

FY2004 First Half Unconsolidated Financial Results

For the Six Months Ended September 30, 2004

English Translation from the Original Japanese-Language Document



November 9, 2004

Company Name : **Mazda Motor Corporation**
 (Headquartered in Hiroshima, Japan / Tokyo Stock Exchange / Code No. 7261)
 URL : <http://www.mazda.co.jp>
 Representative Person : Hisakazu Imaki, Representative Director, President and CEO
 Contact Person : Nobuyoshi Tochio, Deputy General Manager, Financial Services Division, Phone (082) 282-1111
 BOD Meeting : Meeting of the board of directors for account settlement held on November 9, 2004
 Interim dividend : Adopted
 Unit stock system : Adopted (One lot : 1,000stock)

1. Financial Highlights (April 1, 2004 through September 30, 2004)

(1) Financial results

(in Japanese yen rounded to millions)

	Sales		Operating Income/ (Loss)		Ordinary Income/ (Loss)	
	million yen	%	million yen	%	million yen	%
FY2004 1st H.	927,876	16.5	15,090	(35.4)	12,883	(23.4)
FY2003 1st H.	796,204	8.1	23,357	173.5	16,828	124.7
FY2003	1,661,715		20,437		11,955	

	Net Income/ (Loss)		Net Income/(Loss) per share	
	million yen	%	yen	
FY2004 1st H.	4,021	(55.2)	3.30	
FY2003 1st H.	8,968	129.8	7.36	
FY2003	3,051		2.51	

Notes:

- Average number of shares of common stock outstanding

FY2004 1st H.	1,217,039,343 shares
FY2003 1st H.	1,218,472,566 shares
FY2003	1,217,820,452 shares
- Accounting policy changes: No.
- Changes in sales, operating income, ordinary income and net income from the previous period are shown in percentage.

(2) Dividends

	Interim Dividends	Annual Dividends
	per share	per share
FY2004 1st H.	0.00	-
FY2003 1st H.	0.00	-
FY2003	-	2.00

(3) Financial Position

	Total assets	Shareholders' Equity	Equity Ratio	Equity per share
	million yen	million yen	%	yen
FY2004 1st H.	1,437,150	399,858	27.8	328.55
FY2003 1st H.	1,406,629	404,029	28.7	331.97
FY2003	1,412,668	398,390	28.2	327.34

Notes:

	Sep.30, 2004	Sep.30, 2003	Mar.31, 2004
Number of shares of common stock outstanding	1,217,038,470 shares	1,217,075,674 shares	1,217,047,601 shares
Number of shares of treasury stock	5,471,256 shares	5,420,981 shares	5,449,054 shares

2. FY2004 Financial forecast (April 1, 2004 through March 31, 2005)

	Sales	Ordinary Income/ (Loss)	Net Income/ (Loss)	Dividends per share	
				Year-end	Year-end
FY2004	1,930,000	24,000	8,000	2.00	2.00

Reference: Net income per share for the full year 6.57 yen

The financial projection is the judgement of our management based on the information presently available. By nature, such financial projection is subject to uncertainty and a risk. Therefore, we advise against making an investment decision by solely relying on this projection. Variables that could affect the actual financial results include, but are not limited to, economic environments related to our business areas and fluctuations in yen-to-dollar and other exchange rates. For further information on the above financial projection, please refer to page 6 of Supplementary Information to Consolidated Financial Results for FY 2004 First Half.

Unconsolidated Statement of Income

Six months ended September 30, 2004

With comparative figures for the six months ended

September 30, 2003 and for FY2003 ended March 31, 2004

(in Japanese yen rounded to millions)

		FY2004 1st Half	FY2003 1st. Half	Increase/	FY2003
		(Apr.2004-Sep.2004)	(Apr.2003-Sep.2003)	(Decrease)	(Apr.2003-Mar.2004)
1. Sales	1	927,876	796,204	131,673	1,661,715
2. Cost of sales	2	770,090	648,260	121,830	1,377,178
Gross profit on sales	3	157,787	147,944	9,842	284,537
3. Selling, general and administrative expenses	4	142,696	124,587	18,109	264,100
Operating income	5	15,090	23,357	(8,267)	20,437
4. Non-operating income					
Interest and dividend income	6	3,393	3,409	(16)	3,914
Other	7	2,806	2,422	384	4,883
Total	8	6,199	5,831	368	8,797
5. Non-operating expenses					
Interest expense	9	3,426	3,668	(242)	7,156
Other	10	4,981	8,693	(3,712)	10,122
Total	11	8,407	12,361	(3,954)	17,279
Ordinary income	12	12,883	16,828	(3,945)	11,955
6. Extraordinary profits					
Profit on sale of tangible fixed assets	13	5	186	(181)	513
Profit on sale of investment securities	14	-	-	-	332
Compensation received for the exercise of eminent domain	15	1,415	-	1,415	-
Other	16	-	31	(31)	-
Total	17	1,419	217	1,202	845
7. Extraordinary losses					
Loss on sale of tangible fixed assets	18	-	30	(30)	69
Loss on retirement of tangible fixed assets	19	2,138	1,546	591	3,666
Loss on sale of investment securities	20	835	37	797	65
Valuation loss on investment securities	21	-	40	(40)	173
Valuation loss on investments	22	-	2,788	(2,788)	2,788
Loss on restructuring of subsidiaries and affiliates	23	-	-	-	291
Loss on liquidation of a <i>Tokumei Kumiai</i>	24	2,242	-	2,242	-
Other	25	30	72	(41)	114
Total	26	5,245	4,514	731	7,165
Income (Loss) before income taxes	27	9,057	12,531	(3,474)	5,634
Income taxes					
Current	28	667	423	243	989
Refund retroactive	29	(2,103)	-	(2,103)	-
Deferred	30	6,472	3,139	3,333	1,594
Net income	31	4,021	8,968	(4,947)	3,051
Retained earnings (deficit) brought forward	32	15,981	17,492	(1,512)	17,492
Reversal of land revaluation	33	319	(1,928)	2,247	(1,533)
Unappropriated retained earnings/(deficit)	34	20,321	24,532	(4,212)	19,011

Unconsolidated Balance Sheet

September 30, 2004

With comparative figures for March 31, 2004 and September 30, 2003

(in Japanese yen rounded to millions)

		FY2004 1st. Half (September 30, 2004)	FY2003 (March 31, 2004)	Increase/ (Decrease)	FY2003 1st. Half (September 30, 2003)
Assets					
1. Current assets					
Cash and time deposits	1	201,899	209,896	(7,997)	181,125
Trade notes	2	9	87	(78)	16
Accounts receivable	3	149,445	163,221	(13,777)	173,348
Inventories	4	65,192	56,604	8,589	64,355
Deferred taxes	5	28,636	31,380	(2,744)	33,950
Accrued revenue	6	32,889	28,587	4,301	31,838
Other	7	16,200	14,716	1,484	23,345
Allowance for doubtful receivables	8	(5,383)	(7,900)	2,517	(6,131)
Total current assets	9	488,887	496,591	(7,705)	501,845
2. Fixed assets					
(1) Tangible fixed assets					
Buildings	10	78,430	75,248	3,182	74,415
Machinery & equipment	11	139,045	136,938	2,107	137,096
Tools, furniture & fixtures	12	21,980	22,795	(815)	23,834
Land	13	318,410	294,737	23,673	295,184
Construction in progress	14	25,803	18,437	7,367	13,036
Other	15	19,094	18,908	186	18,591
Total tangible fixed assets	16	602,762	567,063	35,699	562,156
(2) Intangible fixed assets					
Software	17	14,365	13,139	1,227	11,787
(3) Investments and other fixed assets:					
Investment securities	18	3,645	2,875	769	2,361
Investment securities for affiliates	19	240,566	239,363	1,203	240,228
Long-term loans receivable	20	5,215	11,284	(6,069)	30,702
Deferred taxes	21	67,765	71,621	(3,856)	67,988
Other	22	21,139	18,174	2,965	19,623
Allowance for doubtful receivables	23	(6,683)	(6,932)	249	(29,551)
Investment valuation allowance	24	(511)	(511)	-	(511)
Total investments and other fixed assets	25	331,135	335,875	(4,740)	330,841
Total fixed assets	26	948,263	916,077	32,186	904,784
Total assets	27	1,437,150	1,412,668	24,481	1,406,629

(in Japanese yen rounded to millions)

		FY2004 1st. Half	FY2003	Increase/	FY2003 1st. Half
		(September 30, 2004)	(March 31, 2004)	(Decrease)	(September 30, 2003)
<u>Liabilities</u>					
<u>1. Current liabilities</u>					
Trade notes	1	726	1,094	(368)	1,530
Accounts payable	2	180,110	186,449	(6,339)	179,863
Short-term loans payable	3	15,710	37,450	(21,740)	40,890
Long-term loans payable due within one year	4	79,828	41,807	38,021	61,866
Bonds due within one year	5	80,000	67,400	12,600	20,000
Accrued expenses	6	61,947	58,077	3,870	57,164
Reserve for warranty expenses	7	21,876	21,214	662	19,726
Reserve for loss on restructuring of subsidiaries and affiliates	8	-	254	(254)	3,570
Reserve for loss on business restructuring	9	-	2,329	(2,329)	2,310
Other	10	30,835	39,628	(8,793)	25,021
Total current liabilities	11	471,032	455,702	15,330	411,941
<u>2. Fixed liabilities</u>					
Bonds	12	40,000	70,000	(30,000)	100,000
Bonds with stock acquisition right	13	59,996	60,000	(4)	60,000
Long-term loans payable	14	210,944	172,924	38,020	181,790
Deferred tax liability related to land revaluation	15	90,896	91,113	(217)	91,396
Employees' and executive officers' severance and retirement benefits	16	161,238	161,998	(760)	155,391
Directors' and corporate auditors' retirement benefits	17	708	680	28	611
Other	18	2,478	1,863	615	1,470
Total fixed liabilities	19	566,260	558,577	7,683	590,659
Total liabilities	20	1,037,291	1,014,279	23,013	1,002,600
<u>Shareholders' equity</u>					
<u>1. Common stock</u>					
	21	120,080	120,078	2	120,078
<u>2. Capital surplus</u>					
Capital surplus reserve	22	104,219	104,217	2	104,217
Total Capital surplus	23	104,219	104,217	2	104,217
<u>3. Retained earnings</u>					
(1) Earned surplus reserve	24	15,752	15,752	-	15,752
(2) Reserve for general purpose	25	9,563	8,967	596	8,967
(3) Unappropriated retained earnings/(deficit)	26	20,321	19,011	1,310	24,532
Total Retained earnings	27	45,635	43,729	1,906	49,251
<u>4. Land revaluation</u>					
	28	131,151	131,470	(319)	131,865
<u>5. Net unrealized gain/(loss) on available-for-sale securities</u>					
	29	232	345	(113)	60
<u>6. Treasury stock</u>					
	30	(1,459)	(1,450)	(9)	(1,441)
Total shareholders' equity	31	399,858	398,390	1,469	404,029
Total liabilities and shareholders' equity	32	1,437,150	1,412,668	24,481	1,406,629

Significant Accounting Policies

1. Asset Valuation Method

- (1) Securities: For the “Investment securities for affiliates” and “Available-for-sale securities”, the one which doesn’t have the market value is booked on historical cost basis based on the moving average method. “Available-for-sale securities” which has the market value is booked in fair value based on the market prices, etc. as of Sep 30,2004. The variances are all booked “Shareholder’s equity” whether they are profit or loss, and its cost of sales is calculated on moving average method.
- (2) Derivatives: Fair value method
- (3) Inventories: Historical cost basis based on an average method

2. Depreciation Method of Fixed Assets

- (1) Tangible Fixed Assets
Straight-line method is used. The useful years and residual value are booked by the method equivalent to the provision prescribed in the Japanese Corporate Tax Law.
- (2) Intangible Fixed Assets
Straight-line method based on the available useful life (5 years) is used for Software.

3. Standards for Recognition of reserves

- (1) Reserve for warranty expenses:
Reserve for warranty expenses provides for after-sales expenses of products(vehicles). The amount is estimated per product warranty provisions and actual costs incurred in the past, taking future prospects into consideration.
- (2) Reserve for loss on restructuring of subsidiaries and affiliates:
Reserve for loss on restructuring of subsidiaries and affiliates provides for losses related to restructuring of subsidiaries and affiliates. The amount is estimated in light of the financial positions and other conditions of the subsidiaries and affiliates.
- (3) Reserve for loss on business restructuring:
Reserve for loss on business restructuring provides for loss related to the closure of a plant in accordance with Mazda’s business restructuring plan. The amount is estimated in the reasonable manner, for such losses is recognized.
- (4) Employees' and executive officers' severance and retirement benefits:
Employees' and executive officers' severance and retirement benefits provide for the costs of severance and retirement benefits to employees and executive officers.
For employees’ severance and retirement benefits, the amount estimated to have been incurred as of the current first half is recognized based on the estimated amount of liabilities for severance and retirement benefits and the estimated fair value of the pension plan assets at the end of the current fiscal year. The recognition of prior service cost is deferred on a straight-line basis over a period equal to or less than average remaining service period of employees at the time such cost is incurred, i.e., in 12 years. The recognition of actuarial differences is also deferred on a straight-line basis over a period equal to or less than the average remaining service period of employees at the time such gains or losses are realized, i.e., in 13 years. The amortization of net gains or losses starts from the fiscal year immediately following the year in which such gains or losses are realized.
For executive officers’ retirement benefits, the liability is provided for the amount that would be required by the internal corporate policy if all eligible executive officer retired an the balance sheet date.

<Additional Information>

Commencing with the enforcement of law of defined benefit corporate pension plan, Mazda Motor Corporation (“the Company”) was authorized for the exemption of the future obligation by Minister of Health, Labor and Welfare on March 26, 2004.

The returnable amount which is the minimum reserve of our responsibility calculated as of the current first half is 135,706 Mil yen. Assuming that the returnable amount is paid at the end of the current first half, the assumption of loss is 52,223 Mil yen, come up with the appropriation of 44 clause of article 2, practical guide lines (interim report) of accounting standard for retirement benefits.

(5) Directors' and corporate auditors' retirement benefits

Directors' and corporate auditors' retirement benefits provide for the payment of retirement benefits to directors and corporate auditors. The equivalent of the amount that would be required by the internal corporate policy is recognized.

(6) Allowance for doubtful receivables:

Allowance for doubtful receivables provides for losses from bad debt. The amount estimated to be uncollectible is recognized.

For receivables at a ordinary risk, the amount is estimated based on the past default ratio.

For receivables at a high risk and receivables from debtors under bankruptcy proceedings, the amount is estimated based on financial standing of debtors.

(7) Investment valuation allowance:

Investment valuation allowance provides for losses from investments. The amount is estimated in light of the financial standings of the investee companies.

4. Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate on the half-year end; gains and losses in foreign currency translation are included in the income of the current period.

5. Accounting for Leases

Lease transactions other than finance lease with an unconditional title transfer clause are accounted for by the method equivalent to rental transactions.

6. Accounting for Hedging Activities

Full-deferral hedge accounting is applied. Also, for certain interest swap contracts that are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

7. Accounting of Consumption Tax, etc.

Tax-excluding method is applied.

8. Current and Deferred income taxes

For the Current and Deferred income taxes regarding this first half-year period, the amount which needs to be booked in this period is recognized on the assumption that "Reserve for advanced depreciation deduction of fixed assets", "Reserve for special depreciation" and "Reserve for World exposition" are accumulated and/ or reversed at the end of this first half in a Profit appropriation.

Additional information

Real Estate Trust Contract

In September '99, the Company entered into a real estate trust contract, and the beneficial ownership of property was transferred to a *Tokumei Kumiai*, and the real estate was leased back to the Company. The real estate includes an education facility, a research and development facility, distribution centers and stores of domestic dealers. In September of 2004, however, the Company terminated the real estate trust contract and the leased contract

of the real estate.

The loss expected to be incurred on the termination of the *Tokumei Kumiai agreement*, amounting to 2,242 Mil yen, was included in the extraordinary losses as the loss on liquidation of a *Tokumei Kumiai* in the statement of income for the six months ended September 30, 2004.

Income Statement Presentation of the "Factor-Based" Portions of the Corporate Enterprise Tax

Commencing in the six months ended September 30, 2004, a "factor-based" tax system was adopted as a part of the Corporate Enterprise Tax. The "factor-based" portions of the corporate Enterprise Tax, consisting of a "value-added allocation portion" and a "capital allocation portion", aggregated to 538 Mil yen and were included in the selling, general and administrative expenses of the statement of income for the six months ended September 30, 2004, in accordance with the provisions of the practice report No. 12 "Handling instructions of Income Statement Presentation of the "Factor-Based" Portions of the Corporate Enterprise Tax" issued by the Accounting Standards Board of Japan on February 13, 2004.

Notes

Notes to Balance Sheet

	(in millions of yen)		
	<u>FY2004 1st H.</u>	<u>FY2003 1st H.</u>	<u>FY2003</u>
1. Accumulated depreciation on tangible fixed assets	932,473	956,990	950,026
2. Assets offered as collateral and collateralized loans			
Assets offered as collateral	328,967	330,060	326,663
Collateralized loans	114,562	162,333	127,636
3. Subordinate loans receivable	2,493	21,884	1,152
4. Contingent Liabilities for guarantee and similar agreements	170,312	211,896	190,886
5. Factoring of receivables with recourse	7,460	11,388	9,960

Notes to Statement of Income

	(in millions of yen)		
	<u>FY2004 1st H.</u>	<u>FY2003 1st H.</u>	<u>FY2003</u>
The amount of depreciation			
Tangible fixed assets	13,124	13,232	26,636
Intangible fixed assets	1,255	1,010	2,039

Lease

1. Finance lease transactions other than those with an unconditional title transfer clause to lessee.
(Lessees)

	(in millions of yen)		
	<u>FY2004 1st H.</u>	<u>FY2003 1st H.</u>	<u>FY2003</u>
Balance of leased assets at this fiscal year end			
Equivalent of acquisition costs	97,096	133,354	134,127
Equivalent of accumulated depreciation	54,656	77,442	82,716
Equivalent of net book value at this fiscal year end	42,441	55,912	51,411
Future minimum lease payments as of balance sheet date	44,027	58,674	53,568
(due within one year)	(14,826)	(21,962)	(20,779)
Lease fee paid for this fiscal year	9,639	10,500	20,977
Equivalent of depreciation	8,233	8,865	17,716
Equivalent of interest	890	1,146	2,184

Depreciation of leased assets is calculated 100% of acquisition costs or up to the contracted residual value for the assets, using the straight-line method over the lease term.

Interest included in lease fee is computed as difference between total lease fee and acquisition cost of the leased assets. This amount is allocated to each fiscal period by interest method.

2. Operating lease transactions

(Lessees)

	<u>FY2004 1st H.</u>	<u>FY2003 1st H.</u>	<u>FY2003</u>
Future minimum lease payments as of balance sheet date	21	24,067	23,534
(due within one year)	(14)	(1,071)	(23,527)

(in millions of yen)

Marketable Securities

Stocks for subsidiaries and affiliates that have the market value.

	FY2004 1st H. (As of Sep. 30, 2004)	FY2003 1st H. (As of Sep. 30, 2003)	FY2003 (As of Mar. 31, 2004)
Stock for affiliates	331	331	331
Market Value	1,165	794	988
Difference	834	463	658

(in million of yen)

FY 2004 First Half Financial Summary (Unconsolidated)

Nov 9, 2004
Mazda Motor Corporation

		(in 100 millions of yen)		FY2003 1st.HF		FY2004 1st.HF		FY2003		FY2004		FY2004	
		(in thousands of units)		(Apr.03 - Sep.03)		(Apr.04 - Sep.04)		(Apr.03 - Mar.04)		(Apr.04 - Mar.05)		(Apr.04 - Mar.05)	
		(Upper left: ratio on sales)								Projection		Prior Projection	
					%		%		%		%		%
Net Sales	Domestic	1	2,975	+0.9	2,985	+0.3	6,222	+5.9	6,600	+6.1	6,500	+4.5	
	Export	2	4,987	+12.8	6,294	+26.2	10,395	+9.4	12,700	+22.2	12,400	+19.3	
	Total	3	7,962	+8.1	9,279	+16.5	16,617	+8.1	19,300	+16.1	18,900	+13.7	
Operating income/(loss)		4	234	+173.5	151	(35.4)	204	(29.7)	240	17.4	200	(2.1)	
Ordinary income/(loss)		5	168	+124.7	129	(23.4)	120	(51.4)	240	100.7	200	+67.3	
Income/(loss) before taxes		6	125	+156.0	91	(27.7)	56		160	184.0	110	+95.2	
Net income/(loss)		7	90	+129.8	40	(55.2)	31		80	162.2	70	+129.4	
Average rate for the period		8	118 Yen/US\$ 134 Yen/EUR		110Yen/US\$ 133Yen/EUR		113Yen/US\$ 133Yen/EUR		107 Yen/US\$ 132 Yen/EUR		105Yen/US\$ 125Yen/EUR		
Transaction rate		9	118 Yen/US\$ 131 Yen/EUR		107Yen/US\$ 132Yen/EUR		117Yen/US\$ 131Yen/EUR		107 Yen/US\$ 132 Yen/EUR		106Yen/US\$ 128Yen/EUR		
Capital investment		10	127		244		355		560		490		
Depreciation and amortization		11	132		131		266		280		290		
R & D cost		12	354		450		748		860		810		
Total assets		13	14,066		14,371		14,127						
Net worth		14	4,040		3,999		3,984						
Financial debts		15	4,723		4,947		4,617						
Net financial debts		16	2,912		2,928		2,618						
	Domestic total	17	146	(1.6)	145	(0.9)	303	+1.0	320	+5.6	324	+6.9	
	Export total	18	276	(5.2)	331	+20.3	590	+3.2	710	+20.4	719	+21.9	
Wholesales		19	422	(4.0)	476	+13.0	893	+2.4	1,030	+15.3	1,043	+16.8	
Domestic production units		20	390	(1.4)	391	+0.3	811	+4.5	857	+5.7	859	+5.9	
Number of employees (Excluding dispatchees)		21	18,355		18,296		18,077						