

February 22, 2012  
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## **Notice Concerning Issuance of New Shares, Secondary Offering of Shares and Subordinated Loan Financing**

Mazda Motor Corporation (the “Company”) announces that the following resolution regarding the issuance of new shares and the secondary offering of shares of the Company, as well as the financing by subordinated loan (the “Subordinated Loan”) was adopted at the meeting of the Board of Directors held on February 22, 2012.

### **I. Purpose of this Finance**

The Company Group has been working to strengthen its business structure, improving its brand value, accelerating manufacturing technology innovation (“Monotsukuri Innovation”), improving costs and substantially cutting fixed costs, since the development of the “Framework for Medium- and Long-term Initiatives” in April 2010. However, its financial standing has temporarily worsened due to rapid changes in its business environment, including the continuing sharp appreciation of the yen since 2011, the unstable economic conditions such as the financial crisis in European countries, as well as large-scale disasters such as the Great East Japan Earthquake and the floods in Thailand.

Meanwhile, the Company Group has reached a pivotal point for growth. For instance, it has introduced into the market the new “CX-5” crossover SUV fully incorporating the Company’s breakthrough SKYACTIV TECHNOLOGY, which provides both “Driving Pleasure” and “Superior Environmental and Safety Performance”.

Under the foregoing circumstances, the Company Group will draw up the below-mentioned “Structural Reform Plan” using SKYACTIV as the linchpin to reinforce “Framework for Medium- and Long-term Initiatives” and push through fundamental structural reforms so that the Company may realize a future of steady growth and profitability even in an environment with a strong yen. In implementing its “Structural Reform Plan”, the Company seeks to strengthen its financial position to secure the funds for growth, including the future strategic investment in the establishment of global production systems and next-generation environmental and safety technologies and to cope with changes in the business environment by simultaneously performing the capital increase by means of a public offering and the Subordinated Loan from the main financial institutions of the Company. It is

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expected that Rating and Investment Information, Inc. will recognize 50% of the total value of the Subordinated Loan as “equity credit attributes”, and such recognition would contribute to the strengthening of the “equity credit attributes” for the purpose of the Company’s credit rating. The Company Group will pursue the achievement of its medium- and long-term growth through the implementation of said “Structural Reform Plan”, as well as the establishment of a solid financial foundation.

The principal measures set forth in the “Structural Reform Plan” are as follows:

(a) Business Innovation by SKYACTIV

SKYACTIV provides a high level of both “Zoom-Zoom” driving and superior environmental performance. SKYACTIV technologies, which include new gasoline and diesel engines, transmissions, chassis and body structure architecture, combine to deliver a 20-30% improvement in fuel efficiency compared to previous-generation products. The Company will drive structural reform of its business with the new generation of its products which will be equipped with the full complement of SKYACTIV technologies and which offer strong product competitiveness, brand value and distinctive design, as well as a competitive cost structure, even in a strong yen environment, achieved through “Monotsukuri Innovation”. The Company plans to introduce eight new vehicles, commencing with the “CX-5”, based upon its SKYACTIV technology, and plans to expand the ratio of automobiles using SKYACTIV to 80% by the fiscal year ending March 2016.

(b) Further Acceleration of Cost Improvement through “Monotsukuri Innovation”

The Company will further accelerate its cost improvement goals by means of “Monotsukuri Innovation”, and will revise its goals to reduce automobile costs from the current target of 20% to a new target of 30% with respect to the new generation products. The Company will take stronger measures to achieve a cost structure which may generate a profit, even with a strong yen, as well as to expand the overseas supply rate and to further improve its fixed costs.

(c) Reinforcing Business in Emerging Countries and Establishing of Global Production Footprint

The Company plans to increase its overseas production ratio to 50% by the fiscal year ending March 2016, targeting the strengthening of its business in emerging markets and the establishment of a production footprint with strong resistance to foreign exchange rate fluctuations. The Company plans to expand the overseas production base and to expand local sales networks by means of the construction of automobile assembly factories and engine assembly factories in Mexico, enhancement of production capacity

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and local production of SKYACTIV engines in China, local production in Russia, as well as local production and enhancement of production capacity in ASEAN countries. Further, the Company will reform its business structure so as to be able to generate a profit even in a strong yen environment by means of taking restructuring measures of its business in North America and European countries, such as integrating the production of the Mazda6 from AAI to Japan.

(d) Promotion of Global Alliances

In order to strengthen the Mazda brand, the Company will actively pursue a strategy of global alliances, focusing on opportunities that optimally supplement/complement its product, technology and/or regional strategies, as well as the promotion of its products and technologies, including SKYACTIV technologies.

II. Issuance of New Shares and Secondary Offering of Shares

1. Issuance of New Shares by way of Primary Offering (Public Offering)

- |   |  |
|---|--|
| (1) Class and Number of Shares to be Offered                                | 1,099,750,000 shares of common stock of the Company which are the sum of (i) and (ii) below.   |
|   | (i) 1,060,000,000 new shares of common stock of the Company to be underwritten by the Underwriters in the Public Offering specified in (4) below.  |
|   | (ii) A maximum of 39,750,000 additionally-issued shares of common stock of the Company which shall be the subject of purchase options to be granted to the Underwriters in connection with sales to overseas investors as a part of the Public Offering specified in (4) below.  |
| (2) Method of Determination of the Amount to be Paid                        | The amount to be paid shall be determined on the date of determination of the issue price, etc. (which may be a day in the period from Monday, March 5, 2012 to Thursday, March 8, 2012) (the “Pricing Date”) in accordance with the method stated in Article 25 of the Regulations Concerning Underwriting, etc. of Securities provided by the Japan Securities Dealers Association (“JSDA”). |
| (3) Amount of Stated Capital and Additional Paid-in Capital to be Increased | The amount of stated capital to be increased shall be half of the maximum increased amount of stated capital, as calculated in accordance with the provision of Article 14, Paragraph 1 of the Rules of Account Settlement of Corporations with any fraction less than one yen resulting from the calculation being rounded up to the nearest  |

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yen. The amount of the additional paid-in capital to be increased shall be the amount obtained by subtracting the above amount of stated capital to be increased from the relevant maximum amount of stated capital increase.

(4) Method of Offering

The offering shall be a public offering. All of the new shares shall be purchased for sale by SMBC Nikko Securities Inc., Nomura Securities Co., Ltd., JPMorgan Securities Japan Co., Ltd., Goldman Sachs Japan Co., Ltd. and Merrill Lynch Japan Securities Co., Ltd. (collectively, the “Underwriters”). SMBC Nikko Securities Inc. (the “Representative Lead Manager”), Nomura Securities Co., Ltd. and JPMorgan Securities Japan Co., Ltd. are Joint Lead Managers of the Public Offering. SMBC Nikko Securities Inc. and Nomura Securities Co., Ltd. will jointly determine the demand for the Company’s shares and distribute them to individual investors and business corporations, etc. out of those who can purchase shares of the Company. The Joint Lead Managers will jointly do the same as to institutional buyers.

The issue price with regard to the Public Offering (offer price) shall be determined on the Pricing Date, based on the provisional range calculated by multiplying the closing price in regular trading of the shares of the Company on the Tokyo Stock Exchange on the Pricing Date (or, if no closing price is quoted, the closing price of the immediately preceding date) by 0.90-1.00 (with any fraction less than one yen being rounded down), in accordance with the method stated in Article 25 of the Regulations Concerning Underwriting, etc. of Securities provided by the JSDA, taking into account market demand and other conditions.

A part of the shares may be sold to overseas investors, through affiliated companies, etc. of the Underwriters, in overseas markets such as Europe (but excluding the United States and Canada). In connection with such sales, the Company shall grant the Underwriters an option to purchase the additionally issued shares mentioned in (1)(ii) above.

(5) Consideration to be paid to the Underwriters

The Company shall not pay any underwriting fees to the Underwriters. Instead, the aggregate amount of the difference between (a) the issue price in the Public Offering (offer price) and (b) the amount to be paid to the Company by the Underwriters shall be retained by the Underwriters.

(6) Subscription Period

The subscription period shall be from the next business day after the Pricing Date to the second business day following the Pricing Date.

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- (7) Payment Date                      The payment date shall be a day in the period from Monday, March 12, 2012 to Thursday, March 15, 2012; provided, however, that such day shall be the fifth business day following the Pricing Date.
- (8) Subscription Unit                1,000 shares
- (9) The amount to be paid, the amount of stated capital and additional paid-in capital to be increased, and any other matters necessary for the issuance of new shares by the Public Offering shall be determined at the discretion of the Representative Director, President and CEO of the Company.
- (10) The Public Offering shall be subject to the effectiveness of the securities registration statement filed under the Financial Instruments and Exchange Act of Japan.
2. Secondary Offering of Shares (Secondary Offering by way of Over-Allotment) (See 1. of “For Reference” attached hereto)
- (1) Class and Number of Shares to be Sold      119,250,000 shares of common stock of the Company.
- The number of shares to be sold mentioned above is the maximum number of shares to be sold. The above number may be decreased, or the Secondary Offering by way of Over-Allotment may be cancelled entirely, depending on market demand. The number of shares to be sold shall be determined on the Pricing Date, taking into account market demand.
- (2) Seller                                      SMBC Nikko Securities Inc.
- (3) Selling Price                              Undetermined. (The selling price shall be determined on the Pricing Date; provided, however, that such selling price shall be the same as the issue price (offer price) in the Public Offering.)
- (4) Method of Secondary Offering        Taking into account market demand for the Public Offering, SMBC Nikko Securities Inc. will undertake a secondary offering of shares (up to 119,250,000) that it will borrow from certain shareholder(s) of the Company.
- (5) Subscription Period                      The subscription period shall be the same as the subscription period in respect of the Public Offering.
- (6) Delivery Date                              The delivery date shall be the next business day after the payment date in respect of the Public Offering.
- (7) Subscription Unit                      1,000 shares

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- (8) The selling price and any other matters necessary for the Secondary Offering by way of Over-Allotment shall be determined at the discretion of the Representative Director, President and CEO of the Company.
  - (9) The Secondary Offering by way of Over-Allotment shall be subject to the effectiveness of the securities registration statement filed under the Financial Instruments and Exchange Act of Japan.
3. Issuance of New Shares by way of Third-Party Allotment (Capital Increase by way of Third-Party Allotment) (See 1. of “For Reference” attached hereto)
- (1) Class and Number of Shares to be Offered      119,250,000 shares of common stock of the Company.
  - (2) Method of Determination for the Amount to be Paid      The amount to be paid shall be determined on the Pricing Date; provided, however, that such amount to be paid shall be the same as the amount to be paid in respect of the Public Offering.
  - (3) Amount of Stated Capital and Additional Paid-in Capital to be Increased      The amount of stated capital to be increased shall be half of the maximum increased amount of stated capital, as calculated in accordance with the provisions of Article 14, Paragraph 1 of the Rules of Account Settlement of Corporations with any fraction less than one yen resulting from the calculation being rounded up to the nearest yen. The amount of the additional paid-in capital to be increased shall be the amount obtained by subtracting the above amount of stated capital to be increased from the relevant maximum amount of stated capital increase.
  - (4) Allottee      SMBC Nikko Securities Inc.
  - (5) Subscription Period (Subscription Date)      Monday, March 26, 2012
  - (6) Payment Date      Tuesday, March 27, 2012
  - (7) Subscription Unit      1,000 shares
  - (8) Shares not subscribed within the subscription period (subscription date) mentioned in (5) above shall not be issued.
  - (9) The amount to be paid, the amount of stated capital and additional paid-in capital to be increased and any other matters necessary for the issuance of new shares by way of third-party allotment shall be determined at the discretion of the Representative Director, President and CEO of the Company.
  - (10) The capital increase by way of third-party allotment shall be subject to the effectiveness of the securities registration statement filed under the Financial Instruments and Exchange Act of Japan.

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#### 4. Use of Proceeds to be Raised

Out of proceeds from the above-mentioned public offering of new shares and capital increase by way of third-party allotment of shares, which is estimated to be up to 162,799,800,000 yen in total (which is the estimated amount calculated based on the closing price in regular trading of the shares of the Company on the Tokyo Stock Exchange on Friday, February 10, 2012), 40,000,000,000 yen is planned to be used for: (a) equity/debt investments with respect to the construction of the automobile and engine assembly factories and the facility investments by the Company's subsidiary in Mexico and which is expected to start operations during the 2013 fiscal year and (b) equity/debt investments with respect to the facility investments by equity-method affiliates to be newly incorporated in Russia and ASEAN countries. Also, 30,000,000,000 yen is planned to be used for manufacturing facility investments with respect to environmental and safety vehicles using SKYACTIV technology, and 92,799,800,000 yen is planned to be used for the research and development of the next-generation of environmental and safety technologies to further improve the environmental function of internal-combustion systems and to expand the use of electric device technologies.

The Company has stated in the "Structural Reform Plan", which supplements the "Framework for Medium- and Long-term Initiatives" it issued in February 2012, that the Company will reinforce its business in emerging markets and establish a global production footprint, and the Company will revamp its income structure by heightening resistance to foreign exchange ratio fluctuations by strengthening its overseas manufacturing and sales footprint through investments in Mexico, Russia and ASEAN countries.

Further, the Company will make steady investments in facilities for manufacturing automobiles equipped with SKYACTIV technology to be introduced in the future, and will expand strategic investments and development, including development of next-generation environmental and safety technologies through further evolution of the existing SKYACTIV technology.

The detailed spending schedule is as follows:

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(Thousands of yen)

Use of Proceeds	Contents	Fiscal Year ending March 2013	Fiscal Year ending March 2014	Fiscal Year ending March 2015	Total
Investment and Loan Program Funds	Construction of factories and automobile manufacturing facilities in Mexico	—	20,000,000	10,000,000	30,000,000
	Automobile manufacturing facilities in Russia	—	2,500,000	2,500,000	5,000,000
	Automobile manufacturing and sales facilities in ASEAN countries	5,000,000	—	—	5,000,000
Facility Investment	Manufacturing facilities for automobile using environmental and safety technologies at Hiroshima and Hofu Plants	10,000,000	10,000,000	10,000,000	30,000,000
Research and Development	Development of next- generation environmental and safety technologies	31,000,000	31,000,000	30,799,800	92,799,800
Total		46,000,000	63,500,000	53,299,800	162,799,800

As of February 22, 2012, the total amount stated in the facility investment plan of the Company and its consolidated subsidiaries for the 2012 to 2014 fiscal years is 270 billion yen and the breakdown thereof is as follows:

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Name of Company	Business Establishment (Location)	Name of Segment	Facility	Investment Amount (Millions of yen) (Scheduled)		Fund-raising Scheme	Commencement	Completion (Scheduled)	Need/Purpose
				Total	Paid				
Mazda	Hiroshima facility, Hofu plant, etc. (Minami-ku, Hiroshima-city, Hiroshima, etc.)	Japan	Manufacturing facility for automobile and parts	133,800	—	Cash on hand, debt, debenture and capital increase, etc.	In or after April 2012	By March 2015	Investment mainly in facilities for SKYACTIV and other environmental and safety technologies, etc.
	Hiroshima, Mazda R&D Center Yokohama, etc. (Minami-ku, Hiroshima-city, Hiroshima, etc.)	Japan	Research and development facility, etc.	17,800	—	Cash on hand, debt and debenture, etc.	Same as above	Same as above	Environmental-related research facilities, etc.
	Distribution center, hospital, etc. (Nishi-ku, Sakai-city, Osaka, etc.)	Japan	Sales and distribution, welfare facility, etc.	16,300	—	Same as above	Same as above	Same as above	Renewal of facilities, etc.
Mazda Motor Manufacturing de Mexico S.A. de C.V.	Mexico Factory (Guanajuato)	North America (Mexico)	Manufacturing facility for automobile and parts, etc.	61,100	—	Cash on hand, debt and capital increase, etc.	Same as above	Same as above	Investment in facilities for SKYACTIV and other environmental and safety technologies, etc.
Other Consolidated Subsidiaries	—	Japan, North America, Europe, Other regions	Manufacturing facility for automobile and parts, etc.	41,000	—	Cash on hand and debt, etc.	Same as above	Same as above	Same as above

(Note) The column “Fund-raising Scheme” includes the above-mentioned capital increase.

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### III. Subordinated Loan

#### 1. Characteristics of the Subordinated Loan

The Subordinated Loan is hybrid financing, the characteristics of which place it midway between equity and debt: although it is a debt, it also has aspects and characteristics similar to equity, such as optional deferral of interest payments, an especially long repayment period (however, there are provisions that allow prepayment of the Subordinated Loan after a certain period), and treatment that is subordinated with respect to insolvency proceedings and the like. It is expected that Rating and Investment Information, Inc. will recognize 50% of the total value of the financing as “equity credit attributes” for the purpose of rating. The Company believes that financing funds in the form of the Subordinated Loan and applying the funds so financed primarily to the repayment of existing interest-bearing debts concurrently with the public offering and the Capital Increase by Third-Party Allotment as described in II. above will enable the Company to strengthen the stability of its financial base while avoiding dilution of its capital stock. The investors (lenders) participating in the Subordinated Loan will be several of the Company’s primary financial institutions (as set out in “2. Overview of the Subordinated Loan” below).

#### 2. Overview of the Subordinated Loan

- |                              |                   |
|------------------------------|-------------------|
| (1) Amount to be borrowed    | 70 billion yen    |
| (2) Agreement execution date | February 22, 2012 |
| (3) Drawdown date            | March 19, 2012    |
| (4) Due date                 | July 20, 2072     |

Provided, however, the Company may make an early repayment of all or some of the principal of the Subordinated Loan on any interest payment date on or after July 20, 2017 unless any of the subordination events set out in (10)(a) below has occurred and continues. Furthermore, unless any of such subordination events set has occurred and continues, the Company may also make an early repayment of all or some of the principal of the Subordinated Loan only on any interest payment date if:

- (a) (i) the interest on the Subordinated Loan becomes treated materially adversely from the Company’s perspective for the purpose of taxation, which is unavoidable despite the Company’s reasonable efforts or (ii) the Company becomes liable for any additional payment obligations relating to taxes or other public charges; or
  - (b) the ratings institution decides that it will treat the Subordinated Loan as having equity credit attributes lower than the Subordinated Loan is expected to have at the time of execution of the Agreement on the Subordinated Loan (the “Agreement”).
- (5) Replacement restrictions

The Company intends to make an early repayment of the Subordinated Loan with the funds raised, within the 12-month period before the date on which it will make that early repayment, by common stock or other securities or debts that have been approved by the ratings institution

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as having equity credit attributes equal to or greater than the Subordinated Loan.

(6) Applicable Interest Rate

(a) From March 19, 2012 to July 20, 2012

4-month JPY TIBOR + 4.75%

(b) From July 20, 2012 to July 20, 2017

6-month JPY TIBOR + 4.75%

(c) On and after July 20, 2017

6-month JPY TIBOR + 5.75%

(7) Interest payment dates

The first interest payment date is to be July 20, 2012, and subsequent interest payment dates are to be January 20 and July 20 each year until the due date (provided, however, if an interest payment date is not a business day, interest will be paid on the immediately following business day, and if that immediately following business day falls in the following calendar month, interest will be paid on the immediately preceding business day.)

(8) Optional suspension of interest payment

(a) The Company may, at its discretion, defer all or some of the payment of interest on the Subordinated Loan.

(b) Notwithstanding item (a) above, if the Company pays a dividend or interest on shares or any debt whose subordination and the like are similar in substance to those of the Subordinated Loan, or repurchases shares (but excluding repurchase required by laws or ordinances or other cases), then the Company will, on the interest payment date that is within one year from the payment of the dividend or interest or the repurchase of shares, pay, together with the additional interest thereon, any remaining unpaid interest for which a period of five years has not passed since the day on which the interest payment was optionally suspended, and make reasonable endeavors to the extent commercially practicable to pay, together with the additional interest thereon, all of the optional suspension amount for which a period of five years or more has passed since the day on which the interest payment was optionally suspended (together with the additional interest thereon, the "Amount Subject to Mandatory Payment Obligation").

(c) The Amount Subject to Mandatory Payment Obligation must be paid with the net proceeds financed by common stock or other securities or debts that have been approved by the ratings institution as having equity credit attributes equal to or greater than the Subordinated Loan.

(9) Acceleration Event

The agent or lenders may not accelerate the Company's obligations relating to the Subordinated Loan in any case whatsoever.

(10) Subordination

(a) If liquidation proceedings, bankruptcy proceedings, reorganization proceedings or rehabilitation proceedings, or any proceedings similar to any of those under the law of

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any nation other than Japan are commenced against the Company and such proceedings continue, the right to request payment of the receivables under the Agreement will be effective on the condition precedent that all receivables other than the receivables whose subordination and the like are similar in substance to those of the Subordinated Loan are paid in full or otherwise satisfied in full.

(b) No term of the Agreement may be changed to the disadvantage of any creditors other than the creditors of the subordinated receivables in any respect whatsoever.

(11) Equity credit attributes of the Subordinated Loan evaluated by a Ratings Institution (expected)  
Class 3 / 50% (Rating and Investment Information, Inc.)

(12) Investors (lenders) participating in the Subordinated Loan

Sumitomo Mitsui Banking Corporation

The Sumitomo Trust and Banking Company, Limited

Development Bank of Japan Inc.

The Hiroshima Bank, Ltd.

The Yamaguchi Bank, Ltd.

Momiji Bank, Ltd.

### 3. Use of Proceeds

The proceeds raised by the Subordinated Loan are to be applied to the repayment of existing interest-bearing debts and to a portion of funds for investments in emerging countries.

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**<For Reference>**

1. Secondary Offering by way of Over-Allotment and other matters

The secondary offering by way of over-allotment (the “Secondary Offering by way of Over-Allotment”) may be conducted for shares of common stock of the Company in a number not exceeding 119,250,000 shares (the “Borrowed Shares”), that will be borrowed by SMBC Nikko Securities Inc., the Representative Lead Manager of the Public Offering, from certain shareholder(s) of the Company (the “Share Lender(s)”) in relation to the Public Offering, taking into account market demand therefor; provided, however, that the above-mentioned number of shares to be offered in the Secondary Offering by way of Over-Allotment is the maximum number of shares to be sold and such number may be decreased or the Secondary Offering by way of Over-Allotment may be cancelled entirely, depending on market demand.

In connection with the foregoing, if the Secondary Offering by way of Over-Allotment is conducted, the Company will grant to SMBC Nikko Securities Inc. the right to receive the allotment of shares issued at the Capital Increase by way of Third-Party Allotment (the “Green Shoe Option”) with the limited exercise period up until Thursday, March 22, 2012, in a number not exceeding the number of shares to be offered in the Secondary Offering by way of Over-Allotment (the “Maximum Number of Shares”).

SMBC Nikko Securities Inc. may also purchase shares of common stock of the Company (the “Syndicate Cover Transactions”) on the Tokyo Stock Exchange, up to the Maximum Number of Shares, for the purpose of returning the Borrowed Shares, during the period from (a) the day immediately following the last day of the subscription period for the Public Offering and the Secondary Offering by way of Over-Allotment to (b) Thursday, March 22, 2012 (the “Syndicate Cover Transaction Period” (Note)). All of the shares purchased through the Syndicate Cover Transactions will be used to return the Borrowed Shares. Even during the Syndicate Cover Transaction Period, SMBC Nikko Securities Inc. may decide not to conduct any Syndicate Cover Transaction or may decide to terminate the Syndicate Cover Transactions before the number of purchased shares reaches the Maximum Number of Shares.

Further, SMBC Nikko Securities Inc. may conduct stabilizing transactions with respect to the listed shares of the Company during the subscription period of the Public Offering and the Secondary Offering by way of Over-Allotment. The shares purchased through such stabilizing transactions may be used, in whole or in part, to return the Borrowed Shares or to settle a portion of the overseas sales.

Only with respect to the number of shares obtained by deducting (a) the number of shares purchased through the Syndicate Cover Transactions and the stabilization transactions that are to be used to return the Borrowed Shares from (b) the number of shares to be offered in the

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Secondary Offering by way of Over-Allotment, SMBC Nikko Securities Inc. will exercise the Green Shoe Option and accept the allotment under the Capital Increase by way of Third-Party Allotment. As a result, all or a part of the shares to be issued under the Capital Increase by way of Third-Party Allotment may not be subscribed for, which may result in a decrease in the number of shares to be finally issued under the Capital Increase by way of Third-Party Allotment or in the cancellation of the issuance of new shares, due to forfeiture.

In the event that SMBC Nikko Securities Inc. accepts the allotment under the Capital Increase by way of Third-Party Allotment, it will make payment therefor with the fund obtained from the Secondary Offering by way of Over-Allotment.

Whether or not to conduct the Secondary Offering by way of Over-Allotment, as well as the number of shares to be sold in such offering, if any, will be determined on the Pricing Date. If the Secondary Offering by way of Over-Allotment is cancelled entirely, SMBC Nikko Securities Inc. will not borrow shares of common stock of the Company from any Share Lender as mentioned above. Accordingly, no new shares will be issued under the Capital Increase by way of Third-Party Allotment due to forfeiture, since SMBC Nikko Securities Inc. will not exercise the Green Shoe Option at all. Furthermore, no Syndicate Cover Transactions on the Tokyo Stock Exchange will be made.

The Syndicate Cover Transactions, the stabilizing transactions, etc. will be conducted by SMBC Nikko Securities Inc. upon consultations with Nomura Securities Co., Ltd., JPMorgan Securities Japan Co., Ltd.

(Note) The Syndicate Cover Transaction Period shall be as follows:

- (a) If the Pricing Date is Monday, March 5, 2012, it shall be from Thursday, March 8, 2012 to Thursday, March 22, 2012.
- (b) If the Pricing Date is Tuesday, March 6, 2012, it shall be from Friday, March 9, 2012 to Thursday, March 22, 2012.
- (c) If the Pricing Date is Wednesday, March 7, 2012, it shall be from Saturday, March 10, 2012 to Thursday, March 22, 2012.
- (d) If the Pricing Date is Thursday, March 8, 2012, it shall be from Tuesday, March 13, 2012 to Thursday, March 22, 2012.

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2. Change in the total number of issued shares as a result of the above-mentioned Capital Increase

Total number of issued shares at present:	1,780,377,399 shares	(As of January 31, 2012)
Increase in the number of shares as a result of the Public Offering	1,099,750,000 shares	(Note 1)
Total number of issued shares after the Public Offering	2,880,127,399 shares	(Note 1)
Increase in the number of shares as a result of the Capital Increase by way of Third-Party Allotment	119,250,000 shares	(Note 2)
Total number of issued shares after the Capital Increase by way of Third-Party Allotment	2,999,377,399 shares	(Note 2)

(Note 1) These figures are based on the assumption that the Underwriters exercise all of the options set forth in (1)(ii) in “II. 1. Issuance of New Shares by way of Primary Offering (Public Offering)” above.

(Note 2) These figures are based on the assumption that all of the shares to be allotted as set forth in “II. 3. Issuance of New Shares by way of Third-Party Allotment (Capital Increase by way of Third-Party Allotment)” above are subscribed for by SMBC Nikko Securities Inc. and issued.

3. Use of Proceeds

(1) Use of the proceeds to be raised this time

As set forth in “II. 4. Use of Proceeds to be Raised” above, with respect to the Public Offering and the Capital Increase by way of Third-Party Allotment. With respect to the Subordinated Loan, as set forth in “III. 3. Use of Proceeds” above.

(2) Change in the use of the proceeds raised last time

No relevant matters.

(3) Expected impact on business results

The Company believes that the above-mentioned Public Offering, the Capital Increase by way of Third-Party Allotment and the Subordinated Loan will contribute to the increase of medium- and long-term profitability as well as the improvement of financial base of the Company Group.

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#### 4. Profit Distribution to Shareholders, etc.

##### (1) Basic policy concerning profit distribution

The Company's policy to determine dividends is to take into account factors including results of operation, management environment and other factors for each fiscal year, and to seek stable dividends and steady enhancement thereof. Distribution of surplus at year-end is determined at a general meeting of shareholders, while distribution of interim dividends is determined by the board of directors. Articles of incorporation of the Company provide that interim dividends may be made to the shareholders (or pledgees) recorded on the shareholders register as of September 30 of each year, pursuant to a resolution of the board of directors of the Company.

##### (2) Concept of determination of dividends

As set forth in "(1) Basic policy concerning profit distribution" above.

##### (3) Use of retained earnings

The Company will use the retained earnings for capital expenditure and investment for research and development, etc. to strengthen its competitiveness.

##### (4) Dividends for past three fiscal years

	Fiscal Year ended March 2009	Fiscal Year ended March 2010	Fiscal Year ended March 2011
Consolidated current net income/loss per share (JPY)	-52.13	-4.26	-33.92
Dividends per share (JPY) (Interim dividends per share included)	3.00 (3.00)	3.00 (—)	— (—)
Consolidated actual payout ratio	—	—	—
Consolidated return on equity	-14.8%	-1.4%	-12.8%
Consolidated ratio of dividends/net assets	0.8%	1.0%	—

(Note 1) The consolidated actual payout ratio is calculated by dividing (a) the annual amount of dividends per share by (b) the consolidated current net income per share. However, the consolidated actual payout ratio for each of the fiscal years ended March 2009, 2010 and 2011 is not stated because a consolidated current net loss is recognized for such fiscal years.

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(Note 2) The consolidated return on equity is calculated by dividing (a) the consolidated current net loss by (b) the amount of equity capital (which shall be the average of the beginning-of-year amount and the end-of-year amount of the relevant fiscal year both calculated by deducting (i) the value of the stock acquisition rights and minority shareholders equity from (ii) the consolidated total net assets).

(Note 3) The consolidated ratio of dividends/net assets is calculated by dividing (a) the annual amount of dividends per share by (b) the consolidated net assets per share (which shall be the average of the beginning-of-year amount and the end-of-year amount of the relevant fiscal year).

## 5. Other Matters

### (1) Designation of party to receive distribution

No relevant matters.

### (2) Information on dilutive shares

The Company has issued stock options in the form of stock acquisition rights pursuant to the provisions of Articles 238 and 239 of the Companies Act of Japan. The contents of such stock options are as follows: The ratio of (a) the remaining number of shares to be issued upon exercise as set forth below to (b) the total number of issued shares after the above-mentioned capital increase is expected to be 0.13%.

(Note) The above figure is the ratio of dilutive shares in the event that all of the shares to be issued upon exercise are issued as new shares.

#### Granted stock options (as of January 31, 2012)

Resolution of the General Meeting of Shareholders	Resolution of the Board of Directors	Remaining number of new shares to be issued upon exercise	Amount to be paid upon exercise	Amount of stated capital to be increased	Exercise period
June 26, 2007	August 31, 2007	1,870,000 shares	JPY 684	JPY 342	From July 1, 2009 to June 30, 2012
June 25, 2008	August 29, 2008	1,897,000 shares	JPY 579	JPY 290	From July 1, 2010 to June 30, 2013

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(3) Equity finance conducted in past three years

(a) Equity finance

Date of Performance	Amount of Increased Capital	Amount of Stated Capital after Capital Increase	Amount of Additional Paid-in Capital after Capital Increase	Remarks
October 21, 2009	JPY 64,363 million	JPY 181,735 million	JPY 91,625 million	(Note 1)
November 12, 2009	JPY 9,530 million	JPY 186,500 million	JPY 96,390 million	(Note 2)

(Note 1) This capital increase was conducted by way of a public offering of shares of common stock. At the same time of the issuance of new shares by way of such public offering, a sale of treasury shares was conducted.

(Note 2) This capital increase was conducted by way of a capital increase by way of third-party allotment in connection with the secondary offering of shares by way of over-allotment conducted as a part of the transactions mentioned in Note 1 above.

(b) Change in share prices for past three fiscal years and at the most recent time point

	Fiscal Year ended March 2009	Fiscal Year ended March 2010	Fiscal Year ended March 2011	Fiscal Year ending March 2012
Opening	JPY 364	JPY 169	JPY 267	JPY 181
High	JPY 672	JPY 296	JPY 288	JPY 223
Low	JPY 113	JPY 166	JPY 133	JPY 117
Closing	JPY 164	JPY 263	JPY 183	JPY 145
Price/Earnings Ratio	—	—	—	—

(Note 1) The above-mentioned figures are the share prices on the Tokyo Stock Exchange.

(Note 2) The share prices, etc. for the fiscal year ending March 2012 above are the figures as of Tuesday, February 21, 2012.

(Note 3) The price/earnings ratio is calculated by dividing (a) the share price (closing price) as of the end of each fiscal year by (b) the consolidated current net income per share for the relevant fiscal year. However, the price/earnings ratio for each of the fiscal years ended March 2009, 2010 and 2011 is not stated because a consolidated current net loss is recognized for such fiscal years.

(c) Changes in shareholding policies of the allottees of the capital increases by way of third-

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party allotment conducted in the past five years

No relevant matters.

(4) Lock-up

The Company has agreed with the Joint Lead Managers that, during the period beginning on the Pricing Date and ending on the 180th calendar day after the delivery date of the Public Offering (the “Lock-up Period”), it shall not conduct an issuance or sale of shares of common stock of the Company nor any other securities with a right or obligation to purchase shares of common stock of the Company (other than the issuance of new shares conducted as the above-mentioned Capital Increase by way of Third-party Allotment or any issuance of shares conducted with respect to any stock split (*kabushiki bunkatsu*) or stock options, etc.) without prior written consent of the Joint Lead Managers.

In each case above, the Joint Lead Managers are entitled to cancel such agreement in whole or in part or to shorten the restricted period at their discretion during the Lock-up Period.

- End -

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