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Notice Concerning New Subordinated Loan Financing and Early Repayment of Existing Subordinated Loan

Mazda Motor Corporation (the “Company”) announces that the Company decided to finance by new subordinated loan (the “Subordinated Loan”) and make an early repayment of the existing subordinated loan (the “Existing Subordinated Loan”; together with the Subordinated Loan, collectively the “Refinancing”).

1. Purpose of this Refinancing

This Referencing is structured to comply with the Replacement Restrictions Clause (*1) of the Existing Subordinated Loan, and to reduce interest costs, diversify replacement measures and ensure flexible financial strategy. Stock dilution will not happen since the Subordinated Loan does not contain any conversion to the shares of the Company’s common stock.

*1: The Clause providing that “The Company intends to make an early repayment of the Existing 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 as having equity credit attributes equal to or greater than the Existing Subordinated Loan.”

2. Overview of the Subordinated Loan

The detailed conditions and terms of the Subordinated Loan are as follows.

Amount to be borrowed	70 billion yen (scheduled)
Use of proceeds	Applied to the repayment of the Existing Subordinated Loan
Agreement execution date	July 11, 2016 (scheduled)
Drawdown date	July 20, 2016 (scheduled)
Due date	July 20, 2076 (scheduled)

Early repayment	<p>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, 2021 unless any of the subordination events has occurred and continues. Furthermore, unless any of such subordination events 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:</p> <p>(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</p> <p>(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”).</p> <p>Moreover, unless any of such subordination events has occurred and continues, if majority lenders (two-thirds or more of the principal) and the agent give approval, the Company may also make an early repayment of all or some of the principal of individual loan to all or some of the lenders.</p>
Replacement restrictions	<p>When making an early repayment of the Subordinated Loan, the Company intends to raise the funds, within the 12-month period before the date on which it will make that early repayment, by issuance of common stock or subordinated loans, etc. that have been approved by the ratings institution as having equity credit attributes, so that the amount that has been approved as having equity credit attributes is equal to or greater than the evaluated capital of the principal amount to be repaid; provided, however, if both of the following requirements are met at an early repayment, the financing in accordance with this clause may not be made:</p> <p>(a) The Company’s total amount of equity calculated based on the latest consolidated balance sheet disclosed as of the announcement of early repayment, either at the end of the each fiscal year or at the end of the second quarter, exceeds 1,024 billion yen; and</p> <p>(b) The Company’s equity ratio calculated based on the latest consolidated balance sheet disclosed as of the announcement of early repayment, either at the end of each fiscal year or at the end of the second quarter, exceeds 39.1%</p>
Interest payment	<p>Excluding the cases where dividends are paid on common stock, the Company may, at its discretion, defer all or some of the payment of interest on the Subordinated Loan.</p>
Subordination	<p>If liquidation proceedings, bankruptcy proceedings, reorganization proceedings or rehabilitation proceedings, or any proceedings similar to any of those under the law of 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.</p> <p>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.</p>
Equity credit attributes of the Subordinated Loan evaluated by a Ratings Institution	<p>Class 3 / 50% (Rating and Investment Information, Inc.) (expected)</p>

Investors (lenders) participating in the Subordinated Loan	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Development Bank of Japan Inc. The Hiroshima Bank, Ltd. The Yamaguchi Bank, Ltd. Momiji Bank, Ltd.
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Details of the early repayment of the Existing Subordinated Loan

Early repayment date	July 20, 2016 (scheduled)
Total amount of early repayment	70 billion yen (scheduled)
Reason for early repayment	Pursuant to the early repayment clause of the Existing Subordinated Loan (*2)

*2: Repay based on the prior consent of all lenders prior to the date available to make an early repayment initially set for the Existing Subordinated Loan (interest payment date on or after July 20, 2017)

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