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Extraordinary Losses and Valuation Allowance for Deferred Tax Assets

In the consolidated and unconsolidated financial results for the year ended March 31, 2011, Mazda Motor Corporation (“Mazda”) has recognized extraordinary losses and set up a valuation allowance against its deferred tax assets as described in the following.

1. Extraordinary loss (Consolidated)

Reserve for loss from business of affiliates: ¥8,533 million

Mazda estimated a loss from business of a foreign affiliate that Mazda is expected to incur and accrued ¥8,533 million as an extraordinary loss in the consolidated statement of operations for the year ended March 31, 2011.

2. Extraordinary losses (Unconsolidated)

1) Allowance for loss from business of affiliates: ¥36,800 million

Mazda estimated a loss from business of foreign affiliates that Mazda is expected to incur and accrued ¥36,800 million as an extraordinary loss in the unconsolidated statement of operations for the year ended March 31, 2011.

2) Valuation loss on investment securities for affiliates: ¥7,216 million

Among the investment securities of affiliates Mazda holds, for a certain foreign subsidiary whose net assets severely had deteriorated to the extent a recovery is not expected, Mazda recognized a valuation loss of ¥7,216 million as an extraordinary loss in the unconsolidated statement of operations for the year ended March 31, 2011.

3. Valuation allowance for deferred tax assets

The effects of the major earthquake in northeast Japan on Mazda's business performance in the next fiscal year and onward are uncertain. Accordingly, Mazda has assessed the likelihood of realizability of deferred tax assets. As a result, Mazda wrote off a part of its deferred tax assets by ¥56,697 million, and recognized it in the deferred portion of income taxes in the consolidated and unconsolidated statement of operations for the fiscal year ended March 31, 2011.

4. Effects on financial performance

The extraordinary losses and valuation allowance for deferred tax assets discussed above were reflected in the consolidated and unconsolidated financial statements of Mazda for the year ended March 31, 2011 that have been released today.