

[Reference Translation]

August 4, 2017

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Notice of Issuance of New Shares by way of Third-Party Allotment in Accordance With the Memorandum of Understanding on the Business and Capital Alliance with Toyota Motor Corporation

Mazda Motor Corporation (the “Company”) entered into a memorandum of understanding (the “MOU”) concerning a business and capital alliance (the “Alliance”) for the purpose of further strengthening their continued collaborative relationship with Toyota Motor Corporation (“Toyota”) as announced in “Notice Concerning the Strengthening of the Continued Collaborative Relationship between Toyota Motor Corporation and Mazda Motor Corporation and the Execution of a Memorandum of Understanding Concerning a Business and Capital Alliance” today. In connection with the MOU conclusion, a resolution regarding the issuance of new shares by way of third-party allotment (the “third-party allotment”) to Toyota was adopted at the meeting of the Board of Directors held on August 4, 2017.

1. Purpose of this alliance

In its corporate vision, the Company has pledged to “brighten people’s lives through car ownership.” We are also working to be a brand that maximizes customer satisfaction by offering appealing, uniquely Mazda products and service that provide driving pleasure. Based on *monotsukuri* (manufacturing) rooted in communities like Hiroshima, with its continual innovation and creativity, the Company has pushed ahead with structural reform that leverages its revolutionary SKYACTIV Technology, which offers both

driving pleasure and outstanding environmental and safety performance. The Company has also achieved steady growth in the areas of products, sales, production and alliances by restructuring its business.

Against that background, to achieve continued, stable growth, the Company announced its Structural Reform Plan in February 2012 followed by its new medium-term business plan, Structural Reform Stage 2, in April 2015. For further growth, the Company is pursuing quality *monotsukuri*, quality sales and the qualitative growth of our business, including its financial structure, in an effort to further enhance brand value.

At the same time, although the automotive industry aims for continued growth, it has entered a period of major change, where factors such as diversifying market needs, tightened environmental and safety regulations, increased sophistication of advanced technologies, market entrants from other industries and diversification of the mobility business are interacting in complex manners. In such a changing business environment, Toyota and the Company believe it is necessary not only to endeavor to further strengthen their accumulated *monotsukuri* capabilities, technical strength and business bases, but also to establish a cooperative relationship to develop a system that will enable their continued growth.

Since Toyota and the Company announced the execution of an agreement to build a mutually beneficial long-term partnership (the “2015 Agreement”) on May 13, 2015, in order for the partnership to result in more appealing cars, Toyota and the Company have been discussing, with a basic spirit of collaboration for establishing a long-term, equal and amicable partnership, areas in which they can mutually exert synergy effects.

With the execution of the MOU on the Alliance, the companies confirm and declare the outcome of the sincere and meticulous discussions they have continued over the two years since the execution of the 2015 Agreement, and they believe that the MOU will be a milestone on the road to strengthening and accelerating their further continued and constructive partnership. The companies have specifically agreed to promote joint projects to (i) establish a joint venture to produce finished cars in the U.S., (ii) jointly develop technologies for electric vehicles, (iii) jointly develop connected technologies, (iv) collaborate in advanced safety technologies, and (v) further complement each other’s products. Through these joint projects, Toyota and the Company will work to leverage the resources of both companies to complement and enhance each other’s products and technologies, and make use of lessons learned through the joint projects to enhance true competitiveness that will help them realize continued growth. They will also aim to develop and strengthen their long-term partnership and pursue collaboration in an equal, independent and continued manner. To that end, Toyota and the Company have agreed that Toyota will subscribe for and acquire shares to be newly issued by the Company through a third-party allotment, and at the same time the Company will subscribe for and acquire shares of treasury stock disposed of by Toyota through a third-party allotment, which Toyota shares that are equivalent in value to the Company’s shares.

The two companies will work to achieve collaboration in the joint projects that they have agreed to at this time by respecting each other's management autonomy and establishing an equal and amicable relationship over the medium to long term. The two companies will further accelerate and develop mutual cooperation as long-term partners with the aim of creating a whole new set of values for cars and contribute to the development of sustainable society through meeting customers' expectations.

<Description of agreement on the business alliance>

(1) Establishment of a joint venture to produce finished cars in the U.S.

For the purpose of establishing a new cooperative relationship, Toyota and the Company have agreed to engage in discussions to establish a new, 50-50 joint venture that will engage in the production of finished cars with the production capacity of 300,000 units. On the assumption that necessary licenses and approvals can be obtained from regulatory authorities of relevant jurisdictions, the two companies plan to engage in discussions going forward to invest a total of approximately 1.6 billion U.S. dollars and hire approximately 4,000 employees so that a new plant to be established by the new joint venture in the U.S. will start operating in around 2021. The two companies will work to enhance their production competitiveness through collaboration in production, in addition to the existing collaboration in products and technologies.

Toyota and the Company expect that the joint venture will produce cross-over models that the Company will newly introduce to the North American market, as well as Toyota's Corolla for the North American market. Through the U.S. automobile production joint venture business, the Company will enhance its production flexibility to respond with agility to changes in demand by region and model, as well as aim to establish a local production system that focuses on vehicles that are expected to grow in North America. On the other hand, as a response to the growing North American market, Toyota will seek to have its operations even more locally rooted by reinforcing its local production system through the U.S. automobile production joint venture business.

(2) Joint development of technologies for electric vehicles

Amid rising demand and anticipation for electric vehicles (EVs) around the world, in order to flexibly and efficiently respond to the trends of the developing EV market that are difficult to predict, Toyota and the Company will mobilize their capacities and exchange expertise freely and actively with each other to consider the joint development of technologies related to the basic structure of EVs that are competitive and can flexibly and promptly respond to the regulations and market trends in various countries. The two companies will discuss details of the joint development in the future.

(3) Collaboration in the next-generation areas, including connected technologies and advanced safety

technologies

Toyota and the Company will jointly develop in-vehicle multimedia system technologies in order to be prepared for car informatization and increased demand for information linking technologies that connect the inside of a car with the outside world. In addition, with the aim of realizing an accident-free safe automobile society, the two companies will develop Toyota's technology for communication between vehicles and between the road and vehicles, through collaboration with the Company.

(4) Further complement to each other's products

The Company has already been supplying compact sedans to Toyota in North America. In addition to that, Toyota will supply small two-box commercial vans to the Company in Japan. Toyota and the Company will also consider the possibility of future product complementation on a global basis in other vehicles.

2. Overview of offering

(1) Payment date	Monday, October 2, 2017
(2) Number of new shares (Number of shares to be offered)	31,928,500 shares of common stock
(3) Amount to be paid	1,566 yen per share
(4) Amount of proceeds to be raised	50,000,031,000 yen
(5) Method of offering or allotment (Party to which shares will be allotted)	By way of third-party allotment (Toyota Motor Corporation)
(6) Other	Execution of the third-party allotment shall be subject to the securities notice pursuant to the Financial Instruments and Exchange Act coming into effect.

3. Amount, use and scheduled timing of expenditure of proceeds to be raised

(1) Amount of proceeds to be raised

(1) Total amount to be paid	50,000,031,000 yen
(2) Estimated cost of issue	200,000,000 yen
(3) Estimated net proceeds after deducting cost	49,800,031,000 yen

(Notes) 1. Estimated cost of issue does not include consumption tax or other taxes.

2. The estimated cost of issue consists of registration cost and other costs.

(2) Specific use of proceeds to be raised and scheduled timing of expenditure

Proceeds is planned to be used to pay a part of USD 800 million (approximately JPY 88 billion) which is the amount the Company is to bear according to the 50% each contribution arrangement for total USD 1.6 billion (approximately JPY 176 billion*) capital investment for a joint venture finished cars production in the U.S. which is one of business alliance agreement items. Payment is scheduled to be made sometime between Fiscal Year 2017 to Fiscal Year 2020. The remaining balance of USD 800 million will be covered by cash on hand or through future financing. Net proceeds will be managed in bank deposits until the time of expenditure.

*Exchange rate used for calculation: USD 1=JPY 110, as of July 31st, 2017

4. Rationale for the use of proceeds

By allocating the proceeds in the way described under “3. Amount, use and scheduled timing of expenditure of proceeds to be raised (2) Specific use of proceeds to be raised and scheduled timing of expenditure” above, the proceeds will contribute to enhance the Company’s growth and corporate value and thus increase the existing shareholders’ benefit. Therefore the Company has determined that the use of proceeds described above is reasonable.

5. Rational for the terms of issue, etc.

(1) Grounds for calculation of paid-in amount and specific details

The Company set the issue price at 1,566 yen (rounded down to the nearest integer) which is the average closing price of the Company’s common stock on the Tokyo Stock Exchange for the three-month period (from May 8, 2017 to August 3, 2017) until the business day immediately preceding the day on which the Capital Increase by way of third-party allotment was resolved at its Board of Directors’ Meeting.

We decided to use the average closing price of the Company’s common stock for the last three months because (i) stock prices in the market on and after the date of financial announcement better reflect the Company’s latest business performance and financial status as well as future forecast as the Company announced consolidated financial results of fiscal year ended March 2017 and forecast of fiscal year ending March 2018 in its “Consolidated Financial Results for the Fiscal Year Ended March 31, 2017” on April 28, 2017, (ii) using an average share price for a certain period, which is a leveled price, thereby eliminating special factors such as the impact of temporary stock price fluctuations, is more objective, rather than using the price at any particular time as the basis of calculation.

The amount to be paid is in compliance with the “Rules Concerning Allotment of New Shares to Third Party, Etc.” of the Japan Securities Dealers Association, and is at a discount of 4.7% (this and the

following percentages in this section are rounded off to a single decimal point) to 1,642.5 yen, closing price of the Company's common stock on the Tokyo Stock Exchange on August 3, 2017, the business day immediately preceding the day on which the capital increase by way of third-party allotment was resolved at its Board of Directors' Meeting, at a discount of 3.3% to 1,620 yen (this and the following amounts in the this section are rounded down to the nearest integer), average closing price for the one-month period until the business day immediately preceding the date of Board of Directors' resolution, and at a discount of 0.4% to 1,573 yen, average closing price for the six-month period until the business day immediately preceding the date of Board of Directors' resolution. The Company considers that the amount to be paid is not considered to be particularly favorable to the planned allottee.

The Company has received from all 5 of its auditors (including 3 outside auditors) who attended the Board of Directors' Meeting in which the capital increase by way of third-party allotment was resolved an opinion stating that, grounds for calculating the paid-in amount is reasonable and complies with the "Rules Concerning Allotment of New Shares to Third Party, Etc." of the Japan Securities Dealers Association and that the issuance is not classed as favorable issuance and is legitimate.

(2) Grounds for judging that the number of shares issued and level of share dilution are reasonable

The number of 31,928,500 common stocks to be allotted to Toyota through this third-party allotment corresponds to 5.32% of the total number of 599,875,479 shares (the percentage of the total voting rights of 5,975,342 is 5.34%) of the Company's issued common stocks as of March 31, 2017. Accordingly, the stock value of the Company will be diluted. However, as the third-party allotment is conducted as part of the business alliance, the Company believes that it will contribute to enhancing its corporate value. Therefore the Company considers that the level of dilution of the value per share in the capital increase through the third-party allotment is reasonable.

6. Reasons for selecting the planned party to which shares will be allotted

(1) Overview of the planned party to which shares will be allotted

(1) Name	Toyota Motor Corporation
(2) Address of Head Office	1 Toyota-Cho, Toyota City, Aichi Prefecture
(3) Name and title of representative	Akio Toyoda, President, Member of the Board of Directors
(4) Main business activities	Automobile and finance businesses, etc.
(5) Capital	635,401 million yen
(6) Date founded	August 28, 1937
(7) Number of issued shares	(Common stock) 3,262,997,492 shares (First Series Model AA Class Shares) 47,100,000 shares

(8)	Fiscal year end	End of March		
(9)	Number of employees	(Consolidated) 364,445		
(10)	Major business partners	—		
(11)	Main banks	—		
(12)	Major shareholders and percentages of shares held	Japan Trustee Services Bank, Ltd.	11.01%	
		Toyota Industries Corporation	6.93%	
		The Master Trust Bank of Japan, Ltd.	4.73%	
		Nippon Life Insurance Company	3.64%	
		State Street Bank and Trust Company (standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	3.14%	
		DENSO CORPORATION	2.62%	
		JP Morgan Chase & Company (standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	2.18%	
		Mitsui Sumitomo Insurance Company, Limited.	1.84%	
		Trust & Custody Services Bank, Ltd.	1.78%	
		The Bank of New York Mellon as Depository Bank for Depository Receipt Holders (standing proxy: Sumitomo Mitsui Banking Corporation)	1.69%	
(13)	Relationship between the companies			
	Capital	None		
	Personal	None		
	Transaction	The Company supplies vehicles to Toyota. Toyota provides the Company hybrid technologies under license agreement.		
	Related party relationship	None		
(14)	Business performance and financial position over the last three years			
	Fiscal year (consolidated)	FYE March 2015	FYE March 2016	FYE March 2017
	Consolidated net assets	17,647,329	18,088,186	18,668,953
	Consolidated total assets	47,729,830	47,427,597	48,750,186
	Consolidated book value per share (yen)	5,334.96	5,513.08	5,887.88
	Consolidated revenue	27,234,521	28,403,118	27,597,193
	Consolidated operating profit	2,750,564	2,853,971	1,994,372
	Consolidated ordinary profit	—	—	—
	Net income attributable to owners of parent company	2,173,338	2,312,694	1,831,109
	Consolidated net income per share (yen)	688.02	741.36	605.47
	Dividends per share (yen)	200	210	210

- (Notes)
1. As of March 31, 2017
 2. The figures shown above are in units of one million yen unless otherwise specified.
 3. Toyota, the planned allottee, is listed on the first sections of Tokyo and Nagoya Stock Exchanges as well as on Fukuoka and Sapporo Stock Exchanges.
Toyota declares its policy to exclude antisocial forces in “the matters relating to internal control system and others” in its Corporate Governance Report (dated June 23, 2017) submitted to the Tokyo Stock Exchange, and its basic stance and system regarding excluding antisocial forces are on the website of the Tokyo Stock Exchange. The Company has confirmed, by checking those information, that Toyota, its corporate officers and its major shareholders are not individuals, corporations or organizations (the “specific organization”) which try to receive financial benefit by resorting to violence or force, through fraud or other criminal conduct, neither have any relationship with specific organizations.

(2) Reasons for choosing the planned allottee

See “1. Purpose of this alliance” above.

(3) Holding policies of the planned allottee

We have confirmed orally with Toyota that they plan to hold the shares acquired through the third-party allotment over the long term.

The Company will obtain written confirmation that states if all or a part of the shares to be allotted are transferred within two years of allotment, (i) the allottee will immediately inform the Company in writing of the details, (ii) the Company will report the content of such notification to the Tokyo Stock Exchange and (iii) the content of the report shall be made available to the general public.

(4) Confirmation of payment capacity of the planned allottee for making payment for the third-party allotment

We have checked the financial statements of Toyota’s “Asset securities report of FYE March 2017”, confirming that Toyota holds sufficient cash and deposits and other current assets to make payment for the third-party allotment. Accordingly, we have determined that there is no issue in connection with the payment.

7. Major shareholders and percentages of shares held after the third-party allotment

Before the subscription (March 31, 2017)		After the subscription	
Japan Trustee Services Bank, Ltd. (Trust Account)	6.53%	Japan Trustee Services Bank, Ltd. (Trust Account)	6.20%

The Master Trust Bank of Japan, Ltd. (Trust Account)	4.60%	Toyota Motor Corporation	5.05%
Sumitomo Mitsui Banking Corporation	2.14%	The Master Trust Bank of Japan, Ltd. (Trust Account)	4.37%
Japan Trustee Services Bank, Ltd. (Trust Account)	1.94%	Sumitomo Mitsui Banking Corporation	2.04%
THE BANK OF NEW YORK 133972 (standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	1.55%	Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.84%
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW (standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	1.46%	THE BANK OF NEW YORK 133972 (standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	1.47%
Japan Trustee Services Bank, Ltd. (Trust Account 1)	1.43%	CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW (standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	1.39%
STATE STREET BANK WEST CLIENT -TREATY 505234 (standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	1.43%	Japan Trustee Services Bank, Ltd. (Trust Account 1)	1.36%
Japan Trustee Services Bank, Ltd. (Trust Account 2)	1.42%	STATE STREET BANK WEST CLIENT -TREATY 505234 (standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	1.36%
Japan Trustee Services Bank, Ltd. (Trust Account 7)	1.41%	Japan Trustee Services Bank, Ltd. (Trust Account 2)	1.35%

- (Notes)
1. The information above is based on the list of shareholders as of March 31, 2017.
 2. Percentages of shares held are the percentages of shares to the total number of issued shares and have been rounded to two decimal points.
 3. Calculation of percentages of shares held after subscription is based on 631,803,979 shares, which was obtained by adding 31,928,500 shares, the number of shares to increase through issuance of new shares through the third-party allotment to 599,875,479 shares, the number of issued shares as of March 31, 2017.

8. Future prospects

The Company will build and strengthen a cooperative relationship with Toyota and implement initiatives to generate synergy through this alliance. The initiatives and their outcomes will help improve its corporate value and improve the existing shareholders' benefit. The impact on the Company's

consolidated business results for the fiscal year ending March 2018 is expected to be negligible.

9. Procedures under the corporate code of conduct

Since the third-party allotment (i) involves dilution of less than 25% and (ii) does not involve a change in controlling shareholders, it does not require an opinion from an independent third party or procedures to confirm the intentions of shareholders under Article 432 of the Tokyo Stock Exchange's listing regulations.

10. Business performance over the last three years and status of equity finance

(1) Business performance over the last three years (consolidated)

	FYE March 2015	FYE March 2016	FYE March 2017
Consolidated revenue	3,033,899 million yen	3,406,603 million yen	3,214,363 million yen
Consolidated operating profit	202,888 million yen	226,775 million yen	125,687 million yen
Consolidated ordinary profit	212,566 million yen	223,563 million yen	139,512 million yen
Consolidated net income	158,808 million yen	134,419 million yen	93,780 million yen
Consolidated net income per share	265.64 yen	224.85 yen	156.87 yen
Dividends per share	10.00 yen	30.00 yen	35.00 yen
Consolidated net assets per share	1,454.61 yen	1,595.83 yen	1,738.70 yen

(2) Current number of shares issued and potential number of shares (as of March 31, 2017)

	Shares	Percentage of shares issued
Number of shares issued	599,875,479 shares	100%
Potential shares at current conversion price (exercise price)	68,200 shares	0.01%
Potential shares at minimum conversion price (exercise price)	-	-
Potential shares at maximum conversion price (exercise price)	-	-

(Notes) 1. The above potential number of shares are all through stock options.

2. Resolution on "Issuance of Stock Options as Compensation (Stock Acquisition Rights)" was adopted at the Meeting of Board of Directors held on Thursday July 27, 2017. For the details, please see "Notice of Issuance of Stock Options as Compensation (Stock Acquisition Rights)" announced on July 27, 2017.

(3) Recent stock prices

(i) Stock prices for the last three years

	FYE March 2015	FYE March 2016	FYE March 2017
Opening	464 yen	2,404.0 yen	1,741.0 yen
High	508 yen ※3,271.5 yen	2,749.5 yen	2,066.0 yen
Low	405 yen ※2,170 yen	1,477.0 yen	1,208.0 yen
Closing	2,439.0 yen	1,746.5 yen	1,603.0 yen

(Note) The Company conducted a 5 for 1 stock consolidation on August 1, 2014. The stock prices in fiscal year ended March 2015 are highest and lowest prices before stock consolidation, and marked with ※ in fiscal year ended March 2015 above are highest and lowest prices after the stock consolidation.

(ii) Stock prices for the last six months

	March 2017	April	May	June	July	August
Opening	1,601.0 yen	1,603.0 yen	1,583.5 yen	1,504.5 yen	1,573.0 yen	1,666.0 yen
High	1,690.0 yen	1,661.5 yen	1,643.5 yen	1,569.5 yen	1,681.5 yen	1,672.5 yen
Low	1,545.5 yen	1,439.0 yen	1,495.0 yen	1,488.0 yen	1,558.0 yen	1,625.5 yen
Closing	1,603.0 yen	1,634.0 yen	1,510.0 yen	1,568.0 yen	1,664.5 yen	1,642.5 yen

(Note) Prices shown in August 2017 are from the information up to August 3, 2017.

(4) Stock prices on business day immediately preceding the date of decision on issue

	August 3, 2017
Opening	1,652.0 yen
High	1,672.5 yen
Low	1,625.5 yen
Closing	1,642.5 yen

(5) Status of equity finance over the last three years

Not applicable

11. Overview of issue

(1) Class and number of shares	31,928,500 shares of common stock
(2) Amount to be paid	1,566 yen per share
(3) Total amount to be paid	50,000,031,000 yen
(4) The amount of stated capital to be increased	25,000,015,500 yen
(5) The amount of the additional paid-in capital to be increased	25,000,015,500 yen

(6) Payment date	Monday, October 2, 2017
(7) Method of offering or allotment	By way of third-party allotment
(8) Planned allottee	Toyota Motor Corporation
(9) Other	Execution of the third-party allotment shall be subject to the securities notice pursuant to the Financial Instrument and Exchange Act coming into effect.