, fairness and objectivity of the process for nominating and appointing officers (candidates for director or Audit &amp; Supervisory Board Member, executive officers) the Company has established an Officer Lineup Advisory Committee. In order to further enhance the transparency, fairness and objectivity of the process for determining the remuneration of directors and executive officers, the Company has established an Officer Remuneration Advisory Committee. Both committees are advisory bodies to the president and are chaired by an outside director.</p>
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**[Audit & Supervisory Board Members]**

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

**Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments**

The Audit & Supervisory Board Members, accounting auditors and internal audit department regularly hold joint meetings and cooperate with each other.

The Audit & Supervisory Board Members and the Audit & Supervisory Board regularly meet with the accounting auditors and hear explanations of their audit plan, audit issues and results. The Audit & Supervisory Board Members also provide necessary information on their audit plan and the status and results of audits. In this way, information is exchanged in both directions, and the company is working to strengthen this close cooperation. Also, some audits, such as inventory and the inspection of securities, are conducted jointly by the Audit & Supervisory Board Members and the accounting auditors.

The Audit & Supervisory Board Members and the Audit & Supervisory Board regularly meet with the internal audit department and the departments in charge of promoting internal and financial control. The Audit & Supervisory Board Members get reports from the internal audit department on the plans for and results of internal audits of the Company and its group companies. They also get reports from the departments in charge of promoting internal and financial control on plans for efforts to enhance internal and financial control in the Company and its group companies and the status of these efforts. In addition, the Audit & Supervisory Board Members provide information acquired in the process of conducting their audits or convey requests from their perspective as Audit & Supervisory Board Members, making for a two-way exchange of information. The internal audit department also attends the group auditor briefings conducted by the Audit & Supervisory Board Members.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

**Outside Audit & Supervisory Board Member's Relationship with the Company (1)**

Name	Attribute	Relationship with the Company*													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Takao Hotta	From another company														
Kunihiko Tamano	From another company										△				
Akira Kitamura	From another company							△							

\*Categories

- The director presently falls or has recently fallen under the category.
- △ The director fell under the category in the past.
- A close relative of the director presently falls or has recently fallen under the category.
- ▲ A close relative of the director fell under the category in the past.

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. Audit & Supervisory Board Member of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or

- other property from the Company besides compensation as a corporate auditor
- i. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)
  - j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
  - k. Executive of a company between which the Company outside directors/ Audit & Supervisory Board Member are mutually appointed (the corporate auditor himself/herself only)
  - l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
  - m. Other

Outside Audit & Supervisory Board Member's Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Takao Hotta	○	—	<p>Mr. Hotta held key posts at the Ministry of Finance for many years and has experience in management at a company in a field different from that of the Company. Because of his great knowledge of finance and accounting and his considerable experience and insight, the Company has deemed that Mr. Hotta is an appropriate person to conduct audits from an outside perspective and has nominated him as a candidate for Outside Audit &amp; Supervisory Board Member. Based on its criteria for independence, the Company has determined that Mr. Hotta has sufficient independence such that no risk of conflict of interest with general shareholders will result and has designated Mr. Hotta an independent officer.</p>
Kunihiko Tamano	○	<p>Mr. Tamano served as a managing executive officer at Itochu Corp., but he has since stepped down from all posts at Itochu, and four years have passed since he resigned as managing executive officer in March 2014.</p> <p>In the fiscal year ending March 2018 the Company paid Itochu for services in its capacity as a trading company, but the amount was very small, less than one percent of the Company's consolidated sales.</p> <p>Mr. Tamano serves as an advisory member to Nippon Access, Inc. but no business is transacted between the Company and Nippon Access, Inc.</p>	<p>Mr. Tamano worked in finance with a trading company for many years and served as managing executive officer and assistant to the chief financial officer. Because he has worked in risk management and the management of a corporate group and has great knowledge of finance and accounting as well as extensive experience and insight into the management of an international company, the Company has determined that Mr. Tamano is an appropriate person to conduct audits from an outside perspective and has nominated him as a candidate for Outside Audit &amp; Supervisory Board Member. Based on its criteria for independence, the Company has determined that Mr. Tamano has sufficient independence such that no risk of conflict of interest with general shareholders will result and has designated Mr. Tamano an independent officer.</p>

Akira Kitamura	○	<p>Mr. Kitamura served as representative director &amp; senior managing executive officer at Sumitomo Mitsui Banking Corp., but he has since stepped down from all posts at the bank. As of the convening of this General Meeting of Shareholders, nine (9) years will have passed since he resigned as an executive in March 2009. As of March 31, 2018, the bank owned 2.0 percent of the Company's stock, and the balance of the Mazda group borrowings from the bank was 79,526 million yen (approximately 2.9 percent of the Company's consolidated assets). The Mazda group has dealings with several financial institutions, and the ratio of its borrowings from the bank is not particularly high when compared to that of other institutions.</p> <p>Mr. Kitamura serves as advisor at Kansai Urban Banking Corporation, but he stepped down from all other posts at the bank in June 2016. As of March 31, 2018, the balance of the Mazda group borrowings from the bank was 1,134 million yen, but the amount was very small, less than 0.1 percent of the Company's consolidated assets.</p> <p>Mr. Kitamura serves as outside director at ARK Real Estate Co., Ltd, but no business is transacted between the Company and ARK Real Estate Co., Ltd.</p>	<p>Mr. Kitamura has held key posts at a financial institution, including representative director &amp; senior managing executive officer and chairman of the board and chief executive officer (representative director), and has great knowledge of finance and accounting. Based on his years of experience as a management executive at a financial institution and his knowledge in those areas, the Company has determined that Mr. Kitamura is an appropriate person to conduct audits from an outside perspective and has nominated him as a candidate for Outside Audit &amp; Supervisory Board Member.</p> <p>Based on its criteria for independence, the Company has determined that Mr. Kitamura has sufficient independence such that no risk of conflict of interest with general shareholders will result and has designated Mr. Kitamura an independent officer.</p>
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**[Independent Directors/Audit & Supervisory Board Members]**

Number of Independent Directors/Audit & Supervisory Board Members	5
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**Criteria for determining the independence of outside officers**

Outside directors and outside Audit & Supervisory Board Members are deemed to be independent if they fulfill the requirements outlined below.

1. The person is not an executive or former employee of the Company's group (\*1) and no close family member(\*2) is currently an executive of the Company's group or has been an executive of the Company's group within the past three years.
2. The person is not now nor has been within the last three years any of the following:
  - (i) An executive at a major shareholder (\*3) of the Company
  - (ii) An executive at a company for whom the Company is a major business partner (\*4) or a major business partner of the Company (\*5)
  - (iii) A person affiliated with the auditing firm that serves as the Company's accounting auditor
  - (iv) A lawyer, certified public accountant, tax accountant or other consultant who receives a large sum of money from the Company for something other than director remuneration (\*6) (if the person receiving the money is a corporation or other organization, a person affiliated with the organization)
  - (v) A director, Audit & Supervisory Board Member or executive officer at a company with a director from the Company
  - (vi) An executive of an organization receiving large donations or aid from the Company (\*7)
3. None of 2.(i) through (vi) above (important posts only) apply to any close family member of the person

\*1 The Company or its subsidiaries

\*2 Spouse or a family member within the second degree of kinship

\*3 A shareholder holding 10 percent or more of the Company's voting rights at the end of the fiscal year

\*4 A business partner to whom 2 percent or more of consolidated net sales in recent fiscal years has been paid by the Company

\*5 A business partner by whom 2 percent or more of the Company's consolidated net sales in recent fiscal years have been paid or a financial institution that has provided loans for 2 percent or more of the Company's consolidated assets

\*6 Money other than officer remuneration received from the Company or property benefits that exceed 10 million yen a year

\*7 An organization that received donations or aid exceeding 10 million yen per year

**[Incentives]**

Incentive Policies for Directors	Performance-linked Remuneration / Stock Options
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**Supplementary Explanation**

The remuneration of internal directors and executive officers consists of 1) a fixed amount of basic remuneration commensurate with their responsibilities, 2) performance-based remuneration determined at the end of the fiscal year in accordance with a designated standard and process after evaluating how much has been achieved toward personal goals set based on an annual business plan formulated based on the medium-term business plan, and 3) compensation in the form of stock options under a system introduced after approval of a resolution at the 150th Ordinary General Meeting of Shareholders on June 28, 2016 to enhance the desire to contribute to enhancing corporate value over the medium and long term and to share the benefits with shareholders.

Notice of the 150th Ordinary General Meeting of Shareholders:

<http://www.mazda.com/en/investors/stockinfo/meeting/>

Recipients of Stock Options	Inside Directors and Executive Officers
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## [Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Director
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### Supplementary Explanation

The total remuneration paid to 11 directors in Fiscal Year 2017 (April 2017 through March 2018) was 677 million yen.

Refer to the Notice of the 152nd Ordinary General Meeting of Shareholders for the remuneration paid to directors and Audit & Supervisory Board Members:

<http://www.mazda.com/en/investors/stockinfo/meeting/>

### Policy on Determining Remuneration Amounts and Calculation Methods

Established

### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

In order to further enhance the transparency, fairness and objectivity of the process for determining the remuneration of directors and executive officers, the Company has established an Officer Remuneration Advisory Committee made up of representative and outside directors and with an outside director to serve as chair of the meetings. Remuneration policy and a structure and process based on the policy will be decided, taking into account the advice of the committee in order to enable the Company's continued growth and enhancement of its corporate value over the medium and long terms.

The remuneration of internal directors and executive officers consists of 1) a fixed amount of basic remuneration commensurate with their responsibilities, 2) performance-based remuneration determined at the end of the fiscal year in accordance with a designated standard and process after evaluating how much has been achieved toward personal goals set based on an annual business plan formulated based on the medium-term business plan, and 3) compensation in the form of stock options under a system introduced after approval of a resolution at the 150th Ordinary General Meeting of Shareholders on June 28, 2016 in order to enhance the desire to contribute to enhancing corporate value over the medium and long term and to share the benefits with shareholders.

Considering their status independent from the execution of operations, outside directors shall receive a fixed amount of basic remuneration only.

By resolution of the 141st Ordinary General Meeting of Shareholders held on June 26, 2007, the annual compensation for directors is to be payable within the limit of ¥1.2 billion.

## [Supporting System for Outside Directors and/or Audit & Supervisory Board Members]

The company provides explanations of matters to be brought before the board of directors as necessary so that outside officers can freely state their opinions at board meetings and so that outside directors can easily participate in decision-making. The Company also arranges for outside officers to interview executive officers and provides opportunities for them to inspect facilities and participate in events both inside and outside the Company.

Full-time Audit & Supervisory Board Members offer observations based on information they have acquired or opinions they have formed through their attendance at important internal meetings or through their audit activities. The departments concerned work together to provide information based on the opinions of the outside officers and to support them.

## Status of Retired Representative Director/Presidents

### Former Representative Director/Presidents Serving as Senior Adviser or Executive Adviser

Name	Post	Nature of Work	Working Conditions (full/part-time, whether compensated)	Date of Retirement	Term
Norimasa Furuta	Senior Adviser	Community service, etc. (unrelated to management)	Part-time, compensated	June 27, 1996	One-year renewable contract
Hisakazu Imaki	Senior Adviser	Community service, etc. (unrelated to management)	Part-time, compensated	June 24, 2010	One-year renewable contract
Takashi Yamanouchi	Senior Adviser	Sustaining ties with suppliers, etc. (unrelated to management)	Part-time, compensated	June 24, 2010	One-year renewable contract

Number of former Representative Director/Presidents Serving as Senior Adviser or Executive Adviser	3
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#### Other

The work of senior advisers is limited to community service and sustaining ties with suppliers. They do not attend meetings, such as those of the board of directors or executive committee, and are not involved in the Company's operations or decision-making in any way.

## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

### i. Overview of current system

The Company is a company with a board of Audit & Supervisory Board Members. In addition to the general meeting of shareholders, and meetings of the board of directors, Audit & Supervisory Board and other bodies designated by law, the Company holds executive committee meetings to convey information necessary for debate on important company-wide policies and initiatives and business management as well as advisory bodies that contribute to decision-making by the president.

The Company's board of directors decides on the execution of important Company operations and oversees the execution of operations by individual directors. The board is made up of ten directors, two of whom are highly independent outside directors.

In order to conduct proper audits of directors' execution of their duties, the Company has established a five-member Board of Corporate Auditors of whom three are outside Audit & Supervisory Board Members. Two of the Audit & Supervisory Board Members are full-time, while the other three are highly independent.

The Company has also introduced an executive officer system. By separating execution and management, the effectiveness of the oversight of the board of directors is enhanced, and decision-making is speeded up through expanded debate by the board of directors and by delegating authority to executive officers. In this way, the Company is working to further managerial efficiency.

In an effort to contribute to sound and efficient management, the internal audit department audits the appropriateness of the business activities of the Company or its affiliated companies with regard to managerial targets, policies and plans as well as rules and regulations. It also audits the appropriateness and effectiveness of internal control.

Accounting audits are conducted by KPMG Azsa LLC, with whom the Company has concluded an audit contract. The certified public accounts who conducted the Company's accounting audits are Satoshi Yokosawa, Atsushi Nagata and Takuya Morishima who are employed by KPMG Azsa. They have been working on the Company's audits for less than seven years. Those assisting with the Company's accounting audits include 14 certified public accountants, two public accountants with U.S. certification, and sixteen others, three of whom have passed the certified public account examination.

ii. Efforts related to strengthening the audit function

The Company's Audit & Supervisory Board is made up of five members, including three outside corporate auditors. Each corporate auditor audits directors' execution of their duties in accordance with the annual plan set forth by the Audit & Supervisory Board. The appointment of outside Audit & Supervisory Board Members is described in the preceding "Relationship with the Company (1)" and "Relationship with the Company (2)." All three outside Audit & Supervisory Board Members have extensive knowledge of finance and accounting. None has a business relationship with the Company or any other interest in it.

An organization has been established to assist with the work of the Audit & Supervisory Board Members. It is staffed by employees who do not report to a director. Personnel changes and personnel evaluations are conducted by the personnel office after consulting with the full-time Audit & Supervisory Board Members.

If directors or executive officers discover facts that pose a risk of considerable harm to the Company, they report it directly to a Audit & Supervisory Board Member. With regard to major lawsuits or trials, changes to the accounting plan, major accidents, administrative disciplinary action by the authorities or other matters to be determined by the Audit & Supervisory Board Members after consultation with directors or executive officers, even if the facts do not pose a risk of considerable harm to the company, they are reported to the Audit & Supervisory Board Members.

The provision of information to outside Audit & Supervisory Board Members is described in II. 1 Support System for Outside Directors and/or Audit & Supervisory Board Members Audit & Supervisory Board Member. Cooperation among Audit & Supervisory Board Members, accounting Auditors and the internal audit departments is outlined in 2. 1.

iii. Efforts related to the election of officers and the determination of their remuneration

In order to further enhance the transparency, fairness and objectivity of the process for nominating and appointing officers (candidates for director or Audit & Supervisory Board Member, executive officers) the Company has established an Officer Lineup Advisory Committee to discuss the make-up of the officer lineup and policies for the development and selection of candidates. In order to further enhance the transparency, fairness and objectivity of the process for determining the remuneration of directors and executive officers, the Company has established an Officer Remuneration Advisory Committee to discuss remuneration policy and a structure and process based on the policy to enable the Company's continued growth and to enhance its corporate value over the medium and long terms. Both committees are advisory bodies to the president and are chaired by an outside director.

### 3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted its current corporate governance system in the belief that it makes possible an appropriate corporate governance structure by enhancing the transparency of management through debate at meetings of the board of directors (including the outside directors) and of other advisory bodies and through the enhancement of the audit function through the appointment of highly independent expert outside directors and outside Audit & Supervisory Board Members and by providing strong support for Audit & Supervisory Board Members.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The notice of the ordinary general meeting of shareholders to be held on June 26, 2018 was sent out on June 4. Prior to this, on May 28, the notice was posted on the Company's home page and on the website of the Tokyo Stock Exchange. <a href="http://www.mazda.com/en/investors/stockinfo/meeting/">http://www.mazda.com/en/investors/stockinfo/meeting/</a>
Scheduling AGMs Avoiding the Peak Day	The Company has heretofore avoided scheduling shareholders' meetings on peak days.
Allowing Electronic Exercise of Voting Rights	In order to make it easier for shareholders to exercise their right to vote, electronic voting has been allowed since the shareholders' meeting in June 2004.

Participation in Electronic Voting Platform	The Company has participated in the electronic voting platform for institutional investors run by ICJ Inc. since the shareholders' meeting in June 2008.
Providing Convocation Notice in English	The Company prepares English-language materials for reference when exercising voting rights. <a href="http://www.mazda.com/en/investors/stockinfo/meeting/">http://www.mazda.com/en/investors/stockinfo/meeting/</a>
Other	Before being mailed out, the Notice of the Ordinary General Meeting of Shareholders is posted on the Company's website. <a href="http://www.mazda.com/en/investors/stockinfo/meeting/">http://www.mazda.com/en/investors/stockinfo/meeting/</a>

## 2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	The Company will disclose information appropriately based on laws and regulations and take the initiative to provide other information as well based on laws and regulations (as stated in I.1 Basic Views).
Regular Investor Briefings for Individual Investors	Briefings on the business for individual investors are held as appropriate and cover the Company's sales, finances, outlook for the future, technology and development.
Regular Investor Briefings for Analysts and Institutional Investors	Briefings on business performance are held on the days when quarterly financial results are announced. Briefings on technology and plant tours are also held.
Regular Investor Briefings for Overseas Investors	The Company holds briefings on the business for overseas institutional investors in Europe, the U.S., Asia and other principal markets.
Posting of IR Materials on Website	Financial results, the securities report, quarterly reports, annual report and correspondence with shareholders are posted as IR materials on the Company's website. <a href="http://www.mazda.com/en/investors/">http://www.mazda.com/en/investors/</a>
Establishment of Department and/or Manager in Charge of IR	IR Group, Financial Planning Dept.

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company has stipulated that it will foster a corporate culture and climate that respect stakeholders' rights and status and sound business ethics and have a dialogue and collaborate with stakeholders appropriately. Refer to I. 1 Basic Views.
Implementation of Environmental Activities, CSR Activities etc.	<p>The Company aims to achieve its Corporate Vision through the actions of each individual, based on the Mazda Way. While striving to meet the requests and expectations of all of Mazda's stakeholders, employees pursue CSR initiatives in the course of their daily business activities. In this way, the Company contributes to the development of a sustainable society.</p> <p>For details on environmental conservation and CSR activities, refer to the Company's website.  <a href="http://www.mazda.com/en/csr/download/">http://www.mazda.com/en/csr/download/</a></p>
Development of Policies on Information Provision to Stakeholders	The Company has stipulated that it will disclose information appropriately based on laws and regulations and take the initiative to provide other information as well based on laws and regulations. Refer to I. 1 Basic Views. The Mazda Corporate Ethics Code of Conduct also states: "You should always state the truth honestly and timely in reporting internally and/or to the public."
Other	<p>To further the promotion of women to management positions, the Company has set a target of increasing the number of female middle managers to three times the figure as of March 31, 2014 by 2020. The Human Resources Development Committee is also formulating individual training programs for female candidates for middle manager. Mazda also supports the "Action Plans on Promotion of Women to Managerial and Board Position" by the Japan Business Federation (Nippon Keidanren), and participates in it.</p> <p>For details on Mazda's efforts with regard to respect and diversity, refer to the Company's website.  <a href="http://www2.mazda.com/en/csr/csr_vision/employee/pdf/diversity.pdf">http://www2.mazda.com/en/csr/csr_vision/employee/pdf/diversity.pdf</a></p>

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

#### <Outline of board resolutions related to the creation of the system>

#### 1. System for the preservation and management of information related to directors' execution of duties

Minutes for the meetings of shareholders, the board of directors and the executive committee; ringi forms; documents related to decisions; and other information related to the execution of directors' duties shall be properly stored and managed in accordance with laws and regulations, the articles of incorporation and all other related internal regulations, and the Audit & Supervisory Board Members shall be allowed to review this information upon request.

#### 2. Regulations and other systems related to the risk of loss

- (i) Individual business risks shall be managed by the relevant divisions, and company-level risks shall be managed by the divisions in charge in accordance with basic risk management policy and other related internal regulations.
- (ii) In the event of serious management situations or emergencies such as disasters, appropriate measures such as establishing an emergency headquarters shall be taken in accordance with internal regulations as necessary.
- (iii) The officer and department in charge of the promotion of risk management throughout the company shall be stipulated, and risk management shall be further strengthened and enhanced by activities such

as setting an agenda of priority issues for the Risk & Compliance Committee and checking and evaluating the risk management in each department.

### **3. System to ensure that directors execute their duties efficiently**

- (i) In order to meet business plan targets, activities shall be carried out in each area of operations in accordance with the medium- and long-term management plan and the annual fiscal year business plan.
- (ii) All items related to operations that must be submitted to the board as set forth in the Board of Directors Regulations shall be submitted at a board of directors meeting.
- (iii) Daily operations shall be carried out efficiently in accordance with the division of duties among executive officers based on the Administrative Authority Regulations, Work Allocation Regulations and any other related internal regulations or by delegating authority to the executive officers.

### **4. System to ensure that directors and employees execute their duties in conformance with laws and regulations and the articles of incorporation**

- (i) In order to further strengthen the oversight function of the board of directors and achieve greater management transparency, independent outside directors shall be appointed.
- (ii) The execution of duties by directors and other corporate officers and employees shall be carried out so as to ensure compliance with laws and regulations and the articles of incorporation in accordance with the compliance system in which an officer in charge of compliance shall be appointed and a division in charge of compliance shall be set up, and each divisional manager shall be responsible for the promotion of compliance under the Mazda Corporate Ethics Code of Conduct.
- (iii) The promotion of compliance shall be based on company-wide promotion policies deliberated on by the Risk & Compliance Committee and administered by the division that administers compliance throughout the company.
- (iv) The Mazda Global Hotline (hereinafter "hotline") shall be set up to receive reports when there has been improper behavior in the context of laws and regulations or of the Mazda Corporate Ethics Code of Conduct or when such behavior is suspected. The hotline shall accept anonymous reports, and a channel for receiving reports shall be set up at an independent organization (a lawyer).

### **5. System to ensure the appropriateness of operations of the corporate group consisting of the company and its subsidiaries**

- (i) Subsidiaries shall be requested to make advance reports to the company on specific matters and on the resolution of important operational issues in accordance with relevant internal regulations or to seek the company's approval of them.
- (ii) Subsidiaries shall be given guidance and support so as to carry out appropriate risk management in accordance with basic risk management policies and relevant internal regulations.
- (iii) Subsidiaries shall be given guidance in support so as to introduce the corporate group's medium-, long-term and annual business plans and other initiatives and policies of the company and to conduct their business in accordance with them. Subsidiaries shall also be given guidance and support as needed to resolve important business issues that arise.
- (iv) The Mazda Corporate Ethics Code of Conduct shall be introduced to subsidiaries, and they shall be given guidance and support in order to carry out their business in accordance with the code. The Audit & Supervisory Board and the internal auditing department shall, as proper, conduct audits of group companies' compliance with laws, regulations and the articles of incorporation and the status of their risk management.

### **6. Items related to the assignment of employees to assist Audit & Supervisory Board Members in their work in the case that such a request is made**

An organization to assist Audit & Supervisory Board Members with their work shall be set up, and employees who are not subject to the guidance or directives of directors shall be assigned to the organization.

### **7. Items related to the independence of the aforementioned employees from directors and to ensuring the effectiveness of instructions to these employees**

- (i) The transfer and evaluation of employees who assist Audit & Supervisory Board Members shall be carried out by the Human Resources Dept. after prior discussion with the full-time Audit & Supervisory Board Members.

- (ii) The employees who assist Audit & Supervisory Board Members shall not be concurrently employed by any other department and must report solely to the Audit & Supervisory Board Members.

**8. System for reports to Audit & Supervisory Board Members by directors and employees of the company and its subsidiaries, for other reports to Audit & Supervisory Board Members and to ensure that those who make reports shall not be subject to unfavorable treatment on account of making the report**

- (i) When directors or executive officers discover facts that may result in significant harm to the company, they shall report such facts to the Audit & Supervisory Board Members immediately.
- (ii) Directors and executive officers shall report to the Audit & Supervisory Board Members on serious lawsuits and disputes, changes in accounting policy, major accidents, administrative punishment by the authorities or other items that are to be discussed by the Audit & Supervisory Board with the directors or executive officers even if they are not facts that may result in significant harm to the company.
- (iii) Directors and executive officers shall seek reports from the directors, executive officers, Audit & Supervisory Board Members or employees engaged in internal audits of subsidiaries on facts that may lead to a significant loss to the company or its subsidiaries and on other matters that the Audit & Supervisory Board will decide on after discussions with the directors or executive officers.
- (iv) The internal auditing department shall make regular reports to Audit & Supervisory Board Members on the results of its internal audits of the corporate group.
- (v) Reports from employees of the company or its major subsidiaries via the hotline shall be received and the status of such reports shall be regularly reported to the Audit & Supervisory Board Member.
- (vi) It shall be made clear to the officers and employees of the corporate group that those who make reports to the hotline or who cooperate in an investigation or who make reports to an Audit & Supervisory Board Member under the provisions of the preceding paragraph shall not be subject to retaliation or unfavorable treatment.

**9. Matters related procedures for the advance payment or reimbursement of costs incurred in conjunction with the execution of their duties by Audit & Supervisory Board Members and policies concerning the handling of other costs or claims incurred in the execution of their duties**

The Audit & Supervisory Board shall prepare a budget in advance for costs deemed to be necessary to the execution of duties. Requests for reimbursement for costs incurred in an emergency or on an impromptu basis may be made after the fact.

**10. Other systems to ensure that Audit & Supervisory Board Members can conduct their audits effectively**

- (i) Each Audit & Supervisory Board Member shall audit directors' execution of duties in accordance with the annual plan prepared by the Audit & Supervisory Board.
- (ii) The full-time Audit & Supervisory Board Members shall attend important meetings such as meetings of the Executive Committee.
- (iii) Close cooperation shall be maintained between the Audit & Supervisory Board Members or the Audit & Supervisory Board and the internal auditing department and the accounting auditor such as by holding regular meetings, etc.
- (iv) The Audit & Supervisory Board Members shall communicate with the directors, executive officers and the general managers of major departments through meetings and hearings on the execution of duties.
- (v) Cooperation shall be maintained by holding Group Audit Liaison Committee regularly with the full-time Audit & Supervisory Board Members of the major companies in the Mazda Group and by sharing information with them.

**<Outline of status of operation>**

Based on the aforementioned board resolutions, the Company created a system and works to ensure that it operates properly. Major initiatives undertaken this fiscal year are described below.

The Audit & Supervisory Board members and internal auditing department audit the effectiveness of internal control on an ongoing basis, and the board receives reports on the status of the system's operation.

## **1. Risk management and compliance initiatives**

- The functioning of risk management and compliance this year was ascertained and evaluated at meetings of the Risk & Compliance Committee. Based on the medium-term action plan that was formulated last fiscal year, the Company will work to further clarify risks in the company and its subsidiaries and to strengthen risk management. Progress in these areas will be reviewed every six months at meetings of the Risk & Compliance Committee.
- Based on a review of the handling of risks uncovered in each department last fiscal year, the Company identified common priority issues and is addressing them as a group.
- Corporate officers and employees receive education on compliance on an ongoing basis. (This includes classes on business affairs and duties, providing opportunities for self-study using e-learning and the regular dissemination of information.)
- In addition to conducting surveys on employees' awareness of compliance, general managers and above are surveyed on their awareness of compliance and their efforts in that area. Based on the results of these surveys, efforts to raise awareness are implemented on an ongoing basis.
- Employees of the Company and its major subsidiaries are made aware of the hotline (in house and third-party organization), and reports are received and handled appropriately.
- Employees are regularly informed of the reporting process so that information on fraud or losses material to corporate management will be reliably conveyed through the organization and handled promptly and smoothly.
- Regular meetings are held by departments that manage risks at the Company-wide level, efforts are made to 33 identify new risks as they arise, and necessary countermeasures are discussed. Effective compliance education programs are formulated and implemented.
- In light of problems at other companies, inspections will be conducted at the Company and its subsidiaries. In these inspections work procedures will be reconfirmed, and efforts will be made to ensure compliance.
- Drills in initial response to a major earthquake or fire are conducted regularly, and the response of the disaster management and self-defense team is checked.

## **2. Initiatives related to ensuring the efficiency of the execution of duties**

- The budget is set based on the business plan, and progress is verified.
- All matters that must to be discussed by the board under the provisions of the Regulations of the Board of Directors are brought before the board.
- Duties are allocated among executive officers based on the Guidelines of Managerial Authority, Descriptions of Office Duties and other related internal regulations, and authority is delegated to executive officers.
- Progress on Structural Reform Stage 2 (fiscal year ending March 2017 through fiscal year ending March 2019) is verified at meetings of the Executive Committee and the board of directors.
- Important matters to be brought before the board of directors are thoroughly explained to outside officers in advance, their opinions are sought on business strategies for the medium and long term, and in-depth discussions are carried out. A yearly schedule for board meetings is prepared, and efforts are made to ensure thorough, efficient debate.
- In order to enhance the functionality of board meetings, those who attend conduct self-evaluations using a survey form. Deliberations and the running of the meetings are also analyzed, and ways to improve the meetings are discussed.

## **3. Initiatives to ensure the appropriateness of operations in the corporate group**

- The status of risk management and compliance initiatives at subsidiaries and of the operation of the hotline are assessed, and guidance and support are offered.
- Education on the roles and responsibilities of the management team, compliance, and risk management is provided to the directors of subsidiaries.
- The Company and its subsidiaries cooperate on the implementation of internal audits to ascertain the effectiveness of internal control.
- At major domestic subsidiaries, company employees assume the post of auditor and conduct audits. Regular reports on the internal control at each company are made to the Company's management along with reports on their financial condition. At major overseas subsidiaries, audit committee meetings are

held that are attended by the local corporate officers and internal auditing department as well as the Company's corporate officers, full-time Audit & Supervisory Board members and the internal auditing department. At these meetings internal control initiatives are deliberated and views are exchanged. This fiscal year we also began to establish audit committees or their equivalent at other overseas subsidiaries. In addition, the internal control and risk management systems of subsidiaries are being further strengthened. At other overseas subsidiaries as well, guidance and support are being provided for the expansion of internal control.

- At the Company and its subsidiaries self-assessment of the status of the operation of internal control is conducted using a checklist, flaws in control are ascertained independently and corrective measures are also taken. The internal auditing department also recommends necessary improvements and newly identified risks are reflected in the checklist as appropriate.
- This fiscal year, in order to strengthen risk management and internal control at subsidiaries, the Company reconfirmed the roles and responsibilities of the Company's department in charge of the administration of subsidiaries as well as management at its subsidiaries, and is discussing revisions to internal regulations in order to clarify those roles and responsibilities.

**4. Initiatives related to ensuring that the Audit & Supervisory Board Members conduct their audits effectively**

- The Audit & Supervisory Board prepares an annual plan and reports on it at board meetings. Audits are conducted in line with the annual plan.
- Full-time Audit & Supervisory Board members attend meetings of the Executive Committee and other important bodies and gather information. They also provide information to the Outside Audit & Supervisory Board members as appropriate.
- The directors, executive officers and general managers of key departments are systematically interviewed about the status of the execution of their duties.
- The status of reports to the hotline is regularly reported to the Audit & Supervisory Board members.
- Regular meetings are held with the accounting auditor and internal auditing department, and efforts are made to ensure close cooperation.
- Liaison meetings of the corporate auditors of group companies are held regularly, and information is exchanged with the full-time corporate auditors of group subsidiaries.

**2. Basic Views on Eliminating Anti-Social Forces**

The Mazda Group shall have no connection with anti-social forces or groups nor carry out any acts to facilitate the activities of such forces or groups. In the event of unreasonable demands from anti-social forces or groups, these shall be dealt with firmly, including systematic efforts in cooperation with external bodies such as the police or lawyers as necessary.

**V. Other**

**1. Adoption of Anti-Takeover Measures**

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation
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