



May 13, 2004

Consolidated Financial Results for FY2003

(April 1, 2003 through March 31, 2004)

Mazda Motor Corporation

Code No: 7261 Listed in : Tokyo Stock Exchange

Headquartered in: Hiroshima-prefecture

(URL <http://www.mazda.co.jp>)

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Meeting of the Board of Directors for Consolidated Account Settlement: May 13, 2004

Adoption of the United States Generally Accepted Accounting Principles: Not Adopted

1. Consolidated Financial Highlights (April 1, 2003 through March 31, 2004)

(1) Consolidated Financial Results

(in Japanese yen rounded to millions, except amounts per share)

	Sales		Operating Income/(Loss)		Ordinary Income/(Loss)	
	million yen	%	million yen	%	million yen	%
FY2003	2,916,130	23.3	70,174	38.5	58,029	42.5
FY2002	2,364,512	12.9	50,656	77.4	40,710	111.8

	Net Income/(Loss)		Net Income/(Loss)	Net Income/(Loss)	Return on Equity	Ordinary Income	Ordinary Income
	million yen	%	per Share	per Share (Diluted)		to Total Assets	to Sales
FY2003	33,901	40.5	27.84	23.98	16.3	3.3	2.0
FY2002	24,134	173.3	19.80	18.37	13.2	2.3	1.7

Notes: Equity in net income of unconsolidated subsidiaries and affiliated companies FY2003 9,199 million yen

FY2002 7,674 million yen

Average number of shares outstanding (on a consolidated basis) FY2003 1,217,692,196 shares

FY2002 1,219,049,835 shares

Accounting change: Yes.

Changes in sales, operating income, ordinary income, and net income from the previous period are shown in percentage.

Consolidated financial results for FY2003 include 15 months of operations for those consolidated overseas subsidiaries that changed the fiscal year-end.

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Equity Ratio	Equity per Share
	million yen	million yen	%	Yen
FY2003	1,795,573	222,605	12.4	182.91
FY2002	1,754,017	194,071	11.1	159.22

Notes: Number of shares issued and outstanding at year end (on a consolidated basis): FY2003 1,217,013,683 shares

FY2002 1,218,848,947 shares

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Ending Cash & Cash Equivalents
	million yen	million yen	million yen	million yen
FY2003	92,379	(43,251)	(52,794)	272,231
FY2002	89,668	(42,614)	(2,074)	274,722

(4) Scope of Consolidation and Equity Method

Consolidated subsidiaries 55 companies

Unconsolidated subsidiaries accounted for by the equity method 0 companies

Affiliates accounted for by the equity method 12 companies

(5) Changes in Scope of Consolidation and Equity Method

Consolidation (Addition) 1 company Equity method (Addition) 0 companies

(Exclusion) 11 companies (Exclusion) 3 companies

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

	Net Sales	Ordinary Income/(Loss)	Net Income/(Loss)
	million yen	million yen	million yen
Full Year	2,660,000	65,000	34,000

Reference: Net income per share for the full year 27.94 yen

The financial projection is the judgment 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 7 of Supplementary Information.

Supplementary Information

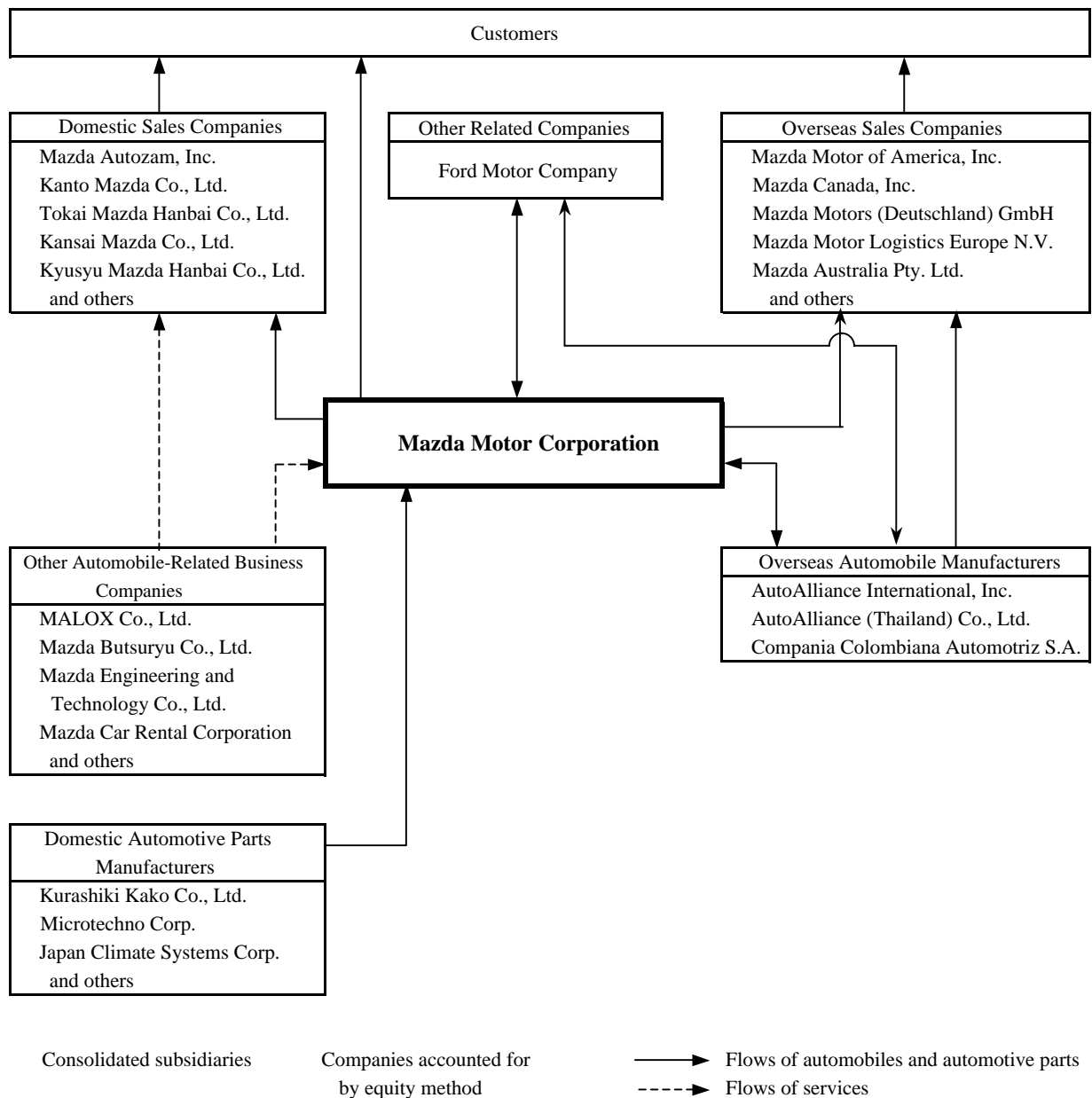
1. Mazda Group of Companies

Mazda group of companies consists of Mazda Motor Corporation, 55 consolidated subsidiaries and 12 equity method-applied companies and is mainly engaged in the manufacturing and sales of automobiles and automotive parts as well as in other automobile-related businesses.

In Japan, Mazda Motor Corporation manufactures automobiles. Mazda Motor Corporation, Kurashiki Kako Co., Ltd. and other companies manufacture automotive parts. In overseas, AutoAlliance International, Inc. and other companies manufacture automobiles and automotive parts. The automobiles and automotive parts manufactured by our group of companies are sold to customers by our sales companies. In Japan, Mazda Autozam, Inc., Kanto Mazda Co., Ltd. and other companies sell our automobiles and automotive parts to customers. To certain corporate customers, Mazda Motor Corporation directly sells our automobiles. In overseas, Mazda Motor of America, Inc., Mazda Motors (Deutschland) GmbH and other companies sell our automobiles and automotive parts to customers.

In addition, Mazda Motor Corporation, having an equity relationship with Ford Motor Company, has expanded its relationship with Ford to a strategic cooperative relationship on a global scale.

The following diagram approximately illustrates the roles of Mazda Motor Corporation and its main related companies in conducting the group's business:



Note: None of the consolidated subsidiaries is listed at a stock exchange in Japan.

2. Management Policy

1) Our Corporate Vision, Mission and Values

Mazda's Corporate Vision is comprised of a "Vision" (corporate objectives) along with a statement of "Mission" (roles and responsibilities) and "Value" (the values Mazda seeks to produce). These principles are helping express the ways in which Mazda and Mazda's employees understand their roles and responsibilities as they press towards the achievement of these aims. Through the realization of this Corporate Vision, we aim to consistently augment corporate value, which we view as being closely linked to securing profits for our shareholders.

Vision : To create new value, excite and delight our customers through the best automotive products and services.

Mission : With passion, pride and speed, we actively communicate with our customers to deliver insightful automotive products and services that exceed their expectations.

Value : We value integrity, customer focus, creativity, efficient and nimble actions and respect highly motivated people and team spirit. We positively support environmental matters, safety and society. Guided by these values, we provide superior rewards to all people associated with Mazda.

2) Our Policy on Distribution of Earnings

Our policy on distribution of earnings is to declare dividends by carefully considering each fiscal year's financial results and business environment. Our intent is to provide our stockholders with dividends on a stable basis. Our policy on earnings retained in the company is to utilize the financial resources to enhance our business competitiveness, e.g., capital investments in facilities and equipment and investments in research and development.

3) Our Mid-Term Plan

a) Growth

Mazda's performance in FY2003 remained strong, as the company's product-led growth strategy and successful, global "Zoom-Zoom" product positioning continued to deliver results.

In April 2003, the highly anticipated Mazda RX-8—a four-door, four-seat sports car powered by an all-new, RENESIS rotary engine—was launched in Japan and, in the following months, into North America, Europe and other key markets. Fully embodying Mazda's brand qualities— Stylish, Insightful and Spirited—the new RX-8 is the company's brand icon.

Following the launch, the RX-8 was chosen as Car of the Year by the Automotive Researchers' & Journalists' Conference of Japan (RJC); it also received Car of the Year honors in Australia and various other markets. It was runner-up in North American Car of the Year voting. In addition, the RENESIS engine was voted "International Engine of the Year 2003" by a panel of 50 senior motoring journalists from 22 countries and, in Japan, "RJC Technology of The Year".

June 2003 marked the start of Mazda3/Axela production at Mazda's Hofu plant. Since November, it has been available in all major markets. The Mazda3 was named the 2004 Canadian Car of the Year and finished as runner-up in European Car of the Year voting. Sales results during the launch phase have exceeded expectations, supporting an annual sales target of 250,000 units.

The Mazda2/Demio and Mazda6/Atenza, both of which were launched during FY2002, continued to help drive global sales growth during FY2003. They provided significant sales support, notably, in Australia, where Mazda posted an all-time sales record during CY2003. Demio remains Mazda's highest-volume vehicle in Japan and has become the industry's top-10 sellers during FY2003.

With the introduction of a new premium grade 23Z model in the Japanese market, the successful Atenza lineup became even more environmentally friendly, with all 2.3liter front-wheel drive models now certified as ultra-low emissions vehicles. The Mazda6/Atenza, which was launched in May 2002 and continues to be one of Mazda's biggest success stories, was named Car of the Year for 2004 in China by Auto Club-Motor Trend magazine in December 2003.

Product improvements were made on some ongoing models for domestic market. Turbo-charged model was added on the Roadster, and special-edition models such as the Roadster Coupe were introduced. In addition, both the popular MPV and Tribute received updated interiors and exteriors, and sporty, limited-edition models such as the Mazdaspeed RX-8, Atenza Sedan 23E S-Limited were introduced in the Japanese market during FY2003.

In Japan, the company's initiatives in Internet marketing continued with Mazda's "Web Tune Factory" site, which allows customers to order their own customized car via the Internet. The site has now been expanded to accommodate orders for Axela and Demio, as well as Roadster. In further efforts to grow sales, Mazda has expanded product availability in its domestic market by launching sales of micro-mini vehicles in all sales channels beginning in March 2004. At the same time, MPV, Bongo Friendee and Tribute became available in addition to Demio, Axela, Premacy and Bongo through the Autozam channel, which previously had sold only micro-mini vehicles.

Vehicle sales in the key Asia/Pacific markets now account for over 16 percent of total global volume and represent an important part of Mazda's growth strategy. Mazda's China sales during the April 2003–March 2004 period, for example, totaled 93,000 units, 3 times higher than the same period a year ago.

In North America, we strengthened the vehicle line-up by starting to produce the Mazda6 Sports Wagon and five-door in March 2004 at AutoAlliance International, Inc. (AAI), the joint venture with Ford.

b) Reform and Restructuring

In May 2003, Mazda started a process of outsourcing production of the Titan, Titan Dash, Bongo and Bongo Brawny (for export) commercial trucks to Press Kogyo. In July, in an additional step to further fortify its commercial truck strategy, Mazda confirmed details of its agreement with Isuzu Motors to begin receiving supplies of a small commercial truck series from Isuzu in late 2004. Mazda will sell these new, Isuzu-built vehicles in Japan under the Titan name while at the same time, production of the current Titan, which Mazda outsources to Press Kogyo, will be discontinued.

Mazda continues to implement initiatives to strengthen its distribution network in Europe as well. In September, Mazda purchased the remaining 50% share of its Austrian distributor. Mazda now directly controls distribution of more than 80 percent of its European sales. During calendar year 2003, sales in Europe increased by 26 percent, with all-time sales records achieved in the UK, Italy, Spain, and Portugal.

Mazda continues to execute on its strategic initiative called "Achieve Best Cost" or "ABC", which is a commodity-focused process for achieving 25 percent cost reductions by the end of FY2004. Launched in May 2002, the ABC program is delivering significant savings through design improvements, lower logistics costs, increased commonization across product lines and expanded use of global sourcing.

c) Synergy with Ford

Synergies with Ford Motor Company continued to mature in multiple areas that strongly benefit both sides. The clearest evidence of this growing partnership is found in the area of product development. The new Mazda3/Axela was developed closely with Ford, yet has been hailed by the media as a true Mazda product. Moreover, in December 2003, it was decided that within the Ford group, Mazda would take the lead in developing the shared technology engineering for the next major B-car, a Demio-class car. These are just a few of the examples of the synergies that are being realized through the Mazda / Ford partnership.

d) People Development

In April 2003, for the first time in 20 years, Mazda significantly upgraded its human resources system. The system is built on three pillars—"choice and self actualization," "work-life balance," and "best match of people, work and rewards." It is a step forward that is essential to maintaining Mazda's global competitiveness. At the same time, this system more effectively harnesses the unique differences in the employee's skills and aspirations.

People development has been further continued by the popular "Leading Mazda 21" program, which was started in April 2002 and is helping develop the management skills of the next generation of Mazda leaders. Steps have also been taken to expand the various training opportunities available to all employees by increasing the number of business training courses and e-learning programs, and continuing the English skill enhancement programs for employees.

It is also worth noting that Mazda received the Family Friendly Company Award from the Ministry of Health, Labor and Welfare during FY2003. The Ministry uses this award to recognize companies with programs aimed at helping employees strike a good balance between their careers and child/family care.

e) New Technology

All markets are demanding more environmentally conscious technologies and products, and meeting these demands remain an important priority for Mazda's product development activity. Mazda's "Three Layer Wet Paint System" received special recognition from the Japan Society for the Promotion of the Machinery Industry and Okochi Memorial Award from Okochi Memorial Foundation. The RX-8 Hydrogen RE is now undergoing running tests for practical application. The hydrogen version of RENESIS is the latest example of the company's efforts to satisfy the demand for both environment-friendliness and exhilarating performance.

4) Our Challenges

The near-term external environment is expected to remain difficult in Japan and globally. Although the global economic outlook is starting to improve, it faces many issues, especially rapid currency fluctuations and oil price increases providing challenges for export-oriented countries and companies.

The automotive industry is likely to remain intensely competitive, as the major manufacturers continue to offer high levels of marketing incentives and introduce a variety of new models.

Operating in a tough environment against world-class competitors, Mazda remains confident in its ability to drive the company forward with sustained profitable growth. Moving forward, Mazda focuses on achieving breakthroughs in the area of Quality, Distribution, Cost and Product Development.

5) Basic Philosophy of Corporate Governance and Implementation of Related Measures

Mazda is aware that the enrichment of corporate governance is one of the most important tasks for management and is actively implementing various measures to this end.

In addition to bodies prescribed by law such as the general meeting of stockholders, the board of directors and the board of corporate auditors, an executive committee has been established. Executive committee meetings are held to propose and debate important company-wide policies and measures and to report on information necessary for business management. Other advisory bodies that assist the president with decision-making have also been established.

The company has introduced the executive officer system. By promoting the separation of execution and management, the effectiveness of the board of directors as a supervisory body has been enhanced. By overhauling the board's administration, debate has been enhanced, and by delegating authority to the executive officer level, decision-making has been speeded up. In these ways we are working to further improve management efficiency.

The company has also established a Management Advisory Committee composed of outside notable figures and Mazda's directors. The committee meets four times a year. The company gets a wide range of managerial opinions and recommendations from the committee members, who possess unsurpassed specialized knowledge and insight with a global view. As the committee enters its second year, the company will get more specific and beneficial opinions and recommendations on management issues from the committee based on economic conditions and the business environment surrounding the industry.

With regard to a risk management system, in January 2002 the company established the Risk Management Office as a company-wide administrative department and created a system for its promotion centered on the Risk Management Committee. By appropriately managing various internal and external risks through establishing various internal risk management regulations, phasing in company-wide risk management activities and enhancing disaster-prevention measures such as those for large-scale earthquakes, the company is ensuring its continued stable growth.

The company established the Mazda Corporate Ethics Code of Conduct, and compliance with laws and regulations by all officers and employees is an important company policy. The company prepared a Compliance Manual in March 2004 and distributed it to all officers and employees. The company will inform all employees of the importance of and need for compliance with laws and corporate ethics by holding seminars on ethics and human rights.

By avoiding holding the general meeting of shareholders on the same day as other companies, and by making timely disclosures to shareholders and investors, and by engaging in IR activities such as enhancing the IR website, Mazda will continue to actively implement various measures to enhance corporate governance.

At present, two of the company's five auditors are outside auditors. There are no business dealings or other interests between the company and these auditors.

3. Financial Results, Position and Projection

1) Financial Results and Position

During fiscal year 2003, the Japanese economy gained strength in the export and manufacturing sectors. Deflationary pressures, while still a concern, showed signs of moderating. In the U.S., favorable financial conditions combined with low interest rates have worked to benefit consumers and drive growth. In Europe and other major markets, the economies are showing signs of recovery. Key economic indicators are presently providing mixed signals in regard to the strength and sustainability of economic recovery.

Automotive sales in Japan, including micro-mini vehicles, totaled 5.89 million units, up 0.4% from the prior year. In the U.S., industry sales were 16.45 million units (calendar year basis), down 1.0% from the previous year, while sales in Europe were 17.09 million units, down 0.8% (calendar year basis).

Turning to Mazda's performance in this fiscal year, retail sales in the Japanese market totaled 279,000 units, up 3.4% compared with the prior fiscal year, reflecting the successful performance of new models. Registered vehicle share in the domestic market was 5.8%, up 0.2 points from year ago levels. Total share, including micro-mini vehicles, was 4.7%, up 0.1 points.

Mazda's retail sales and market shares in the major overseas markets (calendar year basis) were as follows. In the U.S., Mazda's retail sales were 259,000 units, up 0.3% from the prior year. Market share was 1.6%, unchanged from the prior year. In Europe, retail sales were up 25.8% to 229,000 units, and market share was up 0.2 points to 1.3%.

Starting in FY2003, in order to better administer and disclose consolidated financial results, the fiscal year-end of the major consolidated overseas subsidiaries, which had been December 31, was changed to match the consolidated fiscal year-end of March 31. Accordingly, the consolidated operating results for the year ended March 31, 2004 consisted of 15 months of operations for the major consolidated overseas subsidiaries.

Consolidated wholesales in FY2003 totaled 1,225,000 units, an increase of 59,000 units or 5.8% year-over-year after excluding the impact of the fiscal year-end change for the consolidated overseas subsidiaries.

Turning to financial results, on a consolidated basis, sales revenue was ¥2,916.1 billion, an increase of ¥210.2 billion or 8.9% year-over-year after excluding the impact of the fiscal year-end change for the consolidated overseas subsidiaries. Operating income was ¥70.2 billion, up ¥19.6 billion or 38.5%. This significantly improved performance from the prior year reflected higher sales revenue primarily due to the impact of the new models introduced in the prior fiscal year and this fiscal year, as well as cost reductions in various areas of Mazda's business and favorable exchange rates, partially offset by product enhancement costs, marketing costs related to the introduction of new models, and fixed costs.

Ordinary income was ¥58.0 billion, up ¥17.3 billion or 42.5%. Net income was ¥33.9 billion, up ¥9.8 billion or 40.5%.

Consolidated cash flow (operating and investing activities) was positive ¥49.1 billion, reflecting operating cash flow of ¥92.4 billion, partially offset by net cash used in the acquisition of tangible fixed assets and other investing activities of ¥43.3 billion. Also, financing cash flow was negative ¥52.8 billion. As a result, net debt (gross debt less cash and cash equivalents) was ¥358.1 billion, ¥45.4 billion lower than at March 31, 2003. Gross debt was ¥630.4 billion, down ¥47.8 billion from the prior year end. Management continues to maintain

an intense focus on reducing net debt to further improve the company's financial structure.

Mazda's financing activities in FY2003 included the issuance of domestic unsecured bonds of ¥40 billion, ¥20 billion each in June of 2003 and March of 2004, as well as a ¥40 billion long-term syndicated bank borrowing in July of 2003.

Our present plan is to declare a year-end dividend of 2 yen per share for this fiscal year.

2) Financial Projection

Our projection for fiscal year 2004 (the year to end March 31, 2005) is as follows:

Consolidated

Wholesales	1,180 thousand units	(up 9.7% by 12-month comparison)
Sales revenue	2,660.0 billion yen	(up 3.3% by 12-month comparison)
Ordinary income	65.0 billion yen	(up 12.0% compared to the prior year)
Net income	34.0 billion yen	(up 0.3% compared to the prior year)

Unconsolidated

Wholesales	1,043 thousand units	(up 16.8% compared to the prior year)
Sales revenue	1,890.0 billion yen	(up 13.7% compared to the prior year)
Ordinary income	20.0 billion yen	(up 67.3% compared to the prior year)
Net income	7.0 billion yen	(up 129.4% compared to the prior year)

Cautionary Statement with Respect to Forward-Looking Statements

Information included in this material with respect to Mazda's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Mazda. Mazda cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements. Therefore, you should not place undue reliance on them. Also, you should not rely on any obligation of Mazda to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Mazda disclaims any such obligation. Risks and uncertainties that might affect Mazda include, but are not limited to:

- 1) the global economic environment related to Mazda's business;
- 2) exchange rates, particularly between the yen and the U.S. dollar and euro;
- 3) the success of Mazda's joint ventures and alliances;
- 4) environmental and other public regulations; and
- 5) reliance on certain raw materials and suppliers.

4. Consolidated Financial Statements

(1) Consolidated Statement of Operations

For the Years Ended March 31, 2004 and 2003

		(in millions of yen)		
		FY2003	FY2002	Increase/ (Decrease)
		(Apr. 2003 - Mar. 2004)	(Apr. 2002 - Mar. 2003)	
Net sales	1	2,916,130	2,364,512	551,618
Costs of sales	2	2,165,160	1,725,058	440,102
Gross profit on sales	3	750,970	639,454	111,516
Selling, general and administrative expenses	4	680,796	588,798	91,998
Operating income/(loss)	5	70,174	50,656	19,518
Non-operating income				
Interest and dividend income	6	2,517	1,907	610
Equity in net income of unconsolidated subsidiaries and affiliates	7	9,199	7,674	1,525
Other	8	4,887	6,739	(1,852)
Total	9	16,603	16,320	283
Non-operating expenses				
Interest expense	10	18,299	16,927	1,372
Other	11	10,449	9,339	1,110
Total	12	28,748	26,266	2,482
Ordinary income/(loss)	13	58,029	40,710	17,319
Extraordinary profits				
Profit on sale of tangible fixed assets	14	3,682	654	3,028
Profit on sale of investment securities	15	672	3,197	(2,525)
Other	16	248	584	(336)
Total	17	4,602	4,435	167
Extraordinary losses				
Loss on retirement and sale of tangible fixed assets	18	4,672	5,615	(943)
Loss on sale of investment securities	19	780	1,485	(705)
Valuation loss on investment securities	20	44	607	(563)
Valuation loss on investments	21	2,788	2,553	235
Loss on restructuring of subsidiaries and affiliates	22	-	683	(683)
Loss on business restructuring	23	-	2,695	(2,695)
Other	24	275	3,373	(3,098)
Total	25	8,559	17,011	(8,452)
Income/(loss) before income taxes	26	54,072	28,134	25,938
Income taxes				
Current	27	13,105	7,450	5,655
Deferred	28	4,563	(4,364)	8,927
Minority interests of consolidated subsidiaries	29	2,503	914	1,589
Net income/(loss)	30	33,901	24,134	9,767

(2) Consolidated Balance Sheet
As of March 31, 2004 and 2003

		(in millions of yen)		
		FY2003	FY2002	Increase/ (Decrease)
		<u>(Mar. 31, 2004)</u>	<u>(Mar. 31, 2003)</u>	
ASSETS				
Current Assets:				
Cash and time deposits	1	282,333	278,072	4,261
Trade notes and accounts receivable	2	145,829	132,443	13,386
Inventories	3	268,317	237,663	30,654
Deferred taxes	4	74,412	54,398	20,014
Other	5	57,026	49,621	7,405
Allowance for doubtful receivables	6	(8,190)	(6,448)	(1,742)
Total current assets	7	819,727	745,749	73,978
Fixed Assets:				
Tangible fixed assets:				
Buildings and structures	8	144,533	147,041	(2,508)
Machinery and vehicles	9	151,939	153,460	(1,521)
Land	10	432,278	437,335	(5,057)
Construction in progress	11	19,180	20,387	(1,207)
Other	12	37,989	35,275	2,714
Total tangible fixed assets	13	785,919	793,498	(7,579)
Intangible fixed assets	14	21,099	18,835	2,264
Investments and other fixed assets				
Investment securities	15	50,933	47,275	3,658
Long-term loans receivable	16	15,937	23,073	(7,136)
Deferred taxes	17	93,953	121,310	(27,357)
Other	18	21,113	27,020	(5,907)
Allowance for doubtful receivables	19	(12,380)	(21,937)	9,557
Investment valuation allowance	20	(731)	(812)	81
Total investments and other fixed assets	21	168,825	195,929	(27,104)
Total fixed assets	22	975,843	1,008,262	(32,419)
Deferred assets	23	3	6	(3)
Total Assets	24	1,795,573	1,754,017	41,556

		(in millions of yen)		
		FY2003	FY2002	Increase/ (Decrease)
		(Mar. 31, 2004)	(Mar. 31, 2003)	
LIABILITIES				
Current Liabilities:				
Trade notes and accounts payable	1	284,536	241,097	43,439
Short-term loans payable	2	186,880	214,637	(27,757)
Long-term loans payable due within one year	3	52,422	71,412	(18,990)
Bonds due within one year	4	67,600	35,046	32,554
Other accounts payable	5	107,747	140,559	(32,812)
Accrued expenses	6	155,022	142,271	12,751
Reserve for warranty expenses	7	22,507	18,361	4,146
Reserve for loss on business restructuring	8	2,329	2,695	(366)
Other	9	59,573	44,587	14,986
Total current liabilities	10	938,616	910,665	27,951
Fixed Liabilities				
Bonds	11	70,200	100,400	(30,200)
Bonds with stock acquisition rights	12	60,000	60,000	-
Long-term loans payable	13	193,258	196,710	(3,452)
Deferred tax liability related to land revaluation	14	91,113	90,832	281
Employees' and executive officers' severance and retirement benefits	15	198,253	182,900	15,353
Directors' and corporate auditors retirement benefits	16	1,397	1,275	122
Liabilities from application of equity method	17	879	1,529	(650)
Other	18	10,920	9,160	1,760
Total fixed liabilities	19	626,020	642,806	(16,786)
Total Liabilities	20	1,564,636	1,553,471	11,165
Minority Interests in Consolidated Subsidiaries	21	8,332	6,475	1,857
SHAREHOLDERS' EQUITY				
Common stock	22	120,078	120,078	-
Capital surplus	23	104,217	104,217	-
Retained earnings/(deficit)	24	(78,220)	(107,742)	29,522
Land revaluation	25	131,470	129,939	1,531
Net unrealized gain/(loss) on available-for-sale securities	26	428	(193)	621
Foreign currency translation adjustments	27	(53,913)	(51,316)	(2,597)
Treasury stock	28	(1,455)	(912)	(543)
Total shareholders' equity	29	222,605	194,071	28,534
Total Liabilities, Minority Interests and Shareholders' Equity	30	1,795,573	1,754,017	41,556

(3) Consolidated Statement of Capital Surplus and Retained Earnings

For the Years Ended March 31, 2004 and 2003

		(in millions of yen)	
		FY2003	FY2002
		(Apr. 2003 - Mar. 2004)	(Apr. 2002 - Mar. 2003)
CAPITAL SURPLUS			
Balance at the beginning of the period	1	104,217	104,217
Increases due to:			
Treasury stock transactions	2	-	52
Decreases due to:			
Exclusion of consolidated subsidiaries and companies accounted for by the equity method	3	-	52
Balance at the end of the period	4	104,217	104,217
RETAINED EARNINGS			
Balance at the beginning of the period	5	(107,742)	(128,565)
Increases due to:			
Net income	6	33,901	24,134
Decreases due to:			
Dividends	7	2,438	2,442
Land revaluation	8	1,533	858
Exclusion of consolidated subsidiaries and companies accounted for by the equity method	9	408	11
Balance at the end of the period	10	(78,220)	(107,742)

(4) Consolidated Statement of Cash Flows

For the Years Ended March 31, 2004 and 2003

		(in millions of yen)	
		FY2003	FY2002
		(Apr. 2003 - Mar. 2004)	(Apr. 2002 - Mar. 2003)
Cash flows from operating activities:			
Income/(loss) before income taxes	1	54,072	28,134
Adjustments to reconcile income/(loss) before income taxes to net cash provided by operating activities:			
Depreciation and amortization	2	37,900	36,989
Allowance for doubtful receivables	3	1,620	3,117
Investment valuation allowance	4	(81)	(10)
Reserve for warranty expenses	5	4,077	3,032
Reserve for loss on business restructuring	6	-	2,695
Employees' and executive officers' severance and retirement benefits	7	15,353	8,600
Interest and dividend income	8	(2,517)	(1,907)
Interest expense	9	18,299	16,927
Equity in net income of unconsolidated subsidiaries and affiliates	10	(9,199)	(7,674)
Loss/(gain) on sale of fixed assets	11	990	4,961
Loss/(gain) on sale of investment securities	12	108	(1,712)
Loss on restructuring of subsidiaries and affiliates	13	-	683
Decrease/(increase) in trade notes and accounts receivable	14	(10,616)	(17,437)
Decrease/(increase) in inventories	15	(37,113)	11,896
Increase/(decrease) in trade notes and accounts payable	16	50,766	(14,903)
Increase/(decrease) in other current liabilities	17	(10,560)	28,112
Other	18	1,658	9,814
Subtotal	19	114,757	111,317
Interest and dividends received	20	2,862	2,463
Interest paid	21	(18,216)	(16,781)
Income taxes paid	22	(7,024)	(7,331)
Net cash provided by operating activities	23	92,379	89,668
Cash flows from investing activities:			
Purchase of investment securities	24	(1,527)	(3,254)
Sale of investment securities	25	1,174	2,325
Purchase of investments in subsidiaries affecting scope of consolidation	26	(760)	-
Sale of investments in subsidiaries affecting scope of consolidation	27	-	5,790
Acquisition of tangible fixed assets	28	(41,130)	(62,431)
Proceeds from sale of tangible fixed assets	29	14,730	25,696
Decrease/(increase) in short-term loans receivable	30	(871)	80
Long-term loans receivable made	31	(821)	(122)
Collections of long-term loans receivable	32	750	1,150
Other	33	(14,796)	(11,848)
Net cash used in investing activities	34	(43,251)	(42,614)
Cash flows from financing activities:			
Increase/(decrease) in short-term loans payable	35	(29,002)	(50,815)
Proceeds from long-term loans payable	36	79,743	70,323
Repayment of long-term loans payable	37	(102,171)	(51,597)
Proceeds from issuance of bonds	38	40,000	60,600
Redemption of bonds	39	(37,646)	(27,054)
Cash dividends paid	40	(2,438)	(2,442)
Other	41	(1,280)	(1,089)
Net cash used in financing activities	42	(52,794)	(2,074)
Effects of exchange rate fluctuations on cash and cash equivalents	43	1,175	298
Net increase/(decrease) in cash and cash equivalents	44	(2,491)	45,278
Cash and cash equivalents at beginning of the period	45	274,722	229,444
Cash and cash equivalents at end of the period	46	272,231	274,722

Notes to Consolidated Financial Statements

1. Consolidation Scope and Application of Equity Method

1) Consolidated Subsidiaries	55	
Overseas	16	Mazda Motor of America, Inc., Mazda Motors (Deutschland) GmbH and 14 others
Domestic	39	18 dealers and 21 others
2) Equity Method-Applied Companies	12	
Overseas	2	AutoAlliance International, Inc., and AutoAlliance (Thailand) Co., Ltd.
Domestic	10	3 dealers, 3 automotive parts sales companies and 4 others

2. Changes in Consolidation Scope and Application of Equity Method

1) Consolidated Subsidiaries		
Newly added:	1	
Overseas	1	Mazda Austria GmbH (reclassified from an equity method-applied company)
Excluded:	11	
Domestic	11	Mazda Enfini Tokyo Co., Ltd. and 8 other dealers, Mazda Parts Minami Kyusyu Co., Ltd. (merged, etc.) and Mazda Earth Technologies Co., Ltd. (liquidated)
2) Equity Method-Applied Companies		
Excluded:	3	
Overseas	1	Mazda Austria GmbH (Reclassified to a consolidated subsidiary)
Domestic	2	Enfini Chiba Co., Ltd. and KEYLEX Corporation (sold)

3. Accounting Periods of Consolidated Subsidiaries

The consolidated year-end balance sheet date is March 31. Among the consolidated subsidiaries, 3 companies, Compania Colombiana Automotriz S.A., Mazda Motors of New Zealand Limited, and Mazda Sales (Thailand) Co., Ltd., have a year-end balance sheet date different from the consolidated year-end balance sheet date, all of which are December 31.

Also, 13 overseas consolidated subsidiaries, including Mazda Motor of America, Inc., Mazda Canada, Inc., Mazda Motors (Deutschland) GmbH, and Mazda Australia Pty. Ltd., changed the year-end balance sheet date from December 31 to March 31. Accordingly, the results of operations for the year ended March 31, 2004 include 15 months (from January 1, 2003 to March 31, 2004) of operations for these 13 companies. The effect of this change to the consolidated statement of operations is discussed in Accounting Changes.

In preparing the consolidated financial statements, the financial statements of these companies with the December 31 year-end balance sheet date are used. However, adjustments necessary in consolidation are made for material transactions that occurred between the balance sheet date of these subsidiaries and the consolidated balance sheet date.

4. Accounting Policies

1) Valuation Standards and Methods of Significant Assets

a) Securities

Available-for-sale securities

With available fair value:

Recorded at fair value estimated based on quoted market prices on the balance sheet date, with unrealized gains and losses excluded from income and reported in a separate component of shareholders' equity net of tax. The bases of cost are on a historical cost basis based on a

- | | |
|-------------------------------|-------------------------------------------------------------------------------|
| | moving average method. |
| Without available fair value: | Recorded at cost on a historical cost basis mainly on a moving average method |
| b) Derivative instruments | Fair value method |
| c) Inventories | Mainly a historical cost basis based on an average method |
- 2) Depreciation and Amortization Methods of Significant Fixed Assets
- a) Tangible Fixed Assets
Mainly straight-line method. Useful lives and residual values are estimated by a method equivalent to the provisions of the Japanese income tax law.
- b) Intangible Fixed Assets
Straight-line method with periods of useful life estimated by a method equivalent to the provisions of the Japanese income tax law. Software for internal use is amortized on a straight-line basis over the period of internal use, i.e., 5 years.
- 3) Standards for Recognition of Reserves
- a) 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.
- b) 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 rationally for such losses is recognized.
- c) 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 fiscal 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 the 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 (mainly 12 years). The recognition of actuarial differences is also deferred on the 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 (mainly 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 the eligible executive officers retired at the balance sheet date.

(Additional Information)

In connection with the enactment of the Japanese Welfare Pension Insurance Law, Mazda Motor Corporation ("the Company") and certain domestic consolidated subsidiaries obtained the approval of exemption from the benefits related to future employee service under the substitutional portion from the Ministry of Health, Labor and Welfare on March 26, 2004. Estimated plan assets to be returned to the government at 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.

- d) 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.
- e) 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.
- f) 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) Accounting policies of foreign consolidated subsidiaries

Among the foreign consolidated subsidiaries, Compania Colombiana Automotriz S.A. prepares its financial statements based on the accounting principles generally accepted in Colombia to reflect adjustments for the country's inflationary economy and changing prices.

5) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate on the fiscal year end; gains and losses in foreign currency translation are included in the income of the current period. Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the rates on the fiscal year ends of the subsidiaries' accounting periods except for shareholders' equity accounts, which are translated at the historical rates. Income statements of consolidated overseas subsidiaries are translated at average rates of the subsidiaries' fiscal years, with the translation differences prorated and included in the shareholders' equity as foreign currency translation adjustments and minority interests.

6) Accounting for Leases

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

7) Accounting for Hedging Activities

Full-deferral hedge accounting is mainly 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.

8) Other significant accounting policies in the preparation of the consolidated financial statements

Accounting for Consumption Taxes: Tax-excluding method

5 . Valuation of Assets and Liabilities of Consolidated Subsidiaries

The assets and liabilities of consolidated subsidiaries are valued at fair value at the time of acquisition and are carried at fair value.

6. Amortization of Goodwill

Goodwill is amortized on a straight-line basis over a period (primarily 5 years) during which each investment is expected to generate benefits.

7. Appropriation of Retained Earnings

The appropriation of retained earnings is reflected in the consolidated statement of capital surplus and retained earnings when such appropriation is made by resolution of the shareholders.

8. Cash and Cash Equivalents in the Consolidated Statement of Cash Flows

Cash and cash equivalents consist of cash on hand, bank deposits that can be readily withdrawn, and short-term, highly liquid investments with maturities of three months or less at the time of acquisition that present insignificant risk of changes in value.

Accounting Changes

1. Synchronization of Fiscal Year-End of Overseas Consolidated Subsidiaries with Consolidated Fiscal Year-End

Until the year ended March 31, 2003, in consolidating the overseas subsidiaries, which had a year-end different from the consolidated year-end of March 31, the financial statements of each of these subsidiaries were used with adjustments necessary in consolidation for material transactions that occurred between the year-end of the above subsidiaries and the consolidated year-end. Commencing in the year ended March 31, 2004, however, in order to better administer and disclose consolidated financial results, the fiscal year-end of 13 consolidated overseas subsidiaries, including Mazda Motor of America, Inc., Mazda Canada, Inc., Mazda Motors (Deutschland) GmbH, and Mazda Australia Pty. Ltd., was changed to match the consolidated fiscal year-end of March 31. Accordingly, the consolidated operating results for the year ended March 31, 2004 consisted of 15 months of operations from January 1, 2003 to March 31, 2004 for those consolidated overseas subsidiaries.

The effect of this change on the consolidated statement of operations was to increase net sales by 341,408 million yen and to decrease operating income, ordinary income, income before income taxes and net income by 150 million yen, 1,662 million yen, 1,586 million yen and 2,429 million yen, respectively, for the year ended March 31, 2004.

2. Accounting for Forward Foreign Exchange Contracts

Until the year ended March 31, 2003, the Company accounted for sales and purchases in foreign currencies and related forward foreign exchange contracts qualifying as hedges in the manner that sales and purchases hedged by qualifying forward foreign exchange contracts were translated at the corresponding foreign exchange contract rates. Commencing in April 1, 2003, however, the Company changed the accounting to the method defined as standard. Under the standard method, sales and purchases are translated into Japanese yen at the exchange rates in effect at the dates they are transacted, and related receivables and payables are translated at the exchange rates in effect at the balance sheet date, while forward foreign exchange contracts qualifying as hedges on those sales and purchases transactions are recognized at their fair value at the balance sheet date and changes in fair values are charged to earnings. This change was made as a result of the improvement made in the Company's internal system to properly grasp the conditions of derivative transactions.

The effect of this change for the year ended March 31, 2004 was to increase operating income by 4,546 million yen and to increase ordinary income and income before income taxes by 82 million yen.

Additional Information

Real Estate Trust Contract

In September of 1999, the Company entered into a real estate trust contract. The beneficial ownership of property was transferred to a third party, and the real estate was leased back to the Company. The real estate includes an educational facility, a research and development facility, distribution centers, and stores of domestic dealers.

In addition, the Company entered a "Tokumei Kumiai" agreement with, and made an investment in the transferee. In order to fairly state the Company's investment at its substantial value, the cumulative amount of investment loss that the Company is responsible for is directly deducted from the balance of the investment, with the excess of cumulative loss over investment, i.e., 1,888 million yen, is reported in the Other category of current liabilities.

Footnotes

(in millions of yen)

	FY2003	FY2002
	(Apr. 2003 - Mar. 2004)	(Apr. 2002 - Mar. 2003)

Consolidated Balance Sheet

1. Accumulated depreciation on tangible fixed assets 1,089,121 1,106,313

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

Timing of revaluation: As of March 31, 2001

Method of revaluation:

The fair value of land is determined based on official notice prices that are assessed and published by the Commissioner of the National Tax Administration, 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). Reasonable adjustments, including those for the timing of assessment, are made to the official notice prices.

The amount of difference between the aggregate fair value of the revalued land as of the end of this period and that at the time of revaluation as stipulated in Article 10 of the Land Revaluation Law is 56,962 million yen.

3. Assets offered as collateral and collateralized loans

Assets offered as collateral	473,072	488,900
Collateralized loans	235,984	309,323

4. Contingent liabilities for guarantee and similar agreements 49,804 57,293

5. Notes and other receivables discounted

Discounted notes receivable	672	893
Endorsed notes receivable	-	-
Factoring of receivables with recourse	8,851	6,322

Consolidated Statement of Operations

The aggregate amounts of research and development expenses 87,807 87,800

Consolidated Statement of Cash Flows

Reconciliation of cash and time deposits in the consolidated balance sheet to cash and cash equivalents in the consolidated statement of cash flows

Cash and time deposits	282,333	278,072
Time deposits with original maturities of 3 months or longer	(10,102)	(5,208)
Short-term investments in securities with an original maturity of 3 months or less	-	1,858
Cash and cash equivalents	272,231	274,722

Leases

(in millions of yen)

	FY2003 <u>(Apr. 2003 - Mar. 2004)</u>	FY2002 <u>(Apr. 2002 - Mar. 2003)</u>
1. Finance lease transactions other than those with an unconditional title transfer clause to lessee		
(Lessees)		
1) Equivalent of acquisition costs	141,043	143,471
Equivalent of accumulated depreciation	87,191	81,921
Equivalent of net book value as of balance sheet date	53,852	61,550
2) Future minimum lease payments as of balance sheet date (due within 1 year)	56,392 (22,046)	65,301 (20,301)
3) Lease fees paid for this fiscal year	22,486	22,342
Equivalent of depreciation	18,505	18,638
Equivalent of interest	2,281	2,671
4) Depreciation of leased assets is calculated at 100% of acquisition costs or up to the contracted residual value for the assets, using the straight-line method over the lease term.		
5) Interest included in lease fees is computed as a difference between total lease fees and acquisition costs of the leased assets. This amount is allocated to each fiscal period by interest method.		
(Lessors)		
1) Lease fees received for this fiscal year	-	489
Depreciation	-	-
Equivalent of interest	-	-
2) Interest included in lease fees is computed as a difference between total lease fees and acquisition costs of the leased assets. This amount is allocated to each fiscal period by interest method.		
2. Operating lease transactions		
(Lessees)		
Future minimum lease payments as of balance sheet date (due within 1 year)	47,437 (31,115)	48,025 (6,888)
(Lessors)		
Future minimum lease payments to be received as of balance sheet date (due within 1 year)	33 (11)	46 (13)

Fair Value Information of Securities

FY2003 (As of March 31, 2004)

1. Held-to-maturity debt securities that have a market value

None.

2. Available-for-sale securities that have a market value

(in millions of yen)

Securities with ending balances that exceed the historical acquisition costs	Acquisition cost	Balance sheet amount	Unrealized gain/loss
a) Stocks	505	1,515	1,010
b) Bonds			
Corporate bonds	-	-	-
Others	10	11	1
c) Others	-	-	-
Sub-total	515	1,526	1,011
Securities with ending balances that do not exceed the historical acquisition costs	Acquisition cost	Balance sheet amount	Unrealized gain/loss
a) Stocks	58	47	(11)
b) Bonds			
Corporate bonds	-	-	-
Others	-	-	-
c) Others	117	117	-
Sub-total	175	164	(11)
Total	690	1,690	1,000

3. Available-for-sale securities that have been sold during this fiscal year

(in millions of yen)

Amount sold	Gain	Loss
644	142	48

4. Securities that are not valued at fair value

(in millions of yen)

	Balance sheet amount
a) Held-to-maturity debt securities	-
b) Available-for-sale securities	
Unlisted stocks (excluding those traded over-the-counter)	8,959

5. Redemption schedule (after the balance sheet date) of available-for-sale securities that have a maturity

(in millions of yen)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Debt securities				
Corporate bonds	-	-	-	-
Others	4	63	-	-
Total	4	63	-	-

Fair Value Information of Securities

FY2002 (As of March 31, 2003)

1. Held-to-maturity debt securities that have a market value

None.

2. Available-for-sale securities that have a market value

(in millions of yen)

Securities with ending balances that exceed the historical acquisition costs	Acquisition cost	Balance sheet amount	Unrealized gain/loss
a) Stocks	122	182	60
b) Bonds			
Corporate bonds	-	-	-
Others	12	14	2
c) Others	1,929	1,929	-
Sub-total	2,063	2,125	62
Securities with ending balances that do not exceed the historical acquisition costs	Acquisition cost	Balance sheet amount	Unrealized gain/loss
a) Stocks	844	680	(164)
b) Bonds			
Corporate bonds	-	-	-
Others	-	-	-
c) Others	-	-	-
Sub-total	844	680	(164)
Total	2,907	2,805	(102)

3. Available-for-sale securities that have been sold during this fiscal year

(in millions of yen)

Amount sold	Gain	Loss
1,738	37	608

4. Securities that are not valued at fair value

(in millions of yen)

	Balance sheet amount
a) Held-to-maturity debt securities	-
b) Available-for-sale securities	
Unlisted stocks (excluding those traded over-the-counter)	12,490

5. Redemption schedule (after the balance sheet date) of available-for-sale securities that have a maturity

(in millions of yen)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Debt securities				
Corporate bonds	-	-	-	-
Others	4	76	-	-
Total	4	76	-	-

Derivative Transactions

The following tables summarize fair value information of derivative transactions for which hedge accounting has not been applied:

1. Currency-related transactions

(in millions of yen)

Forward foreign exchange contracts:	FY2003 (March 31, 2004)				FY2002 (March 31, 2003)			
	Contract		Estimated fair value	Unrealized gain/(loss)	Contract		Estimated fair value	Unrealized gain/(loss)
	amount	Over 1 year			amount	Over 1 year		
Sell:								
U.S. dollar	73	-	70	3	1,160	-	1,134	26
Canadian dollar	3,135	-	3,102	33	620	-	656	(36)
Australian dollar	355	-	375	(20)	1,695	-	1,797	(102)
Euro	13,317	-	13,370	(53)	3,641	-	3,844	(203)
Sterling pound	8,662	-	9,080	(418)	4,222	-	4,190	32
Swiss franc	764	-	773	(9)	1,428	-	1,520	(92)
Buy:								
Thai baht	2,788	-	2,785	(3)	-	-	-	-
Australian dollar	-	-	-	-	3,002	-	2,864	(138)
Total	29,094	-	29,555	(467)	15,768	-	16,005	(513)

Notes: 1) Fair values at the end of each accounting period are estimated based on prevailing forward exchange rates at that date.

2) Derivative contracts that are accounted for by hedge accounting are excluded.

Employees' and Executive Officers' Severance and Retirement Benefits

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	<u>(285,387)</u>
Unrecognized:	
Actuarial differences	100,231
Prior service cost	(13,084)
Total	<u>(198,240)</u>
Prepaid pension cost	13
Liability for severance and retirement benefits	<u><u>(198,253)</u></u>

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	<u><u>36,738</u></u>

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

Employees' and Executive Officers' Severance and Retirement Benefits

FY2002 (March 31, 2003)

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.

2. Liability for Severance and Retirement Benefits (as of March 31, 2003)

(in millions of yen)

	FY2002 (March 31, 2003)
Projected benefit obligation	(544,579)
Fair value of pension plan assets	215,202
Subtotal	(329,377)
Unrecognized:	
Actuarial differences	143,870
Prior service cost	2,624
Total	(182,883)
Prepaid pension cost	17
Liability for severance and retirement benefits	(182,900)

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. Severance and Retirement Benefit Expenses (from April 1, 2002 to March 31, 2003)

(in millions of yen)

	FY2002 (April 2002-March 2003)
Service costs--benefits earned during the year	17,042
Interest cost on projected benefit obligation	15,129
Expected return on pension plan assets	(9,556)
Amortization of actuarial differences	8,472
Amortization of prior service costs	270
Severance and retirement benefit expenses	31,357

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

	FY2002 (April 2002-March 2003)
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 4.0%
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, 2004 and 2003 were as follows:

	(in millions of yen)	
	FY2003	FY2002
	(March 31, 2004)	(March 31, 2003)
Deferred tax assets		
Allowance for doubtful receivables	7,433	9,095
Employees' and executive officers' severance and retirement benefits	76,161	69,443
Accrued bonuses and other reserves	20,837	19,882
Inventory valuation	3,641	2,998
Valuation loss on investment securities, etc.	2,974	2,180
Recognition of deferred taxes on net operating losses of consolidated subsidiaries and equity method-applied companies	-	9,205
Net operating loss carryforwards	21,389	23,438
Other	57,634	64,646
Total gross deferred tax assets	<u>190,069</u>	<u>200,887</u>
Less: valuation allowance	<u>(11,676)</u>	<u>(14,532)</u>
Net deferred tax assets	<u>178,393</u>	<u>186,355</u>
Deferred tax liabilities		
Reserves under Special Taxation Measures Law	(5,843)	(6,253)
Other	(4,365)	(4,396)
Deferred tax liabilities	<u>(10,208)</u>	<u>(10,649)</u>
Net deferred tax assets	<u>168,185</u>	<u>175,706</u>
Deferred tax liability related to land revaluation		
Deferred tax liability related to land revaluation	(91,113)	(90,832)

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	74,412	54,398
Fixed assets--Deferred taxes	93,953	121,310
Current liabilities--Other	(1)	(2)
Fixed liabilities--Other	(179)	-
Fixed liabilities--Deferred tax liability related to land revaluation	(91,113)	(90,832)

2. The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2004 and 2003 differ from the statutory tax rate for the following reasons:

	FY2003		FY2002
	(March 31, 2004)		(March 31, 2003)
Statutory tax rate	41.7	%	41.7
Equity in net income of unconsolidated subsidiaries and affiliated companies	(7.1)		(11.4)
Recognition of deferred taxes on net operating losses of consolidated subsidiaries and equity method-applied companies	-		(32.7)
Valuation allowances	5.3		(3.6)
Reversal of unrealized profits from intercompany transactions	(5.6)		9.9
Elimination of dividend income from overseas consolidated subsidiaries	-		0.9
Taxes on retained earnings of subsidiaries in which investments were sold during the period	-		(2.2)
Change in statutory tax rate	-		8.7
Other	(1.6)		(0.3)
Effective tax rate	<u>32.7</u>		<u>11.0</u>

3. For the year ended March 31, 2002, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was 41.7%. For the year ended March 31, 2003, however, the statutory tax rate was changed due to an enacted change in tax laws. As a result, for those temporary differences expected to reverse on or before March 31, 2004, the statutory tax rate applied remained at 41.7%; however, for those temporary differences expected to reverse on or after April 1, 2004, the statutory tax rate was changed from 41.7% to 40.4%. The effect of this change in the statutory tax rate was to decrease deferred tax assets (net of deferred tax liabilities) by 2,456 million yen as of March 31, 2003 and to increase income tax expense for the year ended March 31, 2003 by the same amount. In addition, as of March 31, 2003, deferred tax liability related to land revaluation decreased by 2,930 million yen and land revaluation increased by the same amount due to the change in the statutory tax rate.

Segment Information

1. Information by Industry Segment

Mazda Motor Corporation and its consolidated subsidiaries are primarily engaged in the manufacture and sale of passenger and commercial vehicles. Net sales, operating income (loss) and assets related to this industry have exceeded 90% of the respective consolidated amounts. Accordingly, information by industry segment is not shown.

2. Information by Geographic Areas

	(in millions of yen)						
FY2003 (Year ended March 31, 2004)	Japan	North America	Europe	Other areas	Total	Elimination or corporate	Consolidated
Net sales:							
Outside Customers	1,156,939	922,672	651,462	185,057	2,916,130	-	2,916,130
Inter-area	758,096	10,387	15,635	284	784,402	(784,402)	-
Total	1,915,035	933,059	667,097	185,341	3,700,532	(784,402)	2,916,130
Costs and expenses	1,867,697	933,652	656,648	178,034	3,636,031	(790,075)	2,845,956
Operating income (loss)	47,338	(593)	10,449	7,307	64,501	5,673	70,174
Total identifiable assets	1,557,322	201,098	136,096	32,757	1,927,273	(131,700)	1,795,573

Notes:

1) Method of segmentation and principal countries or regions belonging to each segment

a) Method: Segmentation by geographic adjacency

b) Principal countries or regions belonging to each segment

North America: U.S.A. and Canada

Europe: Germany, Belgium and England

Other areas: Australia and Colombia

	(in millions of yen)						
FY2002 (Year ended March 31, 2003)	Japan	North America	Europe	Other areas	Total	Elimination or corporate	Consolidated
Net sales:							
Outside Customers	1,110,796	825,569	313,843	114,304	2,364,512	-	2,364,512
Inter-area	634,994	16,012	7,785	230	659,021	(659,021)	-
Total	1,745,790	841,581	321,628	114,534	3,023,533	(659,021)	2,364,512
Costs and expenses	1,705,835	835,124	316,140	110,167	2,967,266	(653,410)	2,313,856
Operating income (loss)	39,955	6,457	5,488	4,367	56,267	(5,611)	50,656
Total identifiable assets	1,556,306	190,720	118,044	26,437	1,891,507	(137,490)	1,754,017

Notes:

1) Method of segmentation and principal countries or regions belonging to each segment

a) Method: Segmentation by geographic adjacency

b) Principal countries or regions belonging to each segment

North America: U.S.A. and Canada

Europe: Germany, Belgium and England

Other areas: Australia and Colombia

3. Overseas Sales

FY2003 (Year ended March 31, 2004)	(in millions of yen)			
	North America	Europe	Other areas	Total
Overseas sales	936,718	659,813	473,368	2,069,899
Consolidated sales	-	-	-	2,916,130
Percentage of overseas sales to consolidated sales	32.1%	22.6%	16.2%	71.0%

FY2002 (Year ended March 31, 2003)	(in millions of yen)			
	North America	Europe	Other areas	Total
Overseas sales	845,241	368,045	332,955	1,546,241
Consolidated sales	-	-	-	2,364,512
Percentage of overseas sales to consolidated sales	35.7%	15.6%	14.1%	65.4%

Notes:

- 1) Overseas sales include exports by Mazda Motor Corporation and its domestic consolidated subsidiaries as well as sales (other than exports to Japan) by overseas consolidated subsidiaries.
- 2) Method of segmentation and principal countries or regions belonging to each segment
 - a) Method: Segmentation by geographic adjacency
 - b) Principal countries or regions belonging to each segment

FY2003

North America:	U.S.A. and Canada
Europe:	Germany and England
Other areas:	Australia, Thailand and China

FY2002

North America:	U.S.A. and Canada
Europe:	Germany and England
Other areas:	Australia, Thailand and Colombia

Related Party Transactions

FY2003 (Year ended March 31, 2004)

1. Directors and Major Individual Stockholders

Party Type	Director	Director
Party Name	Kazuhide Watanabe	Takashi Yamanouchi
Line of Business	Representative Director and Chairman of the Board, Mazda Motor Corporation Chairman, The Mazda Foundation	Director and Senior Managing Executive Officer, Mazda Motor Corporation Chairman, Mazda Health Insurance Society
% of Voting Stock Held	0.0% (direct)	0.0% (direct)
Detail of Transaction	Mazda Motor Corp. donated funds to the Mazda Foundation.	Mazda Motor Corp. subcontracted legally-required and other physical examination services for the employees to Mazda Health Insurance Society.
Transaction amount	50 million yen	126 million yen
Account Title	-	Accrued expenses
Ending Balance	-	11 million yen

Party Type	Director
Party Name	Takashi Yamanouchi
Line of Business	Director and Senior Managing Executive Officer, Mazda Motor Corporation Chairman, Mazda Health Insurance Society
% of Voting Stock Held	0.0% (direct)
Detail of Transaction	Mazda Motor Corp. engaged in a transaction related to the transfer of administration over Health Promotion Center
Transaction amount	4 million yen
Account Title	Accrued expenses
Ending Balance	2 million yen

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	37,574 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.

Related Party Transactions

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	-
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	262,923 million yen
Account Title	Other accounts receivable
Ending Balance	3,568 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.

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

5. Production and Sales Information

1. Production Volume

Type	FY 2003 (April 2003 to March 2004)	FY 2002 (April 2002 to March 2003)	Increase/ (Decrease)
	units	units	units
Passenger cars	742,773	719,259	23,514
Trucks	68,560	57,423	11,137
Vehicles Total	811,333	776,682	34,651

Note: Production volume figures do not include those Mazda-brand vehicles produced by the following joint venture assembly plants with Ford (that are accounted for by the equity method):

	FY2003	FY2002	Increase/ (Decrease)
AutoAlliance International, Inc.	83,314 units	47,603 units	35,711 units
AutoAlliance (Thailand) Co., Ltd.	30,652 units	31,857 units	(1,205) units

2. Sales Volume and Revenue

Type	FY 2003 (April 2003 to March 2004)		FY 2002 (April 2002 to March 2003)		Increase/ (Decrease)	
	Volume	Revenue	Volume	Revenue	Volume	Revenue
	units	million yen	units	million yen	units	million yen
Vehicles	1,224,642	2,159,136	1,017,130	1,735,428	207,512	423,708
Knockdown Parts (Overseas)	-	127,488	-	74,617	-	52,871
Parts	-	209,821	-	147,697	-	62,124
Others	-	419,685	-	406,770	-	12,915
Total	-	2,916,130	-	2,364,512	-	551,618

< Sales Volume by Market >

Type	FY 2003 (April 2003 to March 2004)	FY 2002 (April 2002 to March 2003)	Increase/ (Decrease)
	units	units	units
Japan	291,401	293,700	(2,299)
North America	406,956	347,911	59,045
Europe	311,090	200,859	110,231
Others	215,195	174,660	40,535
Overseas Total	933,241	723,430	209,811
Total	1,224,642	1,017,130	207,512

FY2003 Financial Summary (Consolidated)

May 13, 2004
Mazda Motor Corporation

(in 100 millions of yen)

(in thousands of units)

(Upper left: Ratio on sales)

		FY2002 (Apr.02-Mar.03)		FY2003 (Apr.03-Mar.04)		FY2004 (Apr.04-Mar.05) Projection			
	Domestic	1	8,183	0.9	8,462	3.4	8,500	0.4	
	Overseas	2	15,462	20.4	17,285	11.8	18,100	4.7	
	Subtotal	3	23,645	12.9	25,747	8.9	26,600	3.3	
	15 months effect of overseas	4	-	0.0	3,414	0.0	-	0.0	
	Net sales	5	23,645	12.9	29,161	23.3	26,600	(8.8)	
	Operating income/(loss)	6	506	2.1% 77.4	702	2.4% 38.5	700	2.6% (0.2)	
	Ordinary income/(loss)	7	407	1.7% 111.8	580	2.0% 42.5	650	2.4% 12.0	
	Income/(loss) before tax	8	281	1.2% 81.4	541	1.9% 92.2	550	2.1% 1.7	
	Net income/(loss)	9	241	1.0% 173.3	339	1.2% 40.5	340	1.3% 0.3	
Operating income/(loss) by geographic area	Japan	10	399		473		/		
	North America	11	65		(6)				
	Europe	12	55		105				
	Other	13	43		73				
Operating Profit Change			/				/		
Volume & Mix		14				122			248
Exchange Rate		15				157			(285)
Product Enrichment		16				(308)			(291)
Cost Reduction		17				496			451
Marketing Expense		18				(34)			40
Fixed Costs & Other		19				(237)			(165)
Total		20		196	(2)				
Average rate for the period		21	124 ¥/US\$ 119 ¥/EUR		113 ¥/US\$ 133 ¥/EUR		105 ¥/US\$ 125 ¥/EUR		
Transaction rate		22	124 ¥/US\$ 119 ¥/EUR		117 ¥/US\$ 131 ¥/EUR		106 ¥/US\$ 128 ¥/EUR		
Capital investment		23	440		456		600		
Depreciation and amortization		24	369		379		410		
R & D cost		25	878		878		950		
Total assets		26	17,540		17,956		/		
Net worth		27	1,940		2,226				
Financial debts		28	6,782		6,304				
Net financial debts		29	4,035		3,581				
Cash flow		30	470		491				
Performance of operations		31	/		Third consecutive year of increased sales and profits. The highest operating profit in the last 10 years.				Sales and revenue growth on a 12-month comparison. Operating profit in line with FY2003.
Domestic		32			294	1.9	291	(0.8)	310
North America		33	348	0.3	327	(6.0)	385	17.7	
Europe		34	201	33.5	258	28.3	287	11.4	
Other		35	174	7.2	200	14.5	198	(1.0)	
Overseas		36	723	9.6	785	8.5	870	10.9	
subtotal		37	1,017	7.2	1,076	5.8	1,180	9.7	
15 months effect of overseas		38	-	0.0	149	0.0	-	0.0	
Sales volume		39	1,017	7.2	1,225	20.4	1,180	(3.6)	
Number of Employees (excluding dispatches)		40	36,184		35,627		/		

Note: FY2003 results include 15 months activities of major overseas subsidiaries that changed their fiscal year.