



To Whom It May Concern

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Mazda Motor Corporation

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**Reassessment of Income Taxes for Transactions between Mazda Motor Corporation
And Its Overseas Subsidiary**

Yesterday, Mazda Motor Corporation received the notification from the Hiroshima Regional Taxation Bureau of a reassessment for product-related transactions between Mazda and its overseas subsidiary for the year ended March 31, 2004. Taxable income was reassessed for approximately 18.1 billion yen, and the additional taxes, including local taxes, are estimated to be approximately 7.6 billion yen. The Taxation Bureau claims that the payments made by Mazda to the overseas subsidiary related to the transactions constitute taxable donations from Mazda to the overseas subsidiary.

Mazda believes that the payments made by Mazda to the overseas subsidiary that is subject to the reassessment are based on appropriate transactions. Mazda also believes that it has filed appropriate income tax returns in both the countries. Mazda finds it regrettable that it has received the notice. Payments related to such transactions should be examined from the standpoint of transfer pricing; however, it has been judged to constitute taxable donations. As required by the law, Mazda is paying the reassessed amount. At the same time, however, Mazda plans to file an appeal as well as to formally request for bilateral consultations between the two countries as transfer pricing matter under the applicable tax treaties. Through these actions, Mazda will endeavor to obtain an understanding of our position from and reach an agreement with the Hiroshima Regional Taxation Bureau and both the countries. Mazda is confident that it will be able to obtain relief from double taxation.

As to the financial impact, Mazda had already recognized an allowance for the estimated amount of the reassessment in the year ended March 31, 2006. Therefore, the reassessment will have no impact in income for the year ending March 31, 2007.