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Mazda Motor Corporation
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Notice of Issuance of Stock Options as Compensation (Stock Acquisition Rights)

Mazda Motor Corporation today announced that its board of directors has decided the subscription requirements for stock acquisition rights to be issued as stock options to the company's directors (excluding outside directors) and executive officers and has resolved to solicit subscribers for the stock acquisition rights as described below:

1. Reason for issuing the stock acquisition rights as stock options

The acquisition rights will be issued to the company's directors (excluding outside directors) and executive officers in order to share the risks and benefits of stock price fluctuations with stockholders and to further enhance the desire to contribute to boosting share prices and enhancing corporate value over the medium and long term.

2. Outline of the issuance of stock acquisition rights

(1) Name of the stock acquisition rights

2016 Stock Acquisition Rights of Mazda Motor Corporation

(2) Total number of stock acquisition rights: 682 units

The above figure is the number scheduled for allotment. If the total number of stock acquisition rights is less than expected, such as when no application is made, the number of stock acquisition rights allotted shall be deemed the total number of stock acquisition rights.

(3) Class and number of shares underlying the stock acquisition rights

The class of shares underlying the stock acquisition rights shall be shares of the company's common stock, and the number of shares underlying the stock acquisition rights (hereinafter "number of shares granted") shall be 100 shares. If, however, on or after the date of the allotment of the stock acquisition rights the company conducts a share split (including an allotment without consideration of shares of Mazda's common stock, the same shall apply to all references to the share split herein) or share consolidation, the number of shares granted shall be adjusted using the following formula, rounding down any fraction of less than one share resulting from such adjustment.

$$\begin{array}{l} \text{No. of shares granted} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{No. of shares granted} \\ \text{before adjustment} \end{array} \times \begin{array}{l} \text{Ratio of share split} \\ \text{or consolidation} \end{array}$$

The number of shares granted after adjustment shall apply from the day following the record date (the effective date where no record date is specified) in the case of a share split or from the effective date in the case of a reverse share split. However, if a share split is made on the condition that a proposal to increase capital or capital reserve by reducing surplus shall be approved at a general meeting of shareholders, and if the record date of such a share split is set for a day prior to the close of said general meeting of shareholders, the number of shares granted after adjustment shall apply retroactively on the day following the closing of the said general meeting of shareholders and thereafter to the next day following such record date.

In addition, if an adjustment to the number of shares granted is necessary on or after the allotment date in the event of a merger, company split or similar event, the company may make an appropriate adjustment to the number of shares granted within a reasonable limit.

If the number of shares granted is to be adjusted, the company shall notify the holder of each stock acquisition right recorded in the register of stock acquisition rights (hereinafter "holder of stock acquisition rights") of any important matters by the day immediately prior to the date on which the number of shares granted after adjustment is applied. However, if the company is unable to give such notice by the day immediately prior to the date for such application, such notice shall be given as soon as possible afterwards.

(4) Value of assets to be contributed upon exercise of stock acquisition rights

The value of the assets to be contributed upon exercise of stock acquisition rights shall be obtained by multiplying the amount to be paid upon the exercise of the stock acquisition rights (which will be 1 yen per share) by the number of shares granted.

(5) Period of time during which stock acquisition rights can be exercised

From August 23, 2016 to August 22, 2046

(6) Matters concerning the increases in capital and capital reserve when shares are issued upon exercise of stock acquisition rights

(i) The amount of the capital increase when shares are issued upon exercise of stock acquisition rights shall be one half of the maximum increase in the amount of capital, calculated in accordance with Paragraph 1, Article 17 of the Corporate Accounting Rules. Fractions of less than 1 yen will be rounded up to the nearest 1 yen.

(ii) The amount of the capital reserve increase when shares are issued upon exercise of stock

acquisition rights shall be the amount calculated by deducting the amount of capital to be increased as stated in the preceding paragraph (i) from the maximum increase in the amount of capital as stated in the same paragraph (i) above.

(7) Restriction on acquisition of stock acquisition rights by transfer

The acquisition of stock acquisition rights by transfer must be approved by a resolution of the board of directors.

(8) Provisions concerning the acquisition of stock acquisition rights

If proposal (i), (ii), (iii), (iv) or (v) below is approved at a general meeting of shareholders of the company (or by resolution of the board of directors if a resolution by the general meeting of shareholders is not required), the company may acquire stock acquisition rights at no cost on a date stipulated separately by the company's board of directors.

(i) Proposal for approval of a merger agreement in which the company ceases to exist;

(ii) Proposal for approval of a company split agreement or company split plan in which the company is spun off;

(iii) Proposal for approval of a stock swap agreement or a stock transfer plan in which the company will become a wholly-owned subsidiary;

(iv) Proposal for approval of an amendment to the Articles of Incorporation to establish a provision requiring the approval of the company for the acquisition of all the shares issued by the company by transfer;

(v) Proposal for approval of amendment of the Articles of Incorporation to establish a provision requiring the approval of the company for the acquisition of shares underlying the stock acquisition rights by transfer or that the company may acquire all shares of such type by a resolution of a general meeting of shareholders.

(9) Policy for decisions on the issuance of stock acquisition rights issued by a reorganized company in the event of a structural reorganization

In the event that the company conducts a merger (only if the company ceases to exist due to the merger), an absorption-type company split or incorporation-type company split (only if the company is the splitting company in either case), or a stock swap or stock transfer takes place (only if the company becomes a wholly owned subsidiary in either case) (hereinafter "structural reorganization"), stock acquisition rights of the companies listed in a. through e., Sub-paragraph 8, Paragraph 1, Article 236 of the Companies Act (hereinafter "reorganized company") shall be issued to the holders of the remaining stock acquisition rights in each of the above cases based on the conditions mentioned below as of the date immediately prior to the effective date of the structural reorganization. (The effective date refers to the effective date of the absorption-type merger in the case of an absorption-type merger, the date of the establishment of the new company in the case of a consolidation-type merger, the effective date of the absorption-type company split in the case of an absorption-type company split, the date of the establishment of the new company in the case of an incorporation-type company split, the

effective date of the stock swap in the case of a stock swap, and the date of establishment of the wholly owning parent company in the case of a stock transfer. The same applies below.)

However in agreements for absorption- or consolidation-type mergers, an absorption-type company split or any incorporation-type company split plan, stock swap agreement or stock transfer plan, the issuance of stock acquisition rights of a reorganized company shall be stipulated in accordance with the items below.

(i) Number of stock acquisition rights of a reorganized company to be issued

An equal number of stock acquisition rights to those remaining held by the holder of stock acquisition rights shall be issued to each holder.

(ii) Type of shares of the reorganized company underlying the stock acquisition rights

Common stock of the reorganized company

(iii) Number of shares of the reorganized company underlying the stock acquisition rights

To be determined in accordance with (3) above, taking into consideration the conditions of the structural reorganization

(iv) Value of assets to be contributed upon exercise of stock acquisition rights

The value of assets to be contributed upon exercise of each stock acquisition right issued shall be calculated by multiplying the exercise price after the reorganization as stipulated below by the number of shares of the reorganized company underlying each stock acquisition right as calculated in accordance with Paragraph (iii) above. The exercise price after the reorganization shall be 1 yen per share of the reorganized company issued upon exercise of each stock acquisition right.

(v) Period of time during which stock acquisition rights can be exercised

The period of time during which the stock acquisition rights can be exercised shall be from the starting date of the exercisable period as stipulated in (5) above or the effective date of structural reorganization, whichever is later, to the final day of the exercisable period as stipulated in (5) above.

(vi) Matters concerning increases in capital and capital reserve in the event shares are issued upon exercise of stock acquisition rights

To be determined in accordance with (6) above

(vii) Restriction on acquisition of stock acquisition rights by transfer

The acquisition of stock acquisition rights by transfer must be approved by a resolution of the board of directors of the reorganized company.

(viii) Provisions concerning the acquisition of stock acquisition rights

To be determined in accordance with (8) above

(ix) Other conditions for the exercise of stock acquisition rights

To be determined in accordance with (11) below

(10) Fractions of less than 1 share resulting from exercise of stock acquisition rights

If a fraction of less than 1 share to be issued to the holder of stock acquisition rights results from the exercise of stock acquisition rights, it shall be rounded down to the nearest share.

(11) Other conditions for the exercise of stock acquisition rights

(i) Holders of stock acquisition rights may exercise those rights until the day following the day they cease to hold any of the following positions at the company: director, executive officer or Audit & Supervisory Board member.

(ii) Paragraph (i) above shall not apply to a person who inherited stock acquisition rights.

(iii) If the holder of stock acquisition rights has relinquished them, the holder may not exercise the stock acquisition rights.

(12) Method of calculation of the amount to be paid for stock acquisition rights

The amount to be paid for each stock acquisition right shall be the amount obtained by multiplying the option price per share based on the basic numerical values in paragraphs (ii) through (vii) below from the Black-Scholes formula (with fractions of less than 1 yen to be rounded up or down to the nearest 1 yen) by the number of shares granted.

$$C = Se^{-qT} N(d) - Xe^{-rT} N(d - \sigma\sqrt{T})$$

Here,

$$d = \frac{\ln\left(\frac{S}{X}\right) + \left(r - q + \frac{\sigma^2}{2}\right)T}{\sigma\sqrt{T}}$$

(i) Option price per share (C)

(ii) Share price (S): the closing price (base price for the next trading day if there is no closing price) of the company's common stock in regular trading on the Tokyo Stock Exchange on August 22, 2016

(iii) Exercise price (X): 1 yen

(iv) Expected remaining period (T): 8 years

(v) Volatility (σ): Rate of variability calculated based on the monthly closing prices of the company's common stock in regular transactions for 8 years from August 22, 2008 to August 22, 2016

(vi) Risk-free interest rate (r): Interest rate for a government bond for which the remaining years correspond to the expected remaining period

(vii) Dividend yield (q): Dividend per share (actual dividend paid for the fiscal year ended March 31, 2016) divided by the stock price in paragraph (ii) above.

(viii) Cumulative distribution function of standard normal distribution ($N(\cdot)$)

Note: The amount computed as described above is the fair price of the stock acquisition rights, and shall not be considered offering favorable terms. Remuneration receivable by the person who is to receive an allotment from the company which is equivalent to the aggregate amount to be paid for stock acquisition rights held shall be offset by the obligation to pay the amount to be paid for stock acquisition rights.

(13) Date of allotment of stock acquisition rights

August 22, 2016

(14) Date of payment in exchange for stock acquisition rights

August 22, 2016

(15) Persons to be allotted stock acquisition rights, number of persons, and number of stock acquisition rights to be allotted

Persons to Be Allotted Stock Acquisition Rights	No. of Persons	No. of Stock Acquisition Rights to Be Allotted
Company directors (excluding outside directors)	8	314 units
Company executive officers	18	368 units