Unconsolidated Financial Results for FY 2002

(April 1, 2002 through March 31, 2003) May 12, 2003

Mazda Motor Corporation

Code No.: 7261 Listed in Tokyo, Osaka, Nagoya, Fukuoka and Sapporo Stock Exchange
Headquartered in : Hiroshima-prefecture
(URL http://www.mazda.co.jp)
Representative: Lewis Booth
Representative Director, President and CEO
Contact: Kiyoshi Ozaki
Executive Officer and General Manager
Financial Services Division Phone: Hiroshima (082) 282-1111
Meeting of the Board of Directors for Account Settlement: May 12, 2003
General Meeting of Stock Holders: June 24, 2003
Adoption of Interim dividend : Adopted
Adoption of Round rot system : Adopted (One rot: 1,000stock)

1. Financial Highlights (April 1, 2002 through March 31, 2003)

(1) Financial Results

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

	Sales		Operating Income/ (Loss)		Ordinary Income/ (Loss)	
	Million yen	%	Million yen	%	Million yen	%
FY2002	1,537,610	12.7	29,074	11.6	24,579	(13.3)
FY2001	1,364,682	3.2	26,063	-	28,348	-

	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	%	%	%
FY2002	(50,202)	-	(41.14)	-	(11.9)	1.8	1.6
FY2001	13,260	-	10.85	-	3.0	2.0	2.1

Notes:

1. Average No. of shares of common stock issued: FY2002 1,220,396,253 shares
   FY2001 1,221,749,932 shares
2. Accounting policy changes : Yes.
3. Changes in sales, operating income, ordinary income, and net income from the previous period are shown in percentage.

(2)Dividends

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

	Dividends per share			Amount of Annual Dividends	Dividends Payout Ratio	Annual Dividends per equity
		Interim	Year-end			
	Yen	Yen	Yen	Million Yen	%	%
FY2002	2.00	0.00	2.00	2,438	—	0.6
FY2001	2.00	0.00	2.00	2,442	18.4	0.5

(3) Financial Position

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

	Total assets	Shareholders' Equity	Equity Ratio	Equity per share
	Million yen	Million yen	%	Yen
FY2002	1,373,609	397,830	29.0	326.35
FY2001	1,373,144	447,406	32.6	366.35

Notes:

Number of issued stock Mar.31,2003 1,219,036,165 shares Mar.31,2002 1,221,266,429 shares
Number of tresury stock Mar.31,2003 3,460,490 shares Mar.31,2002 1,230,226 shares

2. FY2003 Financial forecast (April 1, 2003 through March 31, 2004)

	Sales	Ordinary Income /(Loss)	Net Income /(Loss)	Dividends per share		
				Interim	Year-end	
	Million Yen	Million Yen	Million Yen	Yen	Yen	Yen
Full Year	1,590,000	16,000	5,000	0.00	2.00	2.00

Reference: Net income per share for the full year: 4.10 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 6 of Supplementary Information to Consolidated Financial Results for FY 2002.

Significant Accounting Policies

1. Asset valuation method

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.31,2003. (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).
Derivatives:	Market value method
Inventories:	Historical cost basis based on an average method

2. Depreciation method of tangible fixed assets

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.

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 (5years). And the bond issue cost is recognized as the one-time cost at the payment timing.

4. Foreign currency translation

Foreign currencies’ denominated assets and liabilities are converted into Japanese Yen using the spot exchange rate at the end of this fiscal year, and the exchange variances are booked in “Non-operating income/ expenses”.

5. Accounting 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 subsidiaries and affiliates	Reserve for loss on restructuring of subsidiaries and affiliates provides for losses related to restructuring of subsidiaries and affiliates. The amount is estimated in light of the financial positions and other conditions of the subsidiaries and affiliates.
(3)Reserve for loss on business restructuring	Reserve for loss on business restructuring provides for 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 (mainly 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(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 eligible executive officers retired at the balance sheet date.
(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 leases	Lease transactions other than those finance lease 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 applied. The forward exchange contract and the currency swap contract designated as hedging a foreign-currency-denominated receivable or payable are translated into yen at the fixed exchange rate stipulated in the contract.
8. Accounting of consumption tax, etc.	Tax-excluding method

Accounting Change

(1)Depreciation method of tangible fixed assets

Until the year ended March 31,2002, Mazda Motor Corporation (the "Company") accounted for the depreciation of tangible fixed assets on a declining-balance basis, except for buildings (excluding fixtures) acquired on or after April 1,1998 and tools that are accounted for on a straight-line basis. Commencing in the year ended March 31, 2003, however, the Company has changed its depreciation method of fixed assets from a declining balance basis to straight-line basis. The useful lives and residual value are based on the provisions of the Corporate Tax Law.

This change was made in order to improve the matching of the timing to recognize revenues and expenses in consideration of recent changes in the Company's business environment. Progress made in the concentration of production and the common utilization of same production facilities for different models have facilitated the stable use of each production facilities; as a result, the recovery of investments can be expected equally over the periods of useful lives.

The effects of this change for the year ended March 31, 2003 were to decrease depreciation expense 12,856 million yen, to increase operating income by 11,783 million yen, to increase ordinary income and income before taxes by 12,057 million yen.

(2)Financial Accounting Standard for Treasury Stock and Reduction of Legal Reserves

Commencing in the year ended March 31, 2003, Financial Accounting Standard No.1, "Accounting Standard for Treasury Stock and Reduction of Legal Reserves", has been adopted. There weren't any effects on the financial statements by adopting the new standard.

(3)Presentation of shareholders' equity on the balance sheet

For the year ended March 31, 2003, Shareholder's equity in annual balance sheet was prepared in accordance with the amendments of with the regulations concerning for financial statements.

(4)Information on Amounts Per Share of Common Stock

Commencing in the year ended March 31, 2003, "Accounting Standard for Net Profit Per Share" (Financial Accounting Standard No.2 and "Guidance for Appropriation of Accounting Standards for Net Profit Per Share" (Guidance of Financial Accounting Standard No.4) has been adopted. There wasn't any effect on the net asset per share and net profit per share.

Additional information

Real Estate Trust Contract

In September ’99, the company entered into a real estate trust contract, and the beneficial ownership of property was transferred to a third party, 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 addition, Mazda entered for a “*Tokumei Kumiai*” agreement, and made an investment in the transferee. The balance of the investment of 1,162 million yen is included in the “Other” category of the “Investment and other fixed assets”.

Footnotes

Notes to Balance Sheet

(in millions of yen)

	FY2002 (Mar.31,2003)	FY2001 (Mar.31,2002)
1. Accumulated depreciation on tangible fixed assets	959,726	966,297
2 Assets offered as collateral	332,004	318,793
Collateralized loans	182,436	206,688
3 Subordinate loans receivable	24,618	135,092
4. Contingent liabilities for guarantee and similar agreements	243,814	251,911
5. Factoring of receivables with recourse	17,533	24,812
6. Trade notes receivables remained on the BS in spite of maturing on the last day of each fiscal year due to the holiday of financial institute.	—	15

7. In FY2000, 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 37,454 Mil. yen.

8. 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 observe the Net worth maintenance clause that the company maintains 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. And in accordance with the bond issue contract of unsecured bonds (with subscription clause) No.4, 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.

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.

Notes to Statement of Operations

(in millions of yen)

	FY2002 (Apr., 02 –Mar., 03)	FY2001 (Apr.,01 –Mar., 02)
1. Total amount of research and development costs	72,904	63,339
2. Breakdown of profit on sale of fixed assets		
Structures	12	
Machinery and equipment	10	
Others	10	
Land and others		151
3. Breakdown of loss on sales of tangible fixed assets		
Buildings	801	
Others	281	
Land and others		141
4. Breakdown of loss on retirement of tangible fixed assets		
Machinery and equipment	2,018	2,270
Tools, furniture and fixtures	739	557
Others	253	269

Lease transactions

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

(in millions of yen)

	FY2003 (Apr., 02 –Mar., 03)	FY2002 (Apr., 01 –Mar., 02)
① Balance of leased assets at this fiscal year end		
Equivalent of acquisition costs	136,320	133,648
Equivalent of accumulated depreciation	76,957	71,755
Equivalent of net book value at this fiscal year end	59,363	61,892
② Balance of lease obligation for future payment at this fiscal year end	62,634	65,976
(Due within one year)	(19,168)	(18,635)
③ Lease fee paid for this fiscal year	21,597	22,109
Equivalent of depreciation	18,206	18,414
Equivalent of interest	2,613	2,961

④ Depreciation of leased assets is calculated 100% of acquisition costs or up to the contracted residual value for the assets, using the straight-line method over the lease term.

⑤ Interest included in lease fee is computed as difference between total lease fee and acquisition cost of the leased asset. This amount is allocated to each fiscal period by interest method.

2. Operating lease transactions

(in millions of yen)

	FY2002 (Apr., 02 –Mar., 03)	FY2001 (Apr., 01 –Mar., 02)
Balance of lease obligation for future payment at this fiscal year end	24,593	25,638
(Due within one year)	(1,069)	(1,063)

Marketable Securities

Stocks for subsidiaries and affiliates that have the market value.

(in million of yen)

Stock for affiliates	FY2002 (As of Mar. 31, 2003)	FY2001 (As of Mar. 31, 2002)
Book Value	330	330
Market Value	274	164
Difference	(56)	(166)

Deferred Tax

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 were as follows:

(in millions of yen)

	FY2002 (Mar.31,2003)	FY2001 (Mar.31,2002)
Deferred tax assets		
Allowance for doubtful receivables	13,920	9,857
Accrued employees' bonuses	6,375	6,385
Reserve for warranty claims	7,059	5,533
Reserve for retirement benefits	57,425	55,191
Loss on liquidation of affiliates	1,963	1,963
Denial of loss on evaluation of stocks	25,430	274
Deficit carried forward	7,865	24,706
Other	14,832	13,574
Sub total gross deferred tax assets	134,869	117,483
Allowance account	(24,039)	—
Total gross deferred tax assets	110,830	117,483

	FY2002 (Mar.31,2003)	FY2001 (Mar.31,2002)
Deferred tax liabilities		
Reserve for advanced depreciation deduction of fixed assets, etc.	(6,113)	(6,716)
Net deferred tax assets	104,717	110,767
Deferred tax liabilities related to land revaluation		
Deferred tax liabilities related to land revaluation	(90,832)	(93,971)

2. The effective tax rate reflected in the non-consolidated statements of income for the year ended March 31, 2003 differs from the statutory tax rate for the following reasons:

Current fiscal year	FY2002 (Mar.31,2003)	FY2001 (Mar 31, 2002)
Statutory tax rate	41.7%	41.7%
(Adjustments)		
Loss on revaluation of investment securities	(56.3)	—
Reduction of deferred tax asset due to change of tax rate	(4.6)	—
Dividends receivables, etc. which are not included in taxable income	1.8	(10.0)
Entertainment expenses, etc. which are not deducted from taxable income	(0.2)	0.4
Resident tax levied based on per capita basis	(0.1)	0.1
Other	1.9	1.8
Effective tax rate reflecting on the tax effect accounting	(15.8)	34.0

3. Modification of the amount of deferred tax asset/liability due to change of tax rate

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 1,986 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.