

FY2005 First Half Unconsolidated Financial Results

For the Six Months Ended September 30, 2005

English Translation from the Original Japanese-Language Document



MEMBERSHIP
November 2, 2005

Company Name : **Mazda Motor Corporation**
(Headquartered in Hiroshima, Japan / Tokyo Stock Exchange / Code No. 7261)
URL : <http://www.mazda.co.jp>
Representative Person : Hisakazu Imaki, Representative Director, President and CEO
Contact Person : Tetsuya Fujimoto, General Manager, Accounting Department, Phone (082) 282-1111
BOD Meeting : Meeting of the board of directors for account settlement held on November 2, 2005
Interim dividend : Adopted
Unit stock system : Adopted (One lot: 1,000 stock)

1. Financial Highlights (April 1, 2005 through September 30, 2005)

(1) Financial results

(in Japanese yen rounded to millions)

	Sales		Operating Income/ (Loss)		Ordinary Income/ (Loss)	
	million yen	%	million yen	%	million yen	%
FY2005 1st H.	943,439	1.7	15,798	4.7	12,480	(3.1)
FY2004 1st H.	927,876	16.5	15,090	(35.4)	12,883	(23.4)
FY2004	1,851,170		25,192		17,010	

	Net Income/ (Loss)		Net Income/(Loss) per share	
	million yen	%	yen	
FY2005 1st H.	13,228	229.0	10.68	
FY2004 1st H.	4,021	(55.2)	3.30	
FY2004	6,146		5.05	

Notes:

- Average number of shares of common stock outstanding

FY2005 1st H.	1,238,568,879 shares
FY2004 1st H.	1,217,039,343 shares
FY2004	1,216,279,068 shares
- Accounting policy changes: No.
- Changes in sales, operating income, ordinary income and net income from the previous period are shown in percentage.

(2) Dividends

	Interim Dividends	Annual Dividends
	per share	per share
	yen	yen
FY2005 1st H.	0.00	-
FY2004 1st H.	0.00	-
FY2004	-	3.00

(3) Financial Position

	Total assets	Shareholders' Equity	Equity Ratio	Equity per share
	million yen	million yen	%	yen
FY2005 1st H.	1,333,778	442,993	33.2	335.54
FY2004 1st H.	1,437,150	399,858	27.8	328.55
FY2004	1,408,598	401,516	28.5	330.15

Notes:

	Sep.30, 2005	Sep.30, 2004	Mar.31, 2005
Number of shares of common stock outstanding	1,320,224,727 shares	1,217,038,470 shares	1,216,164,604 shares
Number of shares of treasury stock	9,494,108 shares	5,471,256 shares	7,747,078 shares

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

	Sales	Ordinary Income/ (Loss)	Net Income/ (Loss)	Dividends per share	
				Year-end	Year-end
	million yen	million yen	million yen	yen	yen
FY2005	2,010,000	36,000	29,000	3.00	3.00

Reference: Net income per share for the full year 21.97 yen

The financial projection is the judgement of our management based on the information presently available. By nature, such financial projection is subject to uncertainty and a risk. Therefore, we advise against making an investment decision by solely relying on this projection. Variables that could affect the actual financial results include, but are not limited to, economic environments related to our business areas and fluctuations in yen-to-dollar and other exchange rates. For further information on the above financial projection, please refer to page 7 of Supplementary Information to Consolidated Financial Results for FY 2005 First Half.

Unconsolidated Statement of Income

Six months ended September 30, 2005

With comparative figures for the six months ended

September 30, 2004 and for FY2004 ended March 31, 2005

(in Japanese yen rounded to millions)

		FY2005 1st Half (Apr.2005-Sep.2005)	FY2004 1st Half (Apr.2004-Sep.2004)	Increase/ (Decrease)	FY2004 (Apr.2004-Mar.2005)
1. Sales	1	943,439	927,876	15,563	1,851,170
2. Cost of sales	2	782,508	770,090	12,418	1,539,633
Gross profit on sales	3	160,932	157,787	3,145	311,536
3. Selling, general and administrative expenses	4	145,134	142,696	2,437	286,344
Operating income	5	15,798	15,090	708	25,192
4. Non-operating income					
Interest and dividend income	6	3,945	3,393	553	3,778
Other	7	2,702	2,806	(104)	5,352
Total	8	6,647	6,199	449	9,130
5. Non-operating expenses					
Interest expense	9	2,744	3,426	(682)	6,686
Other	10	7,221	4,981	2,241	10,626
Total	11	9,965	8,407	1,559	17,312
Ordinary income	12	12,480	12,883	(402)	17,010
6. Extraordinary profits					
Profit on sale of tangible fixed assets	13	11	5	6	55
Profit on sale of investment securities for affiliates	14	924	-	924	-
Compensation received for the exercise of eminent domain	15	-	1,415	(1,415)	1,415
Insurance claim income	16	896	-	896	27,942
Gain on the transfer to the Government of the substitutional portion of employee pension fund liabilities	17	54,730	-	54,730	-
Other	18	222	-	222	-
Total	19	56,782	1,419	55,363	29,411
7. Extraordinary losses					
Loss on sale of tangible fixed assets	20	14	-	14	178
Loss on retirement of tangible fixed assets	21	1,865	2,138	(272)	4,936
Loss on impairment of Fixed Assets	22	18,491	-	18,491	-
Loss on sale of investment securities for affiliates	23	-	835	(835)	835
Valuation loss on investment securities for affiliates	24	87	-	87	160
Valuation loss on investments	25	-	-	-	1
Loss on investment for affiliates	26	-	-	-	7,272
Loss on restructuring of subsidiaries and affiliates	27	2,128	-	2,128	-
Investment valuation allowance	28	8,811	-	8,811	265
Loss on liquidation of a <i>Tokumei Kumiai</i>	29	-	2,242	(2,242)	2,226
Loss on disasters	30	-	-	-	14,831
Other	31	0	30	(30)	541
Total	32	31,396	5,245	26,152	31,244
Income (Loss) before income taxes	33	37,866	9,057	28,809	15,178
Income taxes					
Current	34	3,835	667	3,168	3,530
Refund retroactive	35	-	(2,103)	2,103	(2,103)
Deferred	36	20,804	6,472	14,331	7,604
Net income	37	13,228	4,021	9,207	6,146
Retained earnings (deficit) brought forward	38	15,099	15,981	(882)	15,981
Reversal of land revaluation	39	(4,665)	319	(4,984)	331
Reversal of earned surplus reserve	40	15,752	-	15,752	-
Unappropriated retained earnings/(deficit)	41	39,414	20,321	19,093	22,458

Unconsolidated Balance Sheet

September 30, 2005

With comparative figures for March 31, 2005 and September 30, 2004

(in Japanese yen rounded to millions)

		FY2005 1st. Half (September 30, 2005)	FY2004 (March 31, 2005)	Increase/ (Decrease)	FY2004 1st. Half (September 30, 2004)
Assets					
1. Current assets					
Cash and time deposits	1	108,459	147,852	(39,393)	201,899
Trade notes	2	0	1	(1)	9
Accounts receivable	3	133,913	122,229	11,684	149,445
Inventories	4	66,022	62,193	3,829	65,192
Deferred taxes	5	31,682	31,028	654	28,636
Accrued revenue	6	28,626	50,305	(21,679)	32,889
Other	7	40,568	39,590	979	16,200
Allowance for doubtful receivables	8	(6,568)	(6,784)	216	(5,383)
Total current assets	9	402,702	446,413	(43,711)	488,887
2. Fixed assets					
(1) Tangible fixed assets					
Buildings	10	79,810	78,763	1,048	78,430
Machinery & equipment	11	158,391	140,623	17,768	139,045
Tools, furniture & fixtures	12	12,441	22,339	(9,897)	21,980
Land	13	316,020	318,086	(2,067)	318,410
Construction in progress	14	29,736	39,528	(9,792)	25,803
Other	15	18,044	19,184	(1,140)	19,094
Total tangible fixed assets	16	614,442	618,523	(4,081)	602,762
(2) Intangible fixed assets					
Software	17	15,334	15,196	137	14,365
(3) Investments and other fixed assets					
Investment securities	18	4,328	3,790	537	3,645
Investment securities for affiliates	19	240,605	240,407	199	240,566
Long-term loans receivable	20	4,362	4,562	(200)	5,215
Deferred taxes	21	45,205	64,172	(18,968)	67,765
Other	22	23,071	23,004	67	21,139
Allowance for doubtful receivables	23	(6,685)	(6,695)	10	(6,683)
Investment valuation allowance	24	(9,587)	(776)	(8,811)	(511)
Total investments and other fixed assets	25	301,300	328,465	(27,165)	331,135
Total fixed assets	26	931,076	962,184	(31,109)	948,263
Total assets	27	1,333,778	1,408,598	(74,820)	1,437,150

(in Japanese yen rounded to millions)

		FY2005 1st. Half	FY2004	Increase/	FY2004 1st. Half
		(September 30, 2005)	(March 31, 2005)	(Decrease)	(September 30, 2004)
Liabilities					
1. Current liabilities					
Trade notes	1	986	860	126	726
Accounts payable	2	205,018	188,929	16,089	180,110
Short-term loans payable	3	12,640	15,640	(3,000)	15,710
Long-term loans payable due within one year	4	54,098	75,373	(21,276)	79,828
Bonds due within one year	5	-	30,000	(30,000)	80,000
Accrued expenses	6	72,147	73,804	(1,657)	61,947
Reserve for warranty expenses	7	23,817	21,980	1,837	21,876
Reserve for loss on restructuring of subsidiaries and affiliates	8	2,128	-	2,128	-
Other	9	31,687	49,018	(17,331)	30,835
Total current liabilities	10	402,521	455,605	(53,084)	471,032
2. Fixed liabilities					
Bonds	11	65,000	40,000	25,000	40,000
Bonds with stock acquisition right	12	27,190	59,567	(32,377)	59,996
Long-term loans payable	13	193,596	196,790	(3,194)	210,944
Deferred tax liability related to land revaluation	14	93,840	91,132	2,709	90,896
Employees' and executive officers' severance and retirement benefits	15	104,764	160,160	(55,395)	161,238
Directors' and corporate auditors' retirement benefits	16	781	765	16	708
Other	17	3,091	3,063	28	2,478
Total fixed liabilities	18	488,263	551,477	(63,214)	566,260
Total liabilities	19	890,785	1,007,082	(116,297)	1,037,291
Shareholders' equity					
1. Common stock					
	20	136,483	120,295	16,188	120,080
2. Capital surplus					
Capital reserve	21	46,373	104,433	(58,060)	104,219
Other capital surplus	22	74,250	2	74,248	-
Total Capital surplus	23	120,624	104,435	16,189	104,219
3. Earned surplus					
(1) Earned surplus reserve	24	-	15,752	(15,752)	15,752
(2) Reserve for optional purpose	25	13,274	9,563	3,711	9,563
(3) Unappropriated profit	26	39,414	22,458	16,956	20,321
Total earned surplus	27	52,688	47,773	4,915	45,635
4. Land revaluation					
	28	135,560	130,895	4,665	131,151
5. Net unrealized gain/(loss) on available-for-sale securities					
	29	654	309	345	232
6. Treasury stock					
Total shareholders' equity	30	(3,016)	(2,192)	(824)	(1,459)
Total liabilities and shareholders' equity	31	442,993	401,516	41,477	399,858
	32	1,333,778	1,408,598	(74,820)	1,437,150

Significant Accounting Policies

1. Asset Valuation Method

- (1) Securities: For the “Investment securities for affiliates” and “Available-for-sale securities”, the one which doesn’t have the market value is booked on historical cost basis based on the moving average method. “Available-for-sale securities” which has the market value is booked in fair value based on the market prices, etc. as of Sep 30,2005. The variances are all booked “Shareholder’s equity” whether they are profit or loss, and its cost of sales is calculated on moving average method.
- (2) Derivatives: Mainly market value method
- (3) Inventories: Historical cost basis based on an average method

2. Depreciation Method of Fixed Assets

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

3. Standards for Recognition of reserves

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

<Additional information>

Commencing with the enforcement of law of defined benefit corporate pension plan, Mazda Motor Corporation (the “Company”) was authorized for the exemption of the past obligation by Minister of Health, Labor and Welfare on July 31, 2005.

The effect for the current first half is to increase Extraordinary profits by 54,730 million yen.

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

- (5) Allowance for doubtful receivables:
Allowance for doubtful receivables provides for losses from bad debt. The amount estimated to be uncollectible is recognized.
For receivables at a ordinary risk, the amount is estimated based on the past default ratio.
For receivables at a high risk and receivables from debtors under bankruptcy proceedings, the amount is estimated based on financial standing of debtors.
- (6) 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 for Leases
Lease transactions other than finance lease with an unconditional title transfer clause are accounted for by the method equivalent to rental transactions.
6. Accounting for Hedging Activities
Full-deferral hedge accounting is applied.
Also, for certain interest swap contracts that are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.
The forward exchange contract designated as hedging a foreign-currency-loan receivable is translated into yen at the fixed exchange rate stipulated in the contract.
7. Accounting of Consumption Tax, etc.
Tax-excluding method is applied.
8. Current and Deferred income taxes
For the Current and Deferred income taxes regarding this first half-year period, the amount which needs to be booked in this period is recognized on the assumption that “Reserve for advanced depreciation deduction of fixed assets”, “Reserve for special depreciation” and “Reserve for World exposition” are accumulated and/ or reversed at the end of this first half in a profit appropriation.

Accounting Change

Impairment of fixed assets

Commencing in the six months ended September 30, 2005, the Company adopted the new accounting standard for impairment of fixed assets (“Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed assets” issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No.6 issued by the Accounting Standards Board of Japan on October 31, 2003.)

The effect of adopting the new accounting standard on the statement of income was to decrease income before Income taxes by 18,491 million yen.

Also, the impaired fixed assets are presented in the balance sheet net of accumulated impairment in accordance with the revised standard for preparation of financial statements.

Notes

Notes to Balance Sheet

	(in millions of yen)		
	<u>FY2005 1st H.</u>	<u>FY2004 1st H.</u>	<u>FY2004</u>
1. Accumulated depreciation on tangible fixed assets	902,097	932,473	908,309
2. Assets offered as collateral and collateralized loans			
Assets offered as collateral	345,179	328,967	332,364
Collateralized loans	69,269	114,562	96,454
3. Subordinate loans receivable	1,904	2,493	2,109
4. Contingent Liabilities for guarantee and similar agreements	154,569	170,312	152,920
5. Factoring of receivables with recourse	20,720	7,460	8,590

Notes to Statement of Income

1. Loss on Impairment of Fixed Assets (FY2005 1st H.)

1) Asset groups for which an impairment loss was recognized in the six months ended September 30, 2005

<u>Usage</u>	<u>Location</u>	<u>Type</u>	<u>(in millions of yen)</u>
-Idle assets: (distribution centers, etc.)	20 locations, including Higashi Nada-ku, Kobe-city	Buildings and structures	2,483
		Machinery and equipment	663
		Tools, furniture and fixtures	3
		Land	<u>1,874</u>
		Sub-total	<u>5,023</u>
-Idle assets: (production equipment, etc.)	3 locations, including Aki-gun, Hiroshima-prefecture	Machinery and equipment	2,539
		Tools, furniture and fixtures	<u>10,929</u>
		Sub-total	<u>13,468</u>
Total			<u><u>18,491</u></u>

2) Grouping of assets

Assets were grouped into assets held for use, idle assets, and assets held for rent. Furthermore, idle assets and assets held for rent were individually grouped by each item.

3) Recognition of an Impairment Loss

For the idle assets without a plan to use in operation in the future, the carrying amount was reduced to the amount recoverable. The reduction in the carrying amount was recognized as an impairment loss. The impairment loss (10,929 million yen) on tools, furniture and fixtures under the production equipment category included long-lived tooling for the production of parts to be sold individually.

4) Estimation of an Amount Recoverable

The recoverable amount of an idle asset group was estimated based on the net amount that the asset could be sold (net selling amount). For land, the net selling amount was estimated based on a third-party appraisal. For other idle assets, the net selling amount is nominal.

	(in millions of yen)		
	<u>FY2005 1st H.</u>	<u>FY2004 1st H.</u>	<u>FY2004</u>
2. The amount of depreciation			
Tangible fixed assets	15,041	13,124	27,487
Intangible fixed assets	1,750	1,255	2,736

Lease

Lease was omitted in exchange for release on EDINET.

Marketable Securities

Stocks for subsidiaries and affiliates that have the market value.

(in million of yen)

Stock for affiliates	FY2005 1st H. (As of Sep. 30, 2005)	FY2004 1st H. (As of Sep. 30, 2004)	FY2004 (As of Mar. 31, 2005)
Balance sheet	-	331	331
Market Value	-	1,165	1,406
Difference	-	834	1,075

Increase of number of outstanding shares in this fiscal year

Style of issue	Use the right of acquisition of Bond with stock acquisition right
Number of shares increased	105,807,153 shares
Issue price	306 yen per share
Capitalization price	153 yen per share
The amount capitalized	16,188 Mil. yen

FY 2005 First Half Financial Summary (Unconsolidated)

Nov 2, 2005
Mazda Motor Corporation

		(in 100 millions of yen)		FY2004 1st.HF		FY2005 1st.HF		FY2004		FY2005		FY2005	
		(in thousands of units)		(Apr.04 - Sep.04)		(Apr.05 - Sep.05)		(Apr.04 - Mar.05)		(Apr.05 - Mar.06)		(Apr.05 - Mar.06)	
		(Upper left: ratio on sales)								Projection		Prior Projection	
					%		%		%		%		%
Net Sales	Domestic	1	2,985	+0.3		3,277	+9.8	6,300	+1.3	6,700	+6.3	6,800	+7.9
	Export	2	6,294	+26.2		6,157	(2.2)	12,212	+17.5	13,400	+9.7	13,800	+13.0
	Total	3	9,279	+16.5		9,434	+1.7	18,512	+11.4	20,100	+8.6	20,600	+11.3
Operating income/(loss)		4	151	(35.4)		158	+4.7	252	+23.3	320	27.0	270	+7.2
Ordinary income/(loss)		5	129	(23.4)		125	(3.1)	170	+42.3	360	111.6	330	+94.0
Income/(loss) before taxes		6	91	(27.7)		379	+318.1	152	+169.4	530	249.2	470	+209.7
Net income/(loss)		7	40	(55.2)		132	+229.0	61	+101.4	290	371.8	290	+371.8
Average rate for the period		8	110Yen/US\$ 133Yen/EUR		110Yen/US\$ 136Yen/EUR			108Yen/US\$ 135Yen/EUR		109 Yen/US\$ 135 Yen/EUR		105Yen/US\$ 135Yen/EUR	
Transaction rate		9	107Yen/US\$ 132Yen/EUR		106Yen/US\$ 137Yen/EUR			108Yen/US\$ 134Yen/EUR		107 Yen/US\$ 136 Yen/EUR		105Yen/US\$ 136Yen/EUR	
Capital investment		10	244		301			586		580		580	
Depreciation and amortization		11	131		150			275		320		320	
R & D cost		12	450		454			824		850		920	
Total assets		13	14,371		13,338			14,086					
Net worth		14	3,999		4,430			4,015					
Financial debts		15	4,947		3,598			4,359					
Net financial debts		16	2,928		2,514			2,880					
Wholesales	Domestic total	17	145	(0.9)		156	+8.0	308	+1.8	320	+3.8	322	+4.3
	Export total	18	331	+20.3		350	+5.6	686	+16.2	753	+9.8	770	+12.3
Wholesales		19	476	+13.0		507	+6.4	994	+11.3	1,073	+8.0	1,092	+9.8
Domestic production units		20	391	+0.3		435	+11.1	813	+0.2	905	+11.4	931	+14.5
Number of employees (Excluding dispatchees)		21	18,296		18,946			18,359					