

Quality Improvement | Exploring Partnerships
for "Co-Creation with Others"

QUALITY IMPROVEMENT

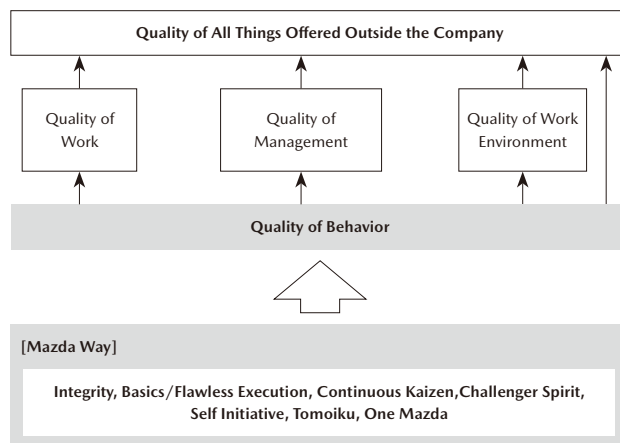
Basic Approach

Toward the realization of its Corporate Vision, Mazda believes that it is important to enhance the quality of "all things offered outside the Company," including products and services, to satisfy customers. The Company defines the Five Types of Mazda Quality: "quality of work," "quality of management," "quality of work environment," "quality of behavior," and "quality of all things offered outside the Company," which is underpinned by the preceding four. In line with its quality policy, Mazda further advances the efforts it has made and promotes united collaboration among all areas, continuing to enhance Mazda's unique value.

Mazda Quality Policy

Mazda Quality Policy
To enrich the lives of our customers
by providing products and services
that reflect steady and uncompromising work.

[Five Types of Mazda Quality]



Approach to Quality Improvement

To deliver customers safety, trust and excitement through automotive lifestyles, and to have customers continuously realize the value of its products, Mazda makes Groupwide efforts based on the three principles below:

1. Establishing consistent quality, from planning to production
2. Early detection and early solution of market problems
3. Building special bonds with customers—cultivating human resources capable of considering and acting toward the happiness of customers

Vision for Quality Assurance

Vehicle production based on the "100-1=0" belief

1. Establishing consistent quality from planning to production:

"100-1=0" expresses Mazda's strong desire to provide good quality to all customers under the belief that if even only one out of 100 vehicles is found to be defective, the car has no value for the customer. Mazda pursues a kind of vehicle production that respects each vehicle as a certain customer's "one-and-only," and aims to achieve "zero defects." In keeping with the basic principles of manufacturing and based on a full understanding of its mechanisms, all related departments work in close collaboration to establish consistent quality in all processes, from planning to production.

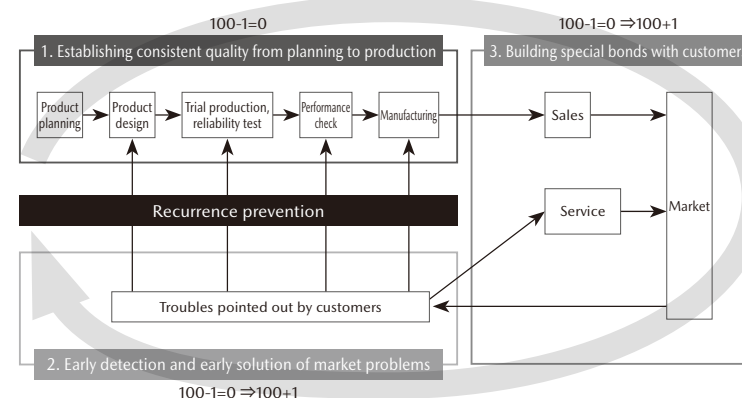
Initiative for the process to change "100-1=0" to "100+1"

2. Early detection and early solution of market problems:

If an unpredictable problem arises in the market, it may result in loss of trust from customers ("100-1=0"). To avoid this, Mazda promotes quality assurance activities for the early detection and early solution of any trouble pointed out by customers.

3. Building special bonds with customers:

Mazda aims to build special bonds of ever-lasting trust with its customers by keeping contact with customers in good faith and with a sense of commitment to them ("100-1=0" ⇒ "100+1"). Toward this goal, the Company promotes human resource development by encouraging every employee to think about what they should do to make customers happy and to act accordingly.



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Mazda Quality Management System (M-QMS^{*1})

To make faithful and unceasing efforts and constantly ensure quality in products, sales and after-sales services that can always satisfy the expectations and trust of customers, Mazda has established the Mazda Quality Management System (M-QMS) based on ISO 9001^{*2}, and has applied it to the series of processes from product development to production, sales and after-sales services.

At overseas production sites, Mazda also promotes the establishment of systems that encourage local employees of new sites to make self-reliant efforts to improve quality, and encourages them to acquire ISO 9001, thereby promoting the quality improvement of Mazda vehicles, which are produced and sold worldwide.

Acquisition of ISO 9000 Series

Year of acquisition	Types of ISO certification	Certified organization, product, service, etc.
1994	ISO9002	Mazda Motor Corporation: Vehicles produced at Hiroshima Plant and Hofu Plant (First to be certified as Japanese automaker)
1996	ISO9001	Mazda Motor Corporation: Engineering, product development, manufacturing and after-sales service
2001	ISO9001	Mazda Motor Corporation: Accessories, KD, product planning, design Mazda Engineering & Technology Co., Ltd.: Specially equipped vehicles (TESMA), etc. (Application range expanded) Auto Alliance (Thailand) Co., Ltd.
2007	TS16949 (ISO9001 Sector certificate)	Changan Ford Mazda Automobile Co., Ltd. (now Changan Mazda Automobile Co., Ltd.), Changan Ford Mazda Engine Co., Ltd. (now Changan Mazda Engine Co., Ltd.)
2015	ISO9001	Mazda de Mexico Vehicle Operation, Mazda Powertrain Manufacturing (Thailand) Co., Ltd.
2016	ISO9001: 2015	Mazda Sollers Manufacturing Rus LLC
2018	ISO9001: 2015 IATF16949: 2016 (ISO9001 Sector certificate)	Mazda Motor Corporation: Head Office, Hiroshima Plant and Hofu Plant, Mazda de Mexico Vehicle Operation, Auto Alliance (Thailand) Co., Ltd. Changan Mazda Automobile Co., Ltd., Changan Ford Mazda Engine Co., Ltd. (now Changan Mazda Engine Co., Ltd.)

1. Establishing consistent quality, from planning to production

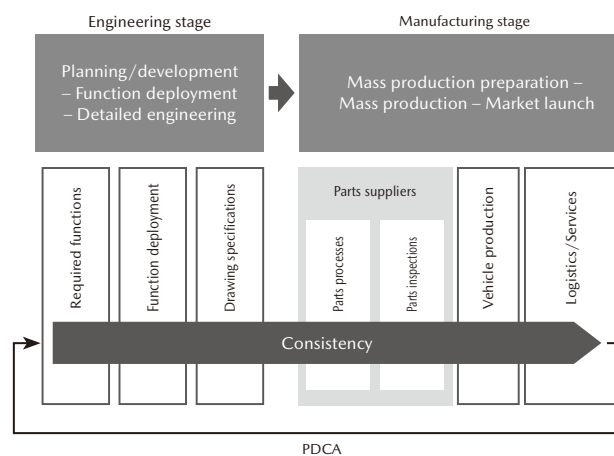
To satisfy the diverse needs of customers and offer greater trust, joy and excitement, Mazda is engaged in establishing a consistent quality level to be assured at all stages from planning/development to the delivery of products to customers.

Establishing Stable Quality

Not only to improve the performance of products but also to enhance the quality of new technologies including the initiatives to address environment issues, Mazda is committed to "process assurance." Process assurance is the approach of ensuring a consistent quality level at all stages from engineering (planning, product development) to manufacturing (purchasing, vehicle production, logistics, after-sales services). Based on the correct understanding of customer needs and expectations, the important elements necessary to ensure each function and performance are identified. The Company has established a system to maintain and manage them in every stage from engineering to manufacturing.

Furthermore, to allow customers feel driving pleasure through its products, Mazda identifies the functions and performance that embody "driving pleasure" for each stage from before getting in the car to after starting driving, so as to enhance consistency in establishing quality.

Consistent Process Assurance based on Major Characteristics



Monotsukuri Innovation

Looking five to 10 years into the future, Mazda has implemented Monotsukuri Innovation for efficiently developing and manufacturing products. Shared development methods and manufacturing processes are made possible by using bundled product planning for models to be introduced in the future, spanning market segments and model classes.

Optimized structures for each function are shared across all car lines and laterally spread to each car line based on bundled product planning. A flexible production system is used to produce products engineered based on a common architecture concept in a highly efficient and flexible manner. Mazda is aiming to raise operational efficiency by building a flexible production process that can handle changes in volumes and can quickly introduce new models with a minimum of investment.

Through Monotsukuri Innovation, the Company's products since the CX-5, launched in 2012, and Skyactiv Technology have achieved the efficiency improvement in terms of both product development and manufacturing facility investment as well as significant improvements in vehicle costs.

Through design based on common architecture under Monotsukuri Innovation, Mazda is able to promptly apply the latest technologies and designs to all of its products. In new-generation technology development, the Company is working to enhance the efficiency of development processes through bundled planning and computer modeling-based development.

*1 M-QMS: Stands for Mazda Quality Management System

*2 ISO: Stands for International Organization for Standardization. ISO 9001 is a set of international standards for quality management and assurance.

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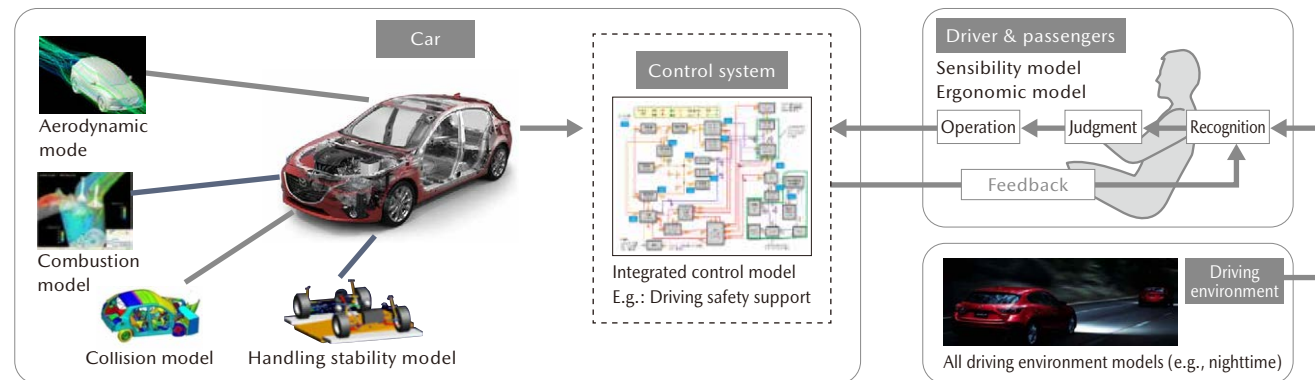
Model-Based Development (MBD)

Cars are being called on to provide increasingly advanced and diverse functions, while vehicle architecture and control systems are becoming more and more complex. Model-based development, which uses computers to efficiently replicate development processes, is essential to keep developing complex systems quickly and with limited resources. Model-based development involves creating computer models of the vehicle, control systems, drivers, passengers, driving environments and other development subjects, and conducting development via thorough computer simulation. It is an efficient method of optimization. By carrying out model-based powertrain and vehicle development through simulations from design to vehicle evaluation, Mazda strives to reduce the number of prototype parts and actual unit verification, in order to develop complex, highly sophisticated technologies and products with minimum resources while also ensuring quality.

Mazda believes that to further promote model-based development, universities working on cutting-edge technologies, automobile manufacturers and suppliers that cooperate in manufacturing must concretize the SURIAWASE 2.0 concept, which seeks to enhance development efficiency by using virtual models across the engineering chain. In July 2021, ten companies became operating members, and the "Japan Automotive Model-Based Engineering center (JAMBE)" was established to spread MBD technology widely to the automobile industry nationwide. Mazda is also participating as one of the operating member companies, and will contribute to improve the international competitiveness of the Japanese automobile industry by realizing the advanced matching development "SURIAWASE 2.0" using models. (P93)

Model-Based Development

A technique to develop outstanding products by modeling (quantifying) and connecting all four elements of (1) the car, (2) control systems, (3) the driver & passengers, and (4) the environment without using an actual vehicle

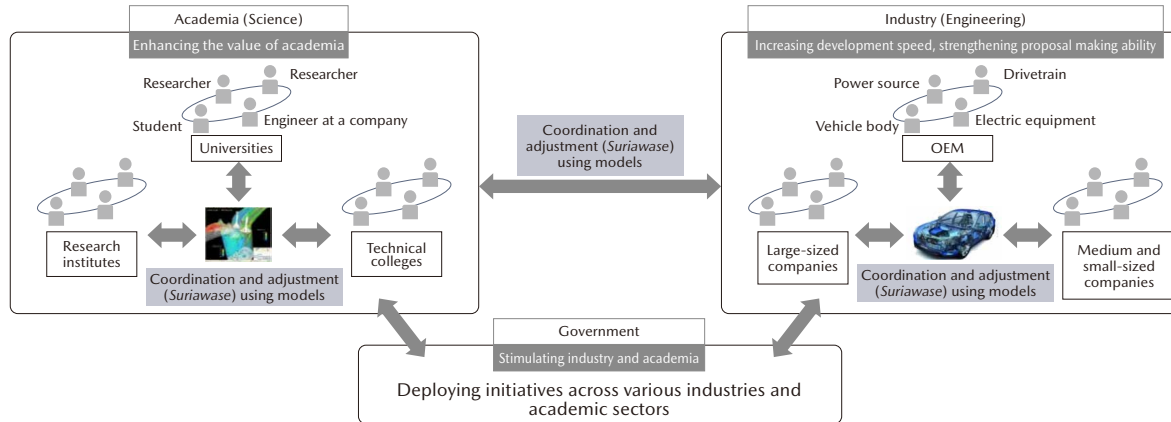


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What is advanced matching development SURIAWASE 2.0?

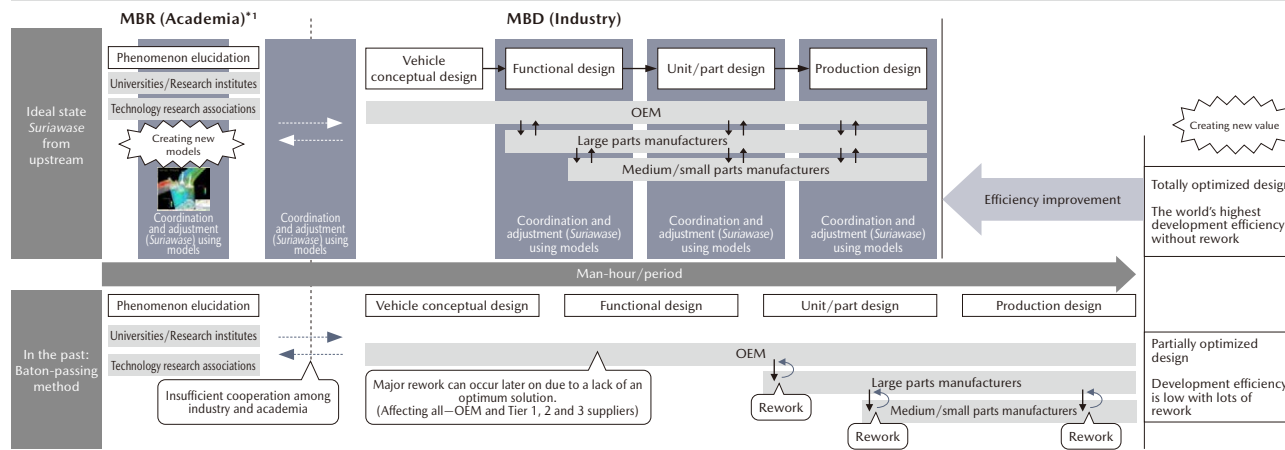
Created based on the SURIAWASE 2.0 concept presented in the materials prepared by the Ministry of Economy, Trade and Industry of Japan in 2017

SURIAWASE 2.0 is an initiative to enable academia and businesses (parts manufacturers and OEMs of all sizes) to share digital models across the board, linking academic research with development of parts, systems and vehicles, thereby allowing both sides to coordinate and make adjustments (Suriawase in Japanese) digitally from the initial stages of development, without using physical machines. This approach makes it possible to create the most-advanced development community in the mobility sector, able to carry optimal and high-grade monotsukuri efficiently and without rework.



Goal: Concretize Suriawase 2.0

Achieve the most efficient development processes in the world and create new value by innovating the research, development and production processes



*1 Model Based Research: An approach that applies model-based concepts to research

Referred to materials for the online forum to commemorate the start of the Japan Automotive Model-Based Engineering center (JAMBE)

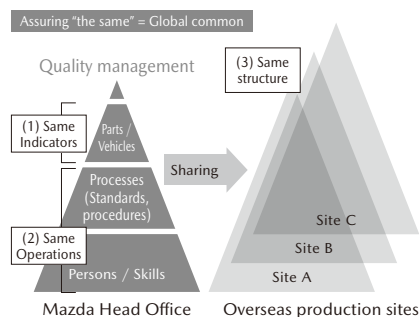
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Global Quality Assurance

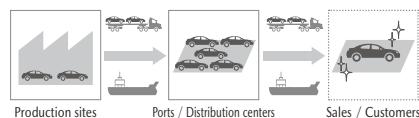
To ensure the same quality on a global scale, Mazda has adopted the "global common" concept, under which overseas production sites establish the same quality by employing the same indicators, the same operations, and the same structures as those of the Mazda Head Office.

With the aim of achieving and maintaining the same quality into the future, the roles and responsibilities of the Mazda Head Office and overseas production sites have been clarified for management. As part of its efforts to secure the same quality on a global basis, Mazda works to establish common indicators of quality achievements and processes (standards and procedures) to be shared when conducting quality control of purchased parts or quality evaluation of finished vehicles. At the same time, initiatives are under way to develop human resources who can properly operate these processes. As part of its global quality assurance efforts, in cooperation with Mazda North American Operations, Mazda has developed a quality assurance system for a new joint-venture plant in Alabama, the United States. Under this system, Mazda commenced mass production of a new model in 2022.

Initiative for Global
Quality Assurance

Quality Assurance after Shipment

To ensure that the high quality at factory shipment is maintained until delivery to customers around the world, Mazda has introduced the same quality evaluation indicators to be applied, from production plants to distributors and dealers, with the aim of delivering products maintaining high quality to customers around the world under a consistent evaluation system.

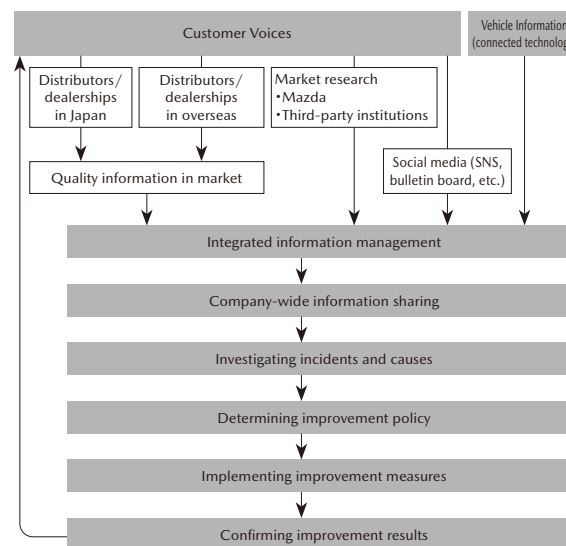
Consistent evaluation
system2. Early detection and early solution of market
problems

Mazda strives to offer an enriched car ownership experience, in which customers can feel satisfied with the car and realize the value of the product. While respecting each vehicle as a certain customer's "one-and-only," the Company endeavors to ensure stable and speedy quality improvement and enhance the quality of present and future products.

Comprehensive and Speedy Quality Improvement

To enable early detection and early solution of market problems, Mazda has established a system for unified management of all items of quality information. Such information is gathered from distributors and dealerships in Japan and overseas and by employing the results of surveys by external institutions and conducting the Company's own market research. Under the system, the collected information is shared company-wide in real time. By using the system and closely monitoring daily progress, Mazda investigates quality related incidents and their causes, determines and implements improvement measures, and confirms the results. In this manner, Mazda works to achieve comprehensive and speedy improvement.

Quality improvement system



The Company also promotes quality improvement, capitalizing on the vehicle information collected through the utilization of connectivity technologies, in addition to conventional initiatives based on customer input.

<Examples of Surveys/Analyses>

- Gathering customer voices through Mazda-unique market survey
- Market surveys conducted by third parties
- Analysis of customer voices on social media
- Analysis of vehicle information obtained through connected technologies

Corporate Activities with Highest Priority on Customer Safety
and Comfort

Mazda prioritizes safety and comfort of vehicles above all. Under a strict quality assurance system, Mazda conducts inspections on conformity with laws and regulations of each country and on functions to be used by customers, with a view to manufacturing vehicles that customers feel safe using.

This quality assurance system is maintained and managed by the development, production and quality divisions auditing each other from independent standpoints.

Recall Procedures (Overview)*1

- Registration with authorities in each jurisdiction, according to the laws and regulations of each country and region
- Disclosure to customers via direct mail, telephone, and other methods, and explanations at dealerships
- Disclosure of information on recalls on the Mazda Official Website

Number of recalls in FY March 2022 (in Japan) (📄 P123)

*1 Recall procedures may vary among countries/regions.

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3. Building Special Bonds with Customers —Cultivating Human Resources Capable of Thinking and Acting for the Happiness of Customers

To encourage every employee to think about what they should do to please customers and to act accordingly, Mazda places emphasis on cultivating a customer-oriented corporate culture/mind. Specifically, the entire Mazda Group is committed to promoting quality awareness-raising activities, quality control education, and QC (Quality Control) circle activities.

Under the impact of the COVID-19 pandemic, since FY March 2021, Mazda has continued these activities by shifting to an online format through active introduction of e-learning and video streaming.

<Major Activities>

Quality Awareness-Raising Activities

Mazda holds quality meetings on a regular basis. At these meetings, top management communicate their commitment to compliance and quality in their own words to all employees. This provides opportunities for individual employees to reflect on and

Quality meeting materials

Material for 67th Quality Meeting 2022.2.21

My thoughts on quality: Bringing smiles to the customers' faces

Smiling to Make My Customers Smile

Kazuhiro Sumi, Executive Officer,
General Manager of Purchasing Division

Production stoppage and changes in the supply and demand balance of automobiles due to COVID-19 restrictions and lockdowns had a severe impact on the procurement of parts and, consequently, the number of vehicles produced substantially decreased. Almost two years have already passed since the onset of these conditions in March 2020, and the affected departments have been making daily efforts to minimize their impact on production. Furthermore, the spread of COVID-19 and its prolonged duration have brought about drastic changes in the way we work, and I am sure all of you have experienced stress in one form or another as a result.

Nevertheless, I believe that we all want to deliver as many products to as many customers as possible and to bring smiles to their faces by making them feel their lives are a little brighter every day. To achieve that, it is imperative that we perform consistent work of the highest standard. And to do that, we need to think and have some time to think and reflect. In other words, we need a certain amount of latitude that allows us to do this. But how, you may ask, can we find any such latitude at a time when the work environment is changing due to COVID conditions, at a time when we are also in the middle of a race in a certain transformation, and at a time when the level and speed of output required of us are increasing? Although some people may have different views, I believe it is a matter of preparation.

As we all know, everything has a cause and effect. When a problem occurs, we have to prevent a recurrence, and when a positive outcome occurs, we learn from it as a successful experience, and apply it in other similar situations. This accumulation of experience is our "preparation," and I believe that our experience enables us to perform conscientious work of the highest standard.

On the other hand, it might seem that the problems we encounter are not decreasing in the long run. But the problems, in fact, are decreasing. They are just occurring in different forms. Why is that? I think it is because that on many occasions after hearing the results, we become aware of the root cause in hindsight. While I may be stating the obvious, I often wonder if we had the foresight, what the results might have been. How often have you achieved good results by carefully imagining the scenario of a successful experience and putting it into practice?

While it is easy to express it in words, we are all well aware that executing it is not quite so easy. Although we may not be able to do something perfectly, the results are bound to be significantly different depending on whether or not we have thought into a situation, having things being prepared. I believe that when we are prepared, we can find the necessary latitude in a matter of course, and this will naturally bring a smile to our faces. This is the kind of virtuous cycle I would like to create.

Quality is required in all actions and results – such as the quality of work, the quality of products including parts and vehicles, the quality of communication, and the quality of management. To achieve quality in these areas, we must create an environment that allows us to smile. So why not use our insights from past experience to prepare for that? To make our customers smile, let's start by wanting a smile ourselves. At times like these, when changes in the environment like COVID-19 and a race in a century transformation are challenging us, let our smiles prevail! At such times, I think the results will change naturally.

think about their work, thereby enhancing their compliance and quality awareness.

Sharing Past Cases

Mazda has undertaken an initiative to share lessons learned from past cases through exhibits of actual defective products and videos. This program is intended to encourage employees to think about past issues as issues concerning themselves and to improve their attitudes and behavior. Since its launch in FY March 2019, a total of 12,000 employees have experienced this initiative.

Employees share past cases



Quality Control Education

For the purpose of developing human resources capable of proactively finding/solving problems from a customer viewpoint and working for continuous improvement, quality control education is provided for employees. Quality education courses taught by internal instructors are offered, and employees take appropriate courses when their job type or management level changes.

Group-wide Quality Education Courses in FY March 2022

Course	Objective
1 Quality program for freshmen	To understand basic quality control concepts (customer-oriented attitude, continuous improvement efforts)
2 Quality management elementary course	To apply the concepts, processes, and basic techniques of problem solving to daily operations, thereby obtaining problem-solving abilities
3 Quality management intermediate course	To become capable of applying and practically implementing specialized quality management techniques
4 Quality Improvement Seminar	To understand the current status and issues of Mazda's quality and learn the Mazda's vision for quality assurance

QC (Quality Control) Circle Activities

Mazda promotes QC circle activities to encourage members of each workplace to find and solve problems by themselves. QC circle activities, which have been implemented for over 60 years as key activities for the company, have evolved into global activities, being conducted not only inside Mazda but also at its suppliers and dealerships. The All Mazda QC Circle Competition

held every year at the Mazda Head Office is now participated by QC circles of overseas sites, such as those in China, Thailand, and Mexico.



FY March 2022 All Mazda QC Circle Competition President's Award Quality Engineering Department (Hofu Plant) Dash Circle

Training Program to Deepen Employees' Understanding of the Mazda Brand

To enable Mazda employees to explain Mazda's products and communicate the concept of Mazda's monotsukuri, or product development and manufacturing, with their own words to Mazda's stakeholders, Mazda offers a training program for employees, designed to help them deepen, through test rides in the latest models, their understanding of not only each product's characteristics but also the spirit and philosophy common in all Mazda products.

4. Results of Quality Improvement Initiatives

Mazda's initiatives to improve quality have been highly praised worldwide.

FY March 2022 Results

Country	Name of the Study	Vehicle Type and Rankings	Name of Company
U.S.	2022 Reliability/Road Test by Consumer Reports	2022 Automobile Brand Ranking: 2nd	Consumer Reports
	2021 Automotive Performance Execution and Layout (APEAL)*1	CX-5: 3rd among compact SUVs	J. D. Power
Japan	2021 Automotive Performance Execution and Layout (APEAL)*2	CX-3: 3rd among compact SUVs	J. D. Power

*1 The J.D. Power 2021 U.S. Automotive Performance Execution and Layout (APEAL) is based on responses from around 110,000 purchasers of new cars. The study was fielded between February and July 2021.

*2 The J.D. Power 2021 Japan Automotive Performance Execution and Layout (APEAL) is based on responses from around 20,000 purchasers of new cars. The study was fielded between May and June 2021.