

FY 2004 Unconsolidated Financial Results

For the year Ended March 31, 2005

English Translation from the Original Japanese-Language Document



April 28, 2005

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 : Tetsuya Fujimoto, General Manager, Accounting Department, Phone (082) 282-1111
 BOD Meeting : Meeting of the board of directors for account settlement held on April 28, 2005
 General Meeting : Meeting of Stock Holders held on June 24, 2005
 Dividend pay day : Dividend is started to pay from June 27, 2005
 Interim dividend : Adopted
 Unit stock system : Adopted (One lot: 1,000stock)

1. Financial Highlights (April 1, 2004 through March 31, 2005)

(1) Financial Results

(in Japanese yen rounded to millions)

	Sales		Operating Income/(Loss)		Ordinary Income/(Loss)	
	Million yen	%	Million yen	%	Million yen	%
FY2004	1,851,170	11.4	25,192	23.3	17,010	42.3
FY2003	1,661,715	8.1	20,437	(29.7)	11,955	(51.4)

	Net Income/(Loss)		Net Income/(Loss) per share	Net Income/(Loss) per share (Diluted)	Return on Equity	Ordinary Income to Total assets	Ordinary Income to Sales
	Million Yen	%	Yen	Yen	%	%	%
FY2004	6,146	101.4	5.05	4.35	1.5	1.2	0.9
FY2003	3,051	-	2.51	2.16	0.8	0.9	0.7

Notes:

- Average number of shares of common stock issued:

FY2004	1,216,279,068 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

(in Japanese yen rounded to millions)

	Dividends per share			Amount of Annual Dividends	Dividends Payout Ratio	Annual Dividends per equity
	Interim	Year-end				
	Yen	Yen	Yen	Million Yen	%	%
FY2004	3.00	0.00	3.00	3,648	59.4	0.9
FY2003	2.00	0.00	2.00	2,434	79.8	0.6

(3) Financial Position

(in Japanese yen rounded to millions)

	Total assets	Shareholders' Equity	Equity Ratio	Equity per share
	Million yen	Million yen	%	Yen
FY2004	1,408,598	401,516	28.5	330.15
FY2003	1,412,668	398,390	28.2	327.34

Notes:

Number of issued stock	Mar.31,2005	1,216,164,604 shares	Mar.31,2004	1,217,047,601 shares
Number of treasury stock	Mar.31,2005	7,747,078 shares	Mar.31,2004	5,449,054 shares

2. FY2005 Financial forecast (April 1, 2005 through March 31, 2006)

	Sales	Ordinary Income /(Loss)	Net Income /(Loss)	Dividends per share		
	Million Yen	Million Yen	Million Yen	Interim	Year-end	
	Million Yen	Million Yen	Million Yen	Yen	Yen	Yen
Full Year	2,060,000	33,000	29,000	0.00	3.00	

Reference: Net income per share for the full year: 23.85 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 risks. 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 9 of Supplementary Information to Consolidated Financial Results for FY 2004.

Unconsolidated Statement of Income
For the Years Ended March 31, 2005 and 2004

(in Japanese yen rounded to millions)

		FY2004 (Apr.2004-Mar.2005)	FY2003 (Apr.2003-Mar.2004)	Increase/ (Decrease)
Net sales	1	1,851,170	1,661,715	189,455
Cost of sales	2	1,539,633	1,377,178	162,455
Gross profit on sales	3	311,536	284,537	26,999
Selling, general and administrative expenses	4	286,344	264,100	22,244
Operating income	5	25,192	20,437	4,755
Non-operating income				
Interest and dividend income	6	3,778	3,914	(136)
Other	7	5,352	4,883	469
Total	8	9,130	8,797	333
Non-operating expenses				
Interest expense	9	6,686	7,156	(470)
Other	10	10,626	10,122	504
Total	11	17,312	17,279	33
Ordinary income	12	17,010	11,955	5,055
Extraordinary profits				
Profit on sale of tangible fixed assets	13	55	513	(458)
Profit on sale of investment securities	14	-	332	(332)
Compensation received for the exercise of eminent domain	15	1,415	-	1,415
Insurance proceeds	16	27,942	-	27,942
Total	17	29,411	845	28,566
Extraordinary losses				
Loss on sale of tangible fixed assets	18	178	69	109
Loss on retirement of tangible fixed assets	19	4,936	3,666	1,270
Loss on sale of investment securities	20	835	65	770
Valuation loss on investment securities	21	160	173	(13)
Valuation loss on investments	22	1	2,788	(2,787)
Loss on investment for affiliates	23	7,272	-	7,272
Loss on restructuring of affiliates	24	-	291	(291)
Investment valuation allowance	25	265	-	265
Loss on liquidation of a <i>Tokumei-kumiai</i>	26	2,226	-	2,226
Loss on disasters	27	14,831	-	14,831
Other	28	541	114	427
Total	29	31,244	7,165	24,079
Income before income taxes	30	15,178	5,634	9,544
Income taxes				
Current	31	3,530	989	2,541
Refund	32	(2,103)	-	(2,103)
Deferred	33	7,640	1,594	6,010
Net income	34	6,146	3,051	3,095
Retained earnings/(deficit) brought forward	35	15,981	17,492	(1,511)
Reversal of land revaluation	36	331	(1,533)	1,864
Unappropriated retained earnings/(deficit)	37	22,458	19,011	3,447

Unconsolidated Balance Sheet

As of March 31, 2005 and 2004

		(in Japanese yen rounded to millions)		
		FY2004	FY2003	Increase/
		(Mar. 31, 2005)	(Mar. 31, 2004)	(Decrease)
Assets				
Current assets				
Cash and time deposits	1	147,852	209,896	(62,044)
Trade notes	2	1	87	(86)
Accounts receivable	3	122,229	163,221	(40,992)
Finished products	4	31,799	27,666	4,133
Raw materials	5	1,951	535	1,416
Work in process	6	26,795	26,727	68
Supplies	7	1,649	1,676	(27)
Advanced payment	8	2,784	-	2,784
Prepaid expenses	9	1,071	733	338
Deferred taxes	10	31,028	31,380	(352)
Accrued revenue	11	50,305	28,587	21,718
Other	12	35,735	13,983	21,752
Allowance for doubtful receivables	13	(6,784)	(7,900)	1,116
Total current assets	14	<u>446,413</u>	<u>496,591</u>	<u>(50,178)</u>
Fixed assets				
Tangible fixed assets:				
Buildings	15	78,763	75,248	3,515
Structures	16	17,170	16,967	203
Machinery and equipment	17	140,623	136,938	3,685
Transportation equipment	18	2,014	1,941	73
Tools, furniture and fixtures	19	22,339	22,795	(456)
Land	20	318,086	294,737	23,349
Construction in progress	21	39,528	18,437	21,091
Total tangible fixed assets	22	<u>618,523</u>	<u>567,063</u>	<u>51,460</u>
Intangible fixed assets:				
Software	23	15,196	13,139	2,057
Investments and other fixed assets:				
Investment securities	24	3,790	2,875	915
Investment securities for affiliates	25	240,407	239,363	1,044
Investments	26	373	374	(1)
Investment for affiliates	27	5,341	4,634	707
Long-term loans receivable	28	1,467	4,503	(3,036)
Long-term loans receivable for affiliates	29	3,095	6,780	(3,685)
Bad and doubtful receivables	30	4,606	1,166	3,440
Long-term prepaid expenses	31	5,401	4,627	774
Deferred taxes	32	64,172	71,621	(7,449)
Other	33	7,282	7,374	(92)
Allowance for doubtful receivables	34	(6,695)	(6,932)	237
Investment valuation allowance	35	(776)	(511)	(265)
Total investments and other fixed assets	36	<u>328,465</u>	<u>335,875</u>	<u>(7,410)</u>
Total fixed assets	37	<u>962,184</u>	<u>916,077</u>	<u>46,107</u>
Total assets	38	<u>1,408,598</u>	<u>1,412,668</u>	<u>(4,070)</u>

(in Japanese yen rounded to millions)

		FY2004	FY2003	Increase/ (Decrease)
		(Mar. 31, 2005)	(Mar. 31, 2004)	
Liabilities				
Current liabilities				
Trade notes	1	860	1,094	(234)
Accounts payable	2	188,929	186,449	2,480
Short-term loans payable	3	15,640	37,450	(21,810)
Long-term loans payable due within one year	4	75,373	41,807	33,566
Bonds due within one year	5	30,000	67,400	(37,400)
Other accounts payable	6	19,925	18,739	1,186
Accrued income tax	7	3,448	-	3,448
Accrued expenses	8	73,804	58,077	15,727
Sales deposits	9	99	54	45
Deposit received	10	20,431	13,612	6,819
Reserve for warranty expenses	11	21,980	21,214	766
Reserve for loss on restructuring of affiliates	12	-	254	(254)
Reserve for loss on business restructuring	13	-	2,329	(2,329)
Other	14	5,115	7,223	(2,108)
Total current liabilities	15	455,605	455,702	(97)
Fixed liabilities				
Bonds	16	40,000	70,000	(30,000)
Bonds with stock acquisition rights	17	59,567	60,000	(433)
Long-term loans payable	18	196,790	172,924	23,866
Deferred tax liability related to land revaluation	19	91,132	91,113	19
Employees' and executive officers' severance and retirement benefits	20	160,160	161,998	(1,838)
Directors' and corporate auditors' retirement benefits	21	765	680	85
Guaranty money received	22	1,809	1,408	401
Other	23	1,254	455	799
Total fixed liabilities	24	551,477	558,577	(7,100)
Total liabilities	25	1,007,082	1,014,279	(7,197)
Shareholders' equity				
Common stock	26	120,295	120,078	217
Capital surplus				
Capital reserve	27	104,433	104,217	216
Other capital surplus	28	2	-	2
Surplus from disposal in treasury stock	29	2	-	2
Total Capital surplus	30	104,435	104,217	218
Earned surplus				
Earned surplus reserve	31	15,752	15,752	-
Reserve for optional purpose	32	9,563	8,967	596
Reserve for advanced depreciation deduction of fixed assets	33	8,554	8,935	(381)
Reserve for special depreciation	34	987	25	962
Reserve for World Exposition	35	22	7	15
Unappropriated retained earnings/(deficit)	36	22,458	19,011	3,447
Total retained earnings	37	47,773	43,729	4,044
Land revaluation	38	130,895	131,470	(575)
Net unrealized gain/(loss) on available-for-sale securities	39	309	345	(36)
Treasury stock	40	(2,192)	(1,450)	(742)
Total shareholders' equity	41	401,516	398,390	3,126
Total liabilities and shareholders' Equity	42	1,408,598	1,412,668	(4,070)

Appropriation of retained earnings (Draft)

For the Years Ended March 31, 2005 and 2004

(in Japanese yen rounded to millions)

	FY 2004	FY 2003
	Mar. 31, 2005	Mar. 31, 2004
Unappropriated retained earnings/(deficit)	22,458	19,011
Reversal of reserve for advanced depreciation deduction of fixed assets	796	685
Reversal of reserve for special depreciation	203	8
Total	23,457	19,704
They will be appropriated as follows:		
Dividends	3,648	2,434
	(3 yen per share)	(2 yen per share)
Reserve for advanced depreciation deduction of fixed assets	4,683	305
Reserve for special depreciation	12	970
Reserve for the World Exposition	14	14
Retained earnings/(deficit) carried forward	15,099	15,981

Significant Accounting Policies

1. Asset valuation standards and 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 Mar.31,2004. The variances are all booked as "Net unrealized gain/loss on available-for-sale securities" in "Shareholder's equity" whether they are gain or loss, and its cost of sales is calculated on moving average method.

(2) Derivatives instruments: Mainly market 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 lives and residual value are booked on the same standard as the method prescribed in the Corporate Tax Law.

(2) Intangible fixed assets: Software is amortized on straight-line method over the available useful lives (5years).

3. Accounting of deferred assets

Discount on bonds is amortized on straight-line method over the term of the bonds (5 years). And the bond issue cost is recognized as the one-time cost at the payment timing.

4. Accounting for conversion of items in foreign currencies

Debts and credits in foreign currencies are converted to Japanese yen at the exchange rate as of March 31, 2004. Exchange differences are accounted for gain or loss.

5. Standards for Recognition of reserves

(1) Reserve for warranty expenses:

Reserve for warranty expenses provides for after-sales service expenses of products. 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 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 losses related to the closure of a plant in accordance with Mazda's business restructuring plan. The amount, estimated in a 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 end of the current year 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 the 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 if all eligible executive officers retired at the balance sheet date.

<Additional Information>

Commencing with the enforcement of law of defined benefit corporate pension plan, 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 this fiscal year end is 133,074 Mil yen. Assuming that the returnable amount is paid at the end of this fiscal year end, the assumption of loss is 55,830 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 if all the directors and corporate auditors retired at the end of this fiscal year is recognized.

(6)Allowance for doubtful receivables:

Allowance for doubtful receivables provides for the losses from bad debt. The amount estimated to be uncollectible is recognized. For receivables at an 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 the financial standing of the debtor.

(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.

6. Accounting for lease

Finance lease transactions other than those with an unconditional title transfer clause to lessee are processed according to the accounting standard of ordinary rent transaction.

7. 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.

The forward exchange contract designated as hedging a foreign-currency-loan receivable is translated into yen at the fixed exchange rate stipulated in the contract

8. Accounting of consumption tax, etc.

Tax-excluding method is applied.

Additional information

Real Estate Trust Contract

In September of 1999, 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 on the termination of the *Tokumei Kumiai agreement*, amounting to 2,226 Mil yen, was included in the extraordinary losses as the loss on liquidation of a *Tokumei Kumiai* in the statement of income for the year ended March 31, 2005.

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

Commencing in this fiscal year ended on March 31, 2005, 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 1,068 Mil yen and were included in the selling, general and administrative expenses of the statement of income for the year ended March 31, 2005, 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.

Footnotes

Notes to Balance Sheet

	FY2004 <u>(Mar.31,2005)</u>	(in millions of yen) FY2003 <u>(Mar.31,2004)</u>
1. Accumulated depreciation on tangible fixed assets	908,309	950,026
2. Assets offered as collateral Collateralized loans	332,364 96,454	326,663 127,636
3. Subordinate loans receivable	2,109	1,152
4. Contingent liabilities for guarantee and similar agreements	152,920	190,886
5. Factoring of receivables with recourse	8,590	9,960

6. In accordance with the Law to Partially Revise the Land Revaluation Law (Law No. 19, enacted on March 31, 2001), land owned by the Company for business uses was revalued. The deferred taxes on the unrealized gains are included in the liabilities as "Deferred Tax Liability Related to Land Revaluation". The unrealized gains on the revaluation are included in the shareholders' equity as "Land Revaluation" for the amount net of deferred taxes.

The date of revaluation: March 31, 2001

Method of revaluation:

The fair value of land is determined based on the method that are promulgated and published by the Secretary of the National Tax Agency, as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Article 119 of 1998 Cabinet Order, promulgated on March 31, 1998). The method includes the revaluation of land for land-holding tax and reasonable adjustments including those for the timing of assessment.

At the end of this period, the difference between the total amount of fair value of the revaluated land and the total amount of revaluated book value of land for business based on the Article 10 of the Land Revaluation Law is 71,914 Mil. yen.

7. Restriction of Financial Activity

In the bond issue contract of unsecured bonds No.15, 16,17 and 18 (including negative pledge which ranks pari passu solely with other series of unsecured debenture or bonds), as long as the balance of the bonds exist, the company must maintain the net worth more than 289.3 Bil. yen on the balance sheet as of the end of the fiscal period after the payment date of the bonds.

In the bond issue contract of unsecured bonds (with subscription clause) No.4 and No.19 (including negative pledge which ranks pari passu solely with other series of unsecured debenture or bonds), as long as the outstanding balance of this bond exists, the Company must maintain the net worth more than 129.7 Bil. yen on the consolidated balance sheet of the end of each fiscal year.

In the bond issue contract of unsecured bonds No.20 (including negative pledge which ranks pari passu solely with other series of unsecured debenture or bonds), as long as the outstanding balance of this bond exists, the Company must maintain the net worth more than 145.6 Bil. yen on the consolidated balance sheet of the end of each fiscal year.

Regarding the Variance of land revaluation, according to the Law of land re-valuation No.7 of the clause2-1, it is prohibited to be paid as dividends.

The increase in net worth by the valuation stipulated in the Commercial Code Enforcement Regulation is 309 million yen.

Notes to Statement of Income

	FY2004 (Apr., 04 -Mar., 05)	(in millions of yen) FY2003 (Apr.,03-Mar., 04)
1. Total amount of research and development costs	82,364	74,820
2. Breakdown of profit on sale of fixed assets		
Land	45	-
Land and other	-	508
Transportation equipment	6	-
Machinery and equipment	4	4
3. Breakdown of loss on sales of tangible fixed assets		
Buildings	88	-
Buildings and other	-	69
Land	66	-
Others	24	-
4. Breakdown of loss on retirement of tangible fixed assets		
Machinery and equipment	3,595	2,472
Tools, furniture and fixtures	837	886
Others	504	308
5. Fire impact at Ujina-first-plant Factory on Dec.15, 2004		
“Insurance proceeds” of Extraordinary profit	25,399	
“Loss on disasters” of Extraordinary loss	16,613	

Lease

Lease was omitted in exchange for release on EDINET.

Marketable Securities

Stocks for subsidiaries and affiliates that have the market value.

(in million of yen)

Stock for affiliates	FY2004 (As of Mar. 31, 2005)	FY2003 (As of Mar. 31, 2004)
Book Value	331	331
Market Value	1,406	988
Difference	1,075	658

Deferred Tax

Deferred Tax was released as a “Additional report” after the final arrangement.

Increase of number of outstanding shares in this fiscal year

Style of issue	Use the right of acquisition of Bond with stock acquisition right
Number of shares increased	1,415,027 shares
Issue price	306 yen per share
Capitalization price	153 yen per share
The amount capitalized	216 Mil. yen

FY 2004 Financial Summary (Unconsolidated)

Apr.28, 2005
Mazda Motor Corporation

		(in 100 millions of yen)		FY2003		FY2004		FY2005	
		(in thousands of units)		(Apr.03-Mar.04)		(Apr.04-Mar.05)		(Apr.05-Mar.06)	
		(Upper left: ratio on sales)						Projection	
					%		%		%
Net Sales	Domestic	1	6,222	+5.9	6,300	+1.3	6,800	+7.9	
	Export	2	10,395	+9.4	12,212	+17.5	13,800	+13.0	
	Total	3	16,617	+8.1	18,512	+11.4	20,600	+11.3	
Operating income/(loss)		4	204	(29.7)	252	+23.3	270	+7.2	
Ordinary income/(loss)		5	120	(51.4)	170	+42.3	330	+94.0	
Income/(loss) before tax		6	56		152	+169.4	470	+209.7	
Net income/(loss)		7	31		61	+101.4	290	+371.8	
Average rate for the period		8	113Yen/US\$ 133Yen/EUR		108Yen/US\$ 135Yen/EUR		105Yen/US\$ 135Yen/EUR		
Transaction rate		9	117Yen/US\$ 131Yen/EUR		108Yen/US\$ 134Yen/EUR		105Yen/US\$ 136Yen/EUR		
Capital investment		10	355		586		580		
Depreciation and amortization		11	266		275		320		
R & D cost		12	748		824		920		
Total assets		13	14,127		14,086				
Net worth		14	3,984		4,015				
Financial debts		15	4,617		4,359				
Net financial debts		16	2,618		2,880				
	Domestic total	17	303	+1.0	308	+1.8	322	+4.3	
	Export total	18	590	+3.2	686	+16.2	770	+12.3	
Wholesales		19	893	+2.4	994	+11.3	1,092	+9.8	
Domestic production units		20	811	+4.5	813	+0.2	931	+14.5	
Number of employees (Excluding dispatchees)		21	18,077		18,359				