



June 7, 2005

Additional Notes
To the Consolidated and the Unconsolidated Financial Statements
For the Year Ended March 31, 2005

English Translation from the Original Japanese-Language Document

Company Name : **Mazda Motor Corporation** (Tokyo Stock Exchange / Code No. 7261)
URL : <http://www.mazda.co.jp>
Representative Person : Hisakazu Imaki, Representative Director, President and CEO
Contact Person : Tetsuya Fujimoto, General Manager, Accounting Department, Phone (082) 282-1111

Mazda Motor Corporation today released the following additional notes to the consolidated and the unconsolidated financial statements for the year ended March 31, 2005. The financial statements were originally released on April 28, 2005.

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1. Notes to the Consolidated Financial Statements

Employees' and Executive Officers' Severance and Retirement Benefits

FY2004 (March 31, 2005)

1. Overview of Employees' Severance and Retirement Benefits

Mazda Motor Corporation and its domestic consolidated subsidiaries have various combinations of employer-sponsored pension plans and/or severance pay plans, all of which are defined benefit plans. In addition, certain overseas consolidated subsidiaries have defined benefit plans and/or defined contribution plans.

According to the enactment of the Defined Benefit Pension Plan Law, Mazda and its certain domestic subsidiaries applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion and obtained an approval of exemption from future obligation by the Ministry of Health, Labor and Welfare on March 26, 2004.

2. Liability for Severance and Retirement Benefits (as of March 31, 2005)

	(in millions of yen) FY2004 (March 31, 2005)
Projected benefit obligation	(537,801)
Fair value of pension plan assets	272,891
Subtotal	(264,910)
Unrecognized:	
Actuarial differences	95,764
Prior service cost	(25,050)
Total	(194,196)
Prepaid pension cost	1,696
Liability for severance and retirement benefits	(195,892)

Notes:

- 1) The above amounts include those ascribed to the portions of certain employer-sponsored pension plans that partially substitute the national pension plan.
- 2) Certain consolidated subsidiaries estimate their liability for severance and retirement benefits by a "simplified" method.
- 3) In relation to the exemption from the benefits related to future employee service under the substitutional portion from the Ministry of Health, Labor and Welfare, estimated plan assets to be returned to the government on March 31, 2005 were 138,133 million yen. If the estimated plan assets had been returned to the government on March 31, 2005 and the transitional measurement of accounting standard for employees' retirement benefits as stipulated in the Accounting Committee Report No. 13, Article 44-2 (the Japanese Institute of Certified Public Accountants) had been adopted, the effect of the adoption on the consolidated statement of operations for the year ended March 31, 2005 would have been to increase the extraordinary profits by 58,696 million yen.

3. Severance and Retirement Benefit Expenses (from April 1, 2004 to March 31, 2005)

	(in millions of yen) FY2004 (April 2004-March 2005)
Service costs--benefits earned during the year	10,454
Interest cost on projected benefit obligation	15,369
Expected return on pension plan assets	(8,081)
Amortization of actuarial differences	9,774
Amortization of prior service costs	(2,134)
Severance and retirement benefit expenses	25,382

Notes:

- 1) Employees' contributions to employer-sponsored pension plans are excluded from the expenses.
- 2) The severance and retirement benefit expenses of those consolidated subsidiaries using the "simplified" method of estimation are included in the service costs.

4. Assumptions

	FY2004 (April 2004-March 2005)
Inter-period allocation method for estimated severance and retirement benefits	Allocated proportionally based on years worked
Discount rate	Primarily 3.0%
Expected return on pension plan assets	Primarily 3.0%
Amortization period of prior service cost	Primarily 12 years
Amortization period of actuarial differences	Primarily 13 years

FY2003 (March 31, 2004)

1. Overview of Employees' Severance and Retirement Benefits

Mazda Motor Corporation and its domestic consolidated subsidiaries have various combinations of employer-sponsored pension plans and/or severance pay plans, all of which are defined benefit plans. In addition, certain overseas consolidated subsidiaries have defined benefit plans and/or defined contribution plans.

According to the enactment of the Defined Benefit Pension Plan Law, Mazda and its certain domestic subsidiaries applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion and obtained an approval of exemption from future obligation by the Ministry of Health, Labor and Welfare on March 26, 2004.

2. Liability for Severance and Retirement Benefits (as of March 31, 2004)

	(in millions of yen)
	FY2003
	(March 31, 2004)
Projected benefit obligation	(541,802)
Fair value of pension plan assets	256,415
Subtotal	(285,387)
Unrecognized:	
Actuarial differences	100,231
Prior service cost	(13,084)
Total	(198,240)
Prepaid pension cost	13
Liability for severance and retirement benefits	(198,253)

Notes:

- 1) The above amounts include those ascribed to the portions of certain employer-sponsored pension plans that partially substitute the national pension plan.
- 2) Certain consolidated subsidiaries estimate their liability for severance and retirement benefits by a "simplified" method.
- 3) In relation to the exemption from the benefits related to future employee service under the substitutional portion from the Ministry of Health, Labor and Welfare, estimated plan assets to be returned to the government on March 31, 2004 were 144,871 million yen. If the estimated plan assets had been returned to the government on March 31, 2004 and the transitional measurement of accounting standard for employees' retirement benefits as stipulated in the Accounting Committee Report No. 13, Article 44-2 (the Japanese Institute of Certified Public Accountants) had been adopted, the effect of the adoption on the consolidated statement of operations for the year ended March 31, 2004 would have been to increase the extraordinary profits by 47,517 million yen.

3. Severance and Retirement Benefit Expenses (from April 1, 2003 to March 31, 2004)

	(in millions of yen)
	FY2003
	(April 2003-March 2004)
Service costs--benefits earned during the year	15,052
Interest cost on projected benefit obligation	15,396
Expected return on pension plan assets	(6,223)
Amortization of actuarial differences	12,234
Amortization of prior service costs	279
Severance and retirement benefit expenses	36,738

Notes:

- 1) Employees' contributions to employer-sponsored pension plans are excluded from the expenses.
- 2) The severance and retirement benefit expenses of those consolidated subsidiaries using the "simplified" method of estimation are included in the service costs.

4. Assumptions

	FY2003
	(April 2003-March 2004)
Inter-period allocation method for estimated severance and retirement benefits	Allocated proportionally based on years worked
Discount rate	Primarily 3.0%
Expected return on pension plan assets	Primarily 3.0%
Amortization period of prior service cost	Primarily 12 years
Amortization period of actuarial differences	Primarily 13 years

Income Taxes

1. Deferred tax assets and liabilities reflect the estimated tax effects of accumulated temporary differences between assets and liabilities for financial accounting purposes and those for tax purposes. The significant components of deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows:

	(in millions of yen)	
	FY2004	FY2003
	(March 31, 2005)	(March 31, 2004)
Deferred tax assets		
Allowance for doubtful receivables	6,141	7,433
Employees' and executive officers' severance and retirement benefits	76,970	76,161
Accrued bonuses and other reserves	21,182	20,837
Inventory valuation	4,878	3,641
Valuation loss on investment securities, etc.	1,297	2,974
Net operating loss carryforwards	5,244	21,389
Other	67,004	57,634
Total gross deferred tax assets	<u>182,716</u>	<u>190,069</u>
Less: valuation allowance	<u>(17,626)</u>	<u>(11,676)</u>
Total deferred tax assets	<u>165,090</u>	<u>178,393</u>
Deferred tax liabilities		
Reserves under Special Taxation Measures Law	(8,608)	(5,843)
Other	<u>(2,655)</u>	<u>(4,365)</u>
Total deferred tax liabilities	<u>(11,263)</u>	<u>(10,208)</u>
Net deferred tax assets	<u><u>153,827</u></u>	<u><u>168,185</u></u>
Deferred tax liability related to land revaluation		
Deferred tax liability related to land revaluation	(91,132)	(91,113)

The net deferred tax assets and deferred tax liability related to land revaluation are included in the following accounts in the consolidated balance sheet:

Current assets--Deferred taxes	80,133	74,412
Fixed assets--Deferred taxes	73,747	93,953
Current liabilities--Other	(1)	(1)
Fixed liabilities--Other	(52)	(179)
Fixed liabilities--Deferred tax liability related to land revaluation	(91,132)	(91,113)

2. The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2005 and 2004 differ from the statutory tax rate for the following reasons:

	FY2004	FY2003
	(March 31, 2005)	(March 31, 2004)
Statutory tax rate	40.4 %	41.7 %
Equity in net income of unconsolidated subsidiaries and affiliated companies	(5.5)	(7.1)
Valuation allowances	9.0	5.3
Reversal of unrealized profits from intercompany transactions	(5.7)	(5.6)
Other	<u>(2.1)</u>	<u>(1.6)</u>
Effective tax rate	<u><u>36.1</u></u>	<u><u>32.7</u></u>

Related Party Transactions

FY2004 (Year ended March 31, 2005)

1. Directors and Major Individual Stockholders

Party Type	Director
Party Name	Kazuhide Watanabe
Line of Business	Representative Director and Chairman of the Board, Mazda Motor Corporation Chairman, The Mazda Foundation
% of Voting Stock Held	0.0% (direct)
Detail of Transaction	Mazda Motor Corp. donated funds to the Mazda Foundation.
Transaction amount	50 million yen
Account Title	-
Ending Balance	-

Note: These transactions are so-called related party transactions for a third party.

2. Subsidiaries and Other Similar Parties

Party Type	Affiliate
Party Name	AutoAlliance International, Inc. (AAI)
Address	Flat Rock, Michigan, USA
Capital	US\$760,000 thousand
Line of Business	Manufacturing and sales of automobiles
% of Voting Stock Held	50.0% (direct)
Concurrent board appointment	1 person
Business relation	AAI manufactures and sells Mazda-brand products.
Nature of Relation	
Detail of Transaction	Mazda Motor Corp. issued letters of undertaking to AAI's creditors for its loans.
Transaction amount	32,504 million yen
Account Title	-
Ending Balance	-

Note: Letters of undertaking are issued by taking the financial positions and other conditions of the guarantee companies into consideration.

3. Subsidiaries of Other Affiliates

Party Type	Subsidiary of a company classified as other affiliates
Party Name	Primus Financial Services Inc.
Address	Chuo-Ku, Osaka
Capital	2,600 million yen
Line of Business	Automotive related finance and lease services
% of Voting Stock Held	-
Concurrent board appointment	1 person
Business relation	Mazda's receivables are transferred (sold) to Primus.
Nature of Relation	
Detail of Transaction	Mazda's receivables are transferred (sold) to Primus.
Transaction amount	177,470 million yen
Account Title	Other accounts receivable
Ending Balance	4,312 million yen

Notes:

- 1) The transaction amount and ending balance do not include consumption taxes.
- 2) The terms of the transaction as well as the policy to determine the terms of the transaction are determined in a manner equivalent to those for a transaction with an unrelated third party by taking market interest rates into consideration.

Related Party Transactions

Party Type	Subsidiary of a company classified as other affiliates
Party Name	FLP Canada
Address	Saint John, New Brunswick, Canada
Capital	2,925,987 (in thousands of Canadian dollars)
Line of Business	Ownership and financing of global automotive ventures
% of Voting Stock Held	-
Concurrent board appointment	-
Business relation	FLP Canada purchased Mazda's bonds with stock acquisition rights
Nature of Relation	
Detail of Transaction	FLP Canada purchased Mazda's bonds with stock acquisition rights
Transaction amount	-
Account Title	Bonds with stock acquisition rights
Ending Balance	20,000 million yen

2. Notes to the Unconsolidated Financial Statements

Deferred Tax

1. Deferred tax assets and liabilities reflect the estimated tax effects of accumulated temporary differences between assets and liabilities for financial accounting purposes and those for tax purposes. The significant components of deferred tax assets and liabilities were as follows:

	(in millions of yen)	
	FY2004 (Mar.31,2005)	FY2003 (Mar.31,2004)
Deferred tax assets		
Allowance for doubtful receivables	4,708	5,950
Accrued employees' bonuses	7,304	6,765
Reserve for warranty claims	8,888	8,579
Reserve for retirement benefits	63,930	63,992
Loss on liquidation of affiliates	1,901	1,901
Denial of loss on evaluation of stocks	24,842	26,557
Prepaid expenses, etc.	8,970	-
Deficit carried forward	-	7,762
Other	<u>12,051</u>	<u>13,142</u>
Sub total gross deferred tax assets	134,594	134,648
Allowance account	<u>(28,058)</u>	<u>(24,800)</u>
Total gross deferred tax assets	104,536	109,848
Deferred tax liabilities		
Reserve for advanced depreciation deduction of fixed assets, etc.	<u>(9,336)</u>	<u>(6,847)</u>
Net deferred tax assets	<u>95,200</u>	<u>103,001</u>
Deferred tax liabilities related to land revaluation		
Deferred tax liabilities related to land revaluation	(91,132)	(91,113)

2. The effective tax rate reflected in the non-consolidated statements of income for the years ended March 31, 2005 and 2004 differs from the statutory tax rate for the following reasons:

	FY2004 (Mar.31,2005)	FY2003 (Mar 31, 2004)
Statutory tax rate	40.4%	41.7%
(Adjustments)		
Increase of allowance account	21.5	-
Loss on revaluation of investment securities	-	13.6
Reduction of deferred tax asset due to change of tax rate	-	22.6
Dividends receivables, etc. which are not included in taxable income	(8.3)	(25.3)
Sale of reevaluated land unrecognized as a differed tax asset	-	(8.5)
Income taxes (Refund)	(13.9)	-
Entertainment expenses, etc. which are not deducted from taxable income	22.6	1.7
Other	<u>(2.8)</u>	<u>0.0</u>
Effective tax rate reflecting on the tax effect accounting	<u>59.5</u>	<u>45.8</u>